



# PRIME MINERALS LIMITED

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## **ASX ANNOUNCEMENT**

26 August 2014

### **PRIME MINERALS LIMITED – LODGEMENT OF BIDDER'S STATEMENT**

#### **BIDDER'S STATEMENT**

Further to Prime Minerals Limited's proposed merger with Cocoon Data Holdings Limited as announced on 27 June 2014, a copy of Prime's Bidder's Statement is attached.

The Bidder's Statement was lodged with ASIC earlier today.

#### **DEEDS OF AMENDMENT**

##### **Bid Implementation Agreement**

The Bid Implementation Agreement dated 27 June 2014 and annexed to the announcement "Prime Minerals Limited to Merge with Cocoon Data Holdings Limited" dated 27 June 2014 has been amended pursuant to a deed of amendment dated 25 August 2014 (**BIA Deed of Amendment**). The BIA Deed of Amendment is Annexure A to this Announcement.

##### **Secured Loan Agreement**

The Secured Loan Agreement referenced in the announcement "Prime Minerals Limited to Merge with Cocoon Data Holdings Limited" dated 27 June 2014 has been amended pursuant to a deed of amendment between the parties dated 25 August 2014. Details of the amended Secured Loan Agreement are contained in Section 4.11(d) of the attached Bidder's Statement.

#### **contact information**

For further information please contact:

Ronn Bechler  
Market Eye Pty Ltd  
(03) 9591 8900

THIS IS AN IMPORTANT DOCUMENT WHICH YOU SHOULD READ CAREFULLY. IF YOU ARE IN ANY DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONSULT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

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

# **BIDDER'S STATEMENT**

**in relation to a Takeover Offer by Prime Minerals Limited to  
acquire ALL of your shares in**

**COCOON DATA HOLDINGS LIMITED  
(ACN 127 993 300)**

**Consideration offered is:**

**0.6547 PIM Shares and 0.0953 Performance Shares for every 1  
Cocoon Share you own<sup>1</sup>**

The Takeover Offer is dated 27 August 2014 and will close at 5.00pm (Perth time) on 10 October 2014, unless extended or withdrawn

*The Cocoon Board unanimously recommend that Cocoon Shareholders accept the Takeover Offer in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition. The directors of Cocoon have indicated that they will accept the Takeover Offer in respect of their own holdings, in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition.*

**Legal Advisor to PIM:**

**STEINPREIS PAGANIN**   
Lawyers & Consultants

<sup>1</sup> Following the proposed 1:10 Consolidation of the capital of PIM for which the approval of PIM Shareholders is being sought at the PIM Shareholder Meeting to be held on 23 September 2014. On a pre-Consolidation basis, the consideration to be paid under the Takeover Offer would be 6.547 PIM Shares and 0.953 Performance Shares for every 1 Cocoon Share held. See Section 3.11 of this Bidder's Statement for further information.

## IMPORTANT INFORMATION

### Bidder's Statement

This document (**Bidder's Statement**), dated 26 August 2014, is issued by Prime Minerals Limited (ACN 120 658 497) under Part 6.5 of the Corporations Act in relation to an off-market offer by PIM to acquire all Cocoon Shares (including all Rights attaching to them) and sets out certain disclosures required by the Corporations Act.

A copy of this Bidder's Statement was lodged with ASIC on 26 August 2014. ASIC takes no responsibility for the contents of this Bidder's Statement.

### Investment Risks

There are a number of risks that may have a material impact on the value of the Takeover Offer, the future performance of the Merged Group and the value of PIM Shares. These are described in Section 8 of this Bidder's Statement.

### Foreign Jurisdictions

The distribution of this document and the making of the Takeover Offer may be restricted by the laws of foreign jurisdictions. Persons who come into possession of this Bidder's Statement should observe any such restrictions.

The Takeover Offer is not being made, directly or indirectly, in any country or to any person where it would be unlawful. This Bidder's Statement does not constitute an offer of securities in any jurisdiction in which it would be unlawful.

Outside Australia and New Zealand, this Bidder's Statement may only be distributed to existing shareholders of Cocoon resident in Hong Kong, Singapore, the United Kingdom and the United States. See Section 9.13 of this Bidders Statement for further information.

No action has been taken to register or qualify the PIM Shares or the

Performance Shares to permit a public offer of these securities outside Australia, its external territories, and New Zealand.

This Bidder's Statement has been prepared having regard to Australian disclosure requirements. These disclosure requirements may differ from other countries.

This Bidder's Statement is not a New Zealand prospectus or an investment statement and has not been registered, filed with, or approved by any New Zealand regulatory authority under or in accordance with the *Securities Act 1978 (New Zealand)* (or any other relevant New Zealand law). This Bidder's Statement may not contain all the information that a prospectus or investment statement under the New Zealand law is required to contain. The only members of the public in New Zealand to whom PIM Shares are being offered to under the Takeover Offer are Cocoon Shareholders. The Takeover Offer is being made in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

### Disclosure Regarding Forward Looking Statements

This Bidder's Statement includes forward-looking statements that have been based on PIM's current expectations and predictions about future events including PIM's intentions (which include those set out in Section 6). These forward-looking statements are, however, subject to inherent risks, uncertainties and assumptions that could cause actual results, performance or achievements of PIM, Cocoon and the Merged Group to differ materially from the expectations and predictions, expressed or implied, in such forward-looking statements. These factors include, among other things, those risks identified in Section 8.

You are cautioned not to place reliance on these statements in the event that

the outcome is not achieved. The forward looking statements in this Bidder's Statement reflect views held only at the date of this Bidder's Statement.

### **Value of PIM Shares**

The implied value of the Takeover Offer will vary with the market price of PIM Shares. Further information on the implied value of the Takeover Offer is contained in Section 2.1. Before accepting the Takeover Offer, Cocoon Shareholders should obtain current quotes for PIM Shares from their stockbroker or other financial adviser.

In addition, all references to the implied value of the Takeover Offer are subject to the effects of rounding.

### **Number of PIM Shares - Post Consolidation**

PIM intends to undertake a 1 for 10 Consolidation of its securities as part of its merger with Cocoon. All references in this Bidder's Statement to PIM Share and Performance Share numbers are stated on a post Consolidation basis unless stated otherwise. In particular, the consideration being offered to Cocoon Shareholders under the Takeover Offer of 0.6547 PIM Shares and 0.0953 Performance Shares per Cocoon Share is on a post-Consolidation basis.

### **Investment Advice**

This Bidder's Statement does not take into account the individual investment objectives, financial situation or particular needs of each Cocoon Shareholder (or any other person). You may wish to seek independent financial and taxation advice before making a decision as to whether or not to accept the Takeover Offer.

### **Privacy**

PIM has collected your information from the registers of Cocoon for the purposes of making the Takeover Offer and administering your acceptance over Your Cocoon Shares. PIM and its share

registry may use your personal information in the course of making and implementing the Takeover Offer. PIM and its share registry may also disclose your personal information to their related bodies corporate and external service providers and may be required to disclose such information to regulators, such as ASIC and ASX. By submitting an Acceptance Form, you authorise PIM to disclose any personal information contained in your Acceptance Form or collected from the register of Cocoon to PIM, Cocoon, its share registry and their related bodies corporate and external service providers (**Collecting Parties**) where necessary, for any purpose in connection with the Takeover Offer, including processing your acceptance of the Offer and complying with applicable law, the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and any requirements imposed by any Government Authority. Any disclosure of your personal information made for the above purposes will be on a confidential basis and in accordance with the Privacy Act 1988 (Cth) and all other legal requirements. If you would like details of, or would like to update, information about you held by PIM, please contact PIM at the address set out in the Corporate Directory.

### **Defined Terms**

A number of defined terms are used in this Bidder's Statement. Unless expressly specified otherwise, defined terms have the meaning given in Section 11.

### **Internet Sites**

PIM and Cocoon each maintain internet sites. The URL location for PIM is <http://www.primeminerals.com.au> and for Cocoon is <https://www.cocoondata.com>. Information contained in or otherwise accessible through these internet sites are not part of this Bidder's Statement. All references to these sites in this Bidder's Statement are for information purposes only.

## **Estimates and Assumptions**

Unless otherwise indicated, all references to estimates, assumptions and derivations of the same in this Bidder's Statement are references to estimates, assumptions and derivations of the same by PIM's management. Management estimates reflect and are based on views as at the date of this Bidder's Statement, and actual facts or outcomes may materially differ from those estimates or assumptions.

## **Effect of Rounding**

Figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Bidder's Statement may be subject to the effect of rounding. Accordingly, the actual figures may vary from those included in this Bidder's Statement.

## **Currencies**

In this Bidder's Statement, references to "Australian dollars", "AUD", "\$", "A\$" or "cents" are to the lawful currency of Australia.

This Bidder's Statement may contain conversions of relevant currencies to other currencies for convenience. These conversions should not be construed as representations that the relevant currency could be converted into the other currency at the rate used or at any other rate. Conversions that have been calculated at the date of this Bidder's Statement (or any other relevant date) may not correspond to the amounts shown in the historic or future financial statements of PIM or Cocoon in respect of which different exchange rates may have been, or may be, used.

## **Maps and diagrams**

Any diagrams and maps appearing in this Bidder's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in charts, maps, graphs and tables is based on information available at the date of this Bidder's Statement.

## **Queries**

You should contact your legal, financial or professional advisor if you are unsure about how to deal with this Bidder's Statement.

If you have any enquires about the Takeover Offer, please contact PIM's Company Secretary on +61 8 9481 7833 or your professional financial advisor.

26 August 2014

**Dear Cocoon Shareholders,**

On behalf of the Directors of Prime Minerals Limited (**PIM**), I am pleased to present you with this opportunity to create a leading ASX listed data security company with strong growth prospects.

PIM is an ASX listed Perth based company with a well-credentialed board and supportive shareholder base.

PIM is offering to acquire all your shares in Cocoon Data Holding Limited (**Cocoon**) by way of an off market takeover offer under which you will receive, subject to the terms and conditions of the takeover offer, 0.6547 PIM Shares and one 0.0953 Performance Shares for every 1 Cocoon Share you own (**Takeover Offer**).

The Takeover Offer values each Cocoon Share at \$0.15<sup>2</sup>. In addition to this attractive value, you will enjoy ASX trading liquidity and you may also be entitled to full or partial Australian capital gains tax rollover relief.

You will also continue to benefit from the expertise of the Cocoon Board and management team who will form PIM's new Board and management team post completion of the Takeover Offer.

The Cocoon Board, in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition, unanimously recommends that Cocoon Shareholders accept the Takeover Offer.

As announced on 30 June 2014, the members of the Cocoon Board and other Cocoon Shareholders which together own 60% of all Cocoon Shares on issue as at the date of this Bidder's Statement, have advised Cocoon that, in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition, they intend to accept and/or procure the acceptance of the Takeover Offer in respect of all of the Cocoon Shares that they control.

The conditions of the Takeover Offer are explained further in Section 1.8(a) of Annexure A and include obtaining the necessary approvals from PIM Shareholders required as a result of the Takeover Offer.

In conjunction with the Takeover Offer, PIM will seek to raise at least \$2.5 million and up to \$15 million at an issue price of no less than \$0.20 per PIM Share (on a post-Consolidation basis) under a full form Prospectus (**Prospectus Offer**).

We encourage you to read this Bidder's Statement carefully, including the risk factors set out in Section 8 before accepting the Takeover Offer.

<sup>2</sup> Based on an adopted price \$0.20 per PIM Share (on a post-Consolidation basis) on the basis that this is the price that PIM Shares are being offered to investors under the Prospectus Offer and assuming that the Performance Shares are given an equivalent value. Based on the 30 day VWAP for PIM Shares to and including 25 August 2014 (being the 30 day period up to and including the last trading day for PIM Shares on the ASX prior to the date of this Bidder's Statement), the value of a PIM Share is \$0.197. This is equivalent to a price per PIM Share of \$0.197 (on a post-Consolidation basis), assuming that the Performance Shares have an equivalent value to the PIM Shares, giving an implied value of \$0.148 for each Cocoon Share. See Section 2.1 for further details.

To accept the Takeover Offer, you should follow the instructions on the Acceptance Form enclosed with this Bidder's Statement.

The Takeover Offer is open for your acceptance until 5.00 pm (Perth Time) on 10 October 2014, unless extended or withdrawn.

If you have any questions about the Takeover Offer, please contact your professional financial advisor or contact PIM's Company Secretary on +61 8 9481 7833.

Yours sincerely

Michael Scivolo  
Non-Executive Chairman

## KEY DATES

Execution of Bid Implementation Agreement and announcement of Takeover Offer	27 June 2014
Dispatch Notice of Meeting to PIM Shareholders	25 August 2014
Lodgement of Bidder's Statement with ASIC	26 August 2014
Bidder's Statement sent to Cocoon Shareholders	27-29 August 2014
Prospectus lodged with ASIC for Prospectus Offer	Mid-late September 2014
Suspension of PIM Shares from trading on ASX at the opening of trading	23 September 2014
Meeting to approve merger and associated transactions	23 September 2014
Takeover Offer and Prospectus Offer close (unless otherwise extended or withdrawn)	10 October 2014
Completion of merger and issue of Shares under Capital Raising	16 October 2014
Anticipated date the suspension of trading is lifted and PIM Shares recommence trading on ASX	17 October 2014

## CORPORATE DIRECTORY

### Share Registry for the Takeover Offer\*

Advanced Share Registry Ltd  
110 Stirling Hwy  
NEDLANDS WA 6009  
Phone: +61 8 9389 8033

### Directors

Michael Scivolo – Non-Executive Chairman^  
Robert Collins – Non-Executive Director^  
Sol Majteles – Non-Executive Director^

### Proposed Directors

Charles Archer – Executive Chairman  
Trent Telford – Executive Director  
Philip King – Non-Executive Director  
Phillip Dunkelberger – Non-Executive Director  
Joseph Miller – Non-Executive Director

### Company Secretary

Norman Grafton^

### Proposed Company Secretary

Nick Chiarelli

^ Retiring upon completion of the merger with Cocoon.

\* These entities have been included for information purposes only. They have not been involved in the preparation of this Bidder's Statement.

### Prime Minerals Limited

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8 Parliament Place  
WEST PERTH WA 6005  
Phone: +61 8 9481 7833  
Facsimile: +61 8 9481 7835

**ASX Code:** PIM

**Proposed ASX Code:** CVT

### Website

<http://www.primeminerals.com.au>

### Australian Solicitors to the Company

Steinepreis Paganin  
Lawyers and Consultants  
Level 4, The Read Buildings  
16 Milligan Street  
PERTH WA 6000

### Auditor\*

HLB Mann Judd  
Level 4, 130 Stirling Street  
PERTH WA 6000



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## 1. INVESTMENT OVERVIEW

The information in this Section is intended to provide an overview of PIM, the Takeover Offer that PIM is making for Your Cocoon Shares and the risks you should consider.

**The information in this Section 1 is not intended to be comprehensive and should be read in conjunction with the detailed information contained in this Bidder's Statement.**

You should read this Bidder's Statement in its entirety and the Target's Statement (when received) before deciding how to deal with Your Cocoon Shares. The detailed terms of the Takeover Offer are set out in Annexure A.

The information in this Section 1 is set out by way of response to a series of questions. PIM believes this is the most informative way to provide the information. Each answer has, where appropriate, cross-references to other questions in this Investment Overview and other parts of this Bidder's Statement, including the Annexures, which contain more information that you might find useful or relevant.

**Part A** of this Investment Overview deals with the Takeover Offer. **Part B** deals with PIM, its business and assets and PIM securities. **Part C** deals with risks relating to PIM, Cocoon, the Takeover Offer and the Merged Group. **Part D** deals with other relevant questions.

If you have any questions about the Takeover Offer, please contact PIM's Company Secretary on +61 8 9481 7833, or your professional financial advisor.

### PART A – OVERVIEW OF THE TAKEOVER OFFER

No.	Question	Answer	Further information
1.	<b>What is PIM offering to buy?</b>	PIM is offering to buy all Cocoon Shares (including all Rights attaching to them) on the terms set out in this Bidder's Statement. You may only accept the Takeover Offer in respect of all (and not some) of Your Cocoon Shares.	Annexure A contains the full terms of the Takeover Offer and the Conditions.
2.	<b>What will you receive if you accept the Takeover Offer?</b>	If you accept the Takeover Offer, subject to satisfaction of the Conditions of the Takeover Offer, you will receive <b>0.6547 PIM Shares and 0.0953 Performance Shares for every 1 Cocoon Share</b> held by you on a post-Consolidation basis (equal to 6.547 PIM Shares and 0.953 Performance Shares for every 1 Cocoon Share held on a pre-Consolidation basis).	Annexure A contains full terms of the Takeover Offer and the Conditions.

<b>3.</b>	<b>What is the value of the Takeover Offer?</b>	<p>The implied value of the Takeover Offer as at the date of this Bidder's Statement is \$0.15 per Cocoon Share<sup>3</sup>.</p> <p>The value of the Takeover Offer may change as a consequence of changes in the market price of PIM Shares.</p>	Section 2.1 of this Bidder's Statement provides further information in respect of the implied value of the Takeover Offer.
<b>4.</b>	<b>How long will the Takeover Offer remain open?</b>	The Takeover Offer opens on 27 August 2014. Unless withdrawn or extended in accordance with the Corporations Act, the Takeover Offer is scheduled to close at 5:00 pm (Perth Time) on 10 October 2014.	
<b>5.</b>	<b>Can the Offer Period be extended?</b>	The Offer Period can be extended at PIM's election, up to a maximum period of 12 months after the opening date of the Offer Period. Cocoon Shareholders will be provided with written notice of any extension, and the extension will be announced to ASX.	Section 1.2 of Annexure A of this Bidder's Statement contains more information as to the Offer Period.
<b>6.</b>	<b>What choices do I have as a Cocoon shareholder?</b>	<p>As a Cocoon Shareholder, you have the following choices in respect of Your Cocoon Shares:</p> <ul style="list-style-type: none"> <li>(a) accept the Takeover Offer;</li> <li>(b) sell all or some Your Cocoon Shares outside of the Takeover Offer, but as Cocoon Shares are not listed on any securities exchange, this may be difficult for you to do; or</li> <li>(c) do nothing.</li> </ul>	
<b>7.</b>	<b>How do I accept the Takeover Offer?</b>	To accept the Takeover Offer, you should follow the instructions set out in this Bidder's Statement and in the enclosed Acceptance Form.	See your Acceptance Form <b>enclosed</b> with this Bidder's Statement and Section 1.4 of

<sup>3</sup> Based on an adopted price \$0.20 per PIM Share (on a post-Consolidation basis) on the basis that this is the price that PIM Shares are being offered to investors under the Prospectus Offer and assuming that the Performance Shares are given an equivalent value. Based on the 30 day VWAP for PIM Shares to and including 25 August 2014 (being the 30 day period up to and including the last trading day for PIM Shares on the ASX prior to the date of this Bidder's Statement), the value of a PIM Share is \$0.197. This is equivalent to a price per PIM Share of \$0.197 (on a post-Consolidation basis), assuming that the Performance Shares have an equivalent value to the PIM Shares, giving an implied value of \$0.148 for each Cocoon Share. See Section 2.1 for further details.

			Annexure A for further information.
8.	<b>Can I accept the Takeover Offer for part of my holding?</b>	No, you must accept the Takeover Offer for all of Your Cocoon Shares.	Section 1.6(c)(i) of Annexure A of this Bidder's Statement.
9.	<b>If I accept the Takeover Offer can I withdraw my acceptance?</b>	You cannot withdraw or revoke your acceptance unless a withdrawal right arises under the Corporations Act. A withdrawal right will arise if, after you have accepted the Takeover Offer, PIM varies the Takeover Offer in a way that postpones for more than 1 month the time that PIM has to meet its obligations under the Takeover Offer (for example, if PIM extends the Offer Period for more than 1 month while the Takeover Offer remains subject to any of the Conditions).	Section 1.6 of Annexure A of this Bidder's Statement contains more information as to the limited circumstances in which you may be able to revoke or withdraw your acceptance. See also Section 1.12 of Annexure A.
10.	<b>What happens if I do not accept the Takeover Offer?</b>	<p>Subject to the explanation below, you will remain a shareholder of Cocoon and will not receive the Offer Consideration.</p> <p>If you do not accept the Takeover Offer and PIM acquires a Relevant Interest in at least 90% of Cocoon Shares and the other conditions of the Takeover Offer are satisfied or waived, PIM intends to proceed to compulsorily acquire the outstanding Cocoon Shares. You will be invited to claim the Offer Consideration. Therefore, accepting the Takeover Offer will result in you receiving your Offer Consideration sooner if you accept the Takeover Offer, rather than having Your Cocoon Shares compulsorily acquired.</p> <p>If the Takeover Offer becomes or is declared unconditional but PIM does not become entitled to compulsorily acquire Your Cocoon Shares under the Corporations Act, unless you sell Your Cocoon Shares, you will remain a shareholder in Cocoon.</p> <p>In these circumstances and, depending on the number of Cocoon Shares acquired by PIM, you may be a minority Cocoon</p>	Section 6 of this Bidder's Statement provides more information regarding PIM's intentions in the event that it does and does not acquire a Relevant Interest in at least 90% of the Cocoon Shares.

		Shareholder in what will be a less liquid stock as Cocoon will not be listed on the ASX.	
11.	<b>What happens if PIM improves the Offer Consideration?</b>	If PIM improves the Offer Consideration, all the Cocoon Shareholders who accept the Takeover Offer (whether or not they have accepted the Takeover Offer before or after such improvement) will be entitled to the benefit of the improved Offer Consideration, should the Takeover Offer become or be declared unconditional.	This is a requirement of, and governed by, the Corporations Act.
12.	<b>Are there conditions to the Takeover Offer?</b>	<p>The Takeover Offer is subject to the Conditions set out in Section 1.8 of Annexure A and include:</p> <p>(a) PIM acquiring a Relevant Interest in at least 90% of the aggregate of all the Cocoon Shares on issue by the end of the Offer Period (thereby becoming entitled to compulsorily acquire all of the outstanding Cocoon Shares under Part 6A.1 of the Corporations Act) (in the event that PIM has received acceptances in respect of 80% of the Cocoon Shares, PIM may waive this condition without Cocoon's consent);</p> <p>(b) the Prospectus Offer closes and, as at the close of the Prospectus Offer, PIM receives or becomes entitled to receive, in immediately available funds, gross proceeds of no less than \$2.5 million as a result of subscriptions made under the Prospectus Offer;</p> <p>(c) obtaining from the PIM Shareholders the approvals necessary to change its nature and scale under ASX Listing Rule 11.1.2 as a result of the Takeover Offer,</p>	Section 1.8 of Annexure A to this Bidder's Statement sets out the Conditions in full.

		<p>undertake the Prospectus Offer, appoint the Proposed Directors to the PIM board, issue a new class of share capital in PIM (being the Performance Shares), and the Consolidation (among others);</p> <p>(d) that no “prescribed occurrences” occur in respect of Cocoon; and</p> <p>(e) that no material adverse change occurs in relation to Cocoon.</p>	
13.	<b>What if the Conditions are not satisfied or waived?</b>	<p>If the Takeover Offer closes and the Conditions are not satisfied or waived, the Takeover Offer will lapse, and your acceptance will be void. In other words, you will continue to hold Your Cocoon Shares (unless you otherwise sell them). PIM will announce whether the Conditions have been satisfied or waived during the Offer Period in accordance with its obligations under the Corporations Act.</p>	<p>Annexure A to this Bidder’s Statement sets out further information.</p>
14.	<b>Will my new PIM Shares be listed on ASX?</b>	<p>Within 7 days of the date of this Bidder’s Statement, PIM will apply to ASX for Official Quotation of the new PIM Shares to be issued as Offer Consideration. Quotation of the new PIM Shares depends on ASX exercising its discretion to admit them to quotation on ASX.</p> <p>As the Takeover Offer, if successful, will result in a significant change in nature and scale of PIM’s activities under ASX Listing Rule 11.1, PIM’s Shares will be suspended from trading on the ASX from the date of the PIM Shareholder Meeting until PIM re-complies with Chapters 1 and 2 of the ASX Listing Rules and receives ASX approval to be re-admitted to the ASX.</p> <p>The Performance Shares will not be quoted on the ASX. However, PIM will apply for PIM Shares issued on conversion of the Performance Shares to be listed on ASX.</p>	<p>Section 3.17 of this Bidder’s Statement contains more information in relation to the re-admission of PIM Shares to trading on the ASX.</p>
15.	<b>Will my PIM</b>	PIM Shares issued (and PIM	Section 9.9 of this

	<b>Shares be restricted from trading?</b>	<p>Shares issued upon conversion of Performance Shares) as Offer Consideration may be subject to trading restrictions for a period of time in accordance with the ASX Listing Rules, depending on:</p> <ul style="list-style-type: none"> <li>• whether or not you are a related party or promoter of PIM;</li> <li>• the amount of cash that you paid for Your Cocoon Shares; and</li> <li>• the date of issue of Your Cocoon Shares.</li> </ul>	Bidder's Statement contains more information in relation to the trading restrictions applicable to PIM Shares.
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## PART B – OVERVIEW OF PIM

No.	Question	Answer	Further information
1.	<b>Who is PIM?</b>	<p>PIM listed on the ASX on 28 December 2006 as an exploration company with exposure to uranium, gold, vanadium/titanium, and iron ore.</p> <p>On 20 May 2014, PIM announced its intention to merge with Cocoon, an unlisted Australian public company which holds an attractive portfolio of data security patents.</p> <p>Following successful completion of the merger, PIM intends to focus on the development and marketing of the Covata Platform owned by Cocoon.</p> <p>PIM proposes to change its name to "Covata Limited", which in its opinion will be better suited to its new direction.</p>	Sections 3, 6, 8 and 9 of this Bidder's Statement contain more information about PIM's assets, financial position, details of PIM securities currently on issue and the risks that may apply to an investment in PIM.
2.	<b>What rights and liabilities will attach to my new PIM Shares and Performance Shares?</b>	<p>The new PIM Shares issued under the Takeover Offer will be issued fully paid and will from the time of issue rank equally with existing PIM Shares.</p> <p>The new Performance Shares will convert into PIM Shares upon the satisfaction of any one of the Milestones attaching to the Performance Shares. PIM Shares issued on conversion of the Performance Shares will rank equally with existing PIM Shares. If no Milestones are met within 3 years from the date of issue of the Performance Shares, the Performance Shares will lapse and</p>	Sections 3.20 and 3.21 of this Bidder's Statement contain more information about the rights and liabilities attaching to PIM Shares and Performance Shares.

		will not convert into PIM Shares.	
3.	<b>Who are the PIM Directors and Proposed Directors and what experience do they have?</b>	<p>The Directors of PIM are:</p> <p>(a) Mr Michael Scivolo – Non-Executive Chairman;</p> <p>(b) Mr Robert Collins – Non-Executive Director; and</p> <p>(c) Mr Sol Majteles – Non-Executive Director.</p> <p>Upon successful completion of the Takeover Offer, the PIM Board will be reconstituted by Messrs Scivolo, Collins and Majteles resigning and nominees of Cocoon being appointed.</p> <p>The Proposed Directors will be:</p> <p>(a) Mr Charles Archer – Executive Chairman;</p> <p>(b) Mr Trent Telford – Executive Director;</p> <p>(c) Mr Philip King – Non-Executive Director;</p> <p>(d) Mr Phil Dunkelberger – Non-Executive Director; and</p> <p>(e) Joseph Miller – Non-Executive Director</p>	Sections 3.4 and 3.5 of this Bidder's Statement contain further information in relation to the expertise of the PIM Directors and the Proposed Directors.
4.	<b>Do the PIM Directors or Proposed Directors have any securities in, or potential conflicts of interest in relation to, Cocoon?</b>	<p>PIM Directors do not, at the date of this Bidder's Statement, hold any securities in, or have any potential conflicts of interests in relation to, Cocoon.</p> <p>The Proposed Directors, at the date of this Bidder's Statement, have total interests in approximately 6.0% of Cocoon Shares, but do not have any potential conflicts of interest in relation to Cocoon.</p>	Section 9.7 of this Bidder's Statement contains further information in relation to the shareholdings of the PIM Directors in Cocoon.
5.	<b>Do the PIM Directors or Proposed Directors and management have any interest in PIM securities?</b>	The PIM Directors and Proposed Directors do not have any interest in PIM securities as at the date of this Bidder's Statement.	Sections 3.9 and 9.7 of this Bidder's Statement contains further information in relation to the shareholdings of the PIM Directors in PIM and Cocoon.



## PART C – OVERVIEW OF RISKS

No.	Question	Answer	Further information
1.	<b>Are there risks if I accept the Takeover Offer?</b>	<p>Yes, if you accept the Takeover Offer, and it becomes unconditional, you will be issued new PIM Shares and Performance Shares and PIM will acquire Cocoon. There are risks in holding PIM Shares. The financial and operational performance of PIM's business, and the value and trading prices for PIM Shares will be influenced by a range of risks. Many of these risks are beyond the control of PIM's Board and management.</p> <p>Section 8 of this Bidder's Statement provides a detailed explanation of these risks. Specifically it deals with:</p> <ul style="list-style-type: none"> <li>(a) risks relating to the Takeover Offer; and</li> <li>(b) risks that relate to PIM and Cocoon as the Merged Group.</li> </ul> <p>Some of the key risks which may affect Cocoon Shareholders include:</p> <ul style="list-style-type: none"> <li>(a) a potential decrease in the value of PIM Shares after successful completion of the Takeover Offer;</li> <li>(b) a risk that the Takeover Offer will complete without PIM acquiring a 90% interest in Cocoon resulting in minority shareholdings existing in Cocoon, which may adversely affect operations;</li> <li>(c) 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;</li> <li>(d) 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</li> </ul>	See Section 8 of this Bidder's Statement which contains full details in respect of each of the risks.

