



Prime Minerals Limited (to be renamed Covata Limited)

ACN 120 658 497

prospectus

For an Equity Offer of a minimum of 12,500,000 New Shares and up to a maximum of 75,000,000 New Shares at an issue price of \$0.20 per New Share to raise between \$2,500,000 and \$15,000,000 (Equity Offer).

This Prospectus also contains an offer of up to 36,206,250 New Options to Cocoon Optionholders in consideration for those Cocoon Optionholders cancelling their existing Cocoon Options (**Option Offer**). Refer to Section 9.8 of this Prospectus for further details of the Option Offer.

The Offers are scheduled to close at 5.00pm (WST) on 2 October 2014 unless extended or withdrawn. Applications must be received before that time to be valid.

Completion of the Offer is conditional upon satisfaction of the following Conditions, which are detailed further in Section 2 of the Prospectus:

- > PIM's Takeover Offer for Cocoon Data Holdings Limited being declared unconditional;
- > Shareholder approval of the significant change to the nature and scale of PIM's activities that will result from completion of the Takeover Offer, amongst other matters, at the General Meeting of PIM to be held on 23 September 2014; and
- > ASX conditionally confirming that it will re-admit PIM to the Official List.

Sole Lead Manager to the Equity Offer

MOELIS & COMPANY

IMPORTANT INFORMATION. This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. The New Shares and New Options offered by this Prospectus should be considered highly speculative.



Protecting data has traditionally been by way of network security and file server permissions. The problem with this approach is that the data itself is not protected and is often compromised when using smart-devices and cloud computing.

General

This Prospectus is dated 22 September 2014 and was lodged with ASIC on that date. ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No person is authorised to give information or to make any representation in connection with the Offers, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by Prime Minerals Limited (**PIM**) in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The New Shares and New Options subject of this Prospectus should be considered highly speculative.

Re-compliance Prospectus

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy the ASX requirements for re-admission to the Official List following a change in nature and scale of the Company's activities. ASX and its officers take no responsibility for the content of this prospectus or the merits of the investment to which this prospectus relates to.

Investment Advice

This Prospectus does not provide investment advice and has been prepared without taking account of your financial objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for New Shares or New Options under this Prospectus.

Expiry Date

No New Shares or New Options may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of past and present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of PIM, its Directors and management.

Although PIM believes that the expectations reflected in the forward looking statements included in this Prospectus are reasonable, none of PIM, its Directors or officers, or any person named in this Prospectus, can give, or gives, any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur or that the assumptions on which

those statements are based will provide to be correct or exhaustive beyond the date of its making. Investors are cautioned not to place undue reliance on these forward-looking statements.

Except to the extent required by law, PIM has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

The forward looking statements contained in this Prospectus are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. The key risk factors of investing in PIM are set out in Section 7 of this Prospectus.

Privacy statement

By completing and returning an Application Form, you will be providing personal information directly or indirectly to PIM, the Share Registry, the Sole Lead Manager and other brokers involved in the Equity Offer, Cocoon and related bodies corporate, agents, contractors and third party service providers of the foregoing (**Collecting Parties**). The Collecting Parties collect, hold and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

By submitting an Application Form, you authorise PIM to disclose any personal information contained in your Application Form (**Personal Information**) to the Collecting Parties where necessary, for any purpose in connection with the Offer, including processing your acceptance of the Offer and complying with applicable law, the ASX Listing Rules, the ASX Settlement Operating Rules and any requirements imposed by any Public Authority.

If you do not provide the information required in the Application Form, PIM may not be able to accept or process your acceptance of the Offer.

If the Offer is successfully completed, your Personal Information may also be used from time to time and disclosed to persons inspecting the register of Shareholders, including bidders for your New Shares or New Options in the context of takeovers, Public Authorities, authorised securities brokers, print service providers, mail houses and the Share Registry.

Any disclosure of 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 obliged to do so by law or any Public Authority, Personal Information collected from you will be passed on to third parties strictly in accordance with legal requirements. Once your Personal Information is no longer required, it will be destroyed or de-identified. As at the date of this Prospectus, PIM does not anticipate that Personal Information will be disclosed to any overseas recipient.

Subject to certain exemptions under law, you may have access to Personal Information that the Collecting Parties hold about you and seek correction of such information. Access and correction requests, and any other queries

regarding this privacy statement, must be made in writing to the Share Registry at the address set out in the Corporate Directory in Section 13 of this Prospectus. A fee may be charged for access.

Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of PIM at www.primeminerals.com.au. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in PIM, you must be an Australian resident and must only access this Prospectus from within Australia.

There is no facility for any of the Offers to be accepted electronically or by applying online. New Shares and New Options will not be issued under the electronic version of the Prospectus. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies a complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting PIM.

PIM reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the Application Form, it was not provided together with the Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

Foreign offer restrictions

This Prospectus may not be distributed outside Australia except in the United States to Cocoon Optionholders. The New Shares and New Options may not be offered outside Australia except the New Options may be offered to Cocoon Optionholders in the United States in transactions exempt from the registration requirements of the US Securities Act of 1933 and applicable state securities laws. For further information, see Section 9.11.

Defined terms

Unless the contrary intention appears or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 12 of this Prospectus.

Time

All references to time this Prospectus are references to Western Standard Time.

Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses the Prospectus or its contents or that the assets shown in them are owned by PIM. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult your broker or legal, financial or other professional adviser without delay.

Should you have any questions about any of the Offers or how to accept any of the Offers, please call the Company Secretary on +61 8 9481 7833.



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Dear investor

On behalf of the Directors of Prime Minerals Limited (**PIM**), I am pleased to present you with this opportunity to become a shareholder in PIM.

PIM is an Australian Securities Exchange (**ASX**) listed company which, after deferring its mineral exploration interests and evaluating other growth alternatives, has agreed to a transformational merger with Cocoon Data Holdings Limited (**Cocoon**) (**Transaction**).

Cocoon is an unlisted Australian public company which holds an attractive portfolio of intellectual property assets pertaining to a data security software platform known as Covata.

In its simplest form, the Covata Platform provides an enterprise specific solution that performs encryption at the data source and enables the separation of the data and associated access keys and controls. This approach is disruptive in that it secures individual data files as opposed to current market alternatives available which secure data at the network or perimeter level while leaving the actual data file unsecure.

A version of the Covata Platform has been formally awarded FIPS 140-2 and FIPS-197 certifications through the National Institute of Standards and Technology (NIST). A previous version of the Covata Platform technology also achieved Common Criteria EAL 4+ and DSD Cryptographic Evaluation (DCE). These accreditations provide Government and enterprise customers, including corporates, system integrators and resellers, with an assurance that the Covata Platform provides one of the highest levels of protection available and complies with strict government security regulations.

Cocoon has leveraged the Covata Platform to develop Safe Share, an enterprise-focused secure file share and synchronisation solution that allows secure sharing of data over public and private networks. Cocoon has developed a multi-channel sales and distribution strategy for the Covata technology. Cocoon has entered into an exclusive reseller agreement in Europe, Middle East and Africa with NSC Global Services and is in various stages of discussions with a number of potential OEM providers. Cocoon targets direct sales of the Covata Platform to government and enterprise clients.

Cocoon has developed a strong Board and management team with specialised expertise and a proven track record in information technology development and data security applications. It is proposed that Trent Telford, Charles Archer, Phillip Dunkelberger, Philip King and Joseph Miller will join the Board of PIM upon completion of the Transaction.

Given the Transaction will result in a material change in the nature and scale of PIM's activities, the purpose of this Prospectus is to re-comply with Chapters 1 and 2 of the ASX Listing Rules and to provide PIM with funding to pursue the commercialisation strategy for the Covata Platform post Transaction.

cont.

Under this Prospectus, PIM is seeking to:

- > raise up to \$15,000,000 by the issue of, on a post Consolidation basis, up to 75,000,000 fully paid ordinary shares in the capital of PIM (**New Shares**) at an issue price of \$0.20 per New Share (**Equity Offer**); and
- > issue New Options to existing Cocoon Optionholders in exchange for the cancellation of existing Cocoon Options (**Option Offer**),

(collectively, **the Offer**).

Upon completion of the Offer and re-listing on ASX, PIM will have a market capitalisation of approximately \$76.4 million based on the Offer Price of \$0.20 per New Share and assuming the Maximum Subscription¹.

This Prospectus contains information about PIM, Cocoon, the Offer and the Transaction. It also contains information about the potential risks of investing in PIM. I encourage you to read this Prospectus carefully and consult with your professional advisers.

On behalf of the Board of PIM, I commend this opportunity to you and look forward to welcoming you as a shareholder.

Yours sincerely



Michael Scivolo
Non-Executive Chairman

¹Excludes vesting of Performance Shares and Options

Key offer information

Indicative timetable*

Lodgement of Prospectus with ASIC	22 September 2014
General Meeting to approve the Transaction	23 September 2014
Offer Period opens	23 September 2014
Offer Period closes	2 October 2014
Close of Takeover Offer^	10 October 2014
Settlement via DvP	16 October 2014
Issue of New Shares and New Options	17 October 2014
Dispatch of holding statements	17 October 2014
Re-quotation of Shares (including New Shares) on ASX	23 October 2014

* The above dates are indicative only and may change without notice. PIM, in consultation with the Sole Lead Manager, and subject to its obligations under the Bid Implementation Agreement, reserves the right to extend or shorten the Offer Period or close the Offers in its absolute discretion and without prior notice.

^ This date is a good faith estimate by the Directors and may have to be extended.

