

Appendix 4D

Reporting period

Reporting period: Six months ended 31 December 2014
Comparative period: Six months ended 31 December 2013

Results for announcement to the market

	\$	Up/Down	Movement %
Revenue from ordinary activities	1,139,328	Down	-14.7%
Loss from ordinary activities after tax attributable to members	(14,691,913)	Down	-177.6%
Net loss attributable to members	(14,691,913)	Down	-177.6%

Revenue from ordinary activities includes the research and development tax concession which has decreased 14.8% from the corresponding period as the Group transitions from the research and development of data security technology to the commercialisation of data security products.

The Group recorded a loss after tax of \$14,691,913 for the six months to 31 December 2014. Included within this loss are \$9,959,795 of non-cash, non-recurring, expenses primarily related to the acquisition of Prime Minerals Limited. The loss after tax excluding these non-cash items is \$4,732,118.

Refer to the Directors' Report contained in the Half Year Report for further explanation of the consolidated results, which reflect the continuation of the Cocoon Data Holdings Limited Group.

Dividend information

No dividend has been proposed to be paid or payable for the six months ended 31 December 2014, nor for the comparative period.

Net tangible assets per security

	31 December 2014	30 June 2014
Net tangible assets per security	3.56 cents	(3.99 cents)

Other information

Details of entities over which control has been gained during the six months to 31 December 2014 are contained in Note 4 – Acquisition of Prime Minerals Limited of the attached Half Year Report.

Corporate Information

Directors

Mr. Charles Archer (Chairman)	- Appointed 31 October 2014
Mr. Trent Telford (CEO)	- Appointed 31 October 2014
Mr. Philip King	- Appointed 31 October 2014
Mr. Joseph Miller	- Appointed 31 October 2014
Mr. Phillip Dunkelberger	- Appointed 31 October 2014
Mr. Michael Quinert	- Appointed 17 February 2015

Joint Company Secretaries

Mr. Nicholas Chiarelli	- Appointed 31 October 2014
Mr. Patrick Gowans	- Appointed 23 December 2014

Registered Office

Suite 1, Level 6, 50 Queen Street,
Melbourne, VIC, 3000

Principal Place of Business

Level 4, 156 Clarence Street,
Sydney, NSW, 2000

Suite 140, 11190 Sunrise Valley Drive
Reston, Virginia, 20191
United States of America

Share Register

Advanced Share Registry Limited
110 Stirling Hwy
Nedlands, WA, 6009

Auditors

KPMG
Level 11, Corporate Centre One
Cnr Bundall Road & Slatyer Avenue
Bundall, Queensland, 4217



Covata Limited
(formerly known as Prime Minerals Limited)
ABN 61 120 658 497

Half Year Report
for the 6 months ended 31 December 2014

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Covata Limited Directors' report

The directors of Covata Limited (formerly Prime Minerals Limited) ("the Company") present their report together with the interim financial statements of the Covata Group ("the Group"), being the Company and its controlled entities, for the six months ended 31 December 2014. For the purposes of the interim financial statements, the Group is reflected as the continuation of Cocoon Data Holdings Limited, which was considered the accounting acquirer in the acquisition of Prime Minerals Limited.

Directors

The names of the directors of the Company during or since the end of the half-year are:

Mr. Charles Archer	- Appointed 31 October 2014
Mr. Trent Telford	- Appointed 31 October 2014
Mr. Philip King	- Appointed 31 October 2014
Mr. Joseph Miller	- Appointed 31 October 2014
Mr. Phillip Dunkelberger	- Appointed 31 October 2014
Mr. Michael Quinert	- Appointed 17 February 2015
Mr. Michael Scivolo	- Resigned 31 October 2014
Mr. Robert John Collins	- Resigned 31 October 2014
Mr. Hersh Solomon Majteles	- Resigned 31 October 2014

Principal activities

During the period, the principal activity of the Group was the development and commercialisation of intellectual property primarily in the field of data security technology. The Group ceased mining exploration activities that were previously the principal activity of Prime Minerals Limited.

Review of operations

The Group recorded a loss after tax of \$14,691,913 for the six months to 31 December 2014 (2013: \$5,292,832). Included within this loss are \$9,959,795 of non-cash, non-recurring, expenses primarily related to the acquisition of Prime Minerals Limited. The loss after tax excluding these non-cash items is \$4,732,118 (2013: \$4,224,852). The \$9,959,795 of non-cash items is made up of the following:

- \$5,428,991 – listing expense on acquisition of Prime Minerals Limited (refer to Note 4 of the condensed consolidated interim financial statements for further detail).
- \$2,196,318 – being the fair value movement of shares issued in Cocoon Data Holdings Limited as a result of the conversion of convertible notes prior to the acquisition of Prime Minerals Limited and in accordance with the Plan of Recapitalisation, with an additional \$334,486 non-cash finance costs relating to the convertible notes prior to conversion.
- \$2,000,000 – being the value of 10,000,000 ordinary shares in the Company issued to advisors of the acquisition of Prime Minerals Limited and as detailed in the Prospectus dated 23 September 2014.