		<p>proprietors of that technology;</p> <p>(e) the data centric security market in which Cocoon currently operates is relatively undeveloped, making it difficult to ascertain the level of knowledge and confidence in the market regarding such technology; and</p> <p>(f) possible invalidation of certain certifications due to the lead times often involved in certification because of the rapid development of products, which could lead to delay in purchase by some entities.</p>	
2.	<b>Are there any risks in respect of the Takeover Offer not proceeding</b>	In the event that the Takeover Offer does not proceed and Cocoon is in material breach of the Bid Implementation Agreement or, where material in the context of the Offer, fails to deal with its convertible securities, changes its recommendation or breaches its exclusivity obligations (among others) Cocoon will be required to pay PIM a sum of approximately \$572,216 as a reimbursement for the costs incurred by PIM in respect of the Takeover Offer.	See Section 9.11 for further details in respect of reimbursement payable in respect of termination of the Bid Implementation Agreement.

#### PART D – OTHER RELEVANT QUESTIONS

No.	Question	Answer	Further information
1.	<b>When will you receive your consideration?</b>	<p>If you accept the Takeover Offer, PIM will issue you PIM Shares and Performance Shares as consideration for Your Cocoon Shares on or before the earlier of:</p> <p>(a) one month after you have validly accepted the Takeover Offer or the contract resulting from its acceptance has become unconditional (whichever is later); and</p> <p>(b) 21 days after the end of the Offer Period,</p> <p>provided that you have provided all documents required for acceptance of the Offer with your acceptance.</p>	Section 1.7 of Annexure A of this Bidder's Statement contains more information as to when your new PIM Shares and Performance Shares will be issued to you.

2.	<b>Will I need to pay any transaction costs if I accept the Takeover Offer?</b>	You will not incur any brokerage fees or be obliged to pay stamp duty or GST in connection with your acceptance of the Takeover Offer.	Section 1.14 of Annexure A of this Bidder's Statement contains more information in respect of a Cocoon Shareholder's costs incurred by accepting the Takeover Offer. See also the instructions on the Acceptance Form <b>enclosed</b> with this Bidder's Statement.
3.	<b>What are the tax implications of accepting the Takeover Offer?</b>	A general summary of the Australian tax consequences for Cocoon Shareholders who accept the Takeover Offer is set out in Section 7. This summary is expressed in general terms only and is not intended to provide taxation advice for your specific circumstances. Cocoon Shareholders should seek their own taxation advice in relation to the Takeover Offer.	Section 7 of this Bidder's Statement sets out further information.

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## 2. WHY YOU SHOULD ACCEPT THE OFFER

PIM believes you should ACCEPT the Takeover Offer for the following reasons:

**You will receive attractive value for Your Cocoon Shares**

**You will gain ASX share trading liquidity**

**You will become a shareholder in a better capitalised company with improved access to capital**

**The Cocoon Board unanimously recommends that you accept the Takeover Offer**

**Cocoon shareholders who own 60% of the Cocoon Shares on issue intend to accept the Takeover Offer**

**You may be eligible for full or partial capital gains tax rollover relief**

The above is only a headline summary of some of the reasons why you should accept the Takeover Offer. Each of the reasons is explained below.

If you wish to accept this Takeover Offer, you must return the signed Acceptance Form by 5:00 pm (Perth Time) on 10 October 2014 (unless the Takeover Offer is extended).

### 2.1 You will receive attractive value for Your Cocoon Shares

Under the Takeover Offer you will receive 0.6547 PIM Shares and 0.0953 Performance Shares for every 1 Cocoon Share, which values Your Cocoon Shares at:

- (a) \$0.15 each, based on a pre-Consolidation trading price of \$0.02 per PIM Share (being \$0.20 per PIM Share on a post-Consolidation basis);
- (b) \$0.148 each, based on the 30 day VWAP for PIM Shares to and including 25 August 2014 of \$0.0197 (being the 30 day period up to and including the last trading day for PIM Shares on the ASX prior to the date of this Bidder's Statement). This is equivalent to a price per PIM Share of \$0.197 on a post-Consolidation basis);
- (c) \$0.165 each, based on the closing price for PIM Shares on 25 August 2014 of \$0.022 (being \$0.22 on a post-Consolidation basis), the last trading day for PIM Shares on the ASX prior to the date of this Bidder's Statement; and
- (d) \$0.0675 each, based on the closing price for PIM Shares on 19 May 2014 of \$0.009 (being \$0.09 on a post-Consolidation basis), the last trading day for PIM Shares on the ASX prior to the date of the announcement of the Takeover Offer.

The implied value of the Takeover Offer assumes that the Performance Shares are given an equivalent value to the PIM Shares. In the event that none of the Milestones for conversion of the Performance Shares are met within 3 years from their date of issue, the Performance Shares will not convert into PIM Shares and the value applicable to the Performance Shares will not be realised. A summary of the terms and conditions of the Performance Shares is set out in Section 3.21.

The implied value of the Takeover Offer will change as a consequence of changes in the market price of PIM Shares from time to time. The following table

may assist Cocoon Shareholders to determine the implied value of the Takeover Offer at different PIM Share price levels. The table is not an indication of prices at which PIM Shares may trade – PIM Shares may trade within this range or at higher or lower levels. The prices in the table are the same pre and post the Consolidation of the PIM shares and assumes that the Performance Shares have an equivalent value to the PIM Shares.

Price of a PIM Share (\$)		Implied offer price for a Cocoon Share (\$)
Pre-Consolidation	Post-Consolidation	
\$0.005	\$0.050	\$0.038
\$0.010	\$0.100	\$0.075
\$0.015	\$0.150	\$0.113
\$0.020	\$0.200	\$0.150
\$0.025	\$0.250	\$0.188
\$0.030	\$0.300	\$0.225

The Company has adopted a value of \$0.20 per PIM Share (on a post-Consolidation basis and on completion of the Takeover Offer) on the basis that this is the price that PIM Shares are being offered to investors under the Prospectus Offer. If investors do not agree with this valuation and do not subscribe under the Prospectus Offer, PIM may not be able to raise at least \$2.5 million under the Prospectus in which case the Prospectus Offer Condition to the Takeover Offer will not be satisfied. In those circumstances, the current intention of the PIM Directors is to not to proceed with the Takeover Offer. However, PIM Directors reserve the right, with Cocoon's consent, to waive the Prospectus Offer Condition and proceed with the Takeover Offer.

Assuming PIM Shares and Performance Shares each have an implied value of \$0.20 each, this equates to a total consideration of \$57,281,673 for the acquisition of Cocoon. In the event that none of the Milestones are achieved and the Performance Shares do not convert into Performance Shares, the implied total consideration is \$50,000,000.

## 2.2 You will gain ASX share trading liquidity

Since PIM is ASX listed and PIM is offering to issue PIM Shares as consideration for Your Cocoon Shares, you will, if you accept the Offer, gain the ability to trade the PIM Shares (and PIM Shares issued upon conversion of the Performance Shares) that you receive as Offer Consideration on ASX should the Takeover Offer be successful (subject to any trading restrictions that may apply to your PIM Shares).

Gaining share trading liquidity on ASX has been a key objective of the Cocoon Board for several years and this Takeover Offer provides you the opportunity to realise this objective and associated benefits.

## 2.3 You will become a shareholder in a better capitalised company with improved access to capital

As at 30 April 2014, Cocoon had a cash balance of approximately \$1.1 million and non-current debt of approximately \$9.9 million. The entire \$9.9 million of non-current debt will convert to ordinary shares upon completion of the Takeover Offer. In comparison, as at 30 April 2014, PIM had no debt and net cash assets of approximately \$2.6 million and under the Prospectus Offer is seeking to raise an

additional \$2.5 to \$15 million to support the Merged Group's strategy to develop and market the Covata Platform owned by Cocoon.

By accepting the Takeover Offer and it becoming unconditional, you will become a shareholder of a company with an enhanced balance sheet and improved access to capital for funding growth given its ASX listing. Refer to Section 0 for the pro forma capital structure of the Merged Group upon completion of the Takeover Offer.

## **2.4 Cocoon Board unanimously recommends that you accept the Takeover Offer**

The Cocoon Board, in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition, unanimously recommends that Cocoon Shareholders accept the Takeover Offer. This unanimous recommendation is contained in the Target's Statement.

The members of the Cocoon Board have also indicated that they intend, in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition, to accept and/or procure the acceptance of the Takeover Offer in respect to all of the Cocoon Shares that they control.

## **2.5 Cocoon Shareholders who own 60% of the Cocoon Shares on issue intend to accept the Takeover Offer**

As announced on 30 June 2014, members of the Cocoon Board and other Cocoon Shareholders, which together own 60% of all of the Cocoon Shares on issue as at the date of this Bidder's Statement, have advised Cocoon that, in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition, they intend to accept the Takeover Offer in respect of their own holdings.

Assuming that these Cocoon Shareholders follow through with their stated intentions, the 90% Minimum Acceptance Condition to the Takeover Offer will be near satisfaction. The PIM Board therefore encourages you to accept the Takeover Offer.

## **2.6 You may be eligible for capital gains tax rollover relief**

Cocoon Shareholders may have access to full or partial scrip for scrip rollover relief in relation to the exchange of their Cocoon Shares for PIM Shares and Performance Shares, in which case you will not incur capital gains tax (CGT) as a result of accepting the Takeover Offer.

Should the Takeover Offer be successful and result in PIM becoming the holder of 80% or more of the voting shares in Cocoon as at the close of the Offer Period, Cocoon Shareholders who would otherwise make a capital gain from the disposal of their Cocoon Shares pursuant to the Takeover Offer may be able to choose to obtain full or partial scrip for scrip rollover relief.

If scrip for scrip rollover relief is available and is chosen by Cocoon Shareholders who would otherwise have made a capital gain on the disposal of their Cocoon Shares under the Takeover Offer, all of the capital gain from the disposal may be disregarded.

However, Cocoon Shareholders may be subject to capital gains tax as a result of a later taxable event (such as a disposal) happening to the PIM Shares received as consideration under the Takeover Offer.

Please refer to Section 7 for more information.

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### **3. PROFILE OF PRIME MINERALS LIMITED**

#### **3.1 Overview of PIM**

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

For the past 2 years, PIM has been evaluating alternative corporate opportunities, both in Australia and overseas, which have the potential to deliver strong future growth for shareholders. This is consistent with the Takeover Offer the subject of this Bidder's Statement.

#### **3.2 Corporate Information**

PIM was registered as a public company in Western Australia as Prime Minerals Limited on 27 July 2006 under the Corporations Act.

PIM has one wholly owned subsidiary, Fineloo Holdings Pty Ltd, being the holder of PIM's exploration licence, E 57/785, details of which are set out in Section 3.3 below.

#### **3.3 Overview of PIM's Activities**

This Section contains a summary of PIM's activities. Further information can be found on PIM's website, <http://www.primeminerals.com.au>.

PIM currently holds 100% of exploration licence E57/785 located central to the Lake Mason palaeo-drainage system.

Previous exploration at Lake Mason has focused on the defined radiometric anomalies within the eastern extremity and northern shore of the main Lake Mason channel.

The identified mineralisation at Lake Mason is located within the lake and on its margins. This mineralisation is of the 'playa lake-style' found at Mega Uranium's Lake Maitland project. There is potential for additional mineralisation in a number of locations adjacent to Lake Mason, including the drainages and deltas that feed into the lake.

#### **3.4 Directors and key personnel of PIM**

Details of the responsibilities and experience of the PIM Directors (as at the date of this Bidder's Statement) are set out in PIM's 2013 Annual Financial Report, a copy of which is available on request or from PIM's website <http://www.primeminerals.com.au>.

A brief summary of the PIM Board and key personnel, as at the date of this Bidder's Statement, is set out below.

***Mr Michael Scivolo – Non-Executive Chairman, Non-Executive Director***  
BCom, FCPA

Mr Scivolo is a certified practicing accountant with 35 years experience in accounting and taxation. He is a former partner and consultant of Perth accounting firm Alessandrino Scivolo. He is currently a Director of Sabre Resources Ltd, South East Asia Resources Ltd, Golden Deeps Limited and Metals Australia Ltd (since 23 July 2012), and the Non-Executive Chairman of Blaze



International Limited and Power Resources Limited since 1 September 2012 (prior to which he was a Non-Executive Director of Blaze International Limited and Power Resources Limited from 20 October 2009).

Mr Scivolo has agreed to step down from his role as a Director upon successful completion of the Takeover Offer.

***Mr Robert Collins – Non-Executive Director***

CPA

Mr Collins has served on a number of ASX listed industrial and mining company boards and owned a large West Perth accounting practice serving the corporate sector. He is currently a Non-Executive Director of Power Resources Limited and Blaze International Limited and was appointed on 20 October 2009.

Mr Collins has agreed to step down from his role as a Director upon successful completion of the Takeover Offer.

***Mr Sol Majteles – Non- Executive Director***

LLB, FAICD

Mr Majteles is a commercial lawyer and has been in private practice in Western Australia since 1972. He has been a board member of a number of publicly listed companies involved in the mining, resources, energy and biotech sectors for over 25 years. Mr Majteles is also a Director of Power Resources Limited, Blaze International Limited, Chairman of Promesa Limited, and Chairman of Metals Australia Ltd.

Mr Majteles has agreed to step down from his role as a Director upon successful completion of the Takeover Offer.

### **3.5 Reconstitution of PIM Board**

Under the Bid Implementation Agreement, PIM and Cocoon agreed that three (3) Cocoon nominees would be appointed to the PIM Board, and the existing PIM Directors would resign, upon successful completion of the Takeover Offer. Consequently, it is proposed that Messrs Michael Scivolo, Robert Collins and Sol Majteles will step down from the PIM Board and the following Proposed Directors will join the PIM Board upon successful completion of the Takeover Offer:

- (a) Mr Charles Archer – Executive Chairman;
- (b) Mr Trent Telford – Executive Director;
- (c) Mr Philip King – Non-Executive Director;
- (d) Mr Phil Dunkelberger – Non-Executive Director; and
- (e) Mr Joseph Miller – Non-Executive Director.

A brief summary of the qualifications and experience of the Proposed Directors is set out below:

**Charles Archer - Executive Chairman**

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.

#### **Trent Telford - Executive Director**

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 a regular contributor to industry forums' and media outlets on cyber-security in Australia and the U.S.

#### **Philip King - Non-Executive Director**

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.

#### **Phil Dunkelberger - Non-Executive Director**

Phillip Dunkelberger is President and CEO of Nok Nok Labs, Inc., a leader in strong authentication solutions. Mr. Dunkelberger has broad experience resulting from more than 34 years in technology. Prior to leading Nok Nok Labs, he served for 8 years as co-founder and CEO of PGP Corporation, a leader in the Enterprise Data Protection market, until acquired by Symantec in 2010. He has significant experience in SaaS infrastructure and enterprise software, having served as Entrepreneur-in-Residence at DCM, President and CEO of Embark, and COO of Vantive Corporation. He has also held senior management positions with Symantec, Apple Computer and Xerox Corporation.

Mr. Dunkelberger has served on several boards of directors, and currently serves on the Board of Nok Nok Labs and Ionic Security and numerous Advisory Boards. He is a founding board member of the Cyber Security Industry Alliance (CSIA) and is Chairman Emeritus of TechAmerica's CxO Council. Mr. Dunkelberger holds a B.A. in Political Science from Westmont College and is a member of the school's President's Advisory Board.

#### **Joseph Miller – Non-Executive Director**

Since 2003, Joseph has been a Managing Director at Europlay Capital Advisors, LLC ("ECA"). ECA is a Los Angeles based boutique merchant bank and

financial advisory firm that services and invests in companies in the technology, media, telecom, life sciences and consumer sectors. ECA's clients and investments include such notable companies as Skype, rdio, vdio, KaZaa, Multigig, Noveda and Unicorn Media. Joseph currently serves on the boards of several of these companies including vdio, Unicorn Media and Noveda. In the past, Joseph has also served on the boards of Talon International, Multigig and has also served on both the Compensation and Audit Committees of Skype Global.

From 1998 to 2003, Joseph was a Vice President and Senior Vice President at Houlihan Lokey Howard & Zukin ("HLHZ"), a leading middle-market investment bank, where he was focused on transactions in the Entertainment and Media group, and serviced such clients as Warner Bros, Chrysalis, EMI Group and Dreamworks amongst many others.

From 1994 to 1998, Joseph served as the Vice President of Corporate Development for Alliance Communications Corporation, Canada's leading independent producer and distributor of filmed entertainment where he was involved in several high profile transactions, including its US-based listing on NASDAQ and many acquisitions.

Joseph holds a bachelor's degree in Economics/Business from UCLA and holds Series 7, Series 24 and Series 63 securities licenses.

### **3.6 Senior Management**

Upon the Takeover Offer becoming or being declared unconditional, it is proposed that Trent Telford will be appointed as the Chief Executive Officer of the Merged Group and Nick Chiarelli as the Chief Financial Officer of the Merged Group and Company Secretary of PIM.

#### **Nick Chiarelli – Chief Financial Officer and Company Secretary**

Nick is a senior finance professional with over 15 years' experience working in a variety of professional and commercial roles both in Sydney and in London. Industry experience includes hedge funds, investment banking, private equity and software development. He has been in charge of the finance function at Cocoon for 4 years and has a good understanding of the Australian start up and tech environment.

Nick is a member of the Australian Institute of Chartered Accountants, and holds a Bachelor of Business (Accounting Major, Management Sub Major), from the University of Technology, Sydney .

### **3.7 PIM securities**

As at the date of this Bidder's Statement, PIM has:

- (a) 337,944,946 Shares on issue; and
- (b) no Options on issue.

Refer to Section 3.11 for details in respect of the securities to be issued by PIM in connection with the Takeover Offer.

### **3.8 Trading of PIM Shares**

Set out below is a table showing relevant trading prices of PIM Shares on ASX:

Comparative trading period	Price of PIM Shares	
	Pre Consolidation basis	Post Consolidation basis
Highest trading price on 29 May 2014 in the 4 months prior to the date this Bidder's Statement was lodged with ASIC	\$0.026	\$0.26
Lowest trading price on 8 May 2014 in the 4 months prior to the date this Bidder's Statement was lodged with ASIC	\$0.008	\$0.08
Closing trading price on the last trading day before the date PIM announced the Takeover Offer	\$0.009	\$0.09
Last available closing sale price of PIM Shares (as at 25 August 2014) on ASX prior to the date this Bidder's Statement was lodged with ASIC	\$0.022	\$0.22
30-day VWAP of PIM Shares to and including the Announcement Date	\$0.0197	\$0.197

### 3.9 Shareholders of PIM

As at 4 August 2014, the top 20 Shareholders of PIM were:

Rank	PIM Shareholder	Number of PIM Shares	% of PIM issued share capital <sup>1</sup>
1	Rulston Pty Ltd	39,424,622	11.68%
2	Brijohn Nominees Pty Ltd <Nelsonio A/C>	38,000,000	11.26%
3	Coniston Pty Ltd <The Coniston A/C>	18,000,000	5.33%
4	Jadel Pty Ltd <Del Piano No 2 Family A/C>	16,000,000	4.74%
5	Peakes Pty Ltd <Senate A/C>	16,000,000	4.74%
6	Australian Executor Trustees Limited <No 1 Account>	15,514,331	4.60%
7	Celtic Capital Pte Ltd <Investment 1 A/C>	10,802,540	3.20%
8	Mr Michael Foster Black + Mrs Lynette Robin Black <Pe Sur Supp Co STF S/F 2 A/C>	10,000,000	2.96%
9	Tt Nicholls Pty Ltd <Super A/C>	10,000,000	2.96%
10	Mr Jason Peterson + Mrs Lisa Peterson <J & L Peterson S/F A/C>	7,198,720	2.13%
11	Celtic Capital Pty Ltd <The Celtic Capital A/C>	7,162,000	2.12%
12	Classic Capital Pty Ltd <BRL Unit A/C>	7,000,000	2.07%
13	Katana Equity Pty Ltd <Sala Tenna Family A/C>	6,500,000	1.93%
14	Leo Barry Pty Ltd	6,494,357	1.92%

15	Rinella Pty Ltd <Joseph Butta Super Fund A/C>	5,500,000	1.63%
16	J P Morgan Nominees Australia Limited	5,439,099	1.61%
17	Whimble Creek Pty Ltd	5,000,000	1.48%
18	Taupo Holdings Pty Ltd	4,600,000	1.36%
19	Murdoch Capital Pty Ltd <The Glovac Super Fund A/C>	4,500,000	1.33%
20	Mr Quentin Joseph Flannery	4,500,000	1.33%
	<b>TOTAL TOP 20 SHAREHOLDERS</b>	<b>237,635,669</b>	<b>70.42%</b>

The top 20 holders of ordinary fully paid shares hold 237,635,669 PIM Shares.

The Directors of PIM do not have a relevant interest in any PIM Shares. As at the date of this Bidder's Statement, the Proposed Directors do not have an interest in any PIM securities on issue.

### 3.10 Effect on Substantial Shareholders

The acquisition of Cocoon will result in the substantial shareholders of PIM ceasing to be substantial shareholders. Based on information provided to PIM by Cocoon, the table below summarises the expected substantial shareholders of PIM on completion of the Offer (on a post-Consolidation basis).

Substantial Holder	%
TPG Telecom Limited	13.65%
Raven Capital Nominees Pty Ltd (ACN 096 284 383) as trustee for the Raven Technology # 1 Fund	6.55%

Notes:

1. The above table has been drafted on the basis of a number of assumptions that may or may not eventuate. As such the actual Shareholdings of the parties on completion of the Consolidation, Takeover Offer and Prospectus Offer may vary.
2. This table has been prepared on the basis that \$2,500,000 is raised under the Prospectus Offer.

### 3.11 Changes to Capital

The effect of the Takeover Offer (and Prospectus Offer) on the capital of PIM is set out below, assuming no PIM Shares are issued other than as contemplated by this Bidder's Statement and the Prospectus Offer.

	Minimum Subscription under Capital Raising (\$2,500,000)	Maximum Subscription under Capital Raising (\$15,000,000)
<b>Shares</b>		
Current issued capital	337,444,946	337,444,946
Post-Consolidation issued capital	33,744,495	33,744,495
Offer Consideration (Shares) <sup>1</sup>	250,000,000	250,000,000

Prospectus Offer	12,500,000	75,000,000
Adviser Shares <sup>2</sup>	10,000,000	10,000,000
Issue of Shares to Cocoon Noteholders <sup>3</sup>	13,500,000	13,500,000
<b>Total Post merger &amp; Capital Raising</b>	<b>319,744,495</b>	<b>382,244,495</b>
<b>Options<sup>4</sup></b>		
Replacement PIM Options granted to Cocoon AU Optionholders	3,525,000	3,525,000
Additional Replacement PIM Options granted to Cocoon US Optionholders	17,681,250	17,681,250
Additional Replacement PIM Options	15,000,000	15,000,000
<b>Performance Shares<sup>5</sup></b>		
Offer Consideration (Performance Shares)	36,408,365	36,408,365

Notes:

1. This assumes that all securities convertible into Cocoon Shares are dealt with in the manner set out in Section 4.6.
2. Upon completion of the Takeover Offer, PIM proposes issuing up to a total of 10 million PIM Shares to advisers of PIM.
3. The New Convertible Notes incur interest at a rate of 2% per month (payable monthly in arrears). As such, the total PIM Shares to be issued upon conversion of the New Convertible Notes will change depending on the date that the Takeover Offer completes. The table assumes that interest will be incurred for a period of 4 months prior to completion of the Takeover Offer. In the event that completion occurs later than that date, PIM will issue additional PIM Shares to the holders using its annual 15% placement capacity. Refer to Section 4.6 for further details.
4. Refer to Section 4.6 for details in respect of the grant of Replacement PIM Options and Additional Replacement PIM Options and Section 3.22 for a summary of the applicable terms and conditions.
5. This assumes that all securities convertible into Cocoon Shares are dealt with in the manner set out in Section 4.6. The Offer Consideration incorporates deferred consideration which 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 Section 3.21 of this Bidder's Statement. This assumes that a Milestone for conversion of the Performance Shares is met.

Note: The above table shows PIM's pre and post-merger capital structure. As part of the merger process, the Company will most likely need to undertake the Consolidation in order to comply with Chapters 1 and 2 of the ASX Listing Rules, which require a capital raising at no less than \$0.20 per share. The above table is based on a share price of \$0.02 immediately prior to the issue of the requisite notice of meeting, and consequently a consolidation ratio of 1 Share for every 10 held.

### 3.12 Financial Performance

#### (a) Basis of Presentation of Historical Financial Information

The historical financial information below relates to PIM on a stand-alone basis and accordingly does not reflect any impact of the Offer. It is a summary only and the full financial statements of PIM for the financial

periods described below, which includes the notes to the financial accounts, are available in PIM's annual reports for the years ended 30 June 2011, 30 June 2012 and 30 June 2013. Copies of these annual reports are available at [www.primeminerals.com.au](http://www.primeminerals.com.au) and also the ASX website.

(b) **Historical Financial Information of PIM**

(i) **Consolidated Statement of Financial Position**

The historical consolidated statements of financial position of PIM are set out below and have been extracted from the audited consolidated statements of financial position for the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013, being the last three audited consolidated statements of financial position prior to the date of this Bidder's Statement, and the unaudited consolidated management accounts for the more recent 10 months ended 30 April 2014.

(ii) **Consolidated Statement of Comprehensive Income**

The historical consolidated statement of comprehensive income of PIM, are set out below and have been extracted from the audited consolidated statement of comprehensive income for the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013, being the last three audited financial statements prior to the date of this Bidder's Statement, and the unaudited consolidated management accounts for the more recent 10 months ended 30 April 2014.

### 3.13 PIM Consolidated Statement of Financial Position

	PIM As at 30-Apr-14 <i>Unaudited</i> \$	PIM As at 30-Jun-13 <i>Audited</i> \$	PIM As at 30-Jun-12 <i>Audited</i> \$	PIM As at 30-Jun-11 <i>Audited</i> \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	2,622,635	3,084,063	3,538,075	653,025
Trade and other receivables	1,904	1,728	51,397	19,586
Prepayments	-	-	-	-
Other assets	5,015	-	-	-
<b>Total current assets</b>	<b>2,629,554</b>	<b>3,085,791</b>	<b>3,589,472</b>	<b>672,611</b>
<b>NON-CURRENT ASSETS</b>				
Other financial assets	-	13,015	13,015	42,030
Property, plant & equipment	-	-	854	1,858
Exploration and evaluation assets	-	28,336	25,110	1,446
<b>Total non-current assets</b>	<b>-</b>	<b>41,351</b>	<b>38,979</b>	<b>45,334</b>
<b>Total assets</b>	<b>2,629,554</b>	<b>3,127,142</b>	<b>3,628,451</b>	<b>717,945</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	19,287	71,356	84,665	80,823
<b>Total current liabilities</b>	<b>19,287</b>	<b>71,356</b>	<b>84,665</b>	<b>80,823</b>
<b>Total liabilities</b>	<b>19,287</b>	<b>71,356</b>	<b>84,665</b>	<b>80,823</b>
<b>NET ASSETS</b>	<b>2,610,267</b>	<b>3,055,786</b>	<b>3,543,786</b>	<b>637,122</b>
<b>EQUITY</b>				
Share capital	5,954,957	5,759,863	5,759,863	2,322,627
Reserves	-	862,992	862,992	892,006
Retained earnings	(3,344,690)	(3,567,069)	(3,079,069)	(2,577,511)
<b>Total equity</b>	<b>2,610,267</b>	<b>3,055,786</b>	<b>3,543,786</b>	<b>637,122</b>



### 3.14 PIM Consolidated Statement of Comprehensive Income

	10 months ended 30-Apr-14 <i>Unaudited</i> \$	Year ended 30-Jun-13 <i>Audited</i> \$	Year ended 30-Jun-12 <i>Audited</i> \$	Year ended 30-Jun-11 <i>Audited</i> \$
Revenue	78,829	136,125	108,028	142,264
Administration costs	(141,851)	(227,316)	(203,694)	(169,737)
Consulting fees	(10,320)	(3,135)	-	(509)
Depreciation and amortisation	-	(854)	(1,004)	(2,740)
Employee benefits	(2,016)	-	-	-
Exploration costs written off	(440)	(2,540)	-	(980,488)
Professional fees	(300,121)	(346,679)	(383,967)	(374,342)
Other expenses	(24,472)	(43,601)	(20,921)	(21,605)
<b>Loss before income tax benefit</b>	<b>(400,390)</b>	<b>(488,000)</b>	<b>(501,558)</b>	<b>(1,407,157)</b>
Income tax benefit	-	-	-	-
Other comprehensive income	-	-	(29,014)	(63,045)
<b>Total comprehensive loss for the period</b>	<b>(400,390)</b>	<b>(488,000)</b>	<b>(530,572)</b>	<b>(1,470,202)</b>

#### (a) Management Commentary on Historical Results

##### (i) Expenditure

Expenditure over the last three years has been well contained, and this is reflected in a comparison of the figure for each year.