Key offer statistics

	Minimum Subscription	Maximum Subscription
Offer Price per share ¹	\$0.20	\$0.20
Total number of New Shares offered	12,500,000	75,000,000
Cash proceeds to be received under the Equity Offer	\$2,500,000	\$15,000,000
Number of Ordinary Shares issued to shareholders of Cocoon Limited	307,244,495	307,244,495
Total number of Ordinary Shares on issue at listing ²	319,744,495	382,244,495
Market capitalisation at Offer Price ²	\$63,948,899	\$76,448,899
Ownership of new investors post completion of the Offer ²	3.9%	19.6%
Ownership of new investors post completion of the Offer (on a fully diluted basis) ³	3.2%	16.5%

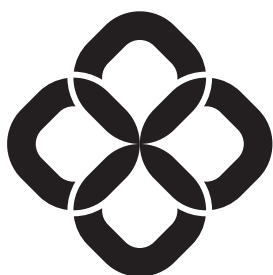
¹ Shares may not trade at the Offer Price upon listing

² Excludes Performance Shares and Options on offer. For further details see Section 9.4

³ Assumes conversion of the Performance Shares into ordinary shares and exercise of all Options



Investment Overview



This Section is a summary only and is not intended to provide full information for investors intending to apply for New Shares or New Options offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

Item	Summary	Further information
A. Company		
Who is the issuer of this Prospectus?	Prime Minerals Limited (ACN 120 658 497) (ASX: PIM).	
Who is Prime Minerals?	<p>PIM is a mining exploration company with a predominant focus in uranium. The Company owns an exploration licence at Lake Mason in Western Australia which has been found to contain traces of uranium mineralisation.</p> <p>On 20 May 2014, PIM announced its intention to acquire Cocoon Data Holdings Limited ("Cocoon"), an unlisted Australian public company which owns a number of intellectual property interests pertaining to a data security software known as Covata.</p> <p>As part of the acquisition, PIM will undergo a significant change in the nature and scale of its business. Following the completion of the acquisition, PIM intends to focus on growing the Cocoon business.</p> <p>Following the acquisition of Cocoon, PIM has also proposed to change its name to Covata Limited.</p>	Section 4.1
Who is Cocoon?	<p>Cocoon was incorporated on 15 October 2007 to develop and commercialise a new approach to IT security.</p> <p>Cocoon has designed and implemented a data protection solution that incorporates three core principles:</p> <ul style="list-style-type: none"> > strong encryption (securing the data); > rights management (defining what you can or can't do with the data); and > audit (visibility into who did what with the data). <p>Using this patented technology, Cocoon has developed the Covata Platform which for patent purposes is referred to as "Secure Objects Technology".</p>	Section 4.2

Item	Summary	Further information
A. Company		
What is the Covata Platform?	<p>The Covata Platform (a name derived from “covert data”) was developed as an enterprise specific solution to manage data security at an object level, providing an outward facing data-centric approach. The Covata Platform technology is designed such that cryptographic keys, which are used to encrypt and decrypt data files, are stored separately from the data and managed centrally. This provides the customer with the flexibility to choose to maintain control of their encryption keys on-premises, while using another location, such as cloud storage, for protected data. This enables the organisation to be confident that the integrity and security of their data is maintained, whilst leveraging the cost effectiveness and scalability of the cloud.</p> <p>The Covata Platform also allows other technologies, applications, or application connecting code to run on, or alongside, it. This allows the technology to be integrated to connect into existing systems within an enterprise, thus enabling the organisation to leverage the functions of the Covata technology whilst still using its existing applications/services.</p>	Sections 4.4 and 4.5
Is the technology certified?	A version of the Covata Platform has been awarded Federal Information Processing Standard 140-2 (FIPS 140-2) Level 1, Design Assurance Level 3, through the US National Institute of Standards and Technology (NIST). This certification is a standard that specifies US Federal government requirements for a cryptographic module utilised within a security system protecting sensitive but unclassified information, and is recognised globally. A previous version of the Covata technology also achieved Common Criteria EAL 4+ and DSD Cryptographic Evaluation (DCE) awarded by Australian Signals Directorate (ASD), formally Defence Signals Directorate (DSD).	Section 4.6
What is Safe Share?	<p>Cocoon has developed Safe Share, a product that leverages the patented Secure Objects Technology and provides the ability for users to securely share data even across unsecure networks. As a commercial cloud based Enterprise File Sharing and Synchronisation product, Safe Share provides a simple interface to the user that demonstrates the application of the Covata technology and assists with the advancement of Cocoon’s commercialisation strategy.</p> <p>Safe Share has been purposefully built with the needs of enterprise users in mind – which differentiates it from other file sharing and storage products such as DropBox and Box whose software architecture was originally developed for the consumer market.</p>	Section 4.7

Item	Summary	Further information
A. Company		
What is the Transaction?	<p>On 20 May 2014, PIM announced its intention to merge with Cocoon.</p> <p>The merger is proposed to be effected by means of an off-market takeover bid by PIM for all of Cocoon Shares. Under the terms of the Transaction, Cocoon Shareholders who accept the Takeover Offer will receive, on a post Consolidation basis, 0.6547 PIM Shares and 0.0953 Performance Shares for every 1 Cocoon Share held.</p> <p>Completion of the Transaction is subject to a number of conditions including a number of Essential Bid Conditions, one of which is the successful completion of the Equity Offer. A summary of the Essential Bid Conditions are provided in Section 2.</p> <p>The Takeover Offer period will close on 10 October 2014 (unless extended).</p> <p>A General Meeting of PIM shareholders has been scheduled for 23 September 2014 which will consider a number of resolutions to give effect to the Transaction. Refer to Section 2.3 for a summary of the resolutions.</p>	Section 2
B. Business Model		
What industry will PIM operate in after the Transaction?	<p>If the Transaction is completed, PIM will largely operate within the information technology security industry. The IT security market encompasses the hardware and software used to protect information and data. This market has historically related to the protection of computers and laptops but has more recently extended to include the protection of information and data on other electronic devices including mobile phones, tablets and other portable devices. Cocoon expects the IT security industry will continue to grow as demand for security products and related services continues to grow.</p>	Section 3
How will PIM generate income post Transaction?	<p>Following the completion of the Transaction, PIM will predominantly generate revenue through the distribution of products utilising the Covata technology developed by Cocoon. Cocoon intends to continue developing IT solutions utilising the Covata Platform as the market evolves and demand for more adaptable and data-centric IT security solutions increase.</p>	Section 4.8
Who will the key customers of PIM be?	<p>Cocoon's commercialisation strategy is focused on the following three channels:</p> <ol style="list-style-type: none"> 1. entering into distribution agreements with global reseller partners and distributors; 2. direct sales to government and enterprises; and 3. entering into agreements with Original Equipment Manufacturers (OEMs). <p>Cocoon will continue to sell the Covata Platform directly to certain customer segments such as government and defence agencies who require experienced personnel to ensure the technology meets all the detailed security requirements (technical and regulatory) of the agency. Cocoon is active in the intelligence community and targets this sub-sector in addition to main-stream agency contracts.</p>	Section 4.8

Item	Summary	Further information
C. Key Risks		
What are the key risks of an investment in PIM	<p>Redundancy, Upgradability and Scalability Risk</p> <p>There is a risk that product integrators will not be able to use the Covata Platform in conjunction with their existing products as a result of the core engines on which the Covata Platform is based becoming redundant or no longer being supported.</p> <p>Cocoon seeks to mitigate 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.</p> <p>Cocoon further manages this risk by ensuring that service level agreements with partners include mandatory upgrade paths. Cocoon then follows 'back to back' upgrades of the Covata Platform in development release cycles, therefore ensuring that any underlying technology is supported by Cocoon and pushed to the installed client/partner instance.</p> <p>Third Party Reliance Risk</p> <p>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.</p> <p>Cocoon's current strategy avoids the risk of dependence on proprietary third party technology by using technology with standardised open source or royalty free tools and libraries. Cocoon is of the view that if the technology it currently uses becomes proprietary in the future, there are existing open source technologies which are available. However, the Company cannot guarantee that such alternatives will remain available at all times.</p> <p>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.</p> <p>Cocoon seeks to mitigate 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.</p> <p>Platform Risk</p> <p>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.</p> <p>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.</p>	Section 7

Item	Summary	Further information
C. Key Risks (continued)		
What are the key risks of an investment in PIM (continued)	<p>This risk is being mitigated by ‘productising’ parts of the Covata Platform into end-user products – for sale directly or indirectly. The first and leading product to come off the Covata Platform is Safe Share. This product is to be sold to partners/distributors and to direct clients. This allows the client to experience the Covata technology through the product whilst encouraging adoption of the Covata Platform for further integration in core systems and business processes.</p> <p>Staff Risk</p> <p>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.</p> <p>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.</p> <p>Market Risk</p> <p>The data centric security as a platform 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. Cocoon’s Safe Share product operates within a more established market segment with file sharing solutions widely accepted including software service providers such as Box and DropBox. Cocoon is targeting corporates in this segment as the high growth segment.</p> <p>Competition Risk</p> <p>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.</p> <p>Although Cocoon will undertake all reasonable due diligence in its business decisions and operations, it will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the projects and business of the Company.</p> <p>The size and financial strength of some of Cocoon’s competitors may make it difficult for it to maintain a competitive position in the technology market. In particular, Cocoon’s ability to acquire additional technology interests could be adversely affected if it is unable to respond effectively and/or in a timely manner to the strategies and actions of competitors and potential competitors or the entry of new competitors into the market. This may in turn impede the financial condition and rate of growth of the Company.</p> <p>The key competition risk is in achieving appreciable market share and differentiation from its key competitors.</p>	Section 7

Item	Summary	Further information
C. Key Risks (continued)		
What are the key risks of an investment in PIM (continued)	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 purchases made by some entities, or refusal to deal with products that are not independently verified under certain standards.	Section 7
	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.	
	Lack of patent protection in some jurisdictions The ability of Cocoon to obtain and sustain patents, maintain trade secret protection and operate without infringing proprietary rights of third parties will be an integral part of Cocoon'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 Cocoon or its partners. In this regard, based on the perceived cost versus 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 Cocoon's patents will not necessarily be notified to Cocoon and, in any event, Cocoon may not be in a financial position to pursue the necessary remedial action in the event of such a breach. 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 Cocoon's patents will not necessarily be notified to Cocoon and, in any event, Cocoon 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 Cocoon commercially significant protection of its intellectual property.	
	Funding Risk In the event that the Company does not successfully raise the Maximum Subscription under this Prospectus, the Company may not be able to execute all of its proposed expansion and operational plans. In particular, the Company may need to significantly reduce planned expenditure on research and development, quality assurance, marketing and certification activities. This may significantly impact the Company's ability to achieve its goals and may in turn impede the financial condition and rate of growth of the Company. Refer to Section 9.3 for full details on proposed use of the funds raised under the Equity Offer.	