During the period the Group earned technology related revenues of \$208,332 (2013: \$224,933). The Group continued to invest in its technology and development capability. This resulted in Version 2.0 of the Covata Platform; a new underlying technology framework designed to deliver reliability and scale into the future. This is a newly engineered core layer of code that enables rapid deployment of new products and technology services for the dynamic and evolving 'barrier-less' internet where the Board believes that the Group's patented security approach sets a new paradigm.

Covata Limited

Directors' report

Review of operations (continued)

During the period, the Group accrued research and development tax concession revenue of \$930,796. This has decreased 14.8% from the corresponding period as the Group transitions from the research and development of data security technology to the commercialisation of data security products.

Additionally, the Group continued to spend significant resources developing Covata Safe Share ('Safe Share'), a product that leverages the patented Secure Objects Technology and Version 2.0 of the Covata Platform. It provides the ability for users to share data securely across unsecure networks and inside and outside an organisation. Safe Share is an enterprise data security and sharing product with applications on Windows, Apple iOS and through a cloud portal and is targeted at large Managed Service Providers (MSP's) and Telecommunications Providers (Telco's) that wish to provide trusted, secure file sharing and collaboration tools to their enterprise customers in the cloud.

On 12 August 2014 the Group's US Patent application titled System and Method for Securing Data was granted. This patent has a priority date of 21 December 2007 and documents the core business processes of the Covata Platform and its approach to authentication, authorisation, encryption and rights management. This business process patent of combining authentication (who you are) with a centralised encryption service (one to one key to file relationship) with policy and audit is relatively broad and flexible in its coverage. As the technology world moves more towards a data-centric view of security, as opposed to a straight network security focus, this patent may have substantial value.

The Group also had an Australian Innovation Patent titled Secure Communication Method issued on 5 September 2014. This innovation patent relates to the unique way the technology allows external, ad hoc, users to authenticate and access secure files whilst maintaining security, auditability and usability.

On 31 October 2014, Prime Minerals Limited (PIM) completed a merger with Cocoon Data Holdings Limited through an off-market takeover bid by PIM for all of the shares in Cocoon Data Holdings Limited. The offer was accepted by over 94% of all shareholders in Cocoon Data Holdings Limited, whereby shareholders received, on a post consolidation basis, 0.6547 PIM Shares and 0.0953 Performance Shares for every 1 share held in Cocoon Data Holdings Limited. The shares held by the remaining minority shareholders were subsequently acquired under the compulsory acquisition provisions of the Corporations Act 2001 on the same basis as above.

Covata has a three pronged go-to-market strategy to commercialise Safe Share and the Covata Platform via 1) Original Equipment Manufacturer (OEM) deals, 2) direct sales to government departments and agencies and 3) through the trusted networks of Managed Service Providers (MSPs). Since affirming this strategy at the 2014 Annual General Meeting, Covata has entered negotiations with T-Systems, a subsidiary of Deutsche Telekom to make Safe Share available to their top 400 enterprise businesses across Europe, signed a reseller agreement with Macquarie Telecom and continues to work alongside European partner NSC Global to promote the company and product throughout the region. The Company feels that in a short space of time it has laid a strong foundation to deliver its go-to-market strategy.

Covata Limited

Directors' report

Review of operations (continued)

The Board and Management are positive about the year ahead and beyond, whilst being conscious of the increased obligations imposed upon the Group by being ASX listed. There is a genuine focus on delivering value-creating events in the next twelve months, including scalable or 'multiplier effect' contracts. Balanced with this is the need to continue to deliver innovation and growth strategies for the years beyond and the Group looks forward to delivering this for shareholders.

Significant changes in the state of affairs

On 20 May 2014, Cocoon Data Holdings Limited and Prime Minerals Limited (ASX:PIM) announced their intention to merge by way of an off-market takeover bid by PIM for all Cocoon shares by offering PIM shares as consideration. Pursuant to a special resolution passed at the General Meeting of the Company held on 23 September 2014, the Company changed its name from Prime Minerals Limited to Covata Limited.

On 31 October 2014, Prime Minerals Limited successfully completed the acquisition of Cocoon Data Holdings Limited, resulting in the issue of 250,015,292 fully paid ordinary shares and 36,468,347 performance shares in the Company to the shareholders of Cocoon Data Holdings Limited. Additionally, the Prime Minerals Limited shareholders entered into a 10 for 1 share consolidation where their 337,444,946 ordinary shares were converted to 33,744,495 fully paid ordinary shares.