##### (ii) Assets

The main asset of the Company is its cash holding. In addition, the Company holds one exploration tenement.

##### (iii) Liabilities

The Company has no significant liabilities, with the overall total of liabilities showing a reduction over the three year period.

#### (b) Forecast Information

PIM's future financial performance is dependent on a range of factors, many of which are beyond PIM's control. Accordingly, PIM's Directors have concluded that forecast financial information would be misleading to provide, as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable Australian law, policy and market practice.

Further information is available on PIM's financial performance from its financial reports. Copies of these reports are available from PIM's website <http://www.primeminerals.com.au>.

(c) **Material changes in PIM's financial net asset position since last published accounts**

There have been no material changes to PIM's financial net position.

**3.15 Corporate Governance**

The PIM Board seeks, where appropriate, to provide accountability levels that meet or exceed the ASX Corporate Governance Council's Principles and Recommendations (third edition).

Details on PIM's corporate governance procedures, policies and practices can be obtained from PIM's website <http://www.primeminerals.com.au> or from the Prospectus.

**3.16 Cocoon Board Recommendation**

The Cocoon Board has welcomed the Takeover Offer and has indicated that, in the absence of a Superior Proposal for Cocoon Shares and in the absence of a variation or waiver of an Essential Bid Condition, they intend to accept and/or procure the acceptance of the Offer in respect of all of the Cocoon Shares that they control and will unanimously recommend that Cocoon Shareholders accept the Takeover Offer.

**3.17 Change in Nature and Scale of Company**

The completion of the Takeover Offer will result in the Company undergoing a significant change in nature and scale of its activities as contemplated by ASX Listing Rule 11.1, from a mineral exploration company to an information and security software development company.

Following such a change in nature and scale, the Company's Shares will only be re-admitted to trading on the ASX if the Company first complies with the requirements of ASX Listing Rule 11.1.

To comply with ASX Listing Rule 11.1, the Company must (amongst other things):

- (a) obtain PIM Shareholder approval for the change in nature and scale resulting from completion of the Takeover Offer;
- (b) re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules as if it were applying for admission to the Official List of the ASX. This includes a requirement that the Company's Shares have an issue price of at least \$0.20 each. To satisfy this requirement, the Company must complete the Consolidation, which requires PIM Shareholder approval; and
- (c) issue a full form prospectus and raise the minimum subscription under that prospectus.

To ensure the Takeover Offer only proceeds if the Company's Shares can be re-admitted to trading on the ASX following completion of the Takeover Offer, the conditions of the Takeover Offer include that the Company:

- (a) obtains PIM Shareholder approval for the change in nature and scale of the Company's activities and the Consolidation of the Company's Shares; and

- (b) raises no less than \$2.5 million pursuant to the Prospectus Offer.

The Company has scheduled the PIM Shareholder Meeting for 23 September 2014 to obtain, amongst other things, shareholder approvals for all of the Essential PIM Shareholder Resolutions, being in summary:

- (a) the significant change in the nature and scale of the Company's activities as a result of the successful completion of the Takeover Offer;
- (b) the conduct of the Prospectus Offer on the terms and conditions set out in the Prospectus;
- (c) the issue of up to 36,206,250 PIM Options to Cocoon Optionholders (and other persons contractually entitled to be issued Cocoon Options) as consideration for those Cocoon Optionholders cancelling their existing Cocoon Options (and rights to be issued Cocoon Options);
- (d) the issue of a new class of share capital in PIM, being the Performance Shares offered as consideration under the Takeover Offer;
- (e) the issue of 13,500,000 Shares to the holders of the New Convertible Notes;
- (f) the Consolidation of the Company's Shares; and
- (g) the appointment of 3 nominees of Cocoon, being the Proposed Directors, to the PIM Board.

All of the resolutions to be considered at the PIM Shareholder Meeting are conditional upon the passing of each of the Essential PIM Shareholder Resolutions. If any of the Essential PIM Shareholder Resolutions are not approved, all of the resolutions to be considered at the PIM Shareholder Meeting will fail and the Takeover Offer (as well as the Prospectus Offer) will not be completed. Further details of the proposed resolutions are contained in the Notice of Meeting issued by PIM on 25 August 2014.

PIM's Shares will be suspended from trading from the commencement of trading on the date of the PIM Shareholder Meeting until it has completed the re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

The Company intends to lodge a prospectus for the Prospectus Offer on or about mid-late September 2014.

### **3.18 Admission of Offer Consideration**

As set out in Section 3.17, because the Takeover Offer will result in a significant change in nature and scale of PIM's activities (if successful), PIM's Shares will be suspended from trading on the ASX from the date of the PIM Shareholder Meeting until PIM re-complies with Chapters 1 and 2 of the ASX Listing Rules and receives ASX approval to be re-admitted to the ASX.

PIM will lodge an application for admission to Official Quotation of all PIM Shares issued as the Offer Consideration on ASX. Quotation will not be automatic and will depend upon ASX exercising its discretion.

PIM will not apply for quotation of the Performance Shares. However, PIM will apply for the quotation of any PIM Shares issued upon conversion of the Performance Shares.

Upon completion of the Takeover Offer and Prospectus Offer, PIM considers that it will be in a position to satisfy the requirements of Chapters 1 and 2 of the ASX Listing Rules, resulting in its Shares (including the Shares issued as Offer Consideration) being readmitted to trading on the ASX.

As PIM is listed on ASX, PIM's actions and activities are subject to the ASX Listing Rules.

### **3.19 Conditions to the Takeover Offer**

The defeating conditions to the Takeover Offer are set out in Section 1.8(a) of Annexure A to this Bidder's Statement. In respect of the Conditions, PIM's intentions as at the date of this Bidder's Statement are as follows:

- (a) it does not intend to waive the PIM Shareholder Approval Condition, Minimum Acceptance Condition, Prospectus Offer Condition or Readmission Condition; and
- (b) it has not formed an opinion as to whether it will waive the remainder of the Conditions.

In order for PIM to waive the PIM Shareholder Approval Condition, Minimum Acceptance Condition, Prospectus Offer Condition or, if applicable, the Readmission Condition, PIM will require the prior written consent of Cocoon (provided that PIM may waive the Minimum Acceptance Condition without Cocoon's consent in the event that PIM has received at least 80% acceptances under the Offer).

### **3.20 Rights and Liabilities of PIM Shares**

The PIM Shares offered to Cocoon Shareholders under the Takeover Offer are fully paid ordinary shares in the capital of PIM, and from the date of their issue will rank equally with all then existing PIM Shares and will have the same rights and liabilities attaching to them.

The rights and liabilities attaching to PIM Shares are governed by the Constitution of PIM, the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and the general law of Australia.

Under Section 140(1) of the Corporations Act, the Constitution of PIM has effect as a contract between PIM and each member and between a member of PIM and each other member. Accordingly, if you accept the Takeover Offer, you will have agreed to accept the PIM Shares to which you are entitled pursuant to your acceptance of the Takeover Offer, and as a result, will become liable to comply with the Constitution.

The following is a summary of the more significant rights and liabilities attaching to PIM Shares being offered pursuant to this Bidder's Statement. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of PIM Shareholders. To obtain such a statement, persons should seek independent legal advice.

Further details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

PIM Shareholders are entitled to attend and vote at general meetings of PIM, in person, or by proxy, attorney or representative.

For so long as PIM remains a listed entity, PIM Shareholders will be entitled to receive at least 28 days' prior written notice of any proposed general meeting.

PIM Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of shareholders or a class of shareholders:

- (i) on a show of hands, every person present who is a PIM Shareholder or a proxy, attorney or representative of a PIM Shareholder has one vote; and
- (ii) on a poll, every person present who is a PIM Shareholder or a proxy, attorney or representative of a PIM Shareholder shall, in respect of each fully paid PIM Share held by him or her, or in respect of which he or she is appointed a proxy, attorney or representative, have one vote for each PIM Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such PIM Shares registered in the PIM Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference PIM Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the PIM Board may from time to time declare a dividend to be paid to the PIM Shareholders entitled to the dividend which shall be payable on all PIM Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such PIM Shares.

The PIM Board may also from time to time pay to the PIM Shareholders such interim dividends as the Board may determine.

No dividend shall carry interest as against the Company. The PIM Board may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the PIM Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the PIM Board, implement a dividend reinvestment plan on such terms and conditions as the PIM Board thinks fit and which provides for any dividend which the PIM Board may declare from time to time payable on PIM Shares which are participating PIM Shares in the

dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of PIM Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the PIM Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the PIM Shareholders or different classes of PIM Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no PIM Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the PIM Shares offered as consideration under the Takeover Offer will be fully paid shares, they will not be subject to any calls for money by the PIM Board and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new PIM Shares is under the control of the PIM Directors. Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the PIM Directors may issue PIM Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

The rights attaching to Shares may only be varied or cancelled by the sanction of a special resolution passed at a meeting of PIM Shareholders or with the written consent of holders of three quarters of all Shares on issue. A special resolution is passed only where approved by at least 75% of all votes cast (and entitled to be cast) on the resolution at the meeting.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if

authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of Constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting.

### 3.21 Performance Shares

The Performance Shares offered to Cocoon Shareholders under the Takeover Offer will be issued at the same time as the PIM Shares. The term and conditions of the Performance Shares are set out below:

- (a) **(Performance Shares):** Each Performance Share is a share in the capital of PIM.
- (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 PIM that are circulated to PIM Shareholders. Holders have the right to attend general meetings of PIM Shareholders.
- (c) **(No Voting Rights):** The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of PIM 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 PIM, the Performance Shares may not participate in the surplus profits or assets of PIM.
- (f) **(Transfer of Performance Shares):** The Performance Shares are not transferable.
- (g) **(Reorganisation of Capital):** In the event that the issued capital of PIM 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 PIM Shares in accordance with these terms, PIM 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 PIM 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 PIM 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.
- (l) **(Issue of Performance Shares):** The Performance Shares will be issued at the same time as all other consideration under the Takeover Offer.
- (m) **(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**).
- (n) **(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 PIM Shares.
- (o) **(No Conversion if Milestone not Achieved):** Any Performance Share not converted into a PIM Share within 3 years from the issue of the Performance Share will lapse.
- (p) **(After Conversion):** The PIM 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 PIM Shares



then on issue and application will be made by PIM to ASX for official quotation of the PIM Shares issued upon conversion.

- (q) **(Conversion Procedure):** PIM will issue the Holder with a new holding statement for the PIM Shares as soon as practicable following the conversion of the Performance Shares into PIM Shares.
- (r) **(Ranking of Shares):** The PIM Shares into which the Performance Shares will convert will rank pari passu in all respects with the PIM Shares on issue at the date of conversion.

### 3.22 Terms and Conditions of Replacement PIM Options and Additional Replacement PIM Options

The terms and conditions of PIM Options to be issued to Cocoon Optionholders in consideration for those holders cancelling their Cocoon Options (as explained in section 4.6) are set out below:

(a) **Entitlement**

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

(b) **Exercise Price**

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

Holder	Number of Replacement Bidder Options	Exercise Price	Expiry Date
Cocoon AU Optionholders	3,525,000	AUD \$0.2933	9 March 2016
Cocoon US Optionholders	17,681,250	USD \$0.1467	5 years from the date of issue
Holder	Number of Additional Replacement Bidder Options	Exercise Price	Expiry Date
Cocoon Eligible Employees	15,000,000	AUD \$0.20	5 years from the date of issue

(c) **Vesting Schedule**

The vesting conditions of each PIM Option are connected with employees continued employment with PIM.

(d) **Expiry Date**

Each PIM Option will expire at 5:00 pm (EST) on the dates set out in the above table (see 3.22(b)) (**Expiry Date**). A PIM Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(e) **Exercise Period**

Subject to paragraph (i) below, the PIM 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 PIM Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the PIM Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each PIM 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 PIM 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 PIM 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 PIM Options, and the vesting conditions attaching to the Replacement PIM Options have been met, the Optionholder will be entitled to exercise the Replacement PIM 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 PIM Options will lapse automatically).

(j) **Shares issued on exercise**

Shares issued on exercise of the PIM 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 PIM 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 PIM Options and holders will not be entitled to participate in new issues of

capital offered to Shareholders during the currency of the PIM Options without exercising the PIM Options.

(n) **Change in exercise price**

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

(o) **Unquoted**

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

(p) **Transferability**

The PIM Options are not transferable

### **3.23 Dividend History**

PIM has not previously and does not currently pay dividends.

### **3.24 Further Information**

Due to the fact that PIM is offering PIM Shares as consideration for the acquisition of Cocoon Shares, the Corporations Act requires that this Bidder's Statement must include all information that would be required for a prospectus for an offer of PIM Shares under Sections 710 to 713 of the Corporations Act.

PIM is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. PIM is subject to the ASX Listing Rules which require continuous disclosure of any information PIM has concerning itself that a reasonable person would expect to have a material effect on the price or value or its securities.

ASX maintains files containing publicly disclosed information about all listed companies. PIM's file is available for inspection at ASX during normal business hours.

PIM is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by PIM may be obtained from, or inspected at, an ASIC office.

On request to PIM and free of charge, Cocoon Shareholders may obtain a copy of:

- (a) the annual financial report of PIM for the year ended 30 June 2013 (being the annual financial report most recently lodged with ASIC before lodgement of this Bidder's Statement with ASIC);
- (b) any half-year financial report lodged with ASIC by PIM after the lodgement of the annual financial report referred to above and before lodgement of this Bidder's Statement with ASIC; and
- (c) any continuous disclosure notice given to ASX by PIM since the lodgement with ASIC of the 2013 annual report for PIM referred to above and before lodgement of this Bidder's Statement with ASIC.

A list of the announcements that PIM has lodged with ASX since 1 July 2013 is set out in Annexure B to this Bidder's Statement.

A substantial amount of information about PIM is also available in electronic form from <http://www.primeminerals.com.au> and on the ASX website.

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## 4. PROFILE OF COCOON DATA HOLDINGS LIMITED

### 4.1 Disclaimer

This overview of Cocoon and all financial information concerning Cocoon contained in this Bidder's Statement has been prepared by the Company using information provided to the Company by Cocoon, as well as publicly available information.

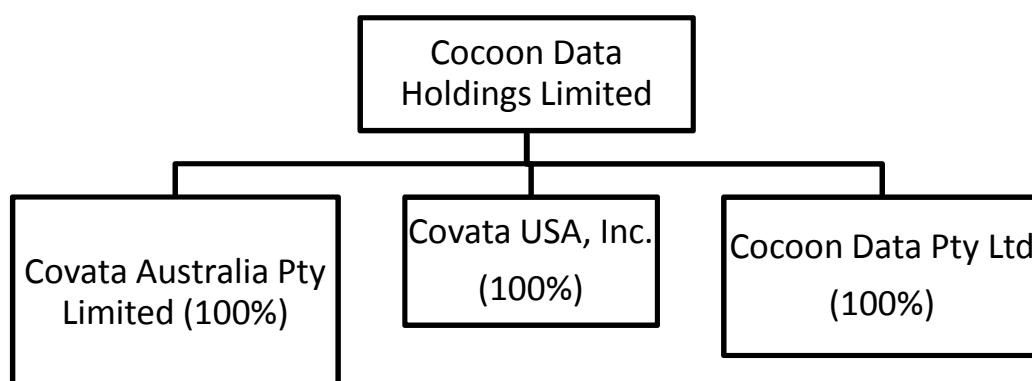
The information in this Bidder's Statement concerning Cocoon **has not** been independently verified. The Company does not, subject to any applicable laws, make any representation or warranty, express or implied, as to the accuracy or completeness of this information. The information on Cocoon is not considered to be comprehensive.

Cocoon Shareholders **should not** rely on the information contained in the Bidder's Statement as a true and correct summary of Cocoon, the Covata Platform or any of Cocoon's business activities. The PIM Board recommends that Cocoon Shareholders refer to the Target's Statement for information on Cocoon and its business operations.

### 4.2 Overview of Cocoon

Cocoon was incorporated in Victoria, Australia, as Cocoon Data Holdings Pty Ltd on 15 October 2007 under the Corporations Act. On 22 January 2010 Cocoon converted to (and remains to be) a public company limited by shares.

### 4.3 Corporate Structure



#### **4.4 Cocoon Board of Directors**

As at the date of this Bidder's Statement, the directors of Cocoon are:

- (a) Mr Charles Archer – Executive Chairman
- (b) Mr Trent Telford – Executive Director and CEO;
- (c) Mr Philip King – Non-Executive Director;
- (d) Mr Joseph Miller – Non-Executive Director;
- (e) Mr Philip Argy – Non-Executive Director;
- (f) Mr Kevin Bermeister – Non-Executive Director;
- (g) Mr Philip Dunkelberger – Non-Executive Director; and
- (h) Mr Joseph Miller – Non-Executive Director.

Messrs Charles Archer, Trent Telford, Philip King, Philip Dunkelberger, and Joseph Miller will each become a director of PIM on successful completion of the Takeover Offer. Further details in respect of the Proposed Directors are set out in section 3.5.

#### **4.5 Overview of Cocoon's Activities and Projects**

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, bringing 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 Reston, Virginia 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 will 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 distributed commercially.

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 rigorous and 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 potential additional future revenue streams including:

- cloud storage security and file sharing services offered by the company hosted in the Amazon cloud and by other Managed Service Providers;
- enterprise platform sales by system integrator partners; and
- 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 with a UK based system integrator with access to Europe, the Middle East and Africa.

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.

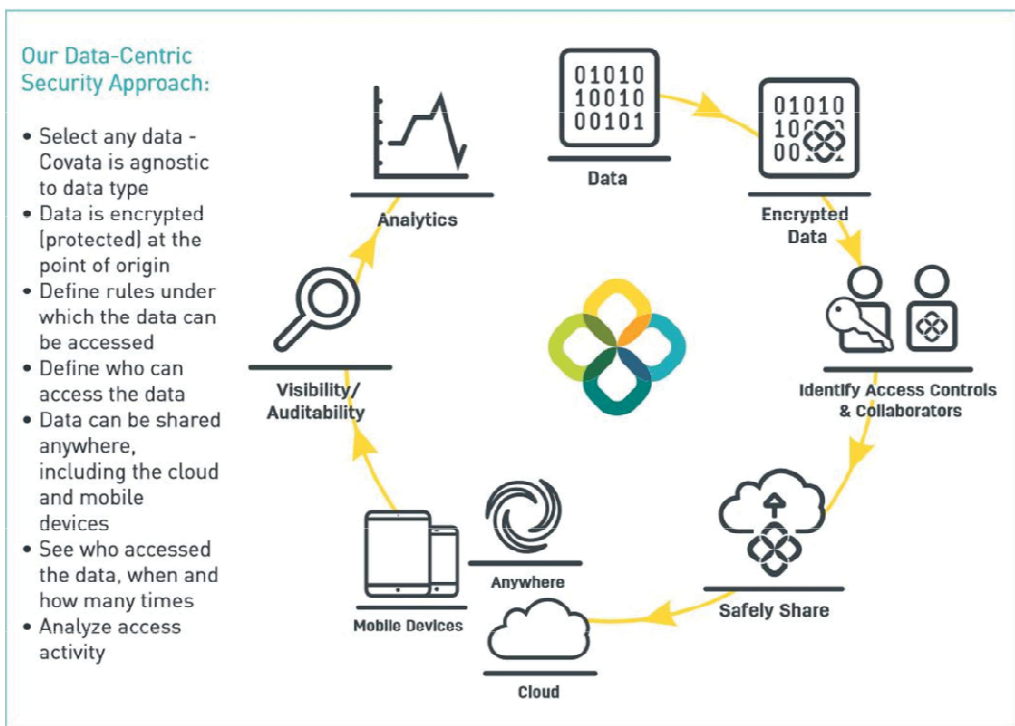
Cocoon's patents and trademarks are set out at Schedule 3.

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.

#### **4.6 Cocoon Capital Structure**

Cocoon's capital structure as at the date of this Bidder's Statement and the treatment of each form of security in the context of the Takeover Offer is as set out in the table below:

Security	Number (date of the Offer)	Cocoon Shares (upon Offer becoming Unconditional)	PIM Shares (upon successful completion of the Offer)	PIM Options (upon successful completion of the Offer)
Cocoon Shares	224,170,041	224,170,041	Nil	Nil
Cocoon Loan Plan Shares <sup>1</sup>	14,930,000	14,930,000	Nil	Nil
Cocoon US Options <sup>2</sup>	23,575,000	Nil	Nil	17,681,250
Cocoon AU Options <sup>2</sup>	4,700,000	Nil	Nil	3,525,000
Cocoon Proposed Director entitlements <sup>2</sup>	Nil	Nil	Nil	15,000,000
Cocoon Warrants <sup>3</sup>	83,923,583	26,000,000	Nil	Nil
Existing Convertible Notes <sup>4</sup>	243	116,777,777	Nil	Nil
New Convertible Notes <sup>5</sup>	50	Nil	13,500,000	Nil
<b>TOTAL</b>		<b>381,877,818</b>	<b>13,500,000</b>	<b>36,206,250</b>

**Notes:**

1. **(Cocoon Loan Plan Shares):** Pursuant to the Loan Plan, Cocoon issued a total of 14,930,000 Cocoon Shares (**Loan Plan Shares**) to employees of Cocoon (**Employee Shareholders**) and the Employee Shareholders were granted loans of \$1,642,300 to acquire the Loan Plan Shares with the Loan Plan Shares securing the obligation to repay the loan. Cocoon proposes entering into arrangements with each of the Employee Shareholders under which they will agree to accept the Offer, and that all PIM Shares and Performance Shares (including PIM Shares issued upon conversion of the Performance Shares) issued to them as Consideration shall be:
  - (a) subject to transfer restrictions until the corresponding loan has been repaid; and
  - (b) used as security to secure the Employee Shareholders' obligations to repay any loan repayable to Cocoon in respect of the Loan Plan Shares.

2. **(Cocoon Options):** Cocoon and PIM propose entering into arrangements with each holder of Cocoon Options under which they will agree to the cancellation of their Cocoon Options in consideration for the issue of PIM Options, effective upon successful completion of the Takeover Offer **(Replacement PIM Options)**.

PIM was granted a waiver of the ASX Listing Rules in order to have options on issue with an exercise price of below \$0.20 at the time of PIM being readmitted to trading on ASX (as a result of the Replacement PIM Options issued in respect of the Cocoon US Options having an exercise price below \$0.20).

In addition, Cocoon has an obligation under existing employment agreements to issue additional Cocoon Options (each exercisable at \$0.20 on or before the date which is 5 years from their date of issue), as set out below:

- (a) 10,000,000 Cocoon Options to Trent Telford; and
- (b) 5,000,000 Cocoon Options to Phil Dunkelberger,

who are each Proposed Directors of the Company. Under the Bid Implementation Agreement, PIM has agreed, subject to PIM Shareholder and regulatory approval, to issue an equivalent number of PIM Options to those Cocoon Optionholders on equivalent terms to the Cocoon Options (provided that the exercise price of the PIM Options will be \$0.20) upon successful completion of the Takeover Offer **(Additional Replacement PIM Options)**.

A summary of the terms of the Replacement PIM Options and Additional Replacement PIM Options are set out in Sections 3.22 of this Bidder's Statement.

3. **(Cocoon Warrants):** Cocoon entered into a number of warrant deeds with its advisers **(Cocoon Warrantholders)** under which it granted them rights to apply (in aggregate) for a total of 83,923,583 Cocoon Shares **(Cocoon Warrants)**. Cocoon proposes entering into variation agreements with each of the Cocoon Warrantholders under which the Cocoon Warrantholders agreed to the cancellation of the Cocoon Warrants in consideration for the issue of Cocoon Shares (effective as at the date of the Offer becoming or being declared unconditional) and to accept the Offer no later than 5 business days after the issue of those Cocoon Shares. Refer to Section 4.14 for a summary of the terms and conditions of the Cocoon Warrants.
4. **(Existing Convertible Notes):** Cocoon entered into convertible note deeds with investors **(Existing Convertible Noteholders)** prior to execution of the Heads of Agreement under which they were issued (in aggregate) 243 convertible notes, each with a face value of \$50,000 **(Existing Convertible Notes)**. Cocoon proposes varying the terms of the Existing Convertible Notes so that the Existing Convertible Notes will be cancelled in consideration for the issue of Cocoon Shares (effective as at the date of the Offer becoming or being declared unconditional) and to accept the Offer no later than 5 business days after the issue of those Cocoon Shares.
5. **(New Convertible Notes):** Under the Bid Implementation Agreement, Cocoon was entitled to raise up to \$2.5 million through the issue of additional convertible notes. As a result, Cocoon issued (or has an obligation to issue) a further 50 convertible notes, each with a face value of \$50,000 **(New Convertible Notes)**, to investors **(New Convertible Noteholders)**. The New Convertible Notes carry an

interest rate of 2% per month, accruing monthly in arrears. The terms of the New Convertible Notes are such that, upon successful completion of the Offer, the New Convertible Notes (together with interest owing) will automatically convert directly into PIM Shares at \$0.20 per PIM Share. The table has been prepared on the basis that interest accrues on the New Convertible Notes for a period of 4 months. Additional PIM Shares will be issued in the event that completion of the Offer is delayed.

#### 4.7 Acquisition and licensing of Intellectual Property

Cocoon's initial interest in the Intellectual Property was acquired from FED ID Australia Pty Ltd (ACN 114 471 064) (**Fed ID**) who were the initial creators of the Intellectual Property.

Cocoon has subsequently licensed the Intellectual Property to its wholly owned subsidiaries, Covata AU and Covata US, pursuant to separate licensing agreements (the terms of which are summarised in Sections 4.8 and 4.9 of this Bidder's Statement).

#### 4.8 Covata AU License Agreement

On 28 June 2013, Cocoon and Covata AU entered into an intra-group License agreement in respect of commercialisation of the Intellectual Property (**Covata AU License Agreement**). The key terms of the Covata AU License Agreement are set out below:

- (a) (**Grant of License**): with effect from 1 July 2012 (**Commencement Date**), Cocoon granted to Covata AU separate exclusive licenses in respect of all patents, trademarks, confidential information, copyright in software, Additional IP (defined below) and all other Intellectual Property which Cocoon was able to lawfully License (**Licensed IP**) for the purpose of commercialising the Licensed IP throughout the entire world other than the United States of America, Canada and Mexico (**Territory**), and a non exclusive License to use the trade marks in the Territory in connection with such activities (**Licenses**).
- (b) (**Research License**): Covata AU granted to Cocoon and its affiliates, a non-exclusive License of the Licensed IP for research and development purposes within the Territory.
- (c) (**Consideration**): In consideration of the grant of the Licenses, Covata AU agrees to pay the fees, as agreed by the parties no later than the anniversary of the Commencement Date, and failing agreement, \$1 million per annum (**Fees**) which are to be paid annually in arrears within 30 days of 30 June. No fees were paid to Cocoon by Covata AU for the year ended 30 June 2013. The parties are yet to determine what fees will be payable for the year ended 30 June 2014.
- (d) (**Additional IP**): All intellectual property conceived, created, reduced to practice or acquired by Covata AU (**Additional IP**) is to be the sole property of Cocoon, and Covata AU assigns to Cocoon all Additional IP with effect from its creation or acquisition. If Covata AU is unable to transfer ownership by reason applicable to Territory law, Covata AU grants to Cocoon the broadest rights it may lawfully grant.
- (e) (**Sub-licensing**): Covata AU may by written agreement sub-license any of the Licensed IP (with a territorially limited right to sub-license) to any entity that is an affiliate of Cocoon without the consent of Cocoon. Covata AU may only sub-License to an entity that is not an affiliate of Cocoon with the prior written consent of Cocoon.
- (f) (**Supply of support services, updates and new versions**): The supply of support, customization training, installation, consultancy or other services to Covata AU or sub-licensees will be at Cocoon's sole discretion and subject to the parties agreeing the terms on which services will be supplied.

- (g) **(Monitoring and Audit)**: Covata AU agrees that Cocoon may monitor and audit use of the software assigned by Cocoon by such means as it thinks fit, provided that Cocoon agrees not to willfully review the content of any confidential material created or handled using the software.
- (h) **(Limitation of Liability)**: Cocoon's total liability to Covata AU under or in connection with the Covata AU License Agreement (other than for breach of confidentiality provisions) is limited to an amount equal to the Fees paid by Covata AU in the preceding 12 months.
- (i) **(Termination)**: Either party may terminate the Covata AU License Agreement if an event of insolvency occurs in respect of the other party, provided that, while Covata AU remains an affiliate of Cocoon, neither party may terminate the Covata AU License Agreement for breach by the other.