Item	Summary	Further information																																								
D. Directors and Key Management Personnel																																										
Who are the directors of the Company?	<p>The current Directors of the Company, who will resign on completion of Transaction, are Mr Michael Scivolo (Non-Executive Chairman) and Mr Robert Collins and Mr Sol Majteles (both Non-Executive Directors). Upon successful completion of the Transaction, the Directors of the Company will be:</p> <ul style="list-style-type: none">> Mr Charles Archer (Executive Chairman)> Mr Trent Telford (Chief Executive Officer and Executive Director)> Mr Phillip Dunkelberger (Non-Executive Director)> Mr Philip King (Non-Executive Director) and> Mr Joseph Miller (Non-Executive Director) <p>The profiles of each of these individuals are set out in Section 8.1. Details of the personal interests of each of the above individuals are set out in Section 8.3.</p>	Sections 8.1 and 8.3																																								
Who are the executive management of the Company?	<p>Upon successful completion of the Transaction, it is proposed that Mr Trent Telford will be appointed as the Chief Executive Officer of PIM and Mr Nick Chiarelli as the Chief Financial Officer and Company Secretary. Mr Vic Winkler will be the Chief Technology Officer.</p> <p>The profiles of each of these individuals are set out in Section 8.2.</p>	Sections 8.2																																								
What will the interest of Directors be in the Company post completion of the Transaction?	<p>Current Directors</p> <table><tr><th>Person</th><th>Position</th><th>Shares</th><th>Options</th></tr><tr><td>Mr Michael Scivolo</td><td>Non-Executive Chairman</td><td>Nil</td><td>Nil</td></tr><tr><td>Mr Robert Collins</td><td>Non-Executive Director</td><td>Nil</td><td>Nil</td></tr><tr><td>Mr Sol Majteles</td><td>Non-Executive Director</td><td>Nil</td><td>Nil</td></tr></table> <p>Proposed Directors</p> <table><tr><th>Person</th><th>Position</th><th>Shares</th><th>Options</th></tr><tr><td>Mr Charles Archer</td><td>Executive Chairman</td><td>Nil</td><td>5,306,250</td></tr><tr><td>Mr Trent Telford</td><td>Chief Executive Officer and Executive Director</td><td>6,642,675</td><td>10,375,000</td></tr><tr><td>Mr Philip King</td><td>Non-Executive Director</td><td>2,360,226</td><td>Nil</td></tr><tr><td>Mr Phillip Dunkelberger</td><td>Non-Executive Director</td><td>Nil</td><td>5,000,000</td></tr><tr><td>Mr Joseph Miller</td><td>Non-Executive Director</td><td>Nil</td><td>Nil</td></tr></table>	Person	Position	Shares	Options	Mr Michael Scivolo	Non-Executive Chairman	Nil	Nil	Mr Robert Collins	Non-Executive Director	Nil	Nil	Mr Sol Majteles	Non-Executive Director	Nil	Nil	Person	Position	Shares	Options	Mr Charles Archer	Executive Chairman	Nil	5,306,250	Mr Trent Telford	Chief Executive Officer and Executive Director	6,642,675	10,375,000	Mr Philip King	Non-Executive Director	2,360,226	Nil	Mr Phillip Dunkelberger	Non-Executive Director	Nil	5,000,000	Mr Joseph Miller	Non-Executive Director	Nil	Nil	Section 8.4.1
Person	Position	Shares	Options																																							
Mr Michael Scivolo	Non-Executive Chairman	Nil	Nil																																							
Mr Robert Collins	Non-Executive Director	Nil	Nil																																							
Mr Sol Majteles	Non-Executive Director	Nil	Nil																																							
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Mr Joseph Miller	Non-Executive Director	Nil	Nil																																							

Item	Summary	Further information																
D. Directors and Key Management Personnel (continued)																		
How much of the Company will be owned by the executive management?	<table><tr><th>Person</th><th>Position</th><th>Shares</th><th>Options</th></tr><tr><td>Mr Trent Telford</td><td>Chief Executive Officer</td><td>6,642,675</td><td>10,375,000</td></tr><tr><td>Mr Nick Chiarelli</td><td>Chief Financial Officer</td><td>1,095,060</td><td>Nil</td></tr><tr><td>Mr Vic Winkler</td><td>Chief Technology Officer</td><td>Nil</td><td>7,125,000</td></tr></table>	Person	Position	Shares	Options	Mr Trent Telford	Chief Executive Officer	6,642,675	10,375,000	Mr Nick Chiarelli	Chief Financial Officer	1,095,060	Nil	Mr Vic Winkler	Chief Technology Officer	Nil	7,125,000	Section 8.5
	Person	Position	Shares	Options														
	Mr Trent Telford	Chief Executive Officer	6,642,675	10,375,000														
	Mr Nick Chiarelli	Chief Financial Officer	1,095,060	Nil														
Mr Vic Winkler	Chief Technology Officer	Nil	7,125,000															
E. Key Financial Information																		
What is the key financial information?	The unaudited statement of financial position of each of PIM, Cocoon and the merged entity upon completion of the Transaction as at 30 June 2014 is set out in the Investigating Accountant’s Report in Section 6.	Section 6																
What is the financial outlook for PIM?	<p>The operations of PIM and Cocoon are inherently uncertain. Post completion of the Transaction, PIM’s financial performance is dependent on the Company’s ability to execute the commercialisation strategy detailed in Section 4.8. As such, the Directors believe that they do not have a reasonable basis to forecast future earnings.</p> <p>The Directors have provided an indication of how they will deploy proceeds received under the Equity Offer in Section 9.3.</p>	Section 5.2																
What is the Company’s dividend policy?	Post completion of the Transaction, the Company currently does not expect to pay a dividend and funds raised will be allocated to the growth and development of the business. The Board of PIM will review the dividend policy on a regular basis. Any future payment of dividends will be at the discretion of the Board.	Section 5.3																
How has Cocoon historically performed?	<p>Historically, Cocoon has generated significant losses because it has been in the product development phase of its business life cycle. It is anticipated that Cocoon will continue to have significant expenditure on research and development moving forward, but there will also be a greater focus on the commercialisation of Cocoon’s existing products than there has been historically. While the Company is not in a position to make any forecasts in relation to revenue or net profit due to the inherent uncertain nature of these items, a medium term goal of the Company is to deliver net profits on an annual basis. The ability to achieve this goal is subject to a number of risks and these are highlighted in Section 7 of this Prospectus.</p> <p>The financial information presented below is a summary of the financial performance of Cocoon. . Financial information for the 12 month periods ending 30 June 2012 (FY12) and 30 June 2013 (FY13) are based on audited accounts and financial information for the 12 month period ending 30 June 2014 (FY14) is based on unaudited management accounts. A more comprehensive overview of Cocoon’s historical financials is provided in the Investigating Accountant’s Report in Section 6.</p>																	

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Item	Summary	Further information																																																																	
F. Key Offer Information (continued)																																																																			
What are the conditions of the Offer?	Completion of the Offer is conditional upon: (a) PIM’s off-market takeover bid for all Cocoon Shares becoming or being declared free of all conditions (see Section 2.1); (b) Shareholder approval of all Essential Resolutions at the General Meeting of PIM to be held on 23 September 2014 (see Section 2.3); and (c) ASX confirming that it will re-admit PIM to the Official List and lift the suspension from Official Quotation of Shares, subject to such terms and conditions (if any) as are prescribed by ASX or the ASX Listing Rules (see Section 2.4).	Section 2																																																																	
How will the proceeds of the Offers be used?	<p>A summary of how the equity raising proceeds will be used under the Equity Offer is provided below. Further details are provided in Section 9.3.</p> <table><tr><th colspan="5">Sources of Funds</th></tr><tr><td>Estimated PIM cash balance post Transaction</td><td>\$1,500,000</td><td>\$1,500,000</td><td>\$1,500,000</td><td>\$1,500,000</td></tr><tr><td>Research and Development tax rebate</td><td>\$2,300,000</td><td>\$2,300,000</td><td>\$2,300,000</td><td>\$2,300,000</td></tr><tr><td>Equity raising amount</td><td>\$2,500,000</td><td>\$5,000,000</td><td>\$10,000,000</td><td>\$15,000,000</td></tr><tr><td>Total funds available</td><td>\$6,300,000</td><td>\$8,800,000</td><td>\$13,800,000</td><td>\$18,800,000</td></tr><tr><th colspan="5">Uses of Funds</th></tr><tr><td>Operating Expenses / Working Capital</td><td>\$390,000</td><td>\$740,000</td><td>\$2,940,000</td><td>\$5,140,000</td></tr><tr><td>Global Marketing Activities</td><td>Nil</td><td>\$500,000</td><td>\$2,000,000</td><td>\$3,000,000</td></tr><tr><td>Current Employee, Contractor, Consultant expenses</td><td>\$5,300,000</td><td>\$5,300,000</td><td>\$5,300,000</td><td>\$5,300,000</td></tr><tr><td>Product development and commercialisation</td><td>Nil</td><td>\$1,500,000</td><td>\$2,000,000</td><td>\$3,500,000</td></tr><tr><td>Certification</td><td>Nil</td><td>Nil</td><td>\$500,000</td><td>\$500,000</td></tr><tr><td>Costs of Offer</td><td>\$610,000</td><td>\$760,000</td><td>\$1,060,000</td><td>\$1,360,000</td></tr><tr><td>Total</td><td>\$6,300,000</td><td>\$8,800,000</td><td>\$13,800,000</td><td>\$18,800,000</td></tr></table>	Sources of Funds					Estimated PIM cash balance post Transaction	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	Research and Development tax rebate	\$2,300,000	\$2,300,000	\$2,300,000	\$2,300,000	Equity raising amount	\$2,500,000	\$5,000,000	\$10,000,000	\$15,000,000	Total funds available	\$6,300,000	\$8,800,000	\$13,800,000	\$18,800,000	Uses of Funds					Operating Expenses / Working Capital	\$390,000	\$740,000	\$2,940,000	\$5,140,000	Global Marketing Activities	Nil	\$500,000	\$2,000,000	\$3,000,000	Current Employee, Contractor, Consultant expenses	\$5,300,000	\$5,300,000	\$5,300,000	\$5,300,000	Product development and commercialisation	Nil	\$1,500,000	\$2,000,000	\$3,500,000	Certification	Nil	Nil	\$500,000	\$500,000	Costs of Offer	\$610,000	\$760,000	\$1,060,000	\$1,360,000	Total	\$6,300,000	\$8,800,000	\$13,800,000	\$18,800,000	Section 9.3
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Total	\$6,300,000	\$8,800,000	\$13,800,000	\$18,800,000																																																															

Notes:

Cocoon is considering entering a finance facility with a third party financier, on arms' length commercial terms, under which Cocoon would receive funds in advance of receiving its research and development tax rebate, such funds to be repaid from this rebate once received.

Operating Expenses includes rent, office expenses, travel and administration.

In the event that less than the Maximum Subscription is raised, the Company may not be able to execute all of its planned commercialisation strategies. Please refer to the risk factor in Section 7.1.1(j).

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with ASIC. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in Section 7).