Furthermore, under a prospectus dated 22 September 2014, the Company issued 75,000,000 fully paid ordinary shares to investors and raised the maximum under the prospectus of \$15,000,000 in gross proceeds for the primary purpose of expanding its business operations, undertaking further product development and commercialisation, and supporting the Company's planned global marketing activities.

Additionally, as detailed in the Bid Implementation Agreement between Prime Minerals Limited and Cocoon Data Holdings Limited dated 27 June 2014, the Company has issued 10,000,000 fully paid ordinary shares to the advisors to Prime Minerals Limited and Cocoon Data Holdings Limited. The Company has also issued 13,650,000 fully paid ordinary shares to the convertible note holders of Cocoon Data Holdings Limited.

In the opinion of the directors, there have been no other significant changes in the state of affairs of the Group during the period other than those disclosed elsewhere in the interim financial report or notes thereto.

Events subsequent to reporting date

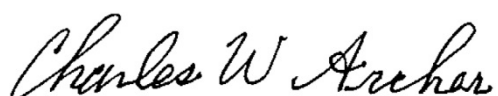
On 12 February 2015, the Company announced that it had signed a reseller agreement with Macquarie Telecom. This agreement is an important step for the Company as it begins to deliver on its strategy of distributing Safe Share as a SAAS model through managed service providers and telecommunication companies.

Covata Limited **Directors' report**

Events subsequent to reporting date (continued)

There has not arisen in the interval between the end of the period to 31 December 2014, and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

This report is made in accordance with a resolution of the directors:

A handwritten signature in black ink that reads "Charles W Archer". The signature is written in a cursive, flowing style.

Charles Archer
Chairman

Dated at Reston, VA, USA this 26th day of February 2015.



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Covata Limited

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Covata Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Adam Twemlow
Partner

Bundall

27 February 2015

Covata Limited and its controlled entities

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2014

	Note	2014	2013
Revenue and other income			
Revenue – technology related products and services		208,332	224,933
Research & development tax concession		930,796	1,092,937
Other income		200	18,516
		1,139,328	1,336,386
Expenses			
Employee benefit expenses		(3,726,979)	(4,556,401)
Communication expenses		(69,535)	(88,791)
Consultancy fees expense		(370,189)	(47,092)
Depreciation expense		(71,342)	(163,333)
Legal fees expense		(459,809)	(54,763)
Marketing and promotion expense		(228,382)	(121,995)
Travel and accommodation expense		(321,662)	(90,321)
Office and administration expenses		(262,575)	(308,398)
Professional fees expense		(150,112)	(64,667)
Other direct research and development project expenses		(42,000)	(20,103)
Advisor fees on acquisition of Prime Minerals Limited	8	(2,000,000)	-
Costs arising from recapitalisation	10	(2,196,318)	-
Listing expense on acquisition of Prime Minerals Limited	4	(5,428,991)	-
Other expenses		(226,414)	(88,250)
		(15,554,308)	(5,604,114)
Results from operating activities		(14,414,980)	(4,267,728)
Finance income		59,236	55,444
Finance costs		(336,169)	(1,080,548)
Net finance costs		(276,933)	(1,025,104)
Loss before income tax		(14,691,913)	(5,292,832)
Income tax expense		-	-
Loss for the period		(14,691,913)	(5,292,832)
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Exchange differences on translation of foreign operations		27,329	(11,108)
Total other comprehensive income / (loss)		27,329	(11,108)
Total comprehensive loss for the period		(14,664,584)	(5,303,940)
Earnings per share			
Basic earnings per share (cents per share)		(5.4)	(2.4)
Diluted earnings per share (cents per share)		(5.4)	(2.4)

The notes on pages 14 to 23 are an integral part of these condensed consolidated interim financial statements.