#### 4.9 Covata US Licence Agreement

On 28 June 2013, Cocoon and Covata US entered into an intra-group License agreement in respect of commercialisation of the Intellectual Property (**Covata US License Agreement**). The key terms of the Covata US License Agreement are set out below:

- (a) **(Grant of License)**: with effect from 1 July 2012 (**Commencement Date**), Cocoon granted to Covata US separate exclusive Licenses in respect of all patents, trademarks, confidential information, copyright in software, Additional IP (defined below) and all other intellectual property which Cocoon was able to lawfully License (**Licensed IP**) for the purpose of commercialising the Licensed IP throughout the United States of America, Canada and Mexico (**Territory**), and a non exclusive License to use the trade marks in the Territory in connection with such activities (**Licenses**).
- (b) **(Research License)**: Covata US granted to Cocoon and its affiliates, a non-exclusive License of the Licensed IP for research and development purposes within the Territory.
- (c) **(Consideration)**: In consideration of the grant of the Licenses, Covata US agrees to pay the fees, as agreed by the parties no later than the anniversary of the Commencement Date, and failing agreement, \$1 million per annum (**Fees**) which are to be paid annually in arrears within 30 days of 30 June. No fees were paid to Cocoon by Covata US for the year ended 30 June 2013. The parties are yet to determine what fees will be payable for the year ended 30 June 2014.
- (d) **(Additional IP)**: All intellectual property conceived, created, reduced to practice or acquired by Covata US (**Additional IP**) is to be the sole property of Cocoon and Covata US assigns to Cocoon all Additional IP with effect from its creation or acquisition. If Covata US is unable to transfer ownership by reason applicable to Territory law, Covata US grants to Cocoon the broadest rights it may lawfully grant.
- (e) **(Sub-licensing)**: Covata US may by written agreement sub-license any of the Licensed IP (with a territorially limited right to sub-license) to any entity that is an affiliate of Cocoon without the consent of Cocoon. Covata US may only sub-License to an entity that is not an affiliate of Cocoon with the prior written consent of Cocoon.

- (f) **(Supply of support services, updates and new versions):** The supply of support, customization training, installation, consultancy or other services to Covata US or sub-licensees will be at Cocoon's sole discretion and subject to the parties agreeing the terms on which services will be supplied.
- (g) **(Monitoring and Audit):** Covata US agrees that Cocoon may monitor and audit use of the software assigned by Cocoon by such means as it thinks fit, provided that Cocoon agrees not to willfully review the content of any confidential material created or handled using the software.
- (h) **(Limitation of Liability):** Cocoon's total liability to Covata US under or in connection with the Covata US License Agreement (other than for breach of confidentiality provisions) is limited to an amount equal to the Fees paid by Covata US in the preceding 12 months.
- (i) **(Termination):** Either party may terminate the Covata US License Agreement if an event of insolvency occurs in respect of the other party, provided that, while Covata US remains an affiliate of Cocoon, neither party may terminate the Covata US License Agreement for breach by the other.

#### 4.10 Intellectual property

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
8,806,207	United States of America	System and Method for Securing Data.	Issued 12 August 2014.
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 <sup>1</sup> and 42 <sup>2</sup>
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

6. Class 9: this class provides protection for a range of goods including data processing equipment, computers, and computer software.
7. 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.

#### 4.11 Material contracts

##### (a) NSC Reseller Agreement

On 4 April 2014, Covata AU and NSC Global Services Limited (company number 05281843) (**NSC**) entered into a reseller agreement (**NSC Reseller Agreement**). Under this Reseller Agreement, Covata AU appoints NSC as the exclusive reseller of sublicenses in Europe, the Middle East and Africa (**Territory**) for all products and services that Covata AU currently offers or will offer in the future (**Products**). The material terms of the NSC Reseller Agreement are set out below:

- (i) (**Exclusive Customers**): Covata AU agrees not to sell any Products to the exclusive clients of NSC (which include Verizon Australia Pty Limited).
- (ii) (**Appointment**): Covata AU grants NSC the exclusive right and license to sell sublicenses for Products and to exclusive clients and NSC shall have the authority to enter into direct sublicenses



with customers pursuant to a sublicense agreement to be agreed between the parties within 30 days of the NSC Reseller Agreement and Covata AU shall be an explicit third party beneficiary of that sublicense agreement.

- (iii) **(End Users):** Nothing shall prevent NSC from rejecting any customer's orders at its discretion and upon receipt of written notice, Covata AU shall have the right to transact for the sale of licenses for Products to those customers. Notwithstanding this, Covata AU shall have the right to transact directly or through intermediaries, with individual consumers (**End User**) for the sale of licenses for Products. However, 45% of any net revenue from sales that is not an End User shall be paid to NSC.
- (iv) **(Prices):** Covata AU may decrease recommended resale prices for Products from time to time by giving NSC not less than 90 days notice of such a decrease and may not increase the recommended resale prices without NSC's prior consent (other than for increases in labour costs and increases in import duties).
- (v) **(Term):** The term of the NSC Reseller Agreement is five years commencing on 1 April 2014 and terminating on 31 March 2019 (**Term**) and shall continue so long as the following milestones are met on an annual basis:
  - (A) NSC shall have entered into a sublicense with at least 30 separate potential customers during the first year of the Term;
  - (B) Covata AU shall have received at least \$5,000,000 of gross remittances from NSC during the second year of the Term;
  - (C) Covata AU shall have received at least \$12,000,000 of gross remittances from NSC during the third year of the Term;
  - (D) Covata AU shall have received at least \$17,000,000 of gross remittances from NSC during the fourth year of the Term; and
  - (E) Covata AU shall have received at least \$22,000,000 of gross remittances from NSC during the fifth year of the Term,

**(Exclusivity Milestones).**

- (vi) **(Exclusivity):** For so long as NSC continues to meet the Exclusivity Milestones, Covata AU shall not appoint any other party as a reseller of sublicenses for Products within the Territory or to NSC's exclusive clients.
- (vii) **(Failure to meet Exclusivity Milestones):** In the event that NSC fails to achieve any of the Exclusivity Milestones for any year during the Term, the exclusivity period shall terminate at the end of such year of the Term provided that Covata AU notifies NSC of such termination in writing within 3 months after the

corresponding year end otherwise the exclusivity period shall continue until NSC fails to achieve another Exclusivity Milestone.

- (viii) **(Guarantor)**: The Company provides a guarantee to NSC of the full and prompt performance of the obligations of Covata AU under the NSC Reseller Agreement.
- (ix) **(License to Marks)**: during the Term, Covata AU grants to NSC the non-exclusive, royalty free right and license to use the trademarks, logos and service marks used by Covata AU in relation to the Products.
- (x) **(Limit of Liability)**: the maximum liability of each party arising in connection with the purchase or use of any Product sold by NSC shall in no case exceed \$50,000.
- (xi) **(Termination)**: Either party may terminate the NSC Reseller Agreement in the event of, amongst other things, a party failing to pay any amount due and such breach remains uncured within 13 business days after a party has received written notice of the breach.
- (xii) **(Change in Control)**: In the event of a change in control, Covata AU shall ensure that by the terms of such change in control, the surviving person or the purchaser agrees in writing that the rights and obligations of NSC under the NSC Reseller Agreement shall continue.

(b) **Product and Services Supply Agreement**

On 19 April 2011, Verizon Australia Pty Limited (**Verizon**) and Cocoon entered into a product and service supply agreement (**Supply Agreement**) for the establishment of a contractual framework for the non-exclusive license to supply and receipt of certain products and/or services by Cocoon for delivery to anywhere in Australia and in the Asia Pacific regions. The Supply Agreement is intended to facilitate the conclusion of individual contracts in the form of purchase orders (**PO**). Each PO shall be separate contracts which are governed exclusively by and shall be deemed to incorporate by reference the terms and conditions of the Supply Agreement.

The Supply Agreement was subsequently assigned to Covata AU under the Assignment Agreement.

- (i) **(Payment)**: In satisfaction of the performance of the PO by Covata AU, Verizon agreed to pay fees to Covata AU in accordance with the pricelist provided to Verizon by Covata AU, or as otherwise agreed between the parties.
- (ii) **(Term)**: The Supply Agreement commenced on 19 April 2011 (being the date of the Supply Agreement) (**Commencement Date**) and shall remain in full force and effect unless terminated in accordance with the provisions of the Supply Agreement for an initial term of 3 years (**Initial Term**) after which the Supply Agreement will automatically renew for successive one year terms unless terminated in accordance with its terms.

- (iii) **(Termination):**
  - (A) Upon 30 days written notice to Covata AU, Verizon may terminate a PO without cause in which event Verizon's sole liability shall be to pay to the Company fair and reasonable compensation for work-in-progress at the time of cancellation.
  - (B) Verizon may also terminate following the expiration of the Initial Term.
  - (C) Either party may terminate this Supply Agreement or PO for, amongst other things, the insolvency of the other party or a material breach of the Supply Agreement, provided the breach has not been cured by the end of such 30 day period.
- (iv) **(Warranty):** Where Cocoon is not the original manufacturer of the products and/or software and is not able to pass on to Verizon and its end users the benefit of any manufacturer warranties and any intellectual property indemnities, Verizon will have cause, at its election, to terminate the purchase without liability.

(c) **TPG and CDHL Product Development and Distribution Agreement**

On 30 October 2012, TPG Telecom Limited (**TPG**) and Covata AU entered into a product development and distribution agreement (**PDDA**) under which Covata AU granted to TPG an exclusive, limited, non-transferable License for the development of four software products by Covata AU (**License**).

The material terms of the PDDA are set out below:

- (i) **(Term):** The term of the PDDA commenced on 30 October 2012 and continues for a period of 10 years unless the PDDA is terminated in accordance with its terms (**Term**). TPG may renew the term for a further period of 10 years by giving Covata AU written notice prior to the end of the term.
- (ii) **(Grant of License):** Covata AU granted the License to TPG for the Term under which TPG has a right to sell the software as a service either bundled or standalone to its customers throughout Australia and New Zealand.
- (iii) **(Fees):** In consideration for grant of the License, TPG paid a license fee of \$2.67 million to Cocoon and agreed to pay the following fees to Covata AU:
  - (A) **(Bundle Rights):** after any free promotional period of up to 18 months, 50% of the revenue received by TPG in respect of any bundled products offered by TPG; and
  - (B) **(Standalone Rights):** the lower of:
    - (l) 75% of the lowest wholesale price paid by any reseller in the world for Cocoon's products that

are similar or reasonably substitutable for the products sold; or

- (II) 50% of Covata AU's best standalone wholesale list price for the products sold.
- (iv) **(Intellectual Property)**: Covata AU retains full property rights in all intellectual property Licensed to TPG or created by TPG in respect of improvements associated with the property Licensed.
- (v) **(Limit of Liability)**: Covata AU's liability under the PDDA is limited to the fees received by Covata AU in the preceding 12 months.
- (vi) **(Termination)**:
  - (A) TPG may terminate the PDDA in its sole discretion by giving 180 days notice to Covata AU.
  - (B) Covata AU may terminate the PDDA in the event that TPG fails to pay any amount owing to Covata AU under the PDDA for a period of 10 business days after being notified of such failure to pay or in the event that an insolvency event occurs in respect of TPG.

(d) **Loan agreement**

On 27 June 2014 PIM (as lender) and Cocoon (as borrower) entered into a loan facility agreement (**Facility Agreement**) whereby PIM agreed to provide a loan facility to Cocoon for an amount of \$1,500,000 (**Loan Facility**). The Facility Agreement was amended on 25 August 2014. The Loan Facility is to be used by Cocoon to meet its working capital requirements.

- (i) **(Drawing)**: Cocoon may issue draw down notices under the Facility Agreement subject to the shareholder approvals referred to in Section 9.15 having been received, the 80% acceptance level referred to in Section 3.19 having been attained, the Prospectus Offer having been completed (or the Company being satisfied with the level of indicated commitments for the Prospectus Offer), ASX having given the Company written confirmation that it will readmit the Company to the official list of ASX and terminate the suspension from official quotation of the Company's shares subject to satisfaction of terms and conditions prescribed by ASX or the ASX Listing Rules (or the Company being satisfied that there are no legal or regulatory impediments to obtaining the confirmation), and the other Conditions not having been breached or rendered incapable of satisfaction, for amounts not exceeding \$200,000 under an initial drawdown notice and \$750,000 in aggregate in October 2014. In addition, PIM may issue a notice to Cocoon at any time requiring Cocoon to accept an advance pursuant to the Loan Facility. Upon successful completion of the Takeover Offer and the New Convertible Notes having been converted into PIM Shares, Cocoon may draw down on the Loan Facility at any time pursuant to a drawdown notice.

- (ii) **(Security)**: In respect of the Loan Facility, Cocoon has granted a security in favour of PIM in all of Cocoon's present and after-acquired property.
- (iii) **(Interest)**: Subject to the occurrence of an event of default, the Loan is an interest free loan. Upon an event of default occurring, interest will immediately commence accruing on any outstanding loan amounts at a rate of 10% per annum.
- (iv) **(Repayment)**: All advances pursuant to the Loan must be repaid to PIM at the earlier to occur of: 27 June 2015; the occurrence of an event of default; or upon the occurrence of a change in control in Cocoon (other than as contemplated by this Takeover Offer).
- (v) **(Conversion)**: Any or all outstanding Loan monies can be converted into Cocoon Shares if:
  - (A) a Competing Proposal in respect of this Takeover Offer is made, disclosed, or announced in relation to Cocoon; or
  - (B) Cocoon breaches any material obligation under the Facility Agreement or the Bid Implementation Agreement, and such breach is of substantial import or of consequence to PIM.
- (vi) **(Event of Default)**: the Facility Agreement contains events of default that are considered standard for an agreement of this type, including but not limited to: failure to pay, non-remediable failure, misrepresentation, cross default, insolvency, winding up, and adverse change.

#### 4.12 Convertible Note Agreements

Terms defined below are only applicable for this section 4.12, unless the context requires otherwise.

##### (a) **Gaffwick and Ilwella Convertible Note Agreement**

On 22 May 2012, Cocoon entered into convertible note agreements with Gaffwick Pty Ltd (ACN 010 584 522) (**Gaffwick**) and Ilwella Pty Limited (ACN 003 220 371) (**Ilwella**) (**Holders**) under which Cocoon issued 40 convertible notes (**Notes**) to each of Gaffwick and Ilwella (**GI Convertible Note Agreement**). The material terms of the Gaffwick Convertible Note Agreement are set out below:

- (i) **(Issue Price)**: The Notes were issued on 22 May 2012 (**Issue Date**) at an issue price of \$50,000 each resulting in a principal amount of \$4,000,000 being paid to the Company.
- (ii) **(Maturity Date)**: The Notes mature on 22 May 2014 (**Maturity Date**).
- (iii) **(Conversion by Holders)**: The Holders may give notice to Cocoon at any time that it wishes to have the Notes converted.

- (iv) **(Automatic conversion):** The Notes shall automatically convert on the Maturity Date unless the Holder notifies Cocoon in writing before the Maturity Date that it requires the Notes to be repaid (as provided for in paragraph (vi) below).
- (v) **(Conversion Price):** The Notes shall convert at the lesser of:
  - (A) \$0.16; or
  - (B) The lowest price for which any Shares have been issued by Cocoon or converted by any person or entity since the Issue Date, but excluding:
    - (I) any issue or conversion of securities that have been issued prior to the Issue Date;
    - (II) any issue pursuant to an employee share plan;
    - (III) to a consultant or service provider of Cocoon;
    - (IV) to a person issued securities in conjunction with a provision of debt to Cocoon; or
    - (V) a strategic partner of Cocoon,

**(Conversion Price).**

- (vi) **(Repayment of Notes):** Unless Cocoon has, since the date of the GI Convertible Note Agreement:
  - (A) completed an equity or debt financing for an amount greater than \$2,000,000 at a valuation equivalent to or greater than the implied valuation as determined by the conversion price of the Notes; or
  - (B) received a written opinion from Cocoon's accountants that the business has become sustainably cash flow positive,

the Holder may, by written notice to Cocoon given no less than 90 but no more than 100 days before the Maturity Date, elect to have the Notes repaid in full at the Maturity Date.

- (vii) **(Issue of preference shares):** Subject to receiving Shareholder approval (if required), Cocoon may, at any time prior to the Maturity Date, elect to convert the Notes into preference shares by giving written notice to the Holder. The preference shares will be issued on the same terms as Cocoon's existing Shares other than that, in the event Cocoon issues any securities for a price less than the Conversion Price in effect immediately prior to the issue, Cocoon must issue bonus preference shares to the Holder.
- (viii) **(Events of default):** The following are events of default under the GI Convertible Note Agreement:
  - (A) failure by Cocoon to pay any amount owing under the GI Convertible Note Agreement when due;

- (B) a breach of warranty by Cocoon;
- (C) the Notes become wholly or partly void, voidable or unenforceable; or
- (D) an insolvency event occurs in respect of Cocoon or any of its majority-owned subsidiaries.

Cocoon may remedy an event of default within 30 days of receiving notice of the default from the Holder, prior to which the Holder may not exercise its right to demand immediate repayment of the Notes.

- (ix) **(Transfer)**: The Notes are not transferable except with the prior written consent of Cocoon, which may not be unreasonably withheld.

(b) **QWL Convertible Note Agreement**

On 28 February 2012, Cocoon entered into a convertible note agreement with QWL Pty Ltd (ACN 096 284 383) as trustee for the Raven Technology #1 Fund (**QWL**) under which Cocoon issued 63 convertible notes (**Notes**) to QWL (**QWL Convertible Note Agreement**). Raven Capital Nominees Pty Ltd (ACN 149 218 539) subsequently replaced QWL Pty Ltd as trustee. The material terms of the QWL Convertible Note Agreement are set out below:

- (i) **(Issue Price)**: 50 Notes were issued on 28 February 2012 and the remaining 13 were issued on 30 June 2012 (**Issue Date**) each at an issue price of \$50,000 each resulting in a principal amount of \$3,150,000 being paid to Cocoon.
- (ii) **(Maturity Date)**: The Notes mature on 28 February 2015 (**Maturity Date**).
- (iii) **(Security)**: The Notes are secured by a first ranking fixed and floating charge in favour of QWL over all of the assets and undertakings of Cocoon (which QWL agrees to subordinate in the event that Cocoon obtains senior bank debt).
- (iv) **(Board Representation)**: QWL has the right to appoint a nominee to the Board of Cocoon for the duration of the QWL Convertible Note Agreement.
- (v) **(Conversion by QWL)**: QWL may give notice to Cocoon at any time that it wishes to have the Notes converted.
- (vi) **(Automatic conversion)**: The Notes shall automatically convert on the Maturity Date unless QWL notifies Cocoon in writing before the Maturity Date that it requires the Notes to be repaid (as provided for in paragraph (viii) below).
- (vii) **(Conversion Price)**: The Notes shall convert at the lesser of:
  - (A) \$0.10; or

- (B) The lowest price for which any Shares have been issued by Cocoon or converted by any person or entity since the Issue Date,

**(Conversion Price).**

- (viii) **(Repayment of Notes):** Unless Cocoon has, since the date of the QWL Convertible Note Agreement:

- (A) completed an equity or debt financing for an amount greater than \$3,150,000 at a valuation equivalent to or greater than the implied valuation as determined by the conversion price of the Notes; or
- (B) received a written opinion from Cocoon's accountants that the business has become sustainably cash flow positive,

QWL may, by written notice to Cocoon given no less than 90 days before the Maturity Date, elect to have the Notes repaid in full at the Maturity Date.

- (ix) **(Events of default):** The following are events of default under the QWL Convertible Note Agreement:

- (A) failure by Cocoon to pay any amount owing under the QWL Convertible Note Agreement when due;
- (B) a breach of the QWL Convertible Note Agreement (or any related agreement) by Cocoon;
- (C) the Notes become wholly or partly void, voidable or unenforceable;
- (D) an insolvency event occurs in respect of Cocoon or any of its majority-owned subsidiaries;
- (E) QWL's nominee on the Board ceases to be a Director other than through death, disability, voluntary resignation or replacement by QWL; or
- (F) the CEO of Cocoon as at the Issue Date ceases to be the CEO of Cocoon (other than with QWL's consent);
- (G) if, within 45 days of the Issue Date, all convertible notes associated with a Director of Cocoon have not been converted;
- (H) if, within 30 days of the Issue Date, Cocoon has not confirmed in writing that Cocoon has granted a first right of refusal to QWL in respect of any future capital raising undertaken by Cocoon (or any of its subsidiaries); or
- (I) if, within 30 days of the Issue Date, Cocoon has not been granted the Security.



Cocoon may remedy an event of default within 30 days of receiving notice of the default from QWL, prior to which QWL may not exercise its right to demand immediate repayment of the Notes.

- (x) **(Transfer):** The Notes are not transferable except with the prior written consent of Cocoon, which may not be unreasonably withheld.

(c) **First Right of Refusal Deed**

In accordance with the terms of the QWL Convertible Note Agreement, the Company entered into a first right of refusal deed with QWL on 28 February 2012 under which QWL has a first right of refusal in respect of any Cocoon Share issue undertaken by Cocoon other than an issue of Cocoon Shares:

- (i) upon conversion of any existing convertible security;
- (ii) to any strategic partners of Cocoon;
- (iii) in connection with an initial public offering of Cocoon;
- (iv) to QWL under the QWL Convertible Note Agreement;
- (v) under an employee incentive plan;
- (vi) under a reorganisation of Cocoon's share capital;
- (vii) in connection with a business acquisition by Cocoon; or
- (viii) for the avoidance of foreign control avoidance

(d) **TPG Convertible Note Agreement**

On 27 November 2012, Cocoon entered into a convertible note agreement with TPG under which Cocoon agreed to issue up to 100 convertible notes (**Notes**) to TPG (**TPG Convertible Note Agreement**). The material terms of the TPG Convertible Note Agreement are set out below:

- (i) **(Issue Price):** 50 Notes were issued on 4 December 2012 and 50 Notes were issued on 11 June 2013 (**Issue Date**) at an issue price of \$50,000 each resulting in a current principal amount of \$5,000,000 being paid to Cocoon.
- (ii) **(Maturity Date):** The existing Notes mature on the date which is 10 business days after Cocoon has issued sufficient Shares to enable all the Notes held by TPG to be converted without breaching the 20% prohibition under the Corporations Act (**Maturity Date**).
- (iii) **(Conversion by TPG):** TPG may give notice to Cocoon at any time that it wishes to have the Notes converted.
- (iv) **(Automatic conversion):** The Notes shall automatically convert on the Maturity Date unless TPG notifies Cocoon in writing

before the Maturity Date that it requires the Notes to be repaid (as provided for in paragraph (a)(vi) below).

- (v) **(Conversion Price):** The Notes shall convert at \$0.15 (**Conversion Price**).
- (vi) **(Repayment of Notes):** If, before the Maturity Date, any option or warrant issued by Cocoon expires or is cancelled and such expiry or cancellation would, if TPG were to convert all of its Notes, result in TPG holding 20% or more of Cocoon's issued voting Shares, TPG may require Cocoon to redeem the minimum number of Notes required to ensure that if TPG were to convert the Notes, such conversion would not result in TPG holding 20% or more of Cocoon's issued voting Shares.
- (vii) **(Notifications):** Cocoon shall notify TPG in respect of any issue of Cocoon Shares or other securities.
- (viii) **(Future Fundraising):** If Cocoon issues any securities, TPG has a right to subscribe for that number of securities representing up to 14% of the total securities to be issued. Cocoon has advised that the issue of Cocoon Shares and Convertible Notes under the Acquisition will not trigger this right.
- (ix) **(Transfer):** The Notes are not transferable except with the prior written consent of Cocoon, which may not be unreasonably withheld.

(e) **Raven Convertible Note Agreement**

On 20 May 2014, Cocoon entered into a convertible note agreement with Raven Ventures Pty Ltd (ACN 163 220 371) (**Raven**) under which Cocoon agreed to issue 30 convertible notes (**Notes**) to Raven (**Raven Convertible Note Agreement**). The material terms of the Raven Convertible Note Agreement are set out below:

- (i) **(Issue Price):** 30 Notes were issued on 20 May 2014 (**Issue Date**) at an issue price of \$50,000 each resulting in a current principal amount of \$1,500,000 being paid to Cocoon.
- (ii) **(Maturity Date):** The existing Notes mature on 20 May 2015 (**Maturity Date**).
- (iii) **(Conversion by Raven):** Raven may give notice to Cocoon at any time that it wishes to have the Notes converted.
- (iv) **(Automatic conversion):** The Notes shall automatically convert on the Maturity Date or on the occurrence of a change of control of Cocoon.
- (v) **(Conversion Price):** The Notes shall convert at \$0.15 (**Conversion Price**).
- (vi) **(Repayment of Notes):** Cocoon may repay the Notes at any time before the Maturity Date by providing notice to Raven.

- (vii) **(Security):** The Notes shall be secured by way of a fixed and floating charge over all of Cocoon's assets and undertaking of Cocoon.
- (viii) **(Transfer):** The Notes are not transferable except with the prior written consent of Cocoon, which may not be unreasonably withheld.

Cocoon proposes entering into additional convertible note agreements with investors under which it will raise an additional \$1,000,000 on substantially the same terms as the Raven Convertible Note Agreement, provided that the additional investors shall be unsecured.

As set out in Section 4.6, Cocoon proposes entering into deeds of variation under which the convertible notes referred to in this clause 4.12 will be converted into either Cocoon Shares or PIM Shares in conjunction with the Takeover Offer.

#### **4.13 Terms and conditions of Cocoon AU Options and Cocoon US Options**

Cocoon currently has 28,275,000 Cocoon Options on issue, all of which will be converted into PIM Options upon successful completion of the Offer. Refer to Section 4.6 for further details. The material terms and condition of the Cocoon Options are set out below:

(a) **Entitlement**

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

(b) **Exercise Price**

The amount payable upon exercise of each Cocoon Option will be as set out below:

- (i) Cocoon AU Options – \$0.22; and
- (ii) Cocoon US Options - USD\$0.11,

**(Exercise Price)**

(c) **Expiry Date**

Each Cocoon Option will expire on the following dates:

- (i) Cocoon AU Options – 9 March 2016; and
- (ii) Cocoon US Options – the date which is 10 years from the date of issue,

**(Expiry Date).**

A Cocoon Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

Vested Cocoon Options are exercisable at any time on or prior to the Expiry Date **(Exercise Period)**.

(e) **Shares issued on exercise**

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

(f) **Change of control**

Where a change of control has occurred, or in the opinion of the Board will occur, the Board may determine the manner in which the Cocoon Options will be dealt with so that the Cocoon Optionholder remains in a financial position in respect of the outstanding Cocoon Options which is as near as possible as to that which existed prior to the change of control occurring. Cocoon may either:

- (i) allow the holder to exercise the Cocoon Options within a specified period, after which the Cocoon Options will lapse; or
- (ii) arrange for PIM to assume the obligations of Cocoon in respect of the Cocoon Options.

(g) **Transferability**

The Cocoon Options are not transferable.

#### **4.14 Cocoon Warrant Terms**

Cocoon has entered into warrant deeds with each of Europlay Capital Advisors LLC (**ECA**), Asia Principal Capital Limited (**APCL**) and Raven Capital Pty Ltd (**Raven**) which are on broadly the same terms. The material terms of the Cocoon warrants are set out below (terms defined below are only applicable for this section 4.14, unless the context requires otherwise):

(a) **Entitlement**

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

(b) **Exercise Price**

The amount payable upon exercise of each Warrant varies between each Warrant Holder (the minimum exercise price being \$0.10 and the maximum exercise price being \$0.16) (**Exercise Price**).

(c) **Expiry Date**

Each Warrant will expire on one of the following dates: 7 May 2017; 23 March 2022; or 22 May 2022 (**Expiry Date**). A Warrant not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Warrants are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Shares issued on exercise**

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

(f) **Change of control**

Prior to any proposed sale of all or a majority of the Company's business or all or a majority of all issued Shares in the Company (**Trade Sale**), the Company must:

- (i) provide the Warrant holder with no less than 20 Business Days notice; and
- (ii) allow the Warrant holder to surrender any unexercised Warrants in which case the Company must pay the Warrant holder the difference between the fair value of a Share at that date and the Exercise Price.

If any person makes an offer to acquire 75% or more of the Company's Shares (**Takeover Offer**), the Company must, prior to registering any such transfer:

- (i) notify the Warrant holder of the Takeover Offer in writing; and
- (ii) use its best endeavours to procure that the takeover entity makes an offer to the Warrant holder to purchase the Warrants and the Shares issued upon exercise of the Warrants on terms substantially similar to those in the Takeover Offer and on terms not less favourable to the Warrant holder. The consideration offered to the Warrant holder must be equal to the aggregate of:
  - (A) the consideration per Share offered in the Takeover Offer multiplied by the number of Shares held as a result of an exercise of Warrants; and
  - (B) the consideration per Share offered in the Takeover Offer (less the Exercise Price) multiplied by the number of unexercised Warrants held.

(g) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of a Warrant holder are to be changed in a manner consistent with the remainder of the Company's issued capital.

(h) **Participation in new issues**

There are no participation rights or entitlements inherent in the Warrants and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Warrants without exercising the Warrants. However, in the event that Shares are issued for a price lower than the Exercise Price (other than to employees, officers, directors, consultants, creditors, or strategic partners of the Company) the number of Shares to be issued upon exercise of the Warrants shall be adjusted accordingly.

(i) **Dividends**

The Exercise Price for any unexercised Warrants will, upon exercise, be reduced for the amount of any dividends declared or paid to

Shareholders, on a per Share basis, before the date of issue of the Shares upon exercise of the Warrants.

(j) **Transferability**

The Warrants are not transferable without the Company's consent, other than to a related entity of the Warrant holder

#### 4.15 Cocoon Financial Information

(a) **Consolidated Statement of Financial Position**

The historical consolidated statements of financial position of Cocoon are set out below and have been extracted from:

- (i) the audited consolidated statement of financial position as at 30 June 2011, 30 June 2012 and 30 June 2013; and
- (ii) the unaudited management accounts as at 30 April 2014.