Item	Summary	Further information
F. Key Offer Information (continued)		
What will PIM's capital structure look like post completion of the Offer and the Transaction		Section 9.4
Will I be guaranteed a minimum allocation under the Equity Offer?	No, the Company is not in a position to guarantee a minimum allocation of New Shares under the Offer.	Sections 9.6 and 9.7
What are the terms of the New Shares offered under the Equity Offer?	A summary of the material rights and liabilities attaching to the New Shares is set out in Section 10.3.	Sections 10.3 and 10.8
	All New Options will be exercisable at a price and on a date as set out in Section 10.8.	
Will any New Shares or New Options be subject to escrow?	No. New Shares issued pursuant to the Institutional and Broker Firm Offer will not be subject to any escrow requirement by the ASX.	Section 10.14
	PIM will apply to the ASX for a waiver from certain restriction requirements that might otherwise apply to PIM Shares issued as consideration under the Takeover Offer on the basis that a majority of Cocoon Shareholders Shares were issued for cash and most Cocoon Shareholders held their Cocoon Shares for a substantial period of time prior to PIM making the Takeover Offer. Subject to this, all or a proportion of the Shares issued to Cocoon Shareholders under the Takeover Offer and to Cocoon Optionholders under the Option Offer may be restricted from trading for a period of up to 24 months after the date of re-admission of PIM to the ASX.	

Item	Summary	Further information
F. Key Offer Information (continued)		
When will the New Shares be quoted?	<p>Application for quotation of all New Shares issued under the Offers will be made to ASX no later than 7 days after the date of this Prospectus.</p> <p>However, applicants should be aware that ASX will not commence Official Quotation of any Shares until PIM has re-complied with Chapters 1 and 2 of the ASX Listing Rules and has received the approval of ASX to be re-admitted to the Official List (see Section 2.4). As such, the New Shares may not be able to be traded for some time after the close of the Offer.</p>	Key Offer Information
What are the key dates of the Offers?	The key dates of the Offer are set out in the indicative timetable in the Key Offer Information.	Key Offer Information
G. Additional information		
Is there any brokerage, commission or stamp duty payable by applicants under the Offer?	No brokerage, commission or stamp duty is payable by applicants on acquisition of New Shares under the Offer.	
What are the tax implications of investing in New Shares or New Options?	Shareholders may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of New Shares and New Options subscribed for under this Prospectus.	Section 9.9
Where can I find more information?	<p>Additional information can be obtained through the following methods:</p> <ul style="list-style-type: none"> > Speaking to your Broker, solicitor, accountant or other independent professional adviser > Reviewing PIM's public announcements, which are accessible from ASX's website at www.asx.com.au under the code "PIM" > By visiting PIM's website at www.primeminerals.com.au > By contacting PIM's Company Secretary on +61 8 9481 7833 > By contacting PIM's Share Registry on +61 8 9389 8033 	



Transaction Overview

2.1 The Takeover Offer

On 20 May 2014, PIM announced its intention to merge with unlisted Australian public company, Cocoon Data Holdings Limited. Details of Cocoon's business operations and financial position are provided in Sections 4 and 5.

The merger is being effected by means of an off-market takeover bid by PIM for all of Cocoon's Shares and Options on issue.

Completion of the Transaction is subject to a number of conditions, including the following which may not be waived by PIM without the prior written consent of Cocoon:

- > 90% minimum acceptance (provided PIM does not hold at least 80% acceptances under the Takeover Offer, upon which PIM may waive this minimum acceptance condition without Cocoon's consent);
- > the Equity Offer under this Prospectus having raised a minimum of \$2.5 million; and
- > PIM having received written confirmation from ASX that PIM will be re-admitted to the Official List and that suspension of PIM Shares from Official Quotation will be lifted (subject to such conditions as may be prescribed by ASX, if any) – see further Section 2.3 below,

[Essential Bid Conditions].

PIM may free the Takeover Offer from any other conditions to the Takeover Bid by giving notice to Cocoon not less than 7 days before the close of the Takeover Offer.

A complete list of conditions to the Takeover Offer, including their full terms, is set out in Section 1.8 of Annexure A of the Bidder's Statement which is available via PIM's website at www.primeminerals.com.au or PIM's ASX announcements platform on www.asx.com.au.

2.2 Transaction Valuation

The agreed total consideration provided to Cocoon Shareholders under the Takeover Offer is \$57,281,673. This assumes each PIM Share and Performance Share has a value of \$0.20 each (on a post Consolidation basis). The actual value

of a Performance Share, for the purposes of the Takeover Offer, may be valued between Nil and \$0.20 each. If valued at Nil, the total consideration provided to Cocoon Shareholders under the Takeover Offer is \$50,000,000 (assuming each PIM Share has a value of \$0.20 post Consolidation).

Under the terms of the Takeover Offer, Cocoon Shareholders who accept the Transaction will receive, on a post Consolidation basis, 0.6547 PIM Shares and 0.0953 Performance Shares for every 1 Cocoon Share held.

The Performance Shares will convert into Shares if the following milestones are achieved within 3 years of completion of the Transaction:

- 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;
- deployment on a revenue generating basis of Cocoon'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
- deployment of Cocoon'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.

2.3 Shareholder Approval of Essential Resolutions

PIM has convened a General Meeting on 23 September 2014 for the purpose of seeking the approval by Shareholders to a number of resolutions required to implement the Transaction.

It is a condition to completion of the Offer under this Prospectus, as well as the Takeover Offer, that each of the following resolutions are approved by Shareholders before the close of the Takeover Offer:

- > the change in the nature and scale of activities of the Company to the focus of technology, hardware, and equipment;
- > the issue of a minimum of 12,500,000 and a maximum of 75,000,000 New Shares (on a post Consolidation basis) at an Offer Price of \$0.20 per New Share pursuant to the Equity Offer;
- > the issue of up to 36,206,250 New Options to Cocoon Optionholders as consideration for those Cocoon Optionholders cancelling their existing Cocoon Options;
- > the issue of a new class of share capital in PIM, being the Performance Shares offered as consideration under the Takeover Offer;
- > the issue of 13,500,000 Shares at a deemed issue price of \$0.20 per Share to the Cocoon Noteholders (being Shares to the value of \$2,500,000 plus 4 months interest);
- > the consolidation of all existing PIM Shares and PIM Options on a 1 for 10 basis (with the exercise price of all such Options adjusted in inverse ratio and fractional entitlements rounded up to the nearest whole number) after the Meeting in accordance with the ASX-prescribed timetable; and
- > the appointment of 3 nominees of Cocoon to the Board of PIM post completion of the Transaction,

- > the issue of up to 10,000,000 Shares (on a post Consolidation basis) to CPS Capital Group Pty Ltd (CPS) (or its nominees) in consideration for CPS and its nominees introducing the Merger to the Company and assisting with its implementation,

(each, an **Essential Resolution**).

If any of the Essential Resolutions are not approved by Shareholders, all of the resolutions (including all Essential Resolutions) and the Transaction (including the Offer under this Prospectus) will fail.

2.4 Suspension and Re-admission to ASX

As PIM is currently a mineral exploration company, the merger with Cocoon, if successfully completed, will represent a significant change in the nature and scale of PIM's operations to an information and security software development company.

ASX has indicated that this change in the nature and scale of PIM's activities will require:

- > the approval of PIM's Shareholders; and
- > the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

In accordance with ASX guidelines, it will be necessary for PIM to apply for a trading halt in its Shares from the beginning of trading on the date of the General Meeting, being 23 September 2014.

If Shareholder approval to the change in nature and scale of PIM's activities as a result of the Transaction is obtained, then subject to the passing of each other Essential Resolution (see Section 2.3), PIM will be required to apply for voluntary suspension of the Shares with effect from the close of the General Meeting. In such circumstances, the Shares will not be reinstated to Official Quotation until PIM has re-complied with Chapters 1 and 2 of the ASX Listing Rules and is re-admitted by ASX to the Official List.

Some of the key requirements of Chapters 1 and 2 of the Listing Rules are:

- > the Company must satisfy the shareholder spread requirements relating to the minimum number of Shareholders and the minimum value of the shareholdings of those Shareholders;
- > the Company must satisfy the “assets test” as set out in Listing Rule 1.3; and
- > the issue price of Shares must be at least 20 cents and the exercise price of Options must be at least 20 cents (subject to a waiver granted to the Company in respect of certain Options being offered to Cocoon Optionholders, as described in Section 2.6.1 below).

It is expected that the conduct of the Equity Offer pursuant to this Prospectus and the implementation of a 1:10 consolidation of all Shares immediately after the General Meeting (subject to applicable Shareholder approval – see further Section 2.3) will enable the Company to satisfy the above requirements.

Applicants should be aware that ASX will not re-admit or admit any New Shares or any Shares issued on the exercise of any New Options to Official Quotation until PIM re-complies with Chapters 1 and 2 of the Listing Rules and is re-admitted by ASX to the Official List.

In the event that PIM does not receive conditional approval for re-admission to the Official List, the Takeover Offer will be withdrawn and PIM will not proceed with the Equity Offer and will repay all application monies received by it in connection with this Prospectus (without interest).

If Shareholder approval to the change in nature and scale of PIM’s activities is not obtained, the trading halt will end after the results of the General Meeting have been announced to the market and trading in Shares will thereupon re-commence.

2.5 Change of Name

It is proposed that the Company will change its name to ‘Covata Limited’ following the successful completion of the Transaction.

2.6 Cocoon Convertible Securities

Cocoon currently has a number of convertible securities on issue, all of which will need to be dealt with by the Company as a condition to completing the Takeover Offer. The Company will deal with these convertible securities in the manner set out below.

Refer to Section 9.4 for further details in respect to the Company’s capital structure following completion of the Transaction, which includes Shares and Options to be issued by the Company in order to deal with the convertible securities in Cocoon.

2.6.1 Cocoon Options

In accordance with the Bid Implementation Agreement, PIM and Cocoon agreed to enter into agreements with existing Cocoon Optionholders to replace their existing 46,296,875 Cocoon Options with a total of up to 34,722,656 New Options upon successful completion of the Takeover Offer. These New Options are to be granted, subject to necessary Shareholder and regulatory approvals, on the same terms as the Cocoon Options currently held by Cocoon Optionholders. Refer to Section 9.8 for further details.

The ASX has granted the Company a waiver from ASX Listing Rule 1.1 Condition 11 to permit the Company to have on issue up to 16,197,656 of these New Options (with an exercise price of US\$0.1467 expiring 5 years from the date of issue), on condition that the terms and conditions of the New Options are clearly disclosed in the Prospectus. See Section 10.8 for a summary of the terms and conditions of the New Options.