Covata Limited and its controlled entities

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2014

	Note	Share Capital	Equity Conversion Reserve	Foreign Currency Translation Reserve	Share Options Reserve	Warrants Reserve	Accumulated Losses	Total Equity
Balance at 1 July 2013		14,836,983	2,866,667	22,038	2,081,691	5,377,157	(28,123,510)	(2,938,974)
Total comprehensive income for the period								
Loss for the period		-	-	-	-	-	(5,292,832)	(5,292,832)
Total other comprehensive income		-	-	(11,108)	-	-	-	(11,108)
Total comprehensive income/(loss)		-	-	(11,108)	-	-	(5,292,832)	(5,303,940)
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners</i>								
Share based payments – share options		-	-	-	284,956	-	-	284,956
Share based payments – employee loan shares		-	-	-	771,908	-	-	771,908
Share options lapsed		-	-	-	(1,118,218)	-	1,118,218	-
Capital raising costs		-	-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	-	(61,354)	-	1,118,218	1,056,864
Balance at 31 December 2013		14,836,983	2,866,667	10,930	2,020,337	5,377,157	(32,298,124)	(7,186,050)
Balance at 1 July 2014		14,836,983	5,396,667	(8,978)	2,264,132	5,377,157	(36,804,649)	(8,938,688)
Total comprehensive income for the period								
Loss for the period		-	-	-	-	-	(14,691,913)	(14,691,913)
Total other comprehensive income/(loss)		-	-	27,329	-	-	-	27,329
Total comprehensive income/(loss)		-	-	27,329	-	-	(14,691,913)	(14,664,584)
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners</i>								
Ordinary shares issued	8	17,000,000	-	-	-	-	-	17,000,000
Ordinary shares issued on conversion of notes	8	19,005,533	(5,396,667)	-	-	-	(200,000)	13,408,866
Share based payments – acquisition of PIM	8	6,748,899	-	-	-	-	-	6,748,899
Share based payments – share options and warrants	8,9	5,377,157	-	-	916,913	(5,377,157)	-	916,913
Share based payments – employee loan shares	8	867,113	-	-	(820,958)	-	-	46,155
Share options lapsed	9	-	-	-	(170,657)	-	170,657	-
Capital raising costs	8	(900,000)	-	-	-	-	-	(900,000)
Total contributions by and distributions to owners		48,098,702	(5,396,667)	-	(74,702)	(5,377,157)	(29,343)	37,220,833
Balance at 31 December 2014		62,935,685	-	18,351	2,189,430	-	(51,525,905)	13,617,561

The notes on pages 14 to 23 are an integral part of these condensed consolidated interim financial statements.

Covata Limited and its controlled entities

Condensed consolidated statement of financial position

As at 31 December 2014

	Note	31 December 2014	30 June 2014
Assets			
Cash and cash equivalents		7,363,233	2,158,047
Term deposits		7,000,000	-
Trade and other receivables		1,297,545	2,579,399
Prepayments		90,009	-
Other current assets		200,459	106,617
Total current assets		15,951,246	4,844,063
Property, plant and equipment		132,602	177,968
Other non-current assets		324,472	68,757
Total non-current assets		457,074	246,725
Total assets		16,408,320	5,090,788
Liabilities			
Trade and other payables		476,334	643,219
Unearned income		266,667	266,667
Employee benefits		72,596	133,034
Loans and borrowings		-	10,878,062
Total current liabilities		815,597	11,920,982
Unearned income		1,975,162	2,108,494
Total non-current liabilities		1,975,162	2,108,494
Total liabilities		2,790,759	14,029,476
Net assets / (liabilities)		13,617,561	(8,938,688)
Equity			
Share capital	8	62,935,685	14,836,983
Reserves		2,207,781	13,028,978
Accumulated losses		(51,525,905)	(36,804,649)
Total equity / (deficiency)		13,617,561	(8,938,688)

The notes on pages 14 to 23 are an integral part of these condensed consolidated interim financial statements.

Covata Limited and its controlled entities

Condensed consolidated statement of cash flows

For the six months ended 31 December 2014

	<i>Note</i>	2014	2013
Cash flows used in operating activities			
Cash receipts from customers		31,700	35,760
Cash paid to suppliers and employees		(5,333,699)	(4,550,701)
Cash used in operating activities		(5,301,999)	(4,514,941)
R&D rebates received		2,342,935	2,402,343
Interest received		40,854	55,443
Interest paid		(1,683)	(1,460)
Net cash used in operating activities		(2,919,893)	(2,058,615)
Cash flows used in investing activities			
Payments for investments in term deposits		(7,000,000)	-
Payment for / refund of deposits		(263,304)	11,630
Acquisition of controlled entity (net of cash received)		1,176,773	-
Proceeds from disposal of property, plant and equipment		21,188	1,930
Acquisition of property, plant and equipment		(24,248)	(2,956)
Net cash from / (used in) investing activities		(6,089,591)	10,604
Cash flows from financing activities			
Proceeds from the issue of share capital		15,014,670	-
Proceeds from the issue of convertible notes		100,000	-
Payment of share issue costs		(900,000)	-
Net cash from financing activities		14,214,670	-
Net increase in cash and cash equivalents		5,205,186	(2,048,011)
Cash and cash equivalents at 1 July		2,158,047	5,995,421
Cash and cash equivalents at 31 December	-	7,363,233	3,947,410

The notes on pages 14 to 23 are an integral part of these condensed consolidated interim financial statements.