(b) **Consolidated Statement of Comprehensive Income**

The historical consolidated statements of profit or loss and other comprehensive income of Cocoon are set out below and have been extracted from:

- (i) the audited consolidated statement of profit or loss and other comprehensive income for the years ended 30 June 2011, 30 June 2012 and 30 June 2013; and
- (ii) the unaudited consolidated management accounts for the 10 months ended 30 April 2014.

#### 4.16 Consolidated Statement of Financial Position of Cocoon Group

	As at 30-Apr-14 Unaudited \$	As at 30-Jun-13 Audited \$	As at 30-Jun-12 Audited \$	As at 30-Jun-11 Audited \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	1,083,650	5,995,421	2,714,564	288,776
Trade and other receivables	2,091,693	2,719,247	1,894,204	30,889
Prepayments	5,942	5,329	5,111	3,502
Other assets	10,000	10,000	16,889	70,506
Tax asset	-	-	-	904,928
<b>Total current assets</b>	<b>3,191,285</b>	<b>8,729,997</b>	<b>4,630,768</b>	<b>1,298,601</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant & equipment	253,221	519,413	554,988	155,152
Other non-current assets	161,344	175,116	98,316	-
<b>Total non-current assets</b>	<b>414,565</b>	<b>694,529</b>	<b>653,304</b>	<b>155,152</b>
<b>Total assets</b>	<b>3,605,850</b>	<b>9,424,526</b>	<b>5,284,072</b>	<b>1,453,753</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	595,880	1,214,948	640,617	859,498
Employee benefits	115,940	187,575	122,090	78,195
Loans and borrowings	9,919,151	5,089,740	-	1,700,000

<b>Total current liabilities</b>	<b>10,630,971</b>	<b>6,492,263</b>	<b>762,707</b>	<b>2,637,693</b>
<b>NON-CURRENT LIABILITIES</b>				
Trade and other payables	2,152,938	2,375,160	-	-
Long Term Debt	-	3,496,077	7,311,992	-
Other Non-Current Debt	-	-	-	-
<b>Total non-current liabilities</b>	<b>2,152,938</b>	<b>5,871,237</b>	<b>7,311,992</b>	<b>-</b>
<b>Total liabilities</b>	<b>12,783,909</b>	<b>12,363,500</b>	<b>8,074,699</b>	<b>2,637,693</b>
<b>NET ASSETS</b>	<b>(9,178,059)</b>	<b>(2,938,974)</b>	<b>(2,790,627)</b>	<b>(1,183,940)</b>
<b>EQUITY</b>				
Share capital	14,836,983	14,836,983	11,760,772	7,623,140
Reserves	(33,956,272)	(28,123,510)	(19,935,593)	(8,807,080)
Retained earnings	9,941,230	10,347,553	5,384,194	-
<b>Total equity</b>	<b>(9,178,059)</b>	<b>(2,938,974)</b>	<b>(2,790,627)</b>	<b>(1,183,940)</b>

#### 4.17 Consolidated Statement of Comprehensive Income of Cocoon Group

	<b>10 months ended 30-Apr-14 Unaudited \$</b>	<b>Year ended 30-Jun-13 Audited \$</b>	<b>Year ended 30-Jun-12 Audited \$</b>	<b>Year ended 30-Jun-11 Audited \$</b>
Revenue	2,543,456	2,766,154	1,661,960	2,281,344
Administration costs	(493,597)	(503,248)	(276,225)	(120,082)
Communication expense	(153,861)	(197,746)	(253,504)	(195,362)
Consultancy fees expense	-	(412,008)	(5,831,592)	(360,102)
Depreciation expense	(268,046)	(386,936)	(165,462)	(85,939)
Employee benefits expense	(6,474,513)	(7,964,882)	(3,393,501)	(2,318,908)
Foreign currency exchange expense	(317)	(579)	(28,292)	-
Marketing and promotion	(223,062)	(45,141)	(203,461)	(167,970)
Travel and accommodation	(203,575)	(207,340)	(493,968)	(273,230)
Professional fees	(303,416)	(384,819)	(1,046,550)	(384,280)
Other expenses	(136,442)	(966,123)	(954,128)	(324,213)
Research and development costs	(20,103)	(84,408)	(143,790)	(142,132)
<b>Loss before income tax benefit</b>	<b>(5,733,476)</b>	<b>(8,387,076)</b>	<b>(11,128,513)</b>	<b>(2,090,874)</b>
Income tax	-	-	-	-
<b>Loss for the period</b>	<b>(5,733,476)</b>	<b>(8,387,076)</b>	<b>(11,128,513)</b>	<b>(2,090,874)</b>
Other comprehensive income	-	10,730	11,308	-
<b>Total comprehensive loss for the period</b>	<b>(5,733,476)</b>	<b>(8,376,346)</b>	<b>(11,117,205)</b>	<b>(2,090,874)</b>

#### 4.18 Further information on Cocoon

Cocoon maintains a website, <https://www.cocoondata.com>, which contains further information about Cocoon and its operations.

Cocoon is an unlisted public company and, as such, is subject to regular financial reporting obligations under the Corporations Act. Cocoon is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Cocoon may be obtained from, or inspected at, an ASIC office.

Further information about Cocoon is contained in its Target's Statement.



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## **5. MERGED GROUP**

### **5.1 Approach**

This Section 5 provides an overview of the Company and its subsidiaries following the acquisition by the Company of all, or a portion of the Cocoon Shares on issue (**Merged Group**), in the various scenarios following the Takeover Offer and the effect of the Takeover Offer on the Company and Cocoon.

### **5.2 Disclaimer Regarding Cocoon and the Merged Group Information**

In preparing the information relating to Cocoon and the Merged Group contained in this Bidder's Statement, the Company has relied on publicly available information relating to Cocoon and this has not been independently verified by the Company or its Directors. Risks may exist in relation to Cocoon (which may affect the Merged Group) of which the Company is unaware. If any material risks are known to the directors of Cocoon, they must be disclosed in the Target's Statement to be issued by Cocoon.

Accordingly, subject to any applicable laws, the Company makes no representations or warranties (express or implied) as to the accuracy and completeness of such information.

Cocoon Shareholders **should not** rely on the information contained in the Bidder's Statement as a true and correct summary of Cocoon, the Covata Platform or any of Cocoon's business activities. The PIM Board recommends that Cocoon Shareholders refer to the Target's Statement for information on Cocoon and its business operations.

### **5.3 Profile of the Merged Group**

If the Takeover Offer is successful, Cocoon Shareholders who accepted the Takeover Offer will each receive 0.6547 PIM Shares and 0.0953 Performance Shares for every 1 Cocoon Share transferred to PIM (except in the circumstances described in Section 9.14) and thereupon, become economic owners of the Merged Group.

### **5.4 Effect of Completion of the Takeover Offer**

Following the Takeover Offer being successful, PIM will shift its focus from its mineral exploration interests to commercialising its Intellectual Property interests. The Merged Group will consider how its existing mineral exploration interests will be dealt with at a future time to be determined by the new Board.

The Merged Group will, on a case-by-case basis, evaluate how best its mineral exploration interests are to be managed, with the Merged Group's preference likely to be to divest to third parties. The Merged Group will also consider whether PIM's existing subsidiary will be wound up or retained after completion of the Takeover Offer.

The Merged Group will have a stronger financial position as detailed in Section 0.

### **5.6 Effect of the Takeover Offer on the Company's Capital Structure**

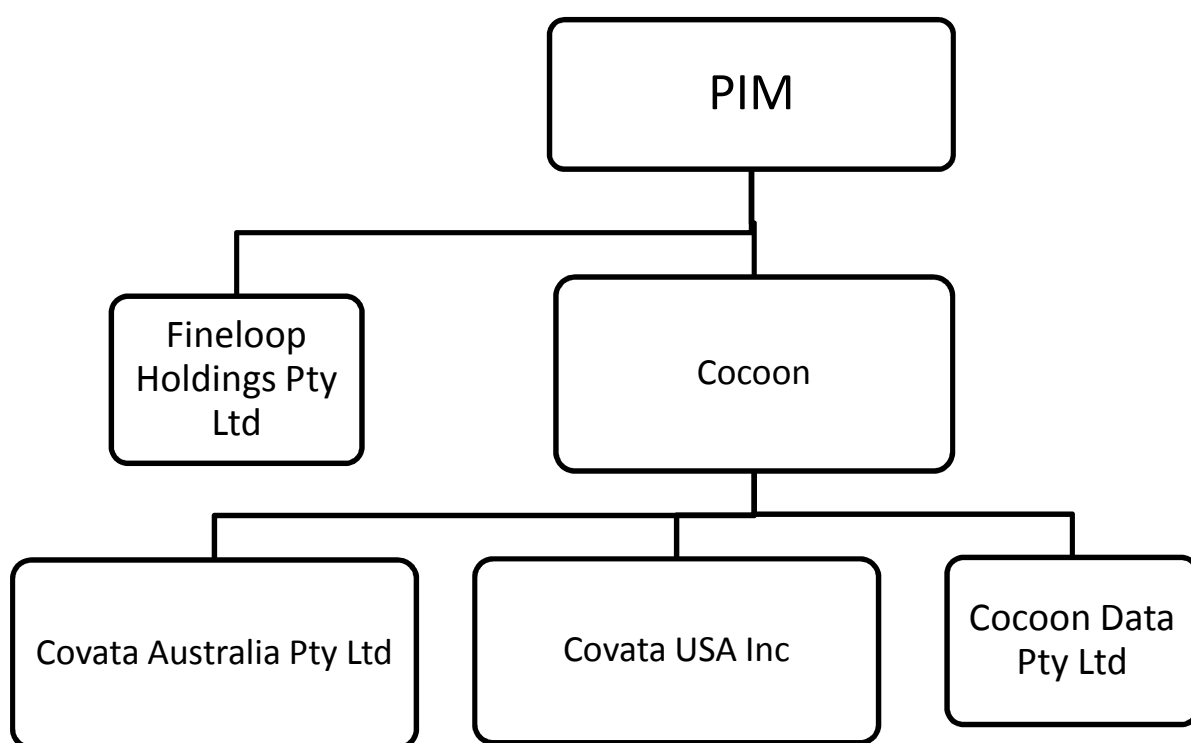
The effect of the Takeover Offer on the Company's capital structure is set out in section 3.11.

## 5.7 Adoption of employee incentive plans

If the Takeover Offer is successful, PIM plans to adopt and implement a number of employee incentive plans on terms that mirror (where possible) the existing Cocoon employee incentive plans. These plans include a loan share plan, and an option incentive plan for US employees.

## 5.8 Corporate Structure of the Merged Group

If the Takeover Offer is successful and the Company acquires all Cocoon Shares on issue, the corporate structure of the Merged Group will be as shown in the following diagram:



## 5.9 Basis for preparation of the unaudited pro forma consolidated statement of financial position

The unaudited pro forma consolidated statement of financial position has been prepared in connection with the proposed acquisition of Cocoon by PIM (**Proposed Transaction**). The unaudited pro forma consolidated statement of financial position has been prepared for illustrative purposes only and gives effect to the Proposed Transaction pursuant to the assumptions described in Section 5.12. The unaudited pro forma consolidated statement of financial position as at 30 April 2014 gives effect to the Proposed Transaction as if it had occurred as at 30 April 2014.

The unaudited pro forma consolidated statement of financial position is not necessarily indicative of the financial position that would have been achieved if the transaction had been completed on the dates or for the periods presented, nor do they purport to project the results of operations or the financial position of the consolidated entities for any future period or as of any future date. The unaudited pro forma consolidated statement of financial position does not reflect any special items such as integration costs or operating synergies that may be incurred or achieved as a result of the acquisition.

The pro forma adjustments and allocations of the purchase price for the proposed acquisition of Cocoon is based on a preliminary determination that the Proposed Transaction represents a reverse acquisition whereby Cocoon is the acquirer and PIM is the acquiree for financial accounting and reporting purposes. The acquisition accounting will be completed after the transaction is complete.

The unaudited pro forma consolidated statement of financial position has been prepared in accordance with the recognition and measurement principles of the International Financial Reporting Standards (**IFRS**).

In preparing the unaudited pro forma consolidated statement of financial position in accordance with IFRS, the following historical information was used:

- (a) the unaudited consolidated management accounts of PIM as at and for the 10 months ended 30 April 2014; and
- (b) the unaudited consolidated management accounts at Cocoon as of and for the 10 months ended 30 April 2014.

In preparing the pro forma consolidated statement of financial position no alignment has been made between the accounting policies of Cocoon and PIM.

## **5.10 Acquisition of Cocoon by PIM**

As announced to the market on 30 June 2014, the Company entered into a Bid Implementation Agreement with Cocoon with a view to acquiring 100% of the share capital of Cocoon by way of a takeover bid. The Bid Implementation Agreement was amended on 25 August 2014.

Under the Takeover Offer, accepting Cocoon Shareholders will receive post-Consolidation of PIM securities, 0.6547 PIM Shares and 0.0953 Performance Shares for every 1 Cocoon Share held, implying a theoretical value of \$0.20 per Cocoon Share based on the offer price under the Prospectus Offer of \$0.20 per PIM Share. The implied theoretical value will be the same, pre and post-Consolidation of the PIM securities.

For the purpose of determining the reverse acquisition accounting, we have assumed 250,000,000 PIM Shares will be issued to Cocoon Shareholders. The purchase consideration for the proposed reverse acquisition of Cocoon will be measured as the fair value of the notional number of shares Cocoon would have to issue if Cocoon was to provide PIM's shareholders with the same ownership interest they will hold as a result of the Takeover Offer..

The amount by which the deemed notional consideration exceeds the fair value of the assets and liabilities of PIM will be recognised as a 'listing fee' in the statement of comprehensive income in the consolidated financial statements of the Merged Group post completion of the Takeover Offer. The acquisition of Cocoon, if completed, will be accounted for as a reverse asset acquisition with Cocoon as the accounting acquirer of PIM.

## 5.11 Pro Forma Consolidated Statement of Financial Position as at 30 April 2014 for the Merged Group

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 \$
<b>CURRENT ASSETS</b>					
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
<b>Total current assets</b>	<b>2,629,554</b>	<b>3,191,285</b>	<b>2,350,000</b>	<b>1,640,000</b>	<b>9,810,839</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant & equipment	-	253,221	-	-	253,221
Other non-current assets	-	161,344	-	-	161,344
<b>Total non-current assets</b>	<b>-</b>	<b>414,565</b>	<b>-</b>	<b>-</b>	<b>414,565</b>
<b>Total assets</b>	<b>2,629,554</b>	<b>3,605,850</b>	<b>2,350,000</b>	<b>1,640,000</b>	<b>10,225,404</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	19,287	2,748,818	-	-	2,768,104
Employee benefits	-	115,940	-	-	115,940
<b>Total current liabilities</b>	<b>19,287</b>	<b>2,864,758</b>	<b>-</b>	<b>-</b>	<b>2,884,045</b>
<b>NON-CURRENT LIABILITIES</b>					
Loans and borrowings	-	9,919,151	(7,419,151)	(2,500,000)	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>9,919,151</b>	<b>(7,419,151)</b>	<b>(2,500,000)</b>	<b>-</b>
<b>Total liabilities</b>	<b>19,287</b>	<b>12,783,909</b>	<b>(7,419,151)</b>	<b>(2,500,000)</b>	<b>2,884,045</b>
<b>NET ASSETS</b>	<b>2,610,267</b>	<b>(9,178,059)</b>	<b>9,769,151</b>	<b>4,140,000</b>	<b>7,341,359</b>
<b>EQUITY</b>					
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)
<b>Total equity</b>	<b>2,610,267</b>	<b>(9,178,059)</b>	<b>9,769,151</b>	<b>4,140,000</b>	<b>7,341,360</b>

## 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 \$
<b>CURRENT ASSETS</b>					
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
<b>Total current assets</b>	<b>2,629,554</b>	<b>3,191,285</b>	<b>2,350,000</b>	<b>13,390,000</b>	<b>21,560,839</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant & equipment	-	253,221	-	-	253,221
Other non-current assets	-	161,344	-	-	161,344
<b>Total non-current assets</b>	<b>-</b>	<b>414,565</b>	<b>-</b>	<b>-</b>	<b>414,565</b>
<b>Total assets</b>	<b>2,629,554</b>	<b>3,605,850</b>	<b>2,350,000</b>	<b>13,390,000</b>	<b>21,975,404</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	19,287	2,748,818	-	-	2,768,104
Employee benefits	-	115,940	-	-	115,940
<b>Total current liabilities</b>	<b>19,287</b>	<b>2,864,758</b>	<b>-</b>	<b>-</b>	<b>2,884,045</b>
<b>NON-CURRENT LIABILITIES</b>					
Loans and borrowings	-	9,919,151	(7,419,151)	(2,500,000)	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>9,919,151</b>	<b>(7,419,151)</b>	<b>(2,500,000)</b>	<b>-</b>
<b>Total liabilities</b>	<b>19,287</b>	<b>12,783,909</b>	<b>(7,419,151)</b>	<b>(2,500,000)</b>	<b>2,884,045</b>
<b>NET ASSETS</b>	<b>2,610,267</b>	<b>(9,178,059)</b>	<b>9,769,151</b>	<b>15,890,000</b>	<b>19,091,359</b>
<b>EQUITY</b>					
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)
<b>Total equity</b>	<b>2,610,267</b>	<b>(9,178,059)</b>	<b>9,769,151</b>	<b>15,890,000</b>	<b>19,091,360</b>

### 5.12 Effect of transaction on the unaudited pro forma statement of financial position

The pro forma consolidated statement of financial position assuming \$2.5 million is raised under the Prospectus Offer incorporates the following subsequent events and pro forma assumptions in relation to PIM's proposed acquisition of Cocoon:

- conversion of the Existing Convertible Notes in Cocoon to 116,777,777 Cocoon Shares extinguishing \$9.9 million in loans and borrowings liability;
- the New Convertible Notes being issued for \$2.5 million less fund raising costs of \$150,000;
- the New Convertible Notes, together with interest incurred at a rate of 2% per month over four months, being converted into PIM Shares upon successful completion of the Takeover Offer at a deemed issue price of \$0.20 per PIM Share;
- the issue of 250,000,000 PIM Shares and 36,408,365 Performance Shares under the Takeover Offer;

- (e) PIM raising \$2,500,000 under the Prospectus Offer through the issue of 12.5 million post-Consolidation PIM Shares at \$0.20 per PIM Share;
- (f) costs of \$610,000 incurred in connection with the Prospectus Offer;
- (g) costs of \$250,000 in connection with the Takeover Offer; and
- (h) consolidation and elimination accounting entries for the reverse acquisition including recognising an approximate \$4.1 million 'listing fee' in the statement of comprehensive income of the Merged Group.

The pro forma consolidated statement of financial position assuming \$15 million is raised under the Prospectus Offer incorporates the following subsequent events and pro forma assumptions in relation to PIM's proposed acquisition of Cocoon:

- (i) conversion of the Existing Convertible Notes in Cocoon to 116,777,777 Cocoon Shares extinguishing \$9.9 million in loans and borrowings liability;
- (j) the New Convertible Notes being issued for \$2.5 million less fund raising costs of \$150,000;
- (k) the New Convertible Notes, together with interest incurred at a rate of 2% per month over four months, being converted into PIM Shares upon successful completion of the Takeover Offer at a deemed issue price of \$0.20 per PIM Share;
- (l) the issue of 250,000,000 PIM Shares and 36,408,365 Performance Shares under the Takeover Offer;
- (m) PIM raising \$15,000,000 under the Prospectus Offer through the issue of 75 million post-Consolidation PIM shares at \$0.20 per PIM Share;
- (n) costs of \$1,360,000 incurred in connection with the Prospectus Offer;
- (o) costs of \$250,000 in connection with the Takeover Offer; and
- (p) consolidation and elimination accounting entries for the reverse acquisition including recognising an approximate \$4.1 million 'listing fee' in the statement of comprehensive income of the Merged Group.

The estimated cash position at completion of the Takeover Offer is likely to be approximately \$4.6 million less than as set out in the above pro-forma balance sheets reflecting settlement of certain creditors and operating expenses of both Cocoon and PIM in the period 1 May 2014 to completion (estimated to occur towards the end of October 2014). This estimated cash position excludes the receipt of an R&D rebate included in trade receivables.

### **5.13 Outlook for the Merged Group**

This Bidder's Statement does not include any financial forecasts or projections for revenue or profit in relation to the Company, Cocoon or the Merged Group.

The Company has given careful consideration as to whether there is a reasonable basis to produce reliable and meaningful forecast financial information for the Merged Group. However, the PIM Directors have concluded that as at the date of this Bidder's Statement, it would be misleading to provide forecast financial information for the Merged Group.



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## **6. INTENTIONS OF PIM**

### **6.1 Disclosure Regarding Forward-Looking Statements**

This Bidder's Statement includes forward-looking statements that have been based on the Company's current expectations and predictions about future events including the Company's intentions (which include those set out in this Section 6). These forward-looking statements are, however, subject to inherent risks, uncertainties and assumptions that could cause actual results, performance or achievements of PIM, Cocoon and the Merged Group to differ materially from the expectations and predictions, express or implied, in such forward-looking statements. These factors include, among other things, those risks identified in this Bidder's Statement (including those set out in Section 8).

None of PIM, its officers, the persons named in this Bidder's Statement with their consent or the persons involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of any forward looking statements. You are cautioned not to place reliance on these statements in the event that the outcome is not achieved. These statements reflect views and opinions as at the date of this Bidder's Statement.

### **6.2 PIM's Intentions Regarding Cocoon**

#### **(a) Overview**

Subject to the below, it is the present intention of PIM, on the basis of the information concerning Cocoon which is known to PIM and the existing circumstances affecting the business of Cocoon, that:

- (i) the business of Cocoon will otherwise be continued in substantially the same manner as it is presently being conducted;
- (ii) no other major changes will be made to the business of Cocoon;
- (iii) there will not be any redeployment of the fixed assets of Cocoon; and
- (iv) the present employees of Cocoon will otherwise continue to be employed by Cocoon.

The current intentions of PIM may change in light of material facts and circumstances at the relevant time.

#### **(b) Intentions Upon Acquisition of 90% or More of Cocoon**

If as a result of the Takeover Offer, PIM becomes entitled to compulsorily acquire outstanding Cocoon Shares in accordance with Part 6A.1 of the Corporations Act, it intends to proceed with the compulsory acquisition of those Cocoon Shares.

The Company then intends to undertake the steps outlined in 6.2(a) above.



PIM reserves its right, with Cocoon's consent (if required), to declare the Takeover Offer free from the Minimum Acceptance Condition (or any other Condition) to the Takeover Offer.

(c) **Intentions Upon Gaining Control (more than 50%) but Less Than 90% of Cocoon**

Under the Bid Implementation Agreement, PIM has the right to waive Minimum Acceptance Condition (without Cocoon's consent) in the event that it has received acceptance in respect of 80% of the Cocoon Shares on issue.

PIM reserves its right, with Cocoon's consent, to declare the Takeover Offer free from the Minimum Acceptance Condition (or any other Condition) to the Takeover Offer. However, PIM has not decided at this stage whether it will free the Takeover Offer from the 90% minimum acceptance Condition (or any other Condition).

In the event that PIM acquires at least 80% of the voting shares in Cocoon, full or partial CGT rollover relief may be available to certain Australian domiciled accepting Cocoon Shareholders. The effect of the rollover relief is that part or all of the Cocoon Shareholder's total capital gain will be deferred until the PIM Shares are disposed of.

If, PIM does declare the Takeover Offer unconditional and following the close of the Takeover Offer, Cocoon becomes a controlled entity but not a wholly owned subsidiary of PIM, PIM presently intends, subject to the following, and to the extent possible, and appropriate, to implement the objectives and goals mentioned in 6.2(a).

The extent to which PIM will be able to implement these intentions will be subject to:

- (i) the law and the ASX Listing Rules, in particular in relation to related party transactions and conflicts of interest; and
- (ii) the legal obligation of the directors of Cocoon to act for proper purposes and in the best interests of Cocoon Shareholders as a whole.

Having regard to this and in particular the possible requirements of minority shareholder approval, it is possible that PIM may not be able to implement some of these intentions.

(d) **Intentions if PIM does not Acquire Effective Control of Cocoon (50% or less)**

PIM reserves its right, with Cocoon's consent, to declare the Takeover Offer free from the Minimum Acceptance Condition (or any other Condition) to the Takeover Offer. However, PIM has not decided at this stage whether it will free the Takeover Offer from the 90% minimum acceptance Condition (or any other Condition).

If PIM does declare the Takeover Offer unconditional, PIM presently intends, subject to the Corporations Act and the ASX Listing Rules, to implement, as far as possible given its position as a non-controlling shareholder of Cocoon, the objectives and goals outlined in 6.2(a) above.

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## 7. AUSTRALIAN TAX CONSIDERATIONS

### 7.1 Overview

The following summary is a general description of the Australian income tax and CGT consequences for Cocoon Shareholders who accept the Takeover Offer and dispose of their Cocoon Shares to PIM in accordance with the Takeover Offer. Cocoon Shareholders **should not** rely on the below summary as tax advice applicable to their circumstances and should seek independent taxation advice regarding the tax consequences of disposing of Cocoon Shares given the particular circumstances which apply to them.

The summary is based on taxation law and practice in effect at the date of this Bidder's Statement. It is not intended to be an authoritative or comprehensive analysis of the taxation laws of Australia, nor does it consider any specific facts or circumstances that may apply to particular Cocoon Shareholders. Further, it does not deal with the taxation consequences of disposing of Cocoon Shares which may have been issued under an employee shares scheme, which may be subject to specific tax provisions.

The Australian tax consequences for Cocoon Shareholders of disposing of their Cocoon Shares will depend on a number of factors including:

- (a) whether they are an Australian resident or non-resident for tax purposes;
- (b) whether they hold their Cocoon Shares on capital, revenue account or as trading stock;
- (c) when they acquired their Cocoon Shares;
- (d) whether they are an individual, a company or a trustee of a complying superannuation entity; and
- (e) whether scrip for scrip rollover relief is available – see Section 7.3 below.

Given the complexity of the taxation legislation, the PIM Board reiterates that Cocoon Shareholders should seek independent taxation advice regarding the tax consequences of accepting the Takeover Offer.

### 7.2 Taxation Consequences for Cocoon Shareholders

#### (a) Resident shareholders holding Cocoon Shares as trading stock

Cocoon Shareholders who hold their Cocoon Shares as trading stock (e.g. as a share trader) will be required to include the value of the consideration from the disposal of their Cocoon Shares in their assessable income.

#### (b) Resident shareholders holding Cocoon Shares on Revenue Account

The Australian tax consequences for Cocoon Shareholders who hold their Cocoon Shares on revenue account and who accept the Takeover Offer will be able to include the amount received (the market value of the PIM Shares) over the cost of acquisition of the Cocoon Shares as ordinary assessable income. Where the market value of PIM Shares is less than the cost of Cocoon Shares the loss may be claimed as a tax deduction.

(c) **Non-resident Cocoon Shareholders holding Cocoon Shares as trading stock or on revenue account**

Cocoon Shareholders who are non-residents of Australia and whose Cocoon Shares were acquired as trading stock or otherwise on revenue account, should seek their own professional advice. The Australian tax treatment will depend on the source of any gain and whether a double taxation agreement exists between their country of residence and Australia.

(d) **Cocoon Shareholders holding Cocoon Shares on Capital Account**

In broad terms, the Australian tax consequences for Cocoon Shareholders who hold their Cocoon Shares on capital account and who accept the Takeover Offer will depend on whether or not 'scrip for scrip' capital gains tax rollover relief is available and, if available, is elected. The following discussion considers the general Australian tax consequences for Cocoon Shareholders where:

- (i) rollover relief is not available or is not elected; and
- (ii) rollover relief is available and is elected.

**7.3 Acceptance of the Takeover Offer where Rollover Relief is Available and is Elected**

Australian-resident Cocoon Shareholders may be entitled to 'scrip for scrip' CGT rollover relief in respect of the consideration referable to PIM Shares where the exchange of the shares would otherwise realise an assessable capital gain. Broadly speaking, rollover relief is available to Cocoon Shareholders who exchange shares in one company for shares in another company where the transaction is made pursuant to a takeover bid and provided certain qualifying conditions are satisfied.

In broad terms, these qualifying conditions include the requirement that PIM must make an offer to all shareholders in Cocoon to acquire their voting shares on substantially the same terms and PIM must become the owner of at least 80% of the voting shares in Cocoon on issue as at the close of the Offer Period as a consequence of the Takeover Offer.

If the qualifying conditions are satisfied and a Cocoon Shareholder elects for rollover relief to apply, the rollover relief is available.

The effect of the rollover relief is that the Cocoon Shareholder's total capital gain will be deferred until the PIM Shares are disposed of.

The CGT cost base of the new PIM Shares acquired in the exchange is determined by reasonably attributing to it the CGT cost base of the Cocoon Shares for which a rollover was obtained. Further, the Cocoon Shareholders will be taken to acquire their PIM Shares at the time they originally acquired their Cocoon Shares (for the purpose of determining any entitlement to a discount on an otherwise assessable capital gain in relation to a subsequent dealing in their new PIM Shares).