2.6.2 Cocoon convertible notes

Under the Bid Implementation Agreement, Cocoon has agreed:

- > to procure that all holders of convertible notes in Cocoon issued prior to 20 May 2014 vary the terms of their convertible note agreements to require that the convertible notes will convert automatically upon the Takeover Offer being declared unconditional and that the holder accepts the Takeover Offer in respect of the Cocoon Shares issued to them within 5 business days of conversion of their convertible notes. The Cocoon convertible notes issued prior to 20 May 2014 have been converted into ordinary shares in Cocoon prior to the date of this Prospectus; and
- > to procure that all holders of convertible notes issued after the 20 May 2014 (being the convertible notes issued under the Convertible Note Agreements) enter into tripartite deeds with Prime under which they agree that, upon successful completion of the Takeover Offer, their convertible notes will automatically convert directly into Prime Share at a conversion price of \$0.20 per Share. Cocoon has entered into deeds with the holders of these convertible notes consistent with this requirement.

2.6.3 Cocoon warrants

Under the Bid Implementation Agreement, Cocoon has agreed to procure that all holders of warrants in Cocoon vary the terms of their warrant deeds to require that the warrants will be cancelled automatically upon the Takeover Offer being declared unconditional in consideration for an issue of Cocoon Shares and the holder accepts the Takeover Offer in respect of the Cocoon Shares issued to them on conversion of their warrants. Cocoon fulfilled this requirement and adopted a Plan of Recapitalisation under which all warrant holders agreed to the exchange of their warrants for Cocoon Shares.





Industry Overview

3.1 IT security market

Cocoon operates within the information technology security industry which is estimated to be globally valued at US\$68 billion. The IT security market encompasses the hardware and software used to protect information and data stored which has historically related to the protection of computers and laptops. However, this has recently extended to include the protection of information on other electronic devices including mobile phones, tablets and other portable devices. Cocoon expects the IT security industry will continue to grow as the demand for security products and related services continues to grow.

Protecting and securing data and proprietary information continues to be of high importance to government and enterprise as a direct result of the prevalence of information in a digital form and the exchange of information via unsecure methods including email. Reliance on technology for crucial business operations including data sharing has rendered organisations more vulnerable to external computer hacking and thus, reliance on effective IT security. The constantly progressive nature of technology and external computer attacks supports the growth expectations for the IT security market. A number of other key trends in the market have been identified including:

- > increasing adoption of Bring Your Own Device (BYOD);
- > growing demand for flexibility and customisation in IT security solutions; and
- > an increasing number of businesses using cloud-based services as a cost effective means of storing information.

BYOD is a growing trend in the industry where employees seek to connect personal electronic devices (computers, mobile phones, tablets etc.) to an organisation's network. This trend impacts the dynamic of IT security, shifting the focus from device security (eg. firewall protection on the computer) to application and data security (eg. protecting the program and information) to allow multiple devices secure access to information. IT security measures face the complexity of facilitating efficient access to information while allowing connectivity and device mobility, and preserving the integrity and security of the information.

There is also a growing trend in the demand for software solutions that utilise standardised cryptographic security which can be easily adapted and customised by organisations as opposed to proprietary solutions that restrict customisation. This view has been recently reinforced by the National Security Agency (NSA) which has commented that *"standards-based approaches to deliver security solutions ensures global interoperability..."* and that *"standards are not an option – they are the only approach"*¹. This trend towards easily adaptable IT security suggests that in the longer term, standards based encryption will become more dominant in the market as it provides less risk for the end user than proprietary systems that rely on the service provider. The Covata Platform is a standards based security solution.

¹ InfoSecurity Magazine (2013)

Cloud-based services refer to the delivery of services over the Internet to remotely store, process or share digital data. Businesses and consumers are exposed to a number of cloud-based services across its three broad categories including Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS) and Software-as-a-Service (SaaS). The International Data Corporation (IDC) in 2013 estimated that global spending in cloud computing will reach US\$107 billion by 2017, growing from US\$47.4 billion in 2013. This compound annual growth rate of 23.5% is five times that of what is expected for the broader IT industry. In Australia, IDC's expectation is that revenue generated from cloud computing increases at a similar rate of approximately 25% from A\$1.1 billion in 2013 to A\$2.7 billion in 2017.

In March 2014 the Australian Communications and Media Authority (ACMA) attributes this growth in the use of cloud technology to the innovation and efficiencies the technology brings as well as the ability for capacity to be scaled up and down on demand. Cloud technology enables the delivery of IT services over the Internet without capital expenditure on supporting hardware, software and ongoing maintenance. The offering is a compelling alternative that corporations are starting to seek more of to traditional on premise solutions.

3.1.1 Cloud-based security

Within the IT security industry, the Covata Platform is a cloud-based technology with the Safe Share product providing the ability to securely share data over a wireless network. Safe Share is further discussed in Section 4.7.

It has been reported that according to Gartner's "Market Trends: Cloud-based Security Services Market, Worldwide, 2014", the value of the global cloud-based security market was US\$2.1 billion in 2013 and is predicted by Gartner to grow to US\$4.1 billion by 2017, representing a cumulative annual growth rate of 18% as set out in the figure below. Secure email currently comprises the largest segment of the cloud-based security market and is estimated to comprise approximately 38% of the US\$2.1 billion market in 2013. However, other segments of the industry are expected to grow at a faster rate than secure email in the five years to 2017. Identity and access management has been identified as a segment with substantial growth expectations and is consistent with the trend of allowing multiple devices to access information securely as a result of the increasing prevalence of BYOD.

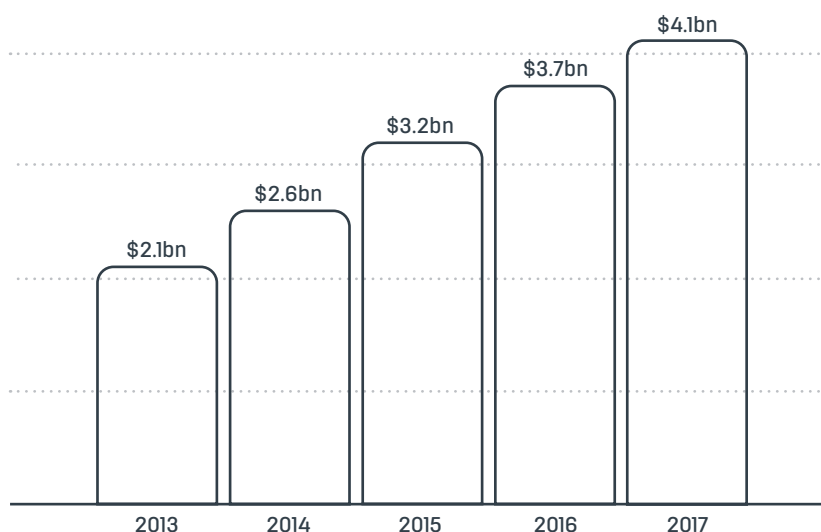


Figure 1: Estimated global revenue in the cloud-based security industry (USD) as reported according to Gartner's "Market Trends: Cloud-based Security Services Market, Worldwide, 2014".


3.2 Competitive market

The IT security market is highly competitive with a diverse range of offerings in rapidly evolving areas, particularly those involving access to data via mobile devices and cloud computing. There are a number of technology companies in the secure cloud, file sharing space in which Cocoon operates in. Key competitors identified include CipherCloud, Gazzang, Vormetric, Voltage Systems, Dropbox and Box. The majority of these competitors provide specific or 'point' solutions for applications (eg. applying security to third party services such as Drop Box, Gmail, Outlook etc.). However, the Covata Platform can be distinguished from these solutions through its unique data-centric security approach and flexibility, as well as the ability to easily integrate and customise the Covata Platform offering across an organisation's entire IT infrastructure, not just the implementation of a specific application.

The Covata Platform provides the utmost flexibility for the deployment of Safe Share, either as a dedicated cloud service, as a complete on-premises model or as a hybrid of both – which allows the organisation to leverage the cost effectiveness and flexibility of the cloud whilst retaining control of access to the data objects. With any deployment your data can be accessed anywhere, via any device, securely.

Cocoon also faces a number of direct competitors with large organisations offering in-house and third party products within the IT security market including IBM, Cisco, EMC and Verizon.





Safe Share, an enterprise-focused secure file share and synchronisation solution that allows secure sharing of data over public and private networks



Company and Cocoon Overview

4.1 Prime Minerals Limited

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 which has been found to contain traces of uranium mineralisation.

The Board of PIM has been evaluating alternative corporate opportunities, both in Australia and overseas, which have the potential to deliver strong future growth for shareholders. The proposed merger with Cocoon is consistent with this strategy and has been unanimously recommended by the Board of PIM.

After completion of the merger with Cocoon, PIM intends to either sell or relinquish its existing exploration licence. As such, it is not considered material in the context of the Offer.

Further information on PIM's current operations is available on PIM's website, www.primeminerals.com.au.

4.2 Overview of Cocoon Data Holdings Limited

Cocoon was incorporated on 15 October 2007 to develop and commercialise a new approach to IT security.

Since that time, Cocoon has designed and implemented a data protection solution that incorporates three core principles:

- > strong encryption (securing the data);
- > rights management (defining what you can or can't do with the data); and
- > audit (visibility into who did what with the data).

These principles and the architecture model behind them formed the basis of Cocoon's first patent which has now been granted in Australia, New Zealand, United States and Singapore.

Using this patented technology, Cocoon has developed the Covata Platform (for patent purposes referred to as Secure Objects Technology) which provides an enterprise specific solution that performs encryption at the data source and enables the separation of the data and associated access keys and controls. This data-centric approach can be differentiated from other information security platforms that focus on securing data at the network or perimeter level, while leaving the actual data object unsecure.

Cocoon's approach to the governance of data is disruptive to the current IT security market as it allows data to be shared across unsecure networks and to unsecure devices (smart-phones, cloud storage providers, internet connections, email and so on), while maintaining security protection and integrity.

This technology is expected to improve the confidence of organisations to conduct and share their confidential business information over the internet – from the largest network and IT companies in the world, to small business.

Cocoon has leveraged the Covata Platform to develop Safe Share, an enterprise-focused secure file share and synchronisation solution that allows secure sharing of data over public and private networks.

Since incorporation, Cocoon has expanded its geographic presence to include Australia, the United States and Europe. Cocoon currently has offices in Sydney, Australia and Virginia, United States.

4.3 Corporate structure post Transaction

The diagram below provides an overview of PIM's corporate structure upon completion of the Transaction.