Covata Limited and its controlled entities

Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2014

1. Reporting entity

Covata Limited (the 'Company') is a company domiciled in Australia. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in the development and commercialisation of intellectual property predominantly in the field of data security technology.

2. Basis of accounting

The condensed consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 134 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2014.

The condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Cocoon Data Holdings Limited Group (the acquirer for accounting purposes) as at and for the year ended 30 June 2014, which are available as an ASX company announcement dated 7 November 2014.

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2014.

These interim financial statements were authorised for issue by the Company's Board of Directors on 26 February 2015.

(a) Basis of consolidation

On 31 October 2014, Covata Limited (formerly Prime Minerals Limited) completed the acquisition of Cocoon Data Holdings Limited, an unlisted public company involved in the development and commercialisation of intellectual property predominantly in the field of data security technology. Although the transaction was not a business combination, the acquisition has been accounted for as an asset acquisition with reference to the guidance for reverse acquisitions in AASB 3 *Business Combinations* and with reference to AASB 2 *Share Based Payments*.

Prime Minerals Limited gained legal control of Cocoon Data Holdings Limited through the issue of Prime Minerals Limited ordinary shares to the shareholders of Cocoon Data Holdings Limited. The acquisition of Prime Minerals Limited by Cocoon Data Holdings Limited does not meet the definition of a business combination under AASB 3 *Business Combinations* as Prime Minerals Limited did not meet the business test at the time of acquisition. From an accounting perspective, the acquirer is Cocoon Data Holdings Limited and the acquiree is Prime Minerals Limited because the shareholders of Cocoon Data Holdings Limited gained an 89% interest and therefore control of Prime Minerals Limited post acquisition. Additionally, the directors of Cocoon Data Holdings Limited were appointed directors of Prime Minerals Limited on 31 October 2014, and the existing directors of Prime Minerals Limited resigned on this date.

Covata Limited and its controlled entities

Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2014

2. Basis of accounting (continued)

(a) Basis of consolidation (continued)

The acquisition of the identifiable net assets of Prime Minerals Limited therefore is accounted for as a share-based payment transaction in accordance with AASB 2 *Share Based Payments*. The assets and liabilities of Cocoon Data Holdings Limited, as the acquirer, are measured at their pre-combination carrying amounts and the assets and liabilities of Prime Minerals Limited, as the acquiree, are measured at fair value on the date of acquisition. The difference between the fair value of the identifiable net assets of Prime Minerals Limited acquired and the fair value of the shares deemed to be issued by Cocoon Data Holdings Limited to the shareholders of Prime Minerals Limited, measured at the acquisition date, is recognised as an expense of the acquisition in the current period profit and loss.

(b) Going concern

The interim financial statements of the Group have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

The Group is in the research, development and commercialisation stage of its data security technology. During the six months ended 31 December 2014, the Group incurred a loss after tax of \$14,691,913, and incurred net cash outflows from operating activities of \$2,919,893 for the period. At 31 December 2014, the Group had cash, cash equivalents and term deposits of \$14,363,233 and net assets of \$13,617,561.

Management have prepared cash flow projections to 31 March 2016 that support the Group's ability to continue as a going concern. The achievement of these cash flow projections is dependent upon the Group maintaining expenditure levels in line with available funding. The directors of the Company consider that the cash flow projections and assumptions will be achieved, and in the longer term, significant revenues could be generated from the commercialisation of intellectual property, and accordingly, the Group will be able to continue as a going concern.

3. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In addition to the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty applied to the consolidated financial statements as at and for the year ended 30 June 2014, management has made significant judgements and estimates in relation to the following transactions that occurred during the period:

- Acquisition of Prime Minerals Limited as detailed in note 2(a) and note 4.
- Modification and replacement of share based payments and convertible notes (note 9).

Covata Limited and its controlled entities

Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2014

4. Acquisition of Prime Minerals Limited

On 31 October 2014, the Company acquired 100% of the ordinary share capital and voting rights of Cocoon Data Holdings Limited as detailed in the Bid Implementation Agreement between Prime Minerals Limited and Cocoon Data Holdings Limited dated 27 June 2014. The accounting treatment of this acquisition is detailed in Note 2(a).

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

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

5. Segment Reporting

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors, being the chief operating decision makers, in assessing performance and determining the allocation of resources.

The Group only operates in one business segment, being the development and commercialisation of data security technology. As all assets and liabilities and the financial result relates to the one business segment, no detailed segment analysis has been performed. No seasonality in the business segment has been identified that would have a significant impact on the interim results of the Group.