As discussed above, rollover relief will only be available if the qualifying conditions are satisfied and Cocoon Shareholders elect to apply for it. Further, rollover relief is not available if Cocoon Shareholders realise a capital loss on the disposal of their Cocoon Shares.

Scrip for scrip rollover relief does not apply automatically and must be elected. The election to utilise scrip for scrip rollover relief is evidenced by the manner in which the tax return for the relevant income year is prepared although it may be prudent to keep a written record of that election with your tax records.

Given the complexity of the provisions governing rollover relief and the various qualifying conditions that need to be satisfied, Cocoon Shareholders should seek independent taxation advice regarding their particular circumstances.

Non-resident Cocoon Shareholders may only obtain rollover relief in very limited circumstances. It is imperative that non-residents seek independent tax advice to confirm their Australian tax position.

#### **7.4 Acceptance of the Takeover Offer where Rollover Relief is Not Available or is Not Elected**

Acceptance of the Takeover Offer is likely to involve a disposal by a Cocoon Shareholder of its Cocoon Shares for CGT purposes.

An Australian-resident Cocoon Shareholder may make a capital gain or capital loss, depending on whether the capital proceeds from the exchange are more than the cost base of its Cocoon Shares, or whether those capital proceeds are less than the cost base of those Cocoon Shares.

Cocoon Shareholders who are not resident in Australia for tax purposes will generally be subject to Australian CGT on the disposal of Cocoon Shares if:

- (a) together with their Associates, they directly or indirectly own at least 10% or more (by value) of the shares in Cocoon:
  - (i) at the time of the sale; or
  - (ii) throughout a 12 month period beginning no earlier than 24 months before the time of the sale and ending no later than the time of the sale; and
- (b) if more than 50% of the value of Cocoon's assets is attributable to Australian real property,

subject to the terms of any applicable double taxation agreement. It is imperative that non-residents independently confirm their Australian tax position.

The capital proceeds that a Cocoon Shareholder will be taken to have received in respect of the disposal of their Cocoon Shares will generally be the market value of PIM Shares on the date of implementation of the Takeover Offer.

The cost base of Cocoon Shares will generally be the cost at which they were acquired including any incidental costs of acquisition.

Where the amount of capital proceeds received by a Cocoon Shareholder in respect of the disposal of their Cocoon Shares is greater than the cost base of those Cocoon Shares, then the Cocoon Shareholder should realise a capital gain for Australian CGT purposes.

Where the amount of capital proceeds received by a Cocoon Shareholder in respect of the disposal of its Cocoon Shares is less than the reduced cost base of those Cocoon Shares, then the Cocoon Shareholder should realise a capital loss for Australian CGT purposes. Where it is expected that a capital gain will result, if a Cocoon Shareholder does not elect for rollover relief, or that relief is not

available, then partial tax relief may be available in the form of the CGT discount.

Specifically, where Cocoon Shares have been held for at least 12 months before their disposal, a Cocoon Shareholder who is an individual, a complying superannuation entity or the trustee of a trust should be able to reduce the capital gain arising from the disposal of Cocoon Shares by the CGT discount (see below).

The CGT discount will be available if the relevant Cocoon Shares have been held for at least 12 months.

Subject to the Cocoon Shareholder having any capital losses or net capital losses from previous income years, where the CGT discount is available, eligible Cocoon Shareholders which are individuals or trustees of trusts will reduce the capital gain arising on the disposal of Cocoon Shares by one-half. For individuals, this reduced gain should be assessed at the Cocoon Shareholder's marginal tax rate. Trustees should seek specific advice regarding the tax consequences of distributions attributable to discounted capital gains.

Subject to the Cocoon Shareholder having any capital losses or net capital losses from previous income years, where Cocoon Shares are held by a complying superannuation entity and the CGT discount is available, the discount will reduce the nominal capital gain on the disposal of the shares by one-third.

The CGT discount is generally applied after taking into account any capital losses or net capital losses from previous income years. Cocoon Shareholders having any capital losses or net capital losses from previous income years should seek independent advice in relation to the potential availability of the CGT discount.

## **7.5 Cocoon Shareholders who are Companies will Not be Entitled to the CGT Discount**

Companies are not entitled to the CGT discount. The capital gain or capital loss will be calculated with reference to the capital proceeds less the cost base or reduced cost base of the company's Cocoon Shares. Where a company realises a capital gain, it may be eligible to reduce that gain with capital losses from previous income years. We recommend that companies seek advice from their professional tax advisor in relation to the availability and deductibility of capital losses.

## **7.6 GST**

GST should not apply to the disposal of Cocoon Shares under the Takeover Offer, the issue of PIM Shares under the Takeover Offer, or any subsequent disposal of PIM Shares.

Cocoon Shareholders who are registered for GST purposes may not be entitled to full input tax credits for any GST incurred on costs associated with acquiring or disposing of securities in PIM or Cocoon. Cocoon Shareholders should seek their own tax advice in this respect.

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## **8. RISK FACTORS**

### **8.1 Overview**

This risk factors included below in respect to the business of Cocoon has been prepared by the Company using information provided to PIM by Cocoon, as well as publicly available information. The information concerning Cocoon **has not** been independently verified. PIM does not, subject to any applicable laws, make any representation or warranty, express or implied, as to the accuracy or completeness of this information. The information on Cocoon is not considered to be comprehensive.

The business activities of PIM and the Merged Group are subject to various risks that may impact on the future performance of PIM and the Merged Group. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of PIM and the Merged Group and cannot be mitigated.

If the Offer becomes unconditional, Cocoon Shareholders who accept the Offer will become PIM Shareholders. In those circumstances, Cocoon Shareholders will:

- (a) continue to be exposed to the risks associated to the investment in Cocoon as a result of their indirect interest in Cocoon through PIM;
- (b) be exposed to the risks which are specific to an investment in PIM; and
- (c) be exposed to additional risks relating to the Offer and the Merged Group.

The principal risk factors are explained below. These risks however are not intended to be an exhaustive list of the risk factors to which PIM and the Merged Group are exposed.

Cocoon Shareholders should read the Bidder's Statement carefully and consult their professional advisers before deciding whether to accept the Offer. This Section 8 has been prepared without taking into account the individual financial objectives, financial situation and particular needs of Cocoon Shareholders.

An investment in the Merged Group carries no guarantee with respect to the payment of dividends, return of capital or price at which shares will trade and should be considered speculative.

By accepting the Offer, Cocoon Shareholders will be investing in PIM.

### **8.2 Risks Relating to the Offer**

#### **(a) Issue of PIM Shares as consideration**

Cocoon Shareholders are being offered specific quantities of PIM Shares as consideration under the Offer. As a result, the value of the consideration will fluctuate depending upon the market value of PIM Shares at any given time. Accordingly, the market value of the PIM Shares at the time you receive them may vary significantly from their market value on the date of your acceptance of the Offer.

(b) **Sale of PIM Shares**

Under the Offer, PIM will issue a significant number of new PIM Shares. Some holders of PIM Shares may not intend to continue to hold their PIM Shares and may wish to sell them. There is a risk that this may adversely impact on the price of and demand for PIM Shares.

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

It is possible that PIM could acquire a Relevant Interest of less than 90% of Cocoon Shares on issue under the Offer. The existence of a minority interest in Cocoon may have an impact on the operations of the Merged Group, although this impact will depend upon the ultimate level of Cocoon ownership acquired by PIM.

### **8.3 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, PIM 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 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 Merged Group.

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 Merged Group.

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.

#### **8.4 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 PIM**

If the Takeover Offer is successfully completed, PIM will have issued a significant number of new Shares to various parties. Some of the Cocoon Shareholders and others that receive PIM 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 PIM'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 PIM could acquire a relevant interest of less than 90% of all Cocoon Shares on issue under the Takeover Offer (in the event that PIM waives, with the prior written consent of Cocoon, the 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 PIM. However, this impact will depend upon the ultimate level of PIM ownership in Cocoon.

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

PIM's operating results, economic and financial prospects and other factors will affect the trading price of the PIM Shares. In addition, the price of PIM 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 PIM 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 PIM'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 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 PIM 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.

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## **9. ADDITIONAL INFORMATION**

### **9.1 PIM's Interest in Cocoon Shares**

As at the date of this Bidder's Statement:

- (a) PIM has no voting power in Cocoon; and
- (b) PIM has no Relevant Interest in Cocoon Shares.

Immediately before the first Takeover Offer is sent:

- (a) PIM has no voting power in Cocoon; and
- (b) PIM has no Relevant Interest in Cocoon Shares.

### **9.2 Acquisitions of Cocoon Shares by PIM and its Associates**

#### **(a) Previous 4 months**

As set out in Section 4.11(d), PIM entered into a Facility Agreement with Cocoon which can be converted into Cocoon Shares if:

- (i) a Competing Proposal in respect of this Takeover Offer is made, disclosed, or announced in relation to Cocoon; or
- (ii) Cocoon breaches any material obligation under the Facility Agreement or the Bid Implementation Agreement, and such breach is of substantial import or of consequence to PIM.

Other than the Facility Agreement, neither PIM nor any Associate of PIM has provided, or agreed to provide, consideration for Cocoon Shares under any purchase or agreement during the period beginning 4 months before the date of this Bidder's Statement ending on the day immediately before the date of this Bidder's Statement.

#### **(b) Period before Takeover Offer**

Neither PIM nor any Associate of PIM will provide, or agree to provide, consideration for Cocoon Shares under any purchase or agreement during the period starting on the date of this Bidder's Statement and ending on the date immediately before the date of the Takeover Offer.

### **9.3 No Escalation Agreements**

Neither PIM nor any Associate of PIM has entered into any escalation agreement that is prohibited by Section 622 of the Corporations Act.

### **9.4 Collateral Benefits**

#### **(a) Previous 4 months**

During the period beginning 4 months before the date of this Bidder's Statement and ending on the day immediately before the date of this Bidder's Statement, neither PIM nor any Associate of PIM gave, or offered to give or agreed to give, a benefit to another person that was likely to induce the other person, or an Associate of that person, to:

- (i) accept the Takeover Offer; or

- (ii) dispose of their Cocoon Shares,

and which is not offered to all holders of Cocoon Shares under the Takeover Offer.

(b) **Period before Takeover Offer**

During the period starting on the date of this Bidder's Statement and ending on the date immediately before the date of the Takeover Offer, neither PIM nor any Associate of PIM will give, or offer to give or agree to give, a benefit to another person that was likely to induce the other person, or an Associate of that person, to:

- (i) accept the Takeover Offer; or
- (ii) dispose of their Cocoon Shares,

and which is not offered to all holders of Cocoon Shares under the Takeover Offer.

## 9.5 Disclosure of Information

Due to the fact that PIM is offering PIM Shares as consideration for the acquisition of Cocoon Shares under the Takeover Offer, the Corporations Act requires that this Bidder's Statement must include all information that would be required for a prospectus for an offer of PIM Shares under Sections 710 to 713 of the Corporations Act.

As a company whose shares are quoted on ASX, PIM is subject to regular disclosure requirements. In particular, PIM is required to disclose information concerning its finances, activities and performance. This disclosure is available on PIM's website as well as on the ASX website (ASX Code: PIM).

Please see Section 3.24 for further information. Section 3.15 also contains further details in relation to PIM's corporate governance policies.

## 9.6 Interests and Benefits Relating to the Takeover Offer

(a) **Interests**

Other than as set out below or elsewhere in this Bidder's Statement, no:

- (i) director or proposed director of PIM;
- (ii) person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
- (iii) promoter of PIM; or
- (iv) broker or underwriter in relation to the issue of PIM Shares pursuant to the Takeover Offer or financial services licensee named in this Bidder's Statement as being involved in the issue of PIM Shares,

(together, the **Interested Persons**) has, or had within 2 years before the date of this Bidder's Statement, any interest in:

- (v) the formation or promotion of PIM;

- (vi) any property acquired or proposed to be acquired by PIM in connection with its formation or promotion or in connection with the offer of PIM Shares under the Takeover Offer; or
- (vii) the offer of PIM Shares under the Takeover Offer.

(b) **Disclosure of Fees and Benefits Received by Certain Persons**

Other than as set out below or elsewhere in this Bidder's Statement, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- (i) to a Director or Proposed Director of PIM to induce them to become, or to qualify as, a director of PIM; or
- (ii) for services provided by a Director or Proposed Director of PIM in connection with the formation or promotion of PIM or the offer of PIM Shares under the Takeover Offer.

(c) **Expenses of the Takeover Offer**

The total amount of cash that PIM may become obliged to pay to satisfy all expenses incurred by PIM and relating to the Takeover Offer will be provided from PIM's existing cash balances.

PIM estimates it will incur fees for services provided in connection with the Takeover Offer, including for legal, taxation, financial advisers, share register and ASX and other professional fees, in the amount of approximately \$250,000.

## 9.7 Disclosure of Interests of Directors and Proposed Directors

The Directors and Proposed Directors do not have any interests in PIM securities as at the date of this Bidder's Statement.

The Directors do not have an interest in Cocoon securities as at the date of this Bidder's Statement. The Proposed Directors of PIM have the following interests in Cocoon securities as at the date of this Bidder's Statement.

	Shares	Options
<b>Proposed Directors</b>		
Charles Archer	Nil	7,075,000
Trent Telford	7,843,572	13,833,333
Philip King	3,376,727	Nil
Phil Dunkelberger	Nil	6,666,666
Joseph Miller	Nil	Nil

## 9.8 Fees and Benefits of Directors and Proposed Directors

The Constitution of PIM provides that the Directors may be paid for their services as Directors a sum not exceeding such fixed sum per annum as may be determined by PIM in general meeting, to be divided among the Directors and in default of agreement then in equal shares.

The annual remuneration (inclusive of superannuation) of the PIM Directors for the last two financial years ended 30 June 2013 and 2014 and the proposed

annual remuneration (inclusive of superannuation) of the PIM Directors and Proposed Directors for the current financial year ending 30 June 2015 are as follows:

	<b>2013 Financial Year</b>	<b>2014 Financial Year</b>	<b>2015 Financial Year (to date)<sup>1</sup></b>
<b>Existing Directors</b>			
Michael Scivolo	\$31,719	\$32,755	Nil
Robert Collins	\$25,833	\$25,000	Nil
Sol Majteles	\$27,250	\$27,312	Nil
<b>Proposed Directors</b>	<b>2013 Financial Year</b>	<b>2014 Financial Year</b>	<b>2015 Financial Year (proposed)</b>
Charles Archer	N/A	N/A	USD\$358,400
Trent Telford	N/A	N/A	USD\$358,400
Philip King	N/A	N/A	\$20,000
Phil Dunkelberger	N/A	N/A	\$20,000
Joseph Miller	N/A	N/A	\$20,000

**Notes:**

- 1 It is proposed that Messrs Scivolo, Collins and Majteles will resign from the PIM Board upon successful completion of the Takeover Offer.

In addition to the above fees, the PIM Directors will receive further remuneration in consideration for the additional work undertaken in connection with the acquisition of Cocoon.

Directors, companies associated with the Directors or their Associates are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of PIM and other miscellaneous expenses.

The remuneration of Directors is reviewed annually by PIM.

## **9.9 Restricted Securities**

As the PIM Shares issued to accepting Cocoon Shareholders will be issued in consideration for the acquisition of a classified asset, Cocoon Shareholders may be required under the ASX Listing Rules to enter into restriction agreement under which they will be restricted from trading their PIM Shares issued as Offer Consideration for periods of between 12 and 24 months.

The Company will apply to the ASX for a waiver from the certain restriction requirements on the basis that a majority of Cocoon Shareholders paid cash for their Cocoon Shares upon issue by Cocoon and have held their Cocoon Shares for a substantial period of time prior to PIM making the Takeover Offer.

## **9.10 Exclusivity**

Under the Bid Implementation Agreement, the Company and Cocoon have agreed to an exclusivity period commencing on the date of the Bid Implementation Agreement (being 27 June 2014) and ending on 31 October 2014 (subject to earlier completion of the Takeover Offer or termination of the Bid Implementation Agreement) during which neither party may solicit other proposals without the other party's consent and must notify each other if a Competing Proposal is received. In the event that a Competing Proposal is received by Cocoon which is superior to the Takeover Offer, PIM will have an opportunity to vary the terms of the Takeover Offer to match or better such a Superior Proposal.

## **9.11 Reimbursement upon Termination of Bid Implementation Agreement**

If PIM terminates the Bid Implementation Agreement for any of the following reasons, Cocoon must pay an amount of approximately \$572,216 as reimbursement for costs incurred in connection with the Bid Implementation Agreement and Takeover Offer:

- (a) a material default by Cocoon;
- (b) the Cocoon Board withdraws its recommendation to accept the Offer in circumstances where PIM is in compliance with its obligations under the Bid Implementation Agreement and no prescribed occurrence or material adverse change has occurred in respect of PIM; or
- (c) any of the following occurs where such circumstances are material to the Offer:
  - (i) Cocoon does not deal with its convertible securities in the manner set out in Section 4.6;
  - (ii) Cocoon does not comply with its exclusivity obligations;
  - (iii) the Minimum Acceptance Condition is not met by the end of the Offer Period; or
  - (iv) a prescribed occurrence, material adverse change or material transaction occurs in respect of Cocoon.

The full terms of the Bid Implementation Agreement are attached to PIM's announcement to the ASX on 30 June 2014.

## **9.12 Material Litigation**

PIM is not aware of any instituted or threatened litigation, or other legal proceedings in relation to PIM.

## **9.13 Notice to Foreign Shareholders**

This Bidder's Statement does not constitute an offer of securities in any jurisdiction where it would be unlawful. The Takeover Offer is not being made in any country outside Australia and New Zealand except to the extent permitted below.

### ***Hong Kong***

WARNING - The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in



relation to the Takeover Offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This document also does not constitute a prospectus (as defined in section 2(1) of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document which is or contains an invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this document in Hong Kong, other than to persons who are "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and no person may issue or have in its possession for the purposes of issue, this document or any advertisement, invitation or document relating to the Takeover Offer, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to the Takeover Offer that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder.

Copies of this document may be issued to a limited number of persons in Hong Kong in a manner which does not constitute any issue, circulation or distribution of this document, or any offer or an invitation in respect of these securities, to the public in Hong Kong. The document is for the exclusive use of Cocoon shareholders in connection with the Takeover Offer, and no steps have been taken to register or seek authorisation for the issue of this document in Hong Kong. Only the person to whom a copy of this document has been issued may take action in response to this document. The Takeover Offer is personal to the person to whom this document has been delivered, and an acquisition or subscription for securities under the Takeover Offer will only be accepted from such person.

This document is confidential to the person to whom it is addressed and no person to whom a copy of this document is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this document to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with the consideration of the Takeover Offer by the person to whom this document is addressed.

### ***Singapore***

This document has not been lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore (**MAS**) and therefore, the statutory liability under the Securities and Futures Act (Cap. 289) (**SFA**) in relation to the content of prospectuses will not apply. The MAS assumes no responsibility for the contents of this document. The MAS has not in any way considered the merits of the PIM Shares or Performance Shares being offered pursuant to the Takeover Offer as described in this document.

This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of PIM Shares or Performance Shares may not be circulated or distributed, nor may PIM Shares or Performance

Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with the exemption set out in section 273(1)(b) of the SFA or otherwise in accordance with any other relevant exemption under the SFA.

Any offer of PIM Shares or Performance Shares is not made to you with a view to the securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

### ***United Kingdom***

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the PIM Shares or Performance Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) and to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the PIM Shares or Performance Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the PIM Shares or Performance Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to PIM.

In the United Kingdom, this document is being distributed only to, and is directed at, persons to whom it may lawfully be made within the circumstances described in Article 62 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (members of certain bodies corporate), or (ii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

### ***United States***

The Bidder's Statement has not been filed with, or reviewed by, the US Securities and Exchange Commission or any state securities authority and none of them has passed upon or endorsed the merits of the Takeover Offer or the accuracy, adequacy or completeness of the Bidder's Statement. Any representation to the contrary is a criminal offence.

The shares to be issued pursuant to the Takeover Offer have not been, and will not be, registered under the US Securities Act 1933 or the securities laws of any US state or other jurisdiction. The Takeover Offer is not being made in any US state or other jurisdiction where it is not legally permitted to do so.

US shareholders of Cocoon should note that the Takeover Offer is made for the securities of an Australian company in accordance with the laws of Australia and the listing rules of the Australian Securities Exchange. The Takeover Offer is subject to disclosure requirements of Australia that are different from those of the United States.

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws, since PIM is located in Australia and most of its officers and directors are residents of Australia. You may not be able to sue PIM or its officers or directors in Australia for violations of the US securities laws. It may be difficult to compel PIM and its affiliates to subject themselves to a US court's judgment.

You should be aware that PIM may purchase securities otherwise than under the Takeover Offer, such as in privately negotiated purchases.

#### **9.14 Status of Conditions**

The conditions of the Takeover Offer are set out in Section 1.8(a) of Annexure A (**Conditions**). PIM will use all reasonable endeavours to ensure the Conditions are satisfied as soon as possible after the date of this Bidder's Statement.

As at the date of this Bidder's Statement, PIM is not aware of any events which would result in a breach or inability to satisfy the Conditions.

PIM will give a notice of the status of the Conditions in accordance with the Corporations Act on 3 October 2014 (subject to extension if the Offer Period is extended).

#### **9.15 Regulatory Approvals**

As contemplated in Section 1.8(a) of Annexure A, the Takeover Offer is conditional upon obtaining various approvals, including from PIM Shareholders and the ASX.

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. ASX Listing Rule 11.1.2 provides that, if ASX requires, the entity must get the approval of shareholders and must comply with any requirements of ASX in relation to the Notice of Meeting.

ASX has indicated to the Company that, given the significant change in the nature and scale of the activities of the Company upon completion of the Takeover Offer, it requires the Company to obtain the approval of its Shareholders.

Additionally, ASX has informed PIM that Shareholder approval and compliance with Chapters 1 and 2 is required. Amongst other things, the provisions of Chapters 1 and 2 of the Listing Rules require the Company to undertake or comply with the following:

- (a) subject to any exemptions granted by the ASX, any new Share issues must be made at a minimum of \$0.20 in order to raise additional working capital and any options must have an exercise price of no less than \$0.20;
- (b) obtain the requisite shareholder spread;

- (c) prepare a prospectus, which will be in accordance with the provisions of the Corporations Act;
- (d) have an appropriate structure and operations; and
- (e) satisfy either of the tests set down in the Listing Rules in relation to PIM's profitability or asset value.

Pursuant to the Notice of Meeting, PIM will seek Shareholder approval for such approvals as required to effect the Takeover Offer and to satisfy the Conditions. In addition, pursuant to the Prospectus, PIM will be issuing Shares at an issue price of no less than \$0.20 per Share and will use best endeavours to procure that acceptances received under the Prospectus will satisfy the ASX's shareholder spread requirement.

Further information in relation to the necessary Shareholder approvals and compliance requirements is contained in the Notice of Meeting.

## 9.16 Consents

Each of the parties referred to in this Section 9.16:

- (a) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidder's Statement other than a reference to its name and a statement included in this Bidder's Statement with the consent of that party as specified in this Section 9.16; and
- (b) has not caused or authorised the issue of this Bidder's Statement.

Each of the following has consented to being named in this Bidder's Statement in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Bidder's Statement with ASIC:

- (a) Steinepreis Paganin as Australian legal advisors to the Company in relation to the Takeover Offer;
- (b) Advanced Share Registry Services Pty Ltd as the share registry of the Company; and
- (c) HLB Mann Judd as the Company's auditor in respect of the inclusion of the Company's 2010 – 2013 audited accounts in this Bidder's Statement.

This Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or on the company announcement platform of ASX. Under the Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of these reports or statements free of charge, please contact PIM's Company Secretary on +61 8 9481 7833.

As permitted by ASIC Class Order 13/523, this Bidder's Statement may include or be accompanied by certain statements fairly representing a statement by an official person or from a public official document or a published book, journal or comparable publication.

In addition, as permitted by ASIC Class Order 07/429, this Bidder's Statement contains ASX share price trading information sourced from ASX without its consent.

#### **9.17 Other Material Information**

There is no other information material to the making of a decision by a holder of Cocoon Shares whether or not to accept the Takeover Offer being information that is known to PIM and which has not previously been disclosed to Cocoon Shareholders other than as is contained elsewhere in this Bidder's Statement.

#### **9.18 Expiry Date**

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of this Bidder's Statement.

#### **9.19 Date for Determining Holders**

For the purposes of Section 633 of the Corporations Act, the date for determining the people to whom this Bidder's Statement is sent is the Record Date.

#### **9.20 ASIC Modifications and Exemptions, ASX Waivers**

ASIC has published various "Class Order" instruments providing for modifications and exemptions that apply generally to all persons, including PIM, in relation to the operation of Chapter 6 of the Corporations Act. PIM may rely on this "Class Order" relief.

In addition, PIM was granted a waiver of the ASX Listing Rules in order to have Options on issue with an exercise price of below \$0.20 at the time of PIM being readmitted to trading on ASX (as a result of the Replacement PIM Options to be issued Cocoon US Optionholders having an exercise price below \$0.20). Full terms of the Cocoon Options are set out in Section 4.11 of this Bidder's Statement.

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**10. DIRECTORS AUTHORISATION**

This Bidder's Statement is dated 26 August 2014 and was approved pursuant to a unanimous resolution passed at a meeting of the directors of PIM.

**Signed for and on behalf of  
Prime Minerals Limited  
Michael Scivolo  
Non-Executive Chairman**

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## 11. DEFINITIONS AND INTERPRETATION

### 11.1 Definitions

In this Bidder's Statement (including its annexures), unless the context otherwise requires:

**\$** or **Dollar** means Australian dollars.

**Acceptance Form** means the form of acceptance for the Offer accompanying this Bidder's Statement or alternatively any acceptance form sent to a Cocoon Shareholder by PIM's share registry in relation to the Offer, as the context requires.

**Additional Replacement PIM Options** has the meaning set out in Section 4.6.

**Adviser Shares** means 10,000,000 Shares to be issued to advisers of PIM in consideration for those parties introducing the proposed merger with Cocoon to PIM.

**Announcement Date** means 30 June 2014, being the date the Offer was announced on ASX.

**Associate** has the meaning given in Chapter 6 of the Corporations Act.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange (as the context requires).

**ASX Settlement Corporation** means ASX Settlement Pty Ltd (ACN 008 504 532).

**ASX Settlement Operating Rules** means the operating rules of the ASX Settlement Facility (as defined in Rule 1.1.1 and Rule 1.1.2 of the ASX Settlement Operating Rules) in accordance with Rule 1.2 which govern, inter alia, the administration of the CHESS subregisters.

**ASX Listing Rules** means the official listing rules of ASX, as amended from time to time.

**Bid Implementation Agreement** means the agreement between PIM and Cocoon pursuant to which PIM agreed to make the Takeover Offer, a copy of which was announced by PIM on 30 June 2014, as amended on 25 August 2014.

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

**Bidder's Statement** means this document including the Annexures.

**Board** or **PIM Board** means the board of directors of PIM.

**Business Day** means a day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in Western Australia.

**CGT** means capital gains tax as defined in the *Income Tax Assessment Act 1997* (Cth).

**CHESS** means Clearing House Electronic Subregister System as defined in Rule 2.3.1 of the ASX Settlement Operating Rules.

**CHESS Holding** means a number of Cocoon Shares which are registered on Cocoon's share register being a register administered by the ASX Settlement Corporation and which records uncertified holdings of shares.

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

**Cocoon AU Option** means an option to acquire a Cocoon Share.

**Cocoon AU Optionholders** means all persons who hold Cocoon AU Options.

**Cocoon Board** means the board of directors of Cocoon as at the date of this Bidder's Statement.

**Cocoon Data** means Cocoon Data Pty Ltd (ACN 127 993 284).

**Cocoon Group** means Cocoon and its Subsidiaries.

**Cocoon Noteholder** means an Existing Cocoon Noteholder or a New Cocoon Noteholder.

**Cocoon Option** means a Cocoon AU Option or a Cocoon US Option (as applicable).

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

**Cocoon Shareholders** means all persons who hold Cocoon Shares.

**Cocoon US Option** means an option to acquire a Cocoon Share.

**Cocoon US Shareholder** means all persons who hold Cocoon US Options.

**Cocoon Warrant** has the meaning set out in Section 4.6.

**Company** or **PIM** means Prime Minerals Limited (ACN 120 658 497) or the Merged Group as the context requires.

**Competing Proposal** means, in respect of a party, any expression of interest, offer or proposal by a third party in respect of a transaction under which, if the transaction were completed, a person (whether alone or together with one or more Associates) would:

- (a) acquire, or have a right to acquire, a legal, equitable or economic interest or Relevant Interest in 10% or more of all of the voting shares in that party's Shares (whether by way of acquisition of existing shares or the issue of new shares);
- (b) acquire, or have a right to acquire, a legal, equitable or economic interest in the whole or a substantial part of the business or assets of that party and/or its related entities;
- (c) acquire control of that party, within the meaning of section 50AA of the Corporations Act; or
- (d) otherwise acquire or merge with that party (including by reverse takeover bid or takeover bid, scheme of arrangement or by establishing a dual listed company structure or stapled security structure).