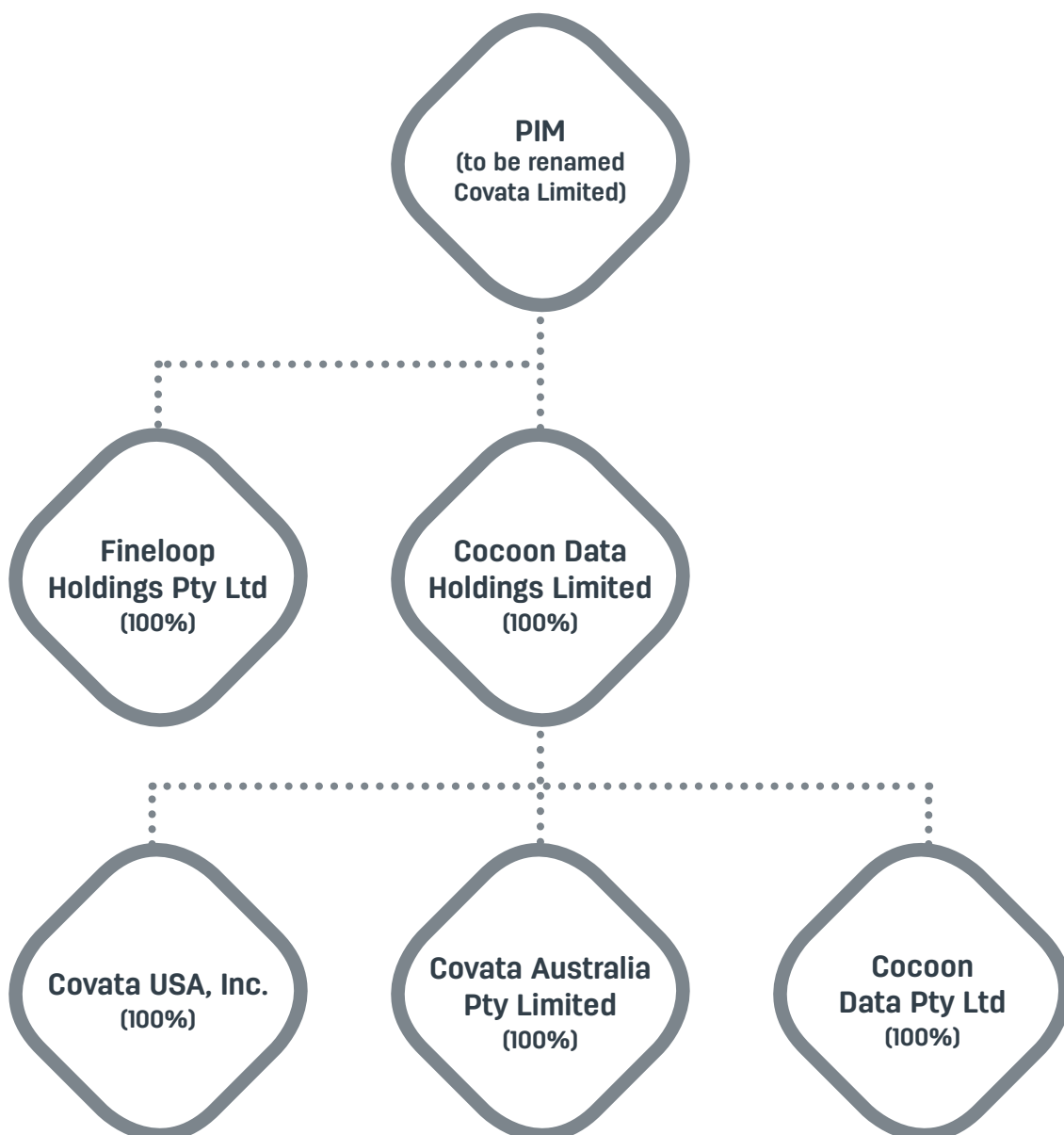


Figure 2: PIM corporate structure upon completion of the Transaction

4.4 Covata Platform overview

Protecting data has traditionally been by way of network security and file server permissions. The problem with this approach is that the data itself is not protected and is often compromised when using smart-devices and cloud computing. The Covata Platform (for patent purposes referred to as Secure Objects Technology) establishes the concept of 'data-centric security' which applies security policies and access controls at a data level, maintaining security policies within and across organisations. This concept is different to the paradigm where data is securely stored on a network and access to the data repository is derived at the network or storage policy level.

The Covata Platform (a name derived from "covert data") was developed as an enterprise specific solution to manage data security at an object level, providing an outward facing data-centric approach. The Covata Platform technology is designed such that cryptographic keys, which are used to encrypt and decrypt data files, are stored separately from the data and managed centrally. This provides the customer with the flexibility to choose to maintain control of their encryption keys on-premises,

while using another location, such as cloud storage for protected data. This enables the organisation to be confident that the integrity and security of their data is maintained, whilst leveraging the cost effectiveness and scalability of the cloud.

The key features of the Covata Platform which provide a point of difference to other commercial data security providers are:

- > file encryption at its source, with centralised encryption key management capabilities;
- > centralised management of user access to encrypted data files;
- > ability to revoke access to sensitive data – in real time;
- > complete auditability and reporting of access activity to sensitive data; and
- > device and file type agnostic providing significant flexibility for enterprises to protect, share and access the secured data across both public and private networks.

The diagram below provides an overview of the Covata Platform data security management process:

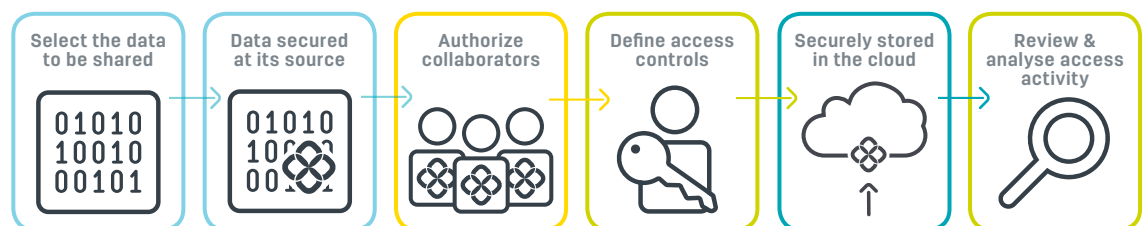


Figure 3: Covata's data-centric security approach

The Covata Platform technology relies on the principles of controlled sharing of data objects. It allows access only to those specifically trusted by an organisation and provides the ability to control the distribution of the data and a user's ability to interact with the data based on individually defined permissions and security policies. The Covata technology is designed for person to person type exchange of information but is also applicable to machine to machine secure communications and other potential communication models.

The Covata technology can potentially remove the need for the implementation, operation and maintenance of technologies such as virtual private networks (**VPN**). The security principles embodied in the Covata technology are designed to allow transmission of sensitive or secret data across untrusted networks or environments through encryption of the data upon creation. This simplifies the information transfer requirements by the user and eliminates the need to log on and establish a secure connection across the VPN to access relevant data when they are remotely accessing the information (i.e. accessing from different location).

The core technology of Covata is designed as a platform solution which can be implemented independent of the network via the Application Programming Interface and Covata Software Development Kit (**Covata SDK**). The Covata SDK can be made available for system integrators to develop specific applications for the customer and customise the applications to their liking. This improves the usability and ease of integration of the Covata Platform while allowing the use of the software without significant involvement by the Covata software team.

The Covata enterprise level solution platform can interact across different systems without specific dependence on a particular operating system or application, maximizing its potential utility.

4.5 The Covata Platform application

A platform can be defined as a group of technologies that is used as a base upon which other applications, processes or technologies are developed.

The Covata Platform allows other technologies, applications, or application connecting code to run on, or alongside, it. This allows the technology to be integrated to connect into existing systems within an enterprise, thus enabling the organisation to leverage the functions of the Covata technology whilst still using its existing applications/services. This has cost efficiencies and business process benefits beyond just the Covata product.

In practice, many enterprises have a number of different security platforms for specific applications. For example, an enterprise may have a data security program for email, another application for securing data on mobile devices and other applications for securing documents on the server or in the cloud.

Cocoon management believes that based on their market research and analysis; there is no known market competitor that offers a solution similar to the Covata Platform which enables flexible integration of relevant components of the system, into existing infrastructure. This integration can be agnostic to operating systems, applications, database and servers.

Where possible, the Covata Platform has avoided the incorporation of any third party technologies which would require the payment of third party royalties. There are systems and code that have been used in the development which are commercial rather than open source, but these are not critical to the function of the Covata Platform and they are substitutable with other technologies should this arise.

The Covata Platform has been developed using a range of open source third party libraries and development tools which are considered 'standard' within the industry. For the overall development, Cocoon has focused around using royalty-free open source tools that comply with industry standards for security. The source code underlying the Covata Platform itself is proprietary. Furthermore the Covata Platform development model has avoided dependence on operating system 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 encryption and security tools used comply with industry standards such as the Advanced Encryption Standard (**AES**) and the Covata Platform has been developed to meet specific certification requirements relevant for the key customers Cocoon is targeting. The architecture of the Covata Platform has also been designed to be modular and customisable to allow rapid change to the security solution if and when technology changes are required or desired.

4.6 Cocoon intellectual property certifications and protections

A version of the Covata Platform has been awarded Federal Information Processing Standard 140-2 (FIPS 140-2) Level 1 Design Assurance Level 3, through the US National Institute of Standards and Technology (NIST). This certification is a standard that specifies US Federal government requirements for a cryptographic module utilised within a security system protecting sensitive but unclassified information, and is recognised globally.

For a previous version of the Covata technology, Cocoon achieved Common Criteria EAL 4+ and DCE (DSD Cryptographic Evaluation) awarded by the Australian Signals Directorate (ASD), formally the Defence Signals Directorate (DSD).

These certifications provide government customers, system integrators, resellers and enterprise clients with an assurance that the Covata Platform provides a high level of security protection and can be integrated to comply with strict government security regulations if required.

Each of the certifications took up to two years to obtain, hence providing a significant barrier to new entrants in this space.

Given the proprietary nature of the Covata Platform, Cocoon holds a number of registered and pending patents in key jurisdictions including Australia, New Zealand, Singapore and the United States (application still pending in Canada.) The US patent was granted in August 2014. Refer to Appendix 1 for an intellectual property report.



4.7 Cocoon product overview

Cocoon aims to develop software solutions as a way of entering new market segments and connecting the Covata Platform into well-established applications. Cocoon has developed Safe Share, a product that leverages the patented Secure Objects Technology and provides the ability for users to securely share data even across unsecure networks. As a commercial cloud based enterprise file sharing and synchronisation product, Safe Share provides a simple interface to the user that demonstrates the application of the Covata technology and assists with the advancement of Cocoon's commercialisation strategy.