The Group predominantly operates in Australia, although, it also has an office in the USA and has established a presence in the United Kingdom during the period. All segment revenue for the six months to 31 December 2014 was earned within Australia. The USA holds non-current assets with a book value of \$26,172 (2014: \$17,398), all other non-current assets are held within Australia.

Covata Limited and its controlled entities

Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2014

6. Earnings per share

In accordance with the principles of reverse acquisition accounting as detailed in Note 2(a), the weighted average number of ordinary shares for the six months ended 31 December 2014 has been calculated as the weighted average number of ordinary shares of Cocoon Data Holdings Limited outstanding during the period before acquisition, amended by the ratio of Cocoon Data Holdings Limited shares to Prime Minerals Limited shares established at acquisition, and the weighted average number of ordinary shares outstanding in the period from acquisition up until 31 December 2014.

	31 December 2014	31 December 2013
Earnings per share from continuing operations:		
Loss after income tax (basic)	(14,691,913)	(5,292,832)
Loss after income tax (diluted)	(14,691,913)	(5,292,832)
Weighted average number of ordinary shares used in calculating basic earnings per share	272,766,740	224,170,039
Weighted average number of ordinary shares used in calculating diluted earnings per share	272,766,740	224,170,039
Basic earnings per share (cents per share)	(5.4)	(2.4)
Diluted earnings per share (cents per share)	(5.4)	(2.4)

The effects of potential ordinary shares such as warrants, convertible notes and share options are only included in diluted earnings shares where their inclusion would increase the loss per share or decrease the earnings per share. There were no potential ordinary shares considered dilutive during the period.

7. Tax expense

Deferred tax assets have not been recognised in respect of tax losses and temporary differences. Deferred tax assets will be recognised when there is greater probability of future taxable profits being earned by the Group against which the Group can utilise the benefits there-from.

Covata Limited and its controlled entities

Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2014

8. Share capital

	<i>Ordinary Shares</i>	
	31 December 2014	30 June 2014
Number of Shares		
On issue at the start of period	224,170,039	224,170,039
Issued for cash	-	-
Issued for non-cash	-	-
Conversion of convertible notes	116,777,777	-
Conversion of warrants	26,000,000	-
Conversion of restricted employee shares to ordinary shares	14,930,000	-
	381,877,816	224,170,039
Cocoon Data Holdings Limited ordinary shares	381,877,816	224,170,039
Cocoon Data Holdings Limited ordinary shares surrendered	(381,877,816)	
Covata Limited shares issued to the shareholders of Cocoon Data Holdings Limited	250,015,292	
Covata Limited shares held by the shareholders of Prime Minerals Limited	33,744,495	
Shares issued under the Covata Limited's prospectus	75,000,000	
Covata Limited shares issued on conversion of Cocoon Data Holdings Limited convertible notes	13,650,000	
Issued for non-cash – advisor fees	10,000,000	
Total Covata Limited ordinary shares on issue	382,409,787	
	31 December 2014	30 June 2014
	\$	\$
Cost		
On issue at the start of period	14,836,983	14,836,983
Issued for cash	15,000,000	-
Less: issue costs paid in cash	(900,000)	-
Issued for non-cash	2,000,000	-
Share based payment – acquisition of Prime Minerals Limited	6,748,899	-
Share based payment – employee loan shares exercised	14,670	-
Conversion of convertible notes	19,005,533	-
Conversion of warrants	5,377,157	-
Conversion of restricted employee shares to ordinary shares	852,443	-
Share capital at the end of the period	62,935,685	14,836,983

In addition, Covata Limited has issued 36,468,347 performance shares which will convert to ordinary shares subject to various milestones being achieved and conditions satisfied.

Covata Limited and its controlled entities

Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2014

8. Share capital (continued)

Issue of ordinary shares

During the six months to 31 December 2014, the Group completed the following transactions as part of the recapitalisation completed prior to the acquisition of Prime Minerals Limited:

1. Cocoon Data Holdings Limited entered into a Plan of Recapitalisation with existing convertible note and warrant holders. This resulted in 116,777,777 ordinary shares being issued as a result of the convertible note conversions and 26,000,000 ordinary shares being issued as a result of the exercise of the warrants.
2. Cocoon Data Holdings Limited declared the acquisition a liquidity event under the terms of the employee share plan in order to convert 14,930,000 restricted A class shares in Cocoon Data Holdings Limited into 9,774,671 restricted ordinary shares in Covata Limited.
3. Prime Minerals Limited then issued 250,015,292 shares in itself to the Cocoon Data Holdings Limited shareholders in exchange for their 381,877,816 ordinary shares in Cocoon Data Holdings Limited. This share issue was in addition to the 33,744,495 ordinary shares held by the existing shareholders in Prime Minerals Limited.
4. Covata Limited (formerly Prime Minerals Limited) issued 13,650,000 ordinary shares to convertible notes holders of Cocoon Data Holdings Limited.
5. Covata Limited issued 75,000,000 ordinary shares in the Company at 20 cents each under the Prospectus dated 23 September 2014.
6. Covata Limited issued 10,000,000 ordinary shares in the Company to the advisors in respect to the acquisition of Prime Minerals Limited and as detailed in the Prospectus dated 23 September 2014.