**Conditions** means the conditions to the Takeover Offer set out in Section 1.8(a) of Annexure A.



**Consolidation** means the consolidation of the capital of PIM on a 1:10 basis, for which Shareholder approval is being sought at the PIM Shareholder Meeting.

**Constitution** means the constitution of PIM.

**Convertible Note Proceeds** means all monies paid as the face value of convertible notes under the New Convertible Notes, being \$2,500,000.

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

**Covata AU** means Covata Australia Pty Limited (ACN 156 175 245).

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

**Covata US** means Covata USA Inc, a company incorporated in the United States of America.

**Director** or **PIM Director** means a director of PIM as at the date of this Bidder's Statement.

**Employee Shareholder** has the meaning set out in Section 4.6.

**Encumbrance** means any mortgage, fixed or floating charge, pledge, lien, option, right to acquire a security or to restrain someone from acquiring a security (including under a right of pre-emption or right of first refusal), assignment by way of security, trust arrangement for the purpose of providing security, retention arrangement or other security interest of any kind (including a "security interest" as defined under the *Personal Property Securities Act 2009* (Cth)), and any agreement to create any of the foregoing or allow any of the foregoing to exist.

**Essential Bid Condition** means the conditions set out in Sections 1.8(a)(iv), (v) and (vi) of Annexure A.

**Essential PIM Shareholder Resolutions** means those resolutions referred to in paragraphs (a), (b), (c)(i), (c)(ii), (c)(iii), (c)(iv) and (c)(viii) of the definition of "PIM Shareholder Meeting".

**Existing Convertible Note** has the meaning set out in Section 4.6.

**Existing Convertible Noteholder** has the meaning set out in Section 4.6.

**Government Authority** means:

- (a) any government or governmental, semi-governmental or local authority within the Commonwealth of Australia or any of its states and territories and any department, office, minister, commission, board, delegate or agency of any such government or authority;
- (b) any judicial or administrative entity or authority within the Commonwealth of Australia or any of its states and territories; or
- (c) any other authority, commission, board, agency or other entity established or having power under statute within the Commonwealth of Australia or any of its states and territories or the ASX Listing Rules, including ASIC and ASX.

**Heads of Agreement** means the binding heads of agreement dated 19 May 2014 between PIM and Cocoon.

**Intellectual Property** means all patents, trademarks, confidential information, copyright in software and additional intellectual property held by Cocoon and licensed to Covata Au and Covata US, and includes the intellectual property interest set out in section 4.10 of this Bidder's Statement.

**Loan Plan Share** has the meaning set out in Section 4.6.

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

**Minimum Acceptance Condition** means the condition to the Takeover Offer set out in Section 1.8(a)(iv) of Annexure A.

**New Convertible Note** has the meaning set out in Section 4.6.

**New Convertible Noteholder** has the meaning set out in Section 4.6.

**Notice of Meeting** means the Notice for the PIM Shareholder Meeting to be held on 23 September 2014, as required under the ASX Listing Rules and the Corporations Act.

**Offer** has the same meaning as given to the term "Takeover Offer" in this Bidder's Statement.

**Offer Consideration** means, 0.6547 PIM Share and 0.0953 Performance Shares for every 1 Cocoon Share held by Cocoon Shareholders on a post-Consolidation basis, equal to 6.547 PIM Shares and 0.953 Performance Shares for every 1 Cocoon share held on a pre-Consolidation basis.

**Offer Period** means the period during which the Takeover Offer is open for acceptance.

**Official List of the ASX** means the official list of entities that ASX has admitted and not removed.

**Performance Share** means a performance share on the terms and conditions set out in Section 3.21.

**Perth Time** means Perth (Western Australia) Standard Time.

**PIM Group** means PIM and its Subsidiaries.

**PIM Option** or **Option** means an option to acquire a PIM Share.

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

**PIM Shareholder** or **Shareholder** means a holder of a PIM Share.

**PIM Shareholder Approval Condition** means the condition to the Takeover Offer set out in Section 1.8(a)(i) of Annexure A to this Bidder's Statement.

**PIM Shareholder Meeting** means a meeting of PIM Shareholders to consider and (if thought fit) approve:

- (a) the change to the nature and/or scale of PIM's activities as a result of the Takeover Offer, for the purposes of ASX Listing Rule 11.1.2;
- (b) the Consolidation; and
- (c) subject to the Takeover Offer being declared unconditional or completing:
  - (i) the issue of PIM Shares at an issue price of no less than \$0.20 per PIM Share (on a post-Consolidation basis) pursuant to the Prospectus Offer to raise at least \$2.5 million and up to \$15 million;
  - (ii) the issue of a new class of share capital of the Bidder, being the Performance Shares;
  - (iii) the issue of the Replacement PIM Options and Additional Replacement PIM Options;
  - (iv) the issue of the Adviser Shares;
  - (v) the issue of Shares to the Convertible Noteholders;
  - (vi) the adoption of a new constitution of PIM;
  - (vii) the change of name of PIM to "Covata Limited" or such other name as PIM and Cocoon agree; and
  - (viii) the election of three nominees of Cocoon to the PIM Board.

**Project** means the Company's uranium exploration project located central to the Lake Mason Palaco-drainage system in Western Australia.

**Proposed Directors** means the nominees of Cocoon to be appointed to the PIM Board pursuant to the terms of the Bid Implementation Agreement, being Charles Archer, Trent Telford, Philip King, Phil Dunkelberger, and Joseph Miller.

**Prospectus** means the prospectus prepared by PIM in accordance with Chapter 6D of the Corporations Act, pursuant to which the Prospectus Offer is made, dated on or about mid-late September 2014.

**Prospectus Offer** means an offer by PIM of PIM Shares at an issue price of no less than \$0.20 per PIM Share (on a post-Consolidation basis), made pursuant to the Prospectus to raise at least \$2.5 million and up to \$15 million.

**Prospectus Offer Condition** means the condition to the Takeover Offer set out in Section 1.8(a)(v) of Annexure A to this Bidder's Statement.

**Readmission Condition** means the condition to the Takeover Offer set out in Section 1.8(a)(vi) of Annexure A to this Bidder's Statement.

**Record Date** means the date set by PIM under Section 633(2) of the Corporations Act, being 5:00pm (Perth time) on 26 August 2014.

**Relevant Interest** has the meaning given in Sections 608 and 609 of the Corporations Act.

**Replacement PIM Options** has the meaning set out in Section 4.6.

**Rights** means, in respect of Your Shares, all accreditations, benefits and rights attaching to or arising from Your Shares directly or indirectly at or after the date of the Takeover Offer (being 27 August 2014) (including, but not limited to, all dividends and distributions and all rights to receive dividends and distributions and to receive or subscribe for shares, stock units, notes, options or other securities declared, paid, or issued by Cocoon).

**Subsidiary** means a subsidiary within the meaning given to that term in Section 9 of the Corporations Act.

**Superior Proposal** means, in respect of a party, a written bona fide Competing Proposal which the board of directors of that party, acting in good faith after receiving written advice from its external advisers, determines is:

- (a) reasonably capable of being completed, taking into account all aspects of the Competing Proposal; and
- (b) more favourable than the Takeover Offer from the perspective of the shareholders of that party, taking into account all terms and conditions of the Competing Proposal.

**Takeover Offer** or **Offer** means the off market takeover offer by PIM to acquire all Cocoon Shares (including all Rights attaching to them) in consideration for 0.6547 PIM Shares and 0.0953 Performance Shares for every 1 Cocoon Share (on a post-Consolidation basis), which is equal to 6.547 PIM Shares and 0.953 Performance Shares for every 1 Cocoon Share (on a pre-Consolidation basis), and otherwise on the terms and conditions set out in this Bidder's Statement.

**Target's Statement** means the target's statement prepared by Cocoon in respect of the Takeover Offer.

**VWAP** means, in respect of a class of shares, the volume weighted average price of that class of shares on the ASX during a prescribed number of trading days.

**Your Shares** or **Your Cocoon Shares** means, in respect of a Cocoon Shareholder, all of the Cocoon Shares:

- (a) on issue as at the Record Date or that are issued after the Record Date and before the end of the Offer Period, whether by way of conversion of, or the exercise of a right attaching to, any securities that existed as at the Record Date or otherwise; and
- (b) to which you are able to give good title at the time you accept this Offer during the Offer Period,

including all Rights attaching to all such Cocoon Shares.

## 11.2 Interpretation

The following rules of interpretation apply unless intention appears or the context requires otherwise:

- (a) a reference to a time is a reference to Perth (Western Australian) time, unless otherwise stated;
- (b) headings are for convenience only and do not affect interpretation;

- (c) the singular includes the plural and conversely;
- (d) a reference to a Section is to a section of this Bidder's Statement;
- (e) a gender includes all genders;
- (f) where a word or phrase is defined, the other grammatical forms have a corresponding meaning;
- (g) \$, or cents is a reference to the lawful currency in Australia, unless otherwise stated;
- (h) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;
- (i) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (j) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;
- (k) a reference to any instrument or document includes any variation or replacement of it;
- (l) a term not specifically defined in this Bidder's Statement has the meaning given to it (if any) in the Corporations Act;
- (m) a reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually;
- (n) a reference to you is to a person to whom the Takeover Offer is made; and

the words 'include', 'including', 'for example' or 'such as' are not used as, nor are they to be interpreted as, words of limitation, and, when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

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## **ANNEXURE A – TERMS OF TAKEOVER OFFER**

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### **1.1 General Terms**

- (a) PIM offers to acquire all of Your Shares (including all Rights attached to them) on the following terms and conditions set out in this Takeover Offer.
- (b) The Offer Consideration being offered by PIM for the acquisition of all of Your Shares is 0.6547 PIM Shares and 0.0953 Performance Shares for every 1 Cocoon Share (on a post Consolidation basis) you own, subject to the terms and conditions set out in this Takeover Offer.
- (c) If you become entitled to a fraction of a PIM Share or Performance Share under the Takeover Offer, the number of PIM Shares or Performance Shares will be rounded down to the nearest whole PIM Share or Performance Share.
- (d) The PIM Shares to be issued pursuant to this Takeover Offer (and upon conversion of the Performance Shares) will be fully paid and, from their date of issue, rank equally in all respects with existing PIM Shares currently on issue.
- (e) The rights and obligations of the PIM Shares and Performance Shares to be issued under the Takeover Offer are summarised in Sections 3.20 and 3.21 of the Bidder's Statement respectively.

### **1.2 Offer Period**

- (a) Unless withdrawn, this Takeover Offer will remain open for acceptance during the period commencing on the date of this Takeover Offer and ending at 5:00 pm (Perth Time) on the later of:
  - (i) 10 October 2014; or
  - (ii) any date to which the Offer Period is extended, in accordance with the Corporations Act.
- (b) PIM reserves the right, exercisable in its sole discretion, to extend the Offer Period in accordance with the Corporations Act.
- (c) If, within the last 7 days of the Offer Period, either of the following events occurs:
  - (i) the Takeover Offer is varied to improve the consideration offered; or
  - (ii) PIM's voting power in Cocoon increases to more than 50%,then the Offer Period will automatically be extended so that it ends 14 days after the relevant events in accordance with Section 624(2) of the Corporations Act.

### **1.3 Who May Accept**

- (a) An Offer on the terms and conditions set out in this Annexure A and bearing the same date is being made to each person registered as a

holder of Cocoon Shares on Cocoon's register of members at 5:00pm (Perth Time) on the Record Date.

- (b) The Offer applies in respect of all Cocoon Shares:
  - (i) on issue as at the Record Date; or
  - (ii) that are issued after the Record Date and before the end of the Offer Period, as a result of conversion of, or the exercise of a right attaching to, any securities that existed as at the Record Date.
- (c) The Offer also extends to each person who becomes registered as the holder of Your Shares during the Offer Period.
- (d) A person who:
  - (i) is able, during the Offer Period, to give good title to a parcel of Cocoon Shares; and
  - (ii) has not already accepted this Takeover Offer in relation to those Cocoon Shares,may accept as if an Offer from PIM on terms identical with this Takeover Offer had been made to that person in relation to those Cocoon Shares.
- (e) If, at the time the Takeover Offer is made to you, or at any time during the Offer Period, another person is registered as the holder of some or all of Your Shares, then a corresponding offer on the same terms and conditions as this Takeover Offer will be deemed to have been made to that other person in respect of those Cocoon Shares.
- (f) If at any time during the Offer Period you are registered as the holder of one or more parcels of Cocoon Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate and distinct offer on the same terms and conditions as this Takeover Offer has been made in relation to each of those parcels and any parcel you hold in your own right. To validly accept the Takeover Offer for each distinct parcel, you must comply with the procedure in Section 653B(3) of the Corporations Act and provide PIM with a notice stating the following:
  - (i) either that the parcel is held in your own right or, if the parcel is held for a beneficiary, the name and address of each beneficiary;
  - (ii) if the parcel is held in your own right, the date of the transaction through which you acquired a legal interest in the parcel; and
  - (iii) if the parcel is held for one or more beneficiaries, the date on which each beneficiary acquired a beneficial interest in that parcel (or, if unknown, the date that the beneficiary is reasonably believed to have acquired a beneficial interest in that parcel).

If, for the purposes of complying with that procedure, you require additional copies of this Bidder's Statement and/or the Acceptance

Form, please call PIM's Company Secretary on +61 8 9481 7833 to request those additional copies.

- (g) This Takeover Offer is not registered in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of the Bidder's Statement being lodged with ASIC). The Offer is not registered in New Zealand, but is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2013. It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept this Takeover Offer and to comply with any other necessary formality and to obtain any necessary governmental or other consents.
- (h) If Your Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee you should contact that nominee for assistance in accepting this Takeover Offer.

#### **1.4 How to Accept this Takeover Offer**

- (a) You may only accept this Takeover Offer in respect of all (and not a lesser number) of Your Shares. For example, if you have 10,000 Cocoon Shares and you wish to accept the Takeover Offer, you may only accept this Takeover Offer in respect of 10,000 Cocoon Shares.
- (b) You may accept this Takeover Offer at any time during the Offer Period.
- (c) To accept this Takeover Offer for Cocoon Shares held in your name, you must:
  - (i) complete and sign the Acceptance Form in accordance with the terms of this Takeover Offer and the instructions on the Acceptance Form; and
  - (ii) ensure that the Acceptance Form (including any documents required by the terms of this Takeover Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at the address shown on the Acceptance Form.
- (d) Acceptance Form and other documents
  - (i) The Acceptance Form forms part of the Takeover Offer. The requirements on the Acceptance Form must be observed in accepting the Takeover Offer.
  - (ii) For your acceptance of this Offer to be valid, you must ensure that your Acceptance Form (including any documents required by the terms of this Takeover Offer and the instructions on the Acceptance Form) are posted or delivered in sufficient time for it to be received by PIM at the address shown on the Acceptance Form before the end of the Offer Period.
  - (iii) The postage and transmission of the Acceptance Form and other documents is at your own risk.
  - (iv) When accepting the Takeover Offer, you must also forward for inspection:



- (A) if the Acceptance Form is executed by an attorney, a certified copy of the power of attorney; and
- (B) if the Acceptance Form is executed by the executor of a will or the administrator of the estate of a deceased Cocoon Shareholder, the relevant grant of probate or letters of administration.

## **1.5 Validity of Acceptances**

- (a) Subject to the remainder of this Section 1.5 of this Annexure A, your acceptance of the Takeover Offer will not be valid unless it is made in accordance with the procedures set out in Section 1.4 of this Annexure A.
- (b) PIM may, in its sole discretion, at any time deem any Acceptance Form it receives to be a valid acceptance in respect of Your Shares even if a requirement for acceptance has not been complied with.
- (c) PIM may at any time in its sole discretion:
  - (i) treat the receipt by it of an Acceptance Form during the Offer Period (or in an envelope post-marked before the expiry of the Offer Period) as a valid acceptance notwithstanding that one or more of the other requirements for a valid acceptance have not been complied with and without further communication to you; and
  - (ii) where you have satisfied the requirements for acceptance in respect of only some of Your Cocoon Shares, treat the acceptance as a valid acceptance in respect of all of Your Cocoon Shares.
- (d) In respect of any part of an acceptance treated by it as valid, PIM will provide you with the relevant consideration in accordance with Section 1.7 of this Annexure A, and the exercise of PIM's rights under this Section 1.5 of this Annexure A will be conclusive and only evidenced by its so doing. Subject to the requirements of the Corporations Act, the payment of consideration in accordance with the Takeover Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by PIM.
- (e) This Section is not a condition of this Takeover Offer.

## **1.6 The Effect of Acceptance**

- (a) Once you have accepted this Takeover Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you. In addition, you will be unable to withdraw your acceptance of the Takeover Offer or otherwise dispose of Your Shares, except as follows:
  - (i) if, by the time specified in Section 1.6(b) of this Annexure A, the conditions in Section 1.8(a) of this Annexure A have not all been fulfilled or waived (in which case the Takeover Offer will lapse and any contract resulting from an acceptance of the Offer will be void); or

- (ii) if the Takeover Offer is varied in accordance with the Corporations Act in a way that postpones for more than one month the time when PIM has to meet its obligations under the Takeover Offer, and, at the time, the Takeover Offer is subject to one or more of the conditions in Section 1.8(a) of this Annexure A, you may be able to withdraw your acceptance in accordance with Section 650E of the Corporations Act.
- (b) The relevant time for the purposes of Section 1.6(a) is:
  - (i) in the case of the Condition referred to in Section 1.8 (a)(iii) (but only to the extent the Conditions is the same as the conditions set out in Section 652C(1) or (2) of the Corporations Act), the third Business Day after the end of the Offer Period; and
  - (ii) in any other case, the end of the Offer Period.
- (c) By following the procedures described in Section 1.4 of this Annexure A, you will be deemed to have:
  - (i) accepted this Takeover Offer (and any variation to it) in respect of all of Your Cocoon Shares, regardless of the number of Cocoon Shares specified in the Acceptance Form;
  - (ii) agreed to the terms of the Takeover Offer and, subject to the conditions contained in Section 1.8(a) of this Annexure A being fulfilled or waived, agreed to transfer to PIM all of Your Cocoon Shares (including all of the Rights attached to those Cocoon Shares);
  - (iii) authorised PIM to complete the Acceptance Form by correcting any errors in or omissions from the Acceptance Form as may be necessary:
    - (A) to make the Acceptance Form an effective acceptance of this Takeover Offer; and/or
    - (B) to enable registration of the transfer to PIM of Your Cocoon Shares;
  - (iv) irrevocably authorised and directed Cocoon to pay to PIM or to account to PIM for all dividends and other distributions and entitlements which are declared, paid or which arise or accrue after the date of this Takeover Offer in respect of Your Cocoon Shares (subject to PIM accounting to you for any dividends, distributions or entitlements received by it if your acceptance of this Takeover Offer is validly withdrawn pursuant to Section 650E of the Corporations Act or the contract resulting from that acceptance becomes void);
  - (v) represented and warranted to PIM that:
    - (A) PIM will acquire good title to and beneficial ownership of all of Your Cocoon Shares free from all Encumbrances (whether legal or equitable) and other third party interests of any kind;

- (B) you have paid Cocoon all amounts which are due in respect of Your Cocoon Shares;
  - (C) all of Your Cocoon Shares are fully paid; and
  - (D) you have full power and capacity to accept the Takeover Offer and to sell and transfer the legal and beneficial ownership of Your Cocoon Shares (including all Rights attached to them) to PIM;
- (vi) agreed to accept the PIM Shares to which you become entitled by accepting this Takeover Offer subject to the Constitution and the terms of issue of the PIM Shares and Performance Shares and to have authorised PIM to place your name on its register of shareholders as the holder of the PIM Shares and Performance Shares issued to you under the Takeover Offer;
- (vii) represented and warranted to PIM that the making by PIM to you, and your acceptance, of this Takeover Offer is lawful under any foreign law which applies to you, to the making of this Takeover Offer, and to your acceptance of this Takeover Offer;
- (viii) with effect from the later of acceptance of the Takeover Offer and the date that any contract resulting from that acceptance becomes or is declared unconditional, appointed (and agreed not to revoke that appointment) PIM and each of its directors, secretaries and other officers from time to time severally as your agent and true and lawful attorney, with power to do all things which you could lawfully do concerning Your Cocoon Shares or in exercise of any right or power derived from the holding of Your Cocoon Shares including, without limitation:
  - (A) attend and vote in respect of Your Cocoon Shares at any and all meetings of the members of Cocoon;
  - (B) requisition or join with other holders of Cocoon Shares in requisitioning and/or convening a meeting of the members of Cocoon;
  - (C) demand a poll for any vote to be taken at any meeting of the members of Cocoon;
  - (D) propose or second any resolutions to be considered at any, and all meetings of Cocoon Shareholders;
  - (E) execute all forms, transfers, assignments, notices, instruments (including instruments appointing a director of PIM as a proxy in respect of all or any of Your Cocoon Shares and a transfer form for Your Cocoon Shares), proxies, consents, agreements and resolutions relating to Your Cocoon Shares;
  - (F) request Cocoon to register in the name of PIM (or its nominee) all of Your Cocoon Shares; and
  - (G) do all things incidental or ancillary to the foregoing,

and to have agreed that in exercising the powers conferred by that power of attorney, the attorney shall be entitled to act in the interests of PIM as the beneficial owner and intended registered holder of Your Cocoon Shares and to have further agreed to do all such acts, matters and things that PIM may require to give effect to the matters the subject of this paragraph (including the execution of a written form of proxy to the same effect as this paragraph which complies in all respects with the requirements of the constitution of Cocoon) if requested by PIM. This appointment is irrevocable and terminates upon the earlier of registration of a transfer to PIM of Your Cocoon Shares, withdrawal of your acceptance of the Offer in accordance with section 650E of the Corporations Act and withdrawal of this Takeover Offer by PIM in accordance with section 652A of the Corporations Act;

- (ix) with effect from the later of acceptance of the Takeover Offer and the date that any contract resulting from that acceptance becomes, or is declared unconditional, agreed not to vote in person at any general meeting of Cocoon or to exercise (or purport to exercise) in person, by proxy or otherwise, any of the powers conferred on PIM and the directors, secretaries and other officers of PIM by Section 1.6(c)(viii) of this Annexure A;
  - (x) irrevocably authorised PIM to notify Cocoon on your behalf that your place of address for the purposes of serving notices in respect of Your Cocoon Shares is the address specified by PIM in the notification;
  - (xi) represented and warranted to PIM that, unless you have notified PIM in accordance with Section 1.3(f) of this Annexure A, Your Cocoon Shares do not consist of one or more separate parcels of Cocoon Shares; and
  - (xii) agreed, subject to the conditions of this Takeover Offer in Section 1.8(a) of this Annexure A being fulfilled or freed, to execute all such documents, transfers and assurances, and do all such acts, matters and things that PIM may consider necessary or desirable to transfer and convey Your Cocoon Shares (including all Rights attaching to them) to PIM.
- (d) The representations, warranties, undertakings and authorities referred to in this Section 1.6 of this Annexure A will (unless otherwise stated) remain in force after you receive the consideration for Your Cocoon Shares and after PIM becomes the register as the holder of Your Cocoon Shares.

## 1.7 Payment of Consideration

- (a) Subject to the terms of this Takeover Offer and the Corporations Act, PIM will provide the consideration for Your Shares on or before the earlier of:
  - (i) one month after the date of your acceptance or, if this Takeover Offer is subject to a defeating condition when you accept this Takeover Offer, within one month after this Takeover Offer becomes unconditional; and
  - (ii) 21 days after the end of the Offer Period.

- (b) Under no circumstances will interest be paid on the consideration to which you are entitled under the Takeover Offer, regardless of any delay in providing the consideration or any extension of the Takeover Offer.
- (c) Where the Acceptance Form requires an additional document to be given with your acceptance (such as a power of attorney):
  - (i) if that document is given with or at the same time as your acceptance, PIM will provide the consideration in accordance with Section 1.7(a) of this Annexure A;
  - (ii) if that document is given after acceptance and before the end of the Offer Period while this Takeover Offer is subject to a defeating condition, PIM will provide the consideration by the end of whichever of the following periods ends earlier:
    - (A) within one month after this Takeover Offer becomes unconditional; or
    - (B) 21 days after the end of the Offer Period;
  - (iii) if that document is given after acceptance and before the end of the Offer Period while this Takeover Offer is not subject to a defeating condition, PIM will provide the consideration due to you on or before the earlier of:
    - (A) one month after that document is given to PIM; and
    - (B) 21 days after the end of the Offer Period; and
  - (iv) if that document is given after acceptance and after the end of the Offer Period, and the Takeover Offer is not subject to a defeating condition, PIM will provide the consideration within 21 days after that document is given to PIM. However, if at the time the document is given, the Takeover Offer is still subject to a defeating condition that relates only to the happening of an event of circumstances referred to in Section 652C(1) or (2) of the Corporations Act, PIM will provide the consideration for you within 21 days after the Takeover Offer becomes unconditional.
- (d) Subject to Section 1.8 of this Annexure A, the obligation of PIM to allot and issue any PIM Shares and Performance Shares to which you are entitled as a result of your acceptance of this Takeover Offer will be satisfied by:
  - (i) entering your name on the register of members of PIM; and
  - (ii) dispatching or procuring the dispatch to you by pre-paid post to your last recorded address on Cocoon's register of members (or as stated in your Acceptance Form, if different), a confirmation of the issue of PIM Shares and Performance Shares in your name. If Your Shares are held in a joint name, an uncertificated holding statement will be issued in the name of the first person that appears on Cocoon's register of members, and forwarded to your last recorded address on Cocoon's register of members (or as stated in your Acceptance Form, if different).

- (e) If, at the time you accept the Takeover Offer, any of the following:
- (i) Banking (Foreign Exchange) Regulations 1959 (Cth);
  - (ii) Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth);
  - (iii) Charter of the United Nations (Sanctions – Al-Qaida and the Taliban) Regulations 2008 (Cth);
  - (iv) Charter of the United Nations (Sanctions - Iraq) Regulations 2008 (Cth); or
  - (v) any other law of Australia,

require that an authority, clearance or approval of the Reserve Bank of Australia, the Australian Taxation Office or any other government authority be obtained before you receive any consideration for Your Shares, or would make it unlawful for PIM to provide any consideration to you for Your Shares, you will not be entitled to receive any consideration for Your Shares until all requisite authorities, clearances or approvals have been received by PIM. As far as PIM is aware, as at the date of this Bidder's Statement, the persons to whom this Section 1.7(e) of this Annexure A will apply are: prescribed supporters of the former government of Yugoslavia; ministers and senior officials of the Government of Zimbabwe; persons associated with the former government of Iraq (including senior officials, immediate family members of senior officials, or entities controlled by any of those persons); the Taliban; members of the Al Qaida organisation; and a person named in the list maintained pursuant to Section 2 of Resolution 1390 of the Security Council of the United Nations.

## 1.8 Conditions of this Takeover Offer

- (a) Subject to Sections 1.8(b) and (c) of this Annexure A, the Takeover Offer and any contract that results from acceptance of the Takeover Offer is subject to the fulfilment of the following conditions:

(i) **Approval of Essential PIM Shareholder Resolutions**

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

(ii) **No Cocoon Material Adverse Change**

During the period from the Announcement Date to the end of the Offer Period (inclusive), no event, matter or circumstance which individually, or when aggregated with all such other events, matters or circumstances results in or could reasonably be expected to result in:

- (A) the value of the consolidated net assets of the Cocoon Group reported in Cocoon's audited financial statements for the financial year ended 30 June 2013 being reduced by at least \$500,000; or

- (B) the incurrence of any obligations, liabilities, costs or expenses (contingent or otherwise), where the quantum (whether individually or when aggregated with all such other events) of at least \$500,000 in any 6-month period; or
- (C) the termination or loss of or a reduction in Cocoon's interest in any Cocoon Material Contract (as defined in the Bid Implementation Agreement),

other than an event, matter or circumstance:

- (D) required or permitted to be done by the Bid Implementation Agreement;
- (E) required to be done as a result of the Takeover Offer or the re-compliance with Chapters 1 and 2 of the ASX Listing Rules;
- (F) the occurrence of which was fairly disclosed in the information and documents disclosed in writing by Cocoon or its representatives about the Cocoon Group and its businesses to PIM or its representatives or otherwise disclosed by Cocoon to the public prior to the date of the Bid Implementation Agreement, or fairly disclosed by Cocoon to PIM prior to the date of the Bid Implementation Agreement;
- (G) caused or materially contributed to by PIM;
- (H) that is an actual event, matter or thing which is actually known to PIM prior to the date of the Bid Implementation Agreement (which does not include knowledge of the risk of an event, occurrence or matter happening); or
- (I) directly resulting from any actions taken (or omitted to be taken) following a written request from Cocoon or with Cocoon's prior written consent.