Safe Share has been purposefully built with the needs of enterprise users in mind – which differentiates it against other file sharing and storage products such as DropBox and Box whose software architecture was originally developed for the consumer market – to facilitate simple, secure file sharing via private and public networks. Any file uploaded into Safe Share using the desktop client is protected at its source, enabling it to be securely distributed to the cloud and safely shared with any external party.

A visual overview of the Safe Share offering is provided below in figure 4:

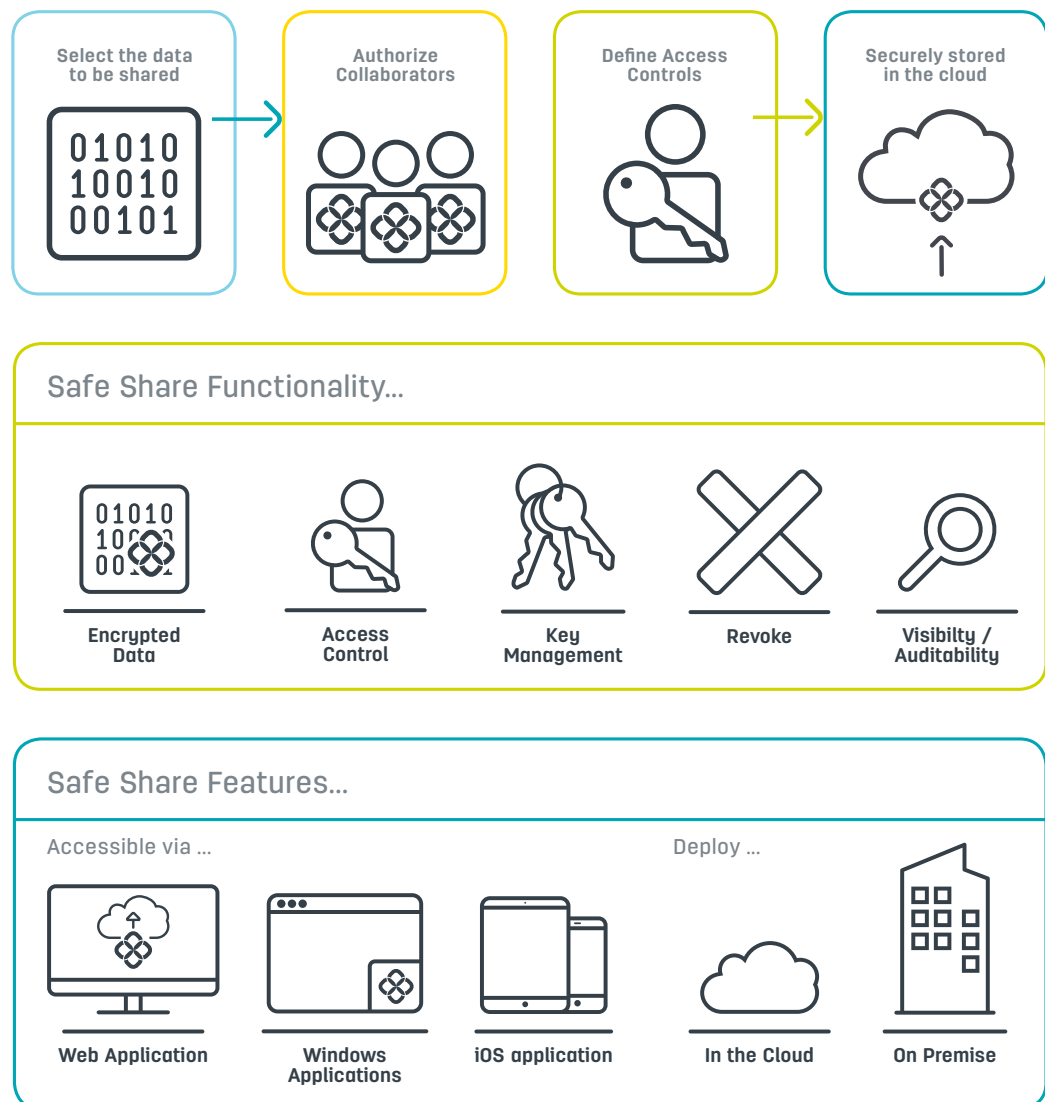


Figure 4: Safe Share Product Overview

Safe Share enables users to secure and share their sensitive information via a simple process:

1. Select / drag and drop any file type to be secured (Safe Share is agnostic to file type) where the file is immediately encrypted at its source with a unique key assigned only to that one file:
 - > The secured file is distributed to the designated secure data store remaining encrypted at rest.
2. User identifies the permitted recipients and assigns access control rules:
 - > Access is tied to positive authentication of the recipient and can be restricted to a date/time range, to view-only with disabled print, copy/paste capabilities.
 - > Once these rules are established the protected data can be securely shared via any network to any device.

All access activity against each file is verified against the Covata Platform to ensure positive authorisation and authentication and all these access transactions are monitored enabling complete auditability and visibility. This information is accessible and can be managed by the application administrators.

Administrators of Safe Share are able to:

- > grant / disable user access and change privileges of these users;
- > transfer ownership of files between users;
- > theme the application with enterprise branding;
- > create specific groups and labels to refine access controls;
- > revoke access to any user at the file level – effective in real time;
- > define user whitelist – restricting recipient access to specific domains / email addresses etc.; and
- > apply specific configuration settings to the system.

Safe Share can be accessed through a number of software platforms including:

- > Safe Share web application – allows access to Safe Share via web browser – zero footprint;
- > Safe Share for Windows – allows Safe Share to be embedded into the Windows file management system; and
- > Safe Share for iOS – allows access to Safe Share via Apple devices.

Cocoon intends to continue developing IT solutions utilising the Covata Platform as the market evolves and demand for more adaptable and data-centric IT security solutions increase. Selling a product with the ‘feature’ of an extensible unified Platform is compelling and a key element of future strategy and roadmap.

Safe Share is ultimately flexible and can be deployed within the enterprise to suit their specific needs. Two examples of Cocoon’s tailored solutions include:

- > Hybrid deployment – enabling the customer to host the access service on-premises – maintaining control over the keys and access controls, whilst leveraging the cost effectiveness and flexibility of the cloud to store the encrypted data. This service is managed by the customer with support being provided by Cocoon.
- > On-premises deployment – enabling the customer to host the platform on a private cloud and/or existing infrastructure. The customer then has full control over all aspects of the system within their domain. This service is managed by the customer with support being provided by Cocoon.

4.8 Sales and Distribution strategy

Cocoon's commercialisation strategy is focused on the following three channels:

1. entering into distribution agreements with global reseller partners and distributors;
2. direct sales to governments and enterprises; and
3. entering in to agreements with original equipment manufacturers (OEMs).

A summary of Cocoon's progress in relation to each of these channels is provided below.

4.8.1 Reseller partners and distributors

Cocoon has developed a strategy of utilising a network of trusted partners and distributors for specific geographic regions and/or client groups. Reselling IT solutions via this channel is a well-established model that opens up the technology to new clients by using the reseller's existing trusted relationships. This sales method also alleviates the necessity for a large number of sales staff attempting to introduce and sell a new product where Cocoon has no existing active services.

The reseller strategy is particularly effective for Cocoon's software solutions as the reseller can provide training, implementation and necessary integration services as and when required. This in turn further reduces corporate overheads and the resources required for implementation, increasing cost efficiencies and scalability.

Currently, Cocoon has reselling and product development agreements with three partners/distributors: NSC Global Services Limited ("NSC Global Services"), Verizon Australia and TPG Telecom.

NSC Global Services

In April 2014, Cocoon entered into an exclusive reseller agreement with NSC Global Services, an international systems integration and consulting company based in the United Kingdom. NSC Global Services will act as the exclusive reseller of Cocoon products in Europe, the Middle East and Africa. The exclusive reseller agreement extends for a five year period on condition that NSC Global Services is able to meet specific sales targets.

Further information is found in Section 10.1.5.

Verizon Australia

The existing agreement between Cocoon and Verizon Australia covers sales of Cocoon's product in Australia on a non-exclusive basis. In the past, these sales have been to the Australian Federal Government with Verizon Australia providing the implementation services.

Further information is found in Section 10.1.6.

TPG Telecom agreement

Cocoon has an existing agreement to develop a suite of four products for use or commercialisation by TPG in consideration for the initial financial investment TPG made in Cocoon. These products remain commercially sensitive prior to TPG releasing them to market.

Further information is found in Section 10.1.7.

4.8.2 Direct Sales

Cocoon will continue to sell the Covata Platform directly to certain customer segments such as government and defence agencies who require experienced personnel to ensure the technology meets all the detailed security requirements (technical and regulatory) of the agency.

Cocoon is active in the intelligence community and targets this sub-sector in addition to main-stream agency contracts.

Australian Government Agencies

Cocoon has a contract in place with a large Australian government agency based in Canberra.

The contract is for the provision of the Safe Share product to facilitate private-cloud enterprise file sharing. The delivery of this service to the client is through the aforementioned Verizon Australia agreement. The client also utilises the iOS Safe Share application to allow a limited number of executive level persons to access documents on tablet devices.

Cocoon is currently working with this Government agency to explore how the product can be publicly referenced and endorsed for wider Government adoption. Government policy towards handling sensitive information is not always aligned across agencies and thus software adoption is typically agency by agency, as opposed to whole of government deployments.

The Covata Platform could provide one cohesive solution that can be applied across multiple Government departments.

US Federal (Government and Defence) Agencies

Cocoon is currently actively pursuing United States Federal (Defence and Government) agency contracts and sales. Cocoon has established relationships with various strategically targeted contractors in the sector to generate additional sales to United States Federal agencies.

4.8.3 Original Equipment Manufacturers (OEMs)

OEM deals are often highly prized within the software industry as they provide scalability and potentially attractive margins.

An OEM client would 'embed' the Covata Platform or Product within their existing software ecosystem to sell bundled with the client product. The client then pays a revenue share split for every license sold. The aim for Cocoon is to select and execute OEM deal/s with clients that achieve large volume sales to increase distribution of the Covata technology beyond what could be achieved through resellers and direct sales channels.

Cocoon is currently in various stages of negotiations with a number of potential OEM providers and continues to progress discussions, which are preliminary in nature, incomplete and confidential. There is no guarantee that these discussions will result in any legal agreement being completed with any potential OEM provider.