Of the 382,409,901 Covata Limited ordinary shares on issue as at 31 December 2014, 9,674,671 were restricted ordinary shares issued under an employee share plan as described in note 9.

9. Share based payments

The Group modified its existing share payments detailed below during the period as result of the acquisition of Prime Minerals Limited with the issuing of Covata Limited shares and options in exchange for the existing arrangements. None of the modifications identified resulted in the fair value of the modified share based payment exceeding the fair value of the original share based payment at the modification date, and thus no additional expense was recorded in relation to the modifications. The existing warrants on issue at 30 June 2014 were converted to shares.

At 31 December 2014 the Group has the following share-based payment arrangements:

Share option programme

The Group has a share option programme that entitles US based directors, employees and contractors to purchase shares in the Company. A total of 16,737,500 share options were issued under this programme in the six months to 31 December 2014 and a total of 3,500,000 share options were issued under this programme during the 12 months to 30 June 2014. In accordance with this programme, holders of vested options are entitled to purchase shares at a price per share as detailed below.

Covata Limited and its controlled entities

Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2014

9. Share based payments (continued)

Employee share plan

During the 12 months to 30 June 2014 a total of 14,930,000 shares were issued under a newly established Loan Funded Employee Share Plan ("Share Plan"). For accounting purposes shares allocated to employees pursuant to the Share Plan are treated and valued as options, and the fair value of the options granted under the Share Plan is estimated as at the grant date using a Black-Scholes model taking into account the terms and conditions upon which they were granted. As a part of the acquisition, these loan funded shares were converted to 9,674,671 restricted Covata Limited shares during the six months to 31 December 2014, however, they continue to be accounted for as share-based payments.

Share based payments granted during the period

Grant date	No. of options	Exercise price \$AUD	Fair value at grant date \$AUD	Vesting Conditions
1/8/2014	5,000,000	0.20	0.11	10% on grant, 15% on the 1 year anniversary of grant date, remainder to vest over a period of 12 calendar quarters on the last day of each quarter commencing March 31, 2015.
1/8/2014	10,000,000	0.20	0.11	20% on grant, 30% on the 1 year anniversary of grant date, remainder to vest over a period of 4 calendar quarters on the last day of each quarter commencing September 30, 2015.
23/12/2014	1,237,500	0.20	0.09	20% on grant, 30% on September 1, 2015, remainder to vest over a period of 4 calendar quarters on the last day of each quarter commencing December 31, 2015.
23/12/2014	500,000	0.20	0.09	20% on grant, 30% on November 10, 2015, remainder to vest over a period of 4 calendar quarters on the last day of each quarter commencing March 31, 2016.
	16,737,500			

Measurement of fair values

The fair value of all share-based payment plans was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility.

Equity-settled share-based payment plans

The inputs used in the measurement of the fair values at grant date of the equity-settled share based payment plans were as follows:

	Share options 1/8/2014	Share options 23/12/2014
Grant Date	1/8/2014	23/12/2014
Fair value at grant date	\$0.11	\$0.09
Share price at grant date	\$0.20	\$0.20
Exercise price	\$0.20	\$0.20
Expected volatility (weighted average)	48%	48%
Expected life (weighted average)	5 years	5 years
Expected dividends	Nil	Nil
Risk-free interest rate (based on government bonds)	2.52%	3.01%

Covata Limited and its controlled entities

Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2014

9. Share based payments (continued)

Employee expenses recognised in profit or loss	December 2014
Share options granted – 23 December 2014	71,877
Share options granted – 1 August 2014	728,731
Share options granted – 2014	27,600
Share options granted – 2013	88,705
Total expense recognised as employee costs	916,913

During the period 1,903,418 vested options lapsed with a total fair value of \$170,657 reducing the net amount recognised in the share options reserve for the six months ended 31 December 2014 to \$2,189,430.