(iii) **No prescribed occurrences**

During the period from the Announcement Date to the end of the Offer Period (each inclusive), none of the following occurrences happens:

- (A) Cocoon converts all or any of its shares into a larger or smaller number of shares;
- (B) any member of the Cocoon Group (other than a direct or indirect wholly owned Subsidiary of Cocoon) resolves to reduce its share capital in any way or reclassifies, redeems or repurchases directly or indirectly any of its shares;
- (C) any member of the Cocoon Group (other than a direct or indirect wholly owned Subsidiary of Cocoon) enters into a buy-back agreement or resolves to approve the

terms of a buy-back agreement under the Corporations Act;

- (D) any member of the Cocoon Group issues securities or grants an option or performance right over any securities (including equity securities, debt securities or convertible securities) (or agrees to make such an issue) other than to Cocoon or to a direct or indirect wholly owned Subsidiary of Cocoon or pursuant to performance rights, the conversion of convertible securities or the exercise of options the existence of which has been fairly disclosed to PIM before the Announcement Date;
- (E) Cocoon amends or proposes to amend its constitution;
- (F) any member of the Cocoon Group creates or agrees to create any Encumbrance over the whole or any part of its assets or undertaking other than an Encumbrance arising in the ordinary course of business;
- (G) an order or application is made or a resolution is passed for the winding up of any member of the Cocoon Group;
- (H) an administrator, liquidator, provisional liquidator, receiver or receiver and manager is appointed in respect of any member of the Cocoon Group or the whole or any part of the assets or undertaking of any member of the Cocoon Group, or any member of the Cocoon Group executes a deed of company arrangement;
- (I) any member of the Cocoon Group ceases to carry on business or is deregistered under the Corporations Act;
- (J) any member of the Cocoon Group enters into any unusual or abnormal contract or commitment which is outside the ordinary course of business and which could reasonably be expected to:
  - (I) change the nature of the business conducted by the Cocoon Group; or
  - (II) have a material adverse impact on the business conducted by the Cocoon Group;
- (K) any member of the Cocoon Group enters into a contract or commitment restraining any member of the Cocoon Group from competing with any person or conducting activities in any market;
- (L) any member of the Cocoon Group enters into or otherwise becomes a party to, any material transaction with a related party (as that term is defined in Chapter 2E of the Corporations Act) of Cocoon (other than between Cocoon and a direct or indirect wholly owned Subsidiary of Cocoon);



- (M) any member of the Cocoon Group (other than a direct or indirect wholly owned Subsidiary of Cocoon) declares, pays, or determines to be payable any distribution, bonus or other share of its profits or assets (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie);
- (N) any member of the Cocoon Group disposes of, or offers or agrees to dispose of, any material business, asset, joint venture interest, entity or undertaking (or any interest in a business, asset, joint venture, entity or undertaking) or makes an announcement in relation to such a disposal, offer or agreement;
- (O) any member of the Cocoon Group:
  - (I) enters into any financing arrangement or commitment or agrees to extend, repay or materially amend any existing financing arrangement or commitment; or
  - (II) guarantees, indemnifies or provides security for the obligations of any person or entity other than a member of the Cocoon Group; and
- (P) any member of the Cocoon Group agrees or announces an intention to take any of the actions referred to in paragraphs (A) to (O) above,

provided that the above events will not include any matter:

- (Q) required or permitted to be done or procured by Cocoon under the Bid Implementation Agreement or which is otherwise contemplated by the Bid Implementation Agreement;
- (R) required to be done as a result of the Takeover Offer or re-compliance with Chapters 1 and 2 of the ASX Listing Rules;
- (S) fairly disclosed by Cocoon to PIM in writing prior to execution of the Bid Implementation Agreement;
- (T) actually known to PIM prior to the date of the Bid Implementation Agreement (which does not include knowledge of the risk of an event, occurrence or matter happening); or
- (U) directly resulting from any actions taken (or omitted to be taken) following a written request from PIM or with PIM's prior written consent; or
- (V) approved in writing by PIM, such approval not to be unreasonably withheld or delayed.

(iv) **Minimum acceptance**

By the end of the Offer Period, PIM Group has a Relevant Interest in such number of Cocoon Shares as represents at least 90% in aggregate of all Cocoon Shares then on issue.

(v) **Prospectus Offer Condition**

The Prospectus Offer closes and, as at the close of the Prospectus Offer, PIM 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.

(vi) **Readmission Condition**

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

(vii) **No regulatory intervention**

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

- (A) there is not in effect any preliminary or final decision, order or decree issued by a Government Authority; and
- (B) no application is made to any Government Authority (other than by PIM or a Subsidiary of PIM), or action or investigation is announced, threatened or commenced by a Government 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 the Bid Implementation Agreement, the Offer or the rights of PIM in respect of Cocoon or the Cocoon Shares to be acquired under the Offer, or requires the divestiture by PIM or PIM's shareholders of any Cocoon Shares or the divestiture of any assets of the Cocoon Group, PIM, PIM Group or otherwise.

(viii) **No Material Acquisitions**

Between the Announcement Date and the end of the Offer Period (each inclusive), no member of the Cocoon Group:

- (A) acquires, offers to acquire or agrees to acquire one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount in aggregate greater than \$500,000;

- (B) disposes of, offers to dispose of or agrees to dispose of one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount, or in respect of which the book value is, in aggregate, greater than \$500,000;
  - (C) enters into, agrees to enter into or announces any agreement to enter into any contract, commitment or arrangement, joint venture or partnership that:
    - (I) requires payments, expenditure or the foregoing of revenue by any member of the Cocoon Group of an amount in excess of \$500,000 on any individual basis or which is, in aggregate, greater than \$500,000; or
    - (II) is material in the context of the Cocoon Group and is not in the ordinary course of business;
  - (D) enters into or agrees to enter into, terminates or agrees to terminate a contract, commitment or arrangement for the provision of services or a licence to a third party that is a new or existing customer that results in any member of the Cocoon Group incurring costs greater than \$500,000 on an individual basis or is, in aggregate, greater than \$500,000 for the entire term of such contract, commitment or arrangement;
  - (E) provides or agrees to provide financial accommodation or a guarantee (other than to entities within the Cocoon Group) for any amount, or receives financial accommodation (other than from entities within the Cocoon Group) for any amount;
  - (F) enters into, amends, or agrees to enter into or amend, any material contract, commitment or other arrangement with a related party (as defined in section 228 of the Corporations Act) of Cocoon;
  - (G) incurs, agrees to incur or bring forward the time for incurring, or granting to a third party a right the exercise of which would involve any member of the Cocoon Group incurring or agreeing to incur an amount of capital expenditure in excess of \$500,000;
  - (H) announces an intention to do any of the matters referred to in sub-paragraphs (A) to (G) above,
- other than to the extent:
- (I) required or permitted by the Bid Implementation Agreement; or
  - (J) required to be done under the Takeover Offer or the re-compliance with the ASX Listing Rules;
  - (K) fairly disclosed by Cocoon to PIM in writing prior to execution of the Bid Implementation Agreement;

- (L) actually known to PIM prior to the date of the Bid Implementation Agreement (which does not include knowledge of the risk of an event, occurrence or matter happening); or
- (M) directly resulting from any actions taken (or omitted to be taken) following a written request from PIM or with PIM's prior written consent, with such consent not to be unreasonably withheld or delayed.

(ix) **Conversion of Cocoon convertible securities**

By the end of the Offer Period, all Cocoon securities convertible into Cocoon Shares on issue as at the date of the Bid Implementation Agreement have been either converted into Cocoon Shares or cancelled, except for the Cocoon US Options and the New Convertible Notes, and Cocoon having no more than 381,877,818 Cocoon Shares on issue.

- (b) Each condition in Section 1.8(a) of this Annexure A (each, a **Condition**) is a separate, several and distinct condition and is for the benefit of PIM alone and may only be relied upon by PIM.
- (c) All the Conditions are conditions subsequent. The non-fulfilment of any Condition does not prevent a contract to sell Your Shares from arising upon your acceptance of the Offer in accordance with these terms. But, if a Condition is not satisfied by the end of the Offer Period or waived by the end of the relevant time specified in Section 1.6(b), the contract formed upon your acceptance of the Offer will thereupon be automatically void.

## 1.9 Freeing the Takeover Offer of Conditions

- (a) Subject to paragraph (b) below, PIM may free this Takeover Offer, and any contract resulting from its acceptance, from all or any of the conditions in Section 1.8(a) of this Annexure A by giving notice to Cocoon declaring the Takeover Offer to be free from the relevant conditions specified in accordance with Section 650F of the Corporations Act. This notice may be given not less than 7 days before the end of the Offer Period.
- (b) PIM may only waive the Minimum Acceptance Condition, Prospectus Offer Condition, PIM Shareholder Approval Condition or Readmission Condition with the prior written consent of Cocoon, provided that, in the event that PIM has received acceptances in respect of 80% of the Cocoon Shares, PIM may waive the Minimum Acceptance Condition without Cocoon's consent.
- (c) If, at the end of the Offer Period, any of the conditions in Section 1.8 (a) of this Annexure A has not been fulfilled and PIM has not declared the Takeover Offer (or it has not become) free from the relevant condition, all contracts resulting from the acceptance of the Takeover Offer will be automatically void.
- (d) Subject to the provisions of the Corporations Act, PIM alone will be entitled to the benefit of the conditions in Section 1.8 (a) of this Annexure A and any breach or non-fulfilment thereof may be relied upon only by PIM.

### **1.10 Notice of Status of Conditions**

The date for giving the notice required by Section 630(1) of the Corporations Act is 3 October 2014, subject to extension in accordance with 630(2) if the Offer Period is extended.

### **1.11 Quotation**

- (a) An application will be made within 7 days after the start of the Bid Period to ASX for the granting of quotation of the PIM Shares to be issued in accordance with the Takeover Offer. However, quotation is not granted automatically on application.
- (b) Pursuant to the Corporations Act, this Takeover Offer and any contract that results from your acceptance of it is subject to conditions that:
  - (i) application for permission to quotation is made within 7 days after the start of the Bid Period; and
  - (ii) permission for quotation by ASX (as the circumstances require) of the PIM Shares to be issued pursuant to the Takeover Offer being granted no later than 7 days after the end of the Bid Period. If this condition is not fulfilled, all contracts resulting from the acceptance of the Takeover Offer will be automatically void.

### **1.12 Withdrawal of Offer**

- (a) PIM may withdraw this Takeover Offer at any time before you accept it, but only with the consent in writing of ASIC (which consent may be given subject to such conditions, if any, as are imposed by ASIC). If ASIC gives such consent, PIM will give notice of the withdrawal to ASX and to Cocoon and comply with any other conditions imposed by ASIC.
- (b) Subject to any conditions imposed by ASIC in its consent, if PIM withdraws the Offer, the Offer, to the extent not previously accepted, automatically becomes incapable of acceptance and any contract resulting from acceptance of the Offer before the withdrawal will be automatically void.

### **1.13 Variation**

PIM may vary this Takeover Offer in accordance with the Corporations Act.

### **1.14 Duty or Other Costs**

- (a) All costs and expenses of the preparation, dispatch and circulation of this Takeover Offer and any duty payable in respect of the transfers will be paid by PIM.
- (b) As long as Your Cocoon Shares are registered in your name and you deliver them directly to PIM, you will not incur any brokerage in connection with your acceptance of this Takeover Offer.

### **1.15 Governing Law**

This Takeover Offer and any contract that results from your acceptance of this Takeover Offer is governed by the laws in force in Western Australia.

#### **1.16 Date of Offer**

This Takeover Offer is dated 27 August 2014.

## ANNEXURE B – PIM'S ASX ANNOUNCEMENTS

The Company has lodged the following announcements with ASX since 1 July 2013:

Date	Description of Announcement
25/08/2014	Notice of General Meeting / Proxy Form
31/07/2014	Quarterly Cashflow Report
31/07/2014	Quarterly Activities Report
21/07/2014	Moelis and Co Appointed Sole Lead Manager
08/07/2014	Cocoon Data Holdings Business Overview
07/07/2014	Change in substantial holding
30/06/2014	Merger With Cocoon Data Holdings
20/06/2014	Update on Merger with Cocoon Data Holdings Pty Ltd
13/06/2014	Response to ASX Price Query
20/05/2014	Prime to merge with Cocoon Data
16/05/2014	Trading Halt
30/04/2014	Quarterly Activities Report
30/04/2014	Quarterly Cashflow Report
22/04/2014	Change of Share Registry Address
13/03/2014	Half Yearly Report and Accounts
24/02/2014	Change of Director's Interest Notice
21/02/2014	Becoming a substantial holder
03/02/2014	Company Secretary Appointment/Resignation
30/01/2014	Quarterly Activities Report
30/01/2014	Quarterly Cashflow Report
25/11/2013	Results of Meeting
31/10/2013	Quarterly Activities Report
31/10/2013	Quarterly Cashflow Report
28/10/2013	Notice of Annual General Meeting/Proxy Form
26/09/2013	Annual Report to shareholders
31/07/2013	Quarterly Activities Report
31/07/2013	Quarterly Cashflow Report

**PRIME MINERALS LIMITED**  
**ACN 120 658 497**  
**(Bidder)**

**AND**

**COCOON DATA HOLDINGS LIMITED**  
**ACN 127 993 300**  
**(Target)**

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**BID IMPLEMENTATION AGREEMENT – AMENDMENT DEED**

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THIS DEED is made the 25<sup>TH</sup> day of August 2014

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**BETWEEN**

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**PRIME MINERALS LIMITED** (ACN 120 658 497) of Level 1, 8 Parliament Place, West Perth, WA 6005 (**Bidder**);

AND

**COCOON DATA HOLDINGS LIMITED** (ACN 127 993 300) of Level 4, 156 Clarence Street, Sydney, NSW 2000 (**Target**).

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**RECITALS**

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- A. The Parties entered into the Bid Implementation Agreement on 27 June 2014.
- B. The Parties wish to amend the Bid Implementation Agreement in the manner set out in this deed.

**IT IS AGREED** as follows:

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**1. INTERPRETATION**

**1.1 Definitions**

The following definitions apply in this deed.

**Amendments** means the amendments to the Bid Implementation Agreement contained in clause 3.1.

**Bid Implementation Agreement** means the bid implementation agreement entered into between the Parties dated 27 June 2014.

**Business Day** means a day on which banks are open for business in Western Australia excluding a Saturday, Sunday or public holiday.

**Duty** means any transfer, transaction or registration duty or similar charge imposed by any Government Authority and includes any interest, fine, penalty, charge or other amount imposed in respect of any of them.

**Effective Date** means the date on which this deed is signed by all Parties.

**Government Authority** means a government or government department, a governmental or semi-governmental or judicial person (whether autonomous or not) charged with the administration of any applicable law.

**Parties** means Bidder and Target.

**1.2 Terms defined in the Bid Implementation Agreement**

A term (other than a term defined in clause 1.1) that is defined in the Bid Implementation Agreement (as amended by this deed) has the same meaning in this deed.

**1.3 Interpretation**

In this deed unless the context otherwise requires:

- (a) headings are for convenience only and do not affect its interpretation;
- (b) an obligation or liability assumed by, or a right conferred on, 2 or more Parties binds or benefits all of them jointly and each of them severally;
- (c) the expression **person** includes an individual, the estate of an individual, a corporation, an authority, an association or joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (d) a reference to any Party includes that Party's executors, administrators, successors and permitted assigns, including any person taking by way of novation;
- (e) a reference to any document (including this deed) is to that document as varied, novated, ratified or replaced from time to time;
- (f) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;
- (g) words importing the singular include the plural (and vice versa) and words indicating a gender include every other gender;
- (h) reference to Parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of this deed and a reference to this deed includes any schedule, exhibit or annexure to this deed;
- (i) where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (j) a reference to time is to Western Standard Time as observed in Perth, Western Australia;
- (k) where an action is required to be undertaken on a day that is not a Business Day it shall be undertaken on the next Business Day;
- (l) a reference to a payment is to a payment by bank cheque or such other form of cleared funds the recipient otherwise allows in the relevant lawful currency specified; and
- (m) a reference to **\$** or **dollar** is to the lawful currency of the Commonwealth of Australia.

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## **2. AMENDMENT**

### **2.1 Amendments to Bid Implementation Agreement**

The Bid Implementation Agreement is amended with effect on and from the Effective Date as follows:

- (a) deleting the definition of "Essential Bidder Resolutions" in clause 1.1 and replacing it with the following:

**"Essential Bidder Resolutions** means those resolutions referred to in paragraphs (a), (b), (c)(i), (c)(ii), (c)(iv), (c)(v), (c)(vii), (c)(viii) and (c)(ix) of the definition of "Bidder Shareholder Meeting";

- (b) deleting the definition of "Long Stop Date" in clause 1.1 and replacing it with the following:

**"Long Stop Date** means the earlier of:

- (a) the date on which the Offer Period in respect of the Takeover Bid ends; and
- (b) if the Notice of Bidder Shareholder Meeting is dispatched to Bidder shareholders:
  - (i) on or before 27 August 2014 – 31 October 2014; or
  - (ii) after 27 August 2014 – 30 September 2014,

or such later date as Bidder and Target agree in writing, and each party must reasonably consider any request by the other party to extend such date.";

- (c) by deleting clause 6.3 and replacing it with the following:

**"6.3 Target AU Options**

On or before lodgement of the Bidder's Statement with ASIC, Target and Bidder shall enter into arrangements (effective upon successful completion of the Offer) with each holder of Target AU Options (**Target AU Optionholders**) under which Target AU Optionholders agree to the cancellation of all their Target AU Options in consideration for the issue of Replacement Bidder Options on, mutatis mutandis, equivalent terms, provided that:

- (a) the Target AU Optionholders will agree not to exercise their Target AU Options during the Offer Period;
- (b) the Replacement Bidder Options will be subject to equivalent vesting conditions as applicable to the Target AU Options held by each of the Target AU Optionholders (if any);
- (c) the exercise price of the Replacement Bidder Options will be as set out in Schedule 5, calculated on the basis of Bidder Shares having a deemed value of \$0.20 and Target Shares having a deemed value of \$0.15; and
- (d) the number of Replacement Bidder Options issued will be as set out in Schedule 5, calculated on the basis of Bidder Shares having a deemed value of \$0.20 and Target Shares having a deemed value of \$0.15.";

- (d) by deleting clause 6.4(a) and replacing it with the following:

"(a) On or before lodgement of the Bidder's Statement with ASIC, Target and Bidder shall enter into arrangements with each

holder of Target US Options (**Target US Optionholders**) under which Target US Optionholders agree to either:

- (i) the cancellation of all of their Target US Options in consideration for the issue of Replacement Bidder Options on, mutatis mutandis, equivalent terms (effective upon successful completion of the Offer), provided that:
  - (A) the Target US Optionholders agree that their Target US Options will not vest as a result of the Takeover Bid;
  - (B) the Target US Optionholders agree not to exercise their Target US Options during the Offer Period;
  - (C) the expiry date of the Replacement Bidder Options will be 5 years from the date of issue of the Replacement Bidder Options issued to the Target US Optionholders;
  - (D) the Replacement Bidder Options will be subject to equivalent vesting conditions as applicable to the Target US Options held by each of the Target US Optionholders (if any);
  - (E) the exercise price of the Replacement Bidder Options will be as set out in Schedule 5, calculated on the basis of Bidder Shares having a deemed value of AUD\$0.20 and Target Shares having a deemed value of AUD\$0.15; and
  - (F) the number of Replacement Bidder Options issued will be as set out in Schedule 5, calculated on the basis of Bidder Shares having a deemed value of AUD\$0.20 and Target Shares having a deemed value of AUD\$0.15; or
- (ii) the cancellation of their Target US Options in consideration for such number of Bidder Shares as agreed between Bidder and Target (effective upon successful completion of the Offer).”;

(e) by deleting clause 6.4(d) and replacing it with the following:

“(d) Bidder agrees, subject to approval by the Bidder Shareholders at the Bidder Shareholder Meeting and receipt of any necessary regulatory approvals, to issue Replacement Bidder Options on, mutatis mutandis, equivalent terms to the Target Eligible Employees (**Additional Replacement Bidder Options**) upon successful completion of the Offer, provided that:

- (i) the exercise price of the Additional Replacement Bidder Options will be as set out in Schedule 5.;

- (ii) the number of Additional Replacement Bidder Options issued will be as set out in Schedule 5;
- (iii) the expiry date of the Additional Replacement Bidder Options will be 5 years from the date of issue of the Additional Replacement Bidder Options to the Target Eligible Employees;
- (iv) the Additional Target US Options must not be issued unless this agreement is terminated; and
- (v) the Target Eligible Employees agree to any escrow imposed by the ASX in respect of the Additional Replacement Bidder Options they are issued.”;

(f) by deleting the table in Schedule 2 and replacing it with the following:

<b>Event</b>	<b>Date</b>
Bidder and Target issue their respective announcements in relation to Takeover Bid	27 June 2014
Bidder’s Statement lodged with ASIC and served on Target and ASX	25 August 2014
Target’s Statement lodged with ASIC and served on Bidder and ASX	25 August 2014
Draft Notice of Bidder Shareholder Meeting lodged with ASX	25 August 2014
Bidder’s Statement and Target’s Statement sent to Target Shareholders	27 August 2014
Notice to Target and ASIC that Bidder’s Statement and Offer has been sent to Target Shareholders	27 August 2014
Prospectus lodged with ASIC	Mid-late September 2014
Bidder holds Bidder Shareholder Meeting	23 September 2014
Offer closes	10 October 2014
Re-instatement to trading on ASX	17 October 2014

(g) by deleting Schedule 5 and replacing it with the following:

## SCHEDULE 5 – TARGET CAPITAL STRUCTURE

The capital structure of Target as at the date this agreement and upon conversion or cancellation of all securities convertible into Target Shares or Bidder Shares upon the successful completion of the Offer shall be as set out below:

Security	Number (date of this agreement)	Target Shares (upon Offer becoming Unconditional)	Bidder Shares (upon successful completion of the Offer)	Bidder Options (upon successful completion of the Offer)
Target Shares	224,170,041	224,170,041	N/A	N/A
Target Class A Shares	14,930,000	14,930,000	N/A	N/A
Target US Options	23,575,000	Nil	N/A	17,681,250
Target AU Options	4,700,000	Nil	N/A	3,525,000
Target Warrants	83,923,583	26,000,000	N/A	N/A
Target Convertible Notes				
• Raven (\$3.15m)	63	39,000,000	N/A	N/A
• Ilwella (\$2m)	40	22,222,222	N/A	N/A
• Gaffwick (\$2m)	40	22,222,222	N/A	N/A
• TPG (\$5m)	100	33,333,333	N/A	N/A
• Raven (\$1.5m)	30	Nil	8,100,000	N/A
• Additional Notes (\$1m)	20	Nil	5,400,000	N/A
• Total (\$14.65m)				
<b>Total</b>		<b>381,877,818</b>	<b>13,500,000</b>	<b>21,206,250</b>



The capital structure of Bidder upon completion of the Share Consolidation, the Offer, the Prospectus Offer (assuming an issue price of \$0.20 per Bidder Share and a minimum capital raise of \$2.5M), the issue of Bidder Options in accordance with clauses 6.3 and 6.4 (assuming Replacement Bidder Options are issued in respect of the Target US Options and Target AU Options, and Additional Replacement Bidder Options are issued in respect of the Additional Target US Options), the issue of Bidder Shares to advisers and the issue of Bidder Shares to holders of Additional Target Convertible Notes (assuming aggregate face value of \$2,500,000 and 4 months interest is paid on the Additional Convertible Notes) is as set out below:

	Bidder Shares	Bidder Options
Current issued capital of Bidder	337,444,946	Nil
Post Share-Consolidation issued capital of Bidder	33,744,495	Nil
Offer Consideration (Bidder Shares)	250,000,000	Nil
Offer Consideration (Performance Shares)	36,408,365	Nil
Prospectus Offer	12,500,000	Nil
Bidder Shares to be issued to advisers	10,000,000	Nil
Issue of Bidder Shares under Convertible Note Agreements	13,500,000	Nil
Replacement Bidder Options <sup>1</sup> ,	Nil	21,206,250
Additional Replacement Bidder Options <sup>2</sup>	Nil	15,000,000
<b>Total Post Merger &amp; Capital Raising</b>	<b>356,152,860</b>	<b>36,206,250</b>

Notes:

1. Replacement Bidder Options are exercisable at the issue prices and on or before the expiry dates set out in the table below:

Holder	Number of Replacement Bidder Options	Exercise Price	Expiry Date
Target AU Optionholders	3,525,000	AUD \$0.2933	9 March 2016
Target US Optionholders	17,681,250	USD \$0.1467	5 years from the date of issue



2. Additional Replacement Bidder Options are exercisable at the issue prices and on or before the expiry dates set out in the table below:

Holder	Number of Additional Replacement Bidder Options	Exercise Price	Expiry Date
Target Eligible Employees	15,000,000	AUD \$0.20	5 years from the date of issue

## 2.2 Effect of Amendments

- (a) The Amendments to the Bid Implementation Agreement do not affect:
  - (i) the validity or enforceability of the Bid Implementation Agreement; or
  - (ii) any accrued rights or liabilities of any Party under the Bid Implementation Agreement.
- (b) Each Party is bound by the Bid Implementation Agreement as amended by this deed.
- (c) The Bid Implementation Agreement (as amended by this deed) is ratified and confirmed by each Party and remains in full force and effect.
- (d) With effect on and from the Effective Date:
  - (i) the Bid Implementation Agreement and this deed will be read and construed as one document; and
  - (ii) references to the Bid Implementation Agreement will be read and construed as references to the Bid Implementation Agreement as amended by this deed.

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## 3. REPRESENTATIONS AND WARRANTIES

### 3.1 General representations and warranties

Upon execution of this deed and the Effective Date, each Party represents and warrants to each other Party that:

- (a) **(power)** it has power to enter into and comply with its obligations under this deed;
- (b) **(authorisations)** it has in full force and effect the authorisations necessary for it to enter into and comply with its obligations and exercise its rights under this deed; and
- (c) **(validity of obligation)** its obligations under this deed are valid and binding and are enforceable against it in accordance with their terms.

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## 4. COSTS

The Parties agree to pay their own legal and other costs and expenses in connection with the preparation, execution and completion of this deed and other related documentation except for Duty, if any, which will be paid by Bidder.

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## 5. FURTHER ASSURANCE

Each Party shall sign, execute and do all deeds, acts, documents and things as may reasonably be required by the other Party to effectively carry out and give effect to the terms and intentions of this deed.

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**6. GOVERNING LAW**

This deed shall be governed by and construed in accordance with the law from time to time in the State of Western Australia and the Parties agree to submit to the non-exclusive jurisdiction of the courts of Western Australia and the courts which hear appeals therefrom.

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**7. VARIATION**

No modification or alteration of the terms of this deed shall be binding unless made in writing dated subsequent to the date of this deed and duly executed by the Parties.

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**8. MISCELLANEOUS****8.1 Severance**

If any provision of this deed is invalid and not enforceable in accordance with its terms, all other provisions which are self-sustaining and capable of separate enforcement without regard to the invalid provision, shall be and continue to be valid and forceful in accordance with their terms.

**8.2 Counterparts**

This deed may be executed in any number of counterparts (including by way of facsimile) each of which shall be deemed for all purposes to be an original and all such counterparts taken together shall be deemed to constitute one and the same instrument.

**8.3 Time**

Time shall be of the essence in this deed in all respects.

**8.4 Entire understanding**

This deed (together with the Bid Implementation Agreement, as varied by this deed) shall constitute the sole understanding of the Parties with respect to the subject matter and replaces all other agreements with respect thereto.

**8.5 Inconsistency**

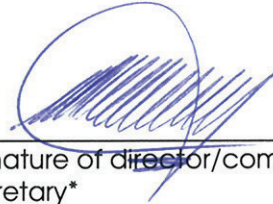
If there is any inconsistency between the terms and conditions of this deed and the provisions of the Bid Implementation Agreement, then the terms and conditions in this deed will prevail.

**EXECUTED** by the Parties as a deed.

**EXECUTED AS A DEED** by )  
**PRIME MINERALS LIMITED** )  
**ACN 120 658 497** )  
in accordance with section 127 of the )  
*Corporations Act 2001* (Cth): )



\_\_\_\_\_  
Signature of director



\_\_\_\_\_  
Signature of director/company  
secretary\*

Michael Scivola

\_\_\_\_\_  
Name of director

Norman Grafton

\_\_\_\_\_  
Name of ~~director~~/company secretary\*

\*please delete as applicable

**EXECUTED AS A DEED** by )  
**COCOON DATA HOLDINGS LIMITED** )  
**ACN 127 993 300** )  
in accordance with section 127 of the )  
*Corporations Act 2001* (Cth): )

\_\_\_\_\_  
Signature of director

\_\_\_\_\_  
Signature of director/company  
secretary\*

\_\_\_\_\_  
Name of director

\_\_\_\_\_  
Name of director/company secretary\*

\*please delete as applicable

**EXECUTED** by the Parties as a deed.

**EXECUTED AS A DEED** by )  
**PRIME MINERALS LIMITED** )  
**ACN 120 658 497** )  
in accordance with section 127 of the )  
*Corporations Act 2001* (Cth): )

\_\_\_\_\_  
Signature of director

\_\_\_\_\_  
Signature of director/company  
secretary\*

\_\_\_\_\_  
Name of director

\_\_\_\_\_  
Name of director/company secretary\*

\*please delete as applicable

**EXECUTED AS A DEED** by )  
**COCOON DATA HOLDINGS LIMITED** )  
**ACN 127 993 300** )  
in accordance with section 127 of the )  
*Corporations Act 2001* (Cth): )

  
\_\_\_\_\_  
Signature of director

  
\_\_\_\_\_  
Signature of ~~director~~/company  
secretary\*

**TRENT TELFORD**  
\_\_\_\_\_  
Name of director

**NICHOLAS CHIARELLI**  
\_\_\_\_\_  
Name of ~~director~~/company secretary\*

\*please delete as applicable