Reconciliation of outstanding share options and warrant shares

The number and weighted average exercise prices of share options and warrant shares are as follows:

	Number of share options	Weighted average exercise price	Number of warrant shares	Weighted average exercise price
	Dec 2014	Dec 2014	Dec 2014	Dec 2014
Outstanding at 1 July	43,755,000	\$0.12	83,923,583	\$0.11
Forfeited during the period	(1,903,418)	\$0.15	-	-
Converted during the period	-	-	(26,000,000)	\$0.11
Exercised during the period	(14,930,000)	\$0.11	-	-
Expired during the period	-	-	-	-
Amended during the period	(8,077,832)	\$0.12	(57,923,583)	\$0.11
Granted during the period	16,737,500	\$0.20	-	-
Outstanding at 31 December	35,581,250	\$0.20	-	-
Exercisable at 31 December	16,224,453	\$0.21	-	-

	Number of share options	Weighted average exercise price	Number of warrant shares	Weighted average exercise price
	Jun 2014	Jun 2014	Jun 2014	Jun 2014
Outstanding at 1 July	55,885,000	\$0.14	83,923,583	\$0.11
Forfeited during the year	(30,560,000)	\$0.15	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Granted during the year	18,430,000	\$0.11	-	-
Outstanding at 30 June	43,755,000	\$0.12	83,923,583	\$0.11
Exercisable at 30 June	23,895,521	\$0.18	83,923,583	\$0.11

The options outstanding at 31 December 2014 have a weighted average exercise price of \$0.20 and a weighted average contractual life of 3.6 years.

The 83,923,583 warrants on issue of at 30 June 2014 were converted during to the period to 26,000,000 shares as part of the acquisition of Prime Minerals Limited and in accordance with the Plan of Recapitalisation.

Covata Limited and its controlled entities

Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2014

10. Financial instruments

		Carrying amount	
		31 December 2014	30 June 2014
Financial assets measured at fair value			
Foreign exchange option purchased	Level 2	74,509	-
Converting notes classified as fair value through profit and loss	Level 3	-	9,994,320

A foreign exchange option has been purchased in order to provide a level of hedging over the Group's USD expenditure for the period of 6 months to June 2015.

The terms of the conversion of the notes classified as fair value through profit and loss were modified during the period as part of the acquisition of Prime Minerals Limited and in accordance with the Plan of Recapitalisation and resulted in an costs arising from recapitalisation of \$2,196,318, being the fair value movement of shares issued in Cocoon Data Holdings Limited as a result of the conversion of convertible notes prior to the acquisition of Prime Minerals Limited.

Fair value hierarchy

The fair values of financial assets and liabilities approximate their carrying amounts.

The foreign exchange option purchased has been designated as a Level 2 financial instrument, while the converting notes classified at fair value through profit or loss were designated as Level 3 financial instruments prior to their conversion. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

11. Related parties

a) Consolidated entities

Parent entity	Country of Incorporation	Ownership interest	
		2014	2013
Covata Limited (formerly Prime Minerals Limited)	Australia		
Subsidiaries			
Cocoon Data Holdings Limited	Australia	100%	-
Cocoon Data Pty Limited	Australia	100%	100%
Covata Australia Pty Limited	Australia	100%	100%
Covata USA, Inc.	United States	100%	100%
Fineloop Holdings Pty Limited	Australia	100%	-

Covata Limited and its controlled entities

Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2014

11. Related parties (continued)

b) Transactions with key management personnel

i) Advances to directors

Unsecured advances to directors during the six months to 31 December 2014 were \$25,924. These advances were provided to assist with relocation from Australia to the USA and were in addition to any relocation allowance that was provided. No interest was payable and the entire balance of \$25,924 had been repaid at the date of this report.

ii) Other transactions with directors and key management personnel

At 31 December 2014, Trent Telford was the controlling director of Telford OpCo Pty Ltd, which during the six months to 31 December 2014 provided consulting services to the Group of \$26,667 (2013 \$Nil).

12. Subsequent events

On 12 February 2015, the Company announced that it had signed a reseller agreement with Macquarie Telecom. This agreement is an important step for the Company as it begins to deliver on its strategy of distributing Safe Share as a SAAS model through managed service providers and telecommunication companies.

There has not arisen in the interval between the end of the financial period and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

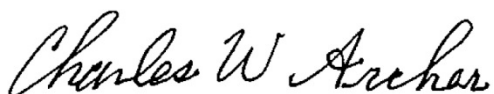
Covata Limited and its controlled entities Director's declaration

In the opinion of the directors of Covata Limited ("the Company"):

- a) the condensed consolidated financial statements and notes that are set out on pages 10 to 23, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance, for the six months ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Reston, VA, USA this 26th day of February 2015.

Signed in accordance with a resolution of the directors:



Charles Archer
Chairman



Independent auditor's review report to the members of Covata Limited

We have reviewed the accompanying interim financial report of Covata Limited, which comprises the consolidated statement of financial position as at 31 December 2014, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Covata Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Covata Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

KPMG

Adam Twemlow
Partner

Bundall
27 February 2015