5

Financial Information

5.1 Historical financial information

The Investigating Accountant's Report contained in Section 6 of this Prospectus sets out:

- > the unaudited Statement of Financial Position of PIM as at 30 June 2014;
- > the unaudited Statement of Financial Position of Cocoon as at 30 June 2014; and
- > the unaudited pro-forma Statement Financial Position of PIM (after completion of the Transaction) as at 30 June 2014.

Investors are urged to read the Investigating Accountant's Report in full.

The full audited financial statements for Prime Minerals for its financial years ended 30 June 2011, 2012 and 2013 and half year ended 30 December 2013, which include the notes to the financial statements, can be found from the 'Investors & Media' section of PIM's website: www.primeminerals.com.au or PIM's ASX announcements platform on www.asx.com.au.

The full audited financial statements for the Cocoon Group for its financial years ended 30 June 2011, 2012 and 2013, which include the notes to the financial statements, can be provided by Cocoon's Secretary.

5.2 Forecast financial information

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of PIM and Cocoon are inherently uncertain. Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

5.3 Dividend Policy

It is anticipated, post completion of the Transaction, PIM will focus on the development and commercialisation of the Covata Platform. PIM does not expect to declare any dividends during this period.

Any future determination as to the payment of dividends by PIM will be at the discretion of the Board and will depend on the availability of distributable earnings and operating results and financial condition of PIM, future capital requirements and general business and other factors considered relevant by the Board. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by PIM.



6

Investigating Accountant's Report



RSM Bird Cameron Corporate Pty Ltd
8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9102
www.rsmi.com.au

Direct: 08 9261 9447
Email: andy.gilmour@rsmi.com.au

AJG/SB
20 September 2014

The Directors
Prime Minerals Limited
1st Floor, 8 Parliament Place
West Perth WA 6005

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report ("Report") on Prime Minerals Limited's historical and pro forma historical financial information

1. Introduction

We have been engaged by Prime Minerals Limited ("PIM" or "Company") to report on the historical financial information and pro forma historical financial information of PIM as at and for the years ended 30 June 2014, 30 June 2013 and 30 June 2012 for inclusion in the prospectus ("Prospectus") of PIM, pursuant to which the Company is offering between 12,500,000 and 75,000,000 ordinary PIM shares at an issue price of \$0.20 per share to raise between \$2,500,000 and \$15,000,000 ("Capital Raising") dated on or about 20 September 2014.

Expressions and terms defined in the Prospectus have the same meaning in this Report.

2. Background

PIM is an ASX listed company. On 20 May 2014 PIM announced that it had entered into a Binding Heads of Agreement to acquire 100% of the issued share capital of Cocoon Data Holdings Limited ("Cocoon") ("Acquisition"). The Acquisition was subsequently approved by PIM shareholders at the General Meeting held on 23 September 2014. In consideration for the Acquisition, PIM will issue to the shareholders of Cocoon up to 250,000,000 ordinary PIM shares and 36,408,365 performance PIM shares ("Takeover Offer") in the following tranches.

- 250,000,000 fully paid ordinary shares at settlement ("Shares");
- 36,408,365 performance shares ("Performance Shares") to be issued at the same time as all other Consideration under the Takeover Offer. The Performance Shares will convert into ordinary PIM shares upon satisfaction of any one of the following milestones:
 - Cocoon receives annualised revenue over three consecutive calendar months equivalent to at least \$20,000,000 on an annual basis, and such revenue is confirmed by the signed attestation of

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Major Offices in:
Perth, Sydney,
Melbourne, Adelaide,
Canberra and Brisbane

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the Directors of RSM Bird Cameron. RSM Bird Cameron is a member of the RSM network. Each member of the RSM network is an independent accounting and advisory firm which practises in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.



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a registered company auditor, or such revenue is properly included in Cocoon's audited financial statements;

- deployment on a revenue generating basis of Cocoon'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
- deployment of Cocoon'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; or
 - (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

3. Scope

Historical financial information

You have requested RSM Bird Cameron Corporate Pty Ltd to review the following historical financial information of PIM ("the responsible party") and Cocoon included in the Prospectus at the Appendix to this Report:

- the Statements of Comprehensive Income for the years ended 30 June 2012, 30 June 2013 and 30 June 2014 of both PIM and Cocoon; and
- the Statements of Financial Position as at 30 June 2014 of both PIM and Cocoon.

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and PIM's and Cocoon's adopted accounting policies. The historical financial information has been extracted from:

- the financial report of PIM for the years ended 30 June 2012 and 30 June 2013, which were audited by HLB Mann Judd, in accordance with the Australian Auditing Standards, and 30 June 2014 unaudited management accounts of PIM. HLB Mann Judd issued unqualified audit opinions in each of the 30 June 2012 and 30 June 2013 financial reports; and
- the financial report of Cocoon for the years ended 30 June 2012 and 30 June 2013, which were audited by KPMG, in accordance with the Australian Auditing Standards, and the 30 June 2014 unaudited management accounts of Cocoon. KPMG issued an unqualified audit opinion on each of the 30 June 2012 and 30 June 2013 financial reports. Each audit report included an emphasis of matter in respect of material uncertainty regarding Cocoon's ability to continue as a going concern and the consequential need for Cocoon to seek additional funding.

The historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro forma historical financial information

You have requested RSM Bird Cameron Corporate Pty Ltd to review the pro forma historical Statement of Financial Position as at 30 June 2014 referred to as "the pro forma historical financial information".

The pro forma historical financial information has been derived from the historical financial information of PIM and Cocoon, after adjusting for the effects of pro forma adjustments described in Note 1 of the Appendix of this Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the



pro forma adjustments relate, as described in Note 1 of the Appendix of this Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the Company's actual or prospective financial position or financial performance, and/or cash flows.

4. Directors' responsibility

The Directors of PIM and Cocoon are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

5. Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making such enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. Our procedures included:

- a consistency check of the application of the stated basis of preparation, to the historical and pro forma historical financial information;
- a review of PIM's and Cocoon's work papers, accounting records and other documents;
- enquiry of directors, management personnel and advisors;
- consideration of the pro forma adjustments described in Note 1 of the Appendix of this Report and the Prospectus; and
- the performance of analytical procedures applied to the historical and pro forma historical financial information.

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 reasonable 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.

6. Conclusions

Historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in the Appendix to this Report, and comprising:

- the Statements of Financial Performance for the years ended 30 June 2012, 30 June 2013 and 30 June 2014 of both PIM and Cocoon; and
- the Statements of Financial Position as at 30 June 2014 of both PIM and Cocoon.

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Note 1 of the Appendix to this Report.



Pro Forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information, as described in the Appendix to this Report, and comprising the Statements of Financial Position as at 30 June 2014 of both PIM and Cocoon are not presented fairly in all material respects, in accordance with the stated basis of preparation, as described in Section 3 of this Report.

7. Restriction on Use

Without modifying our conclusions, we draw attention to the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

8. Responsibility

RSM Bird Cameron Corporate Pty Ltd has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included. RSM Bird Cameron Corporate Pty Ltd has not authorised the issue of the Prospectus. Accordingly, RSM Bird Cameron Corporate Pty Ltd makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Prospectus.

9. Disclosure of Interest

RSM Bird Cameron Corporate Pty Ltd does not have any interest in the outcome of the Capital Raising or Acquisition other than the preparation of this Report for which normal professional fees will be received.

Yours faithfully

A J GILMOUR
Director

Appendix A – Historical and pro forma financial information

PRIME MINERALS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	PIM Audited 30-Jun-12 \$	Cocoon Audited 30-Jun-12 \$	Pro-forma Unaudited 30-Jun-12 \$
Income	108,028	1,661,960	1,769,988
Administration	(203,694)	(276,225)	(479,919)
Communication	-	(253,504)	(253,504)
Consultants	-	(5,831,592)	(5,831,592)
Depreciation and amortisation	(1,004)	(165,462)	(166,466)
Employee benefits	-	(3,393,501)	(3,393,501)
Foreign currency exchange expense	-	(28,292)	(28,292)
Marketing and promotion	-	(203,461)	(203,461)
Travel and accommodation	-	(493,968)	(493,968)
Professional fees	(383,967)	(1,046,550)	(1,430,517)
Other expenses	(20,921)	(954,128)	(975,049)
Research and development costs	-	(143,790)	(143,790)
Total expenses	(609,586)	(12,790,473)	(13,400,059)
Income tax	-	-	-
Loss for the period	(501,558)	(11,128,513)	(11,630,071)
Other comprehensive income	(29,014)	11,308	(17,706)
Total comprehensive loss for the period	(530,572)	(11,117,205)	(11,647,777)

Appendix A – Historical and pro forma financial information

PRIME MINERALS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	PIM Audited 30-Jun-13 \$	Cocoon Audited 30-Jun-13 \$	Pro-forma Unaudited 30-Jun-13 \$
Income	136,125	2,766,154	2,902,279
Administration	(227,316)	(503,248)	(730,564)
Communication	-	(197,746)	(197,746)
Consultants	(3,135)	(412,008)	(415,143)
Depreciation and amortisation	(854)	(386,936)	(387,790)
Employee benefits	-	(7,964,882)	(7,964,882)
Exploration costs written off	(2,540)	-	(2,540)
Foreign currency exchange expense	-	(579)	(579)
Marketing and promotion	-	(45,141)	(45,141)
Travel and accommodation	-	(207,340)	(207,340)
Professional fees	(346,679)	(384,819)	(731,498)
Other expenses	(43,601)	(966,123)	(1,009,724)
Research and development costs	-	(84,408)	(84,408)
Total expenses	(624,125)	(11,153,230)	(11,777,355)
Income tax	-	-	-
Loss for the period	(488,000)	(8,387,076)	(8,875,076)
Other comprehensive income	-	10,730	10,730
Total comprehensive loss for the period	(488,000)	(8,376,346)	(8,864,346)

Appendix A – Historical and pro forma financial information

PRIME MINERALS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	PIM Unaudited 30-Jun-14 \$	Cocoon Unaudited 30-Jun-14 \$	Pro-forma Unaudited 30-Jun-14 \$
Income	100,162	3,049,516	3,149,678
Administration	(219,218)	(586,897)	(806,115)
Communication	-	(187,897)	(187,897)
Consultants	(17,155)	(264,321)	(281,476)
Depreciation and amortisation	-	(319,803)	(319,803)
Employee benefits	(5,087)	(7,741,087)	(7,746,174)
Exploration costs written off	(2,762)	-	(2,762)
Foreign currency exchange expense	-	(317)	(317)
Marketing and promotion	-	(283,109)	(283,109)
Travel and accommodation	-	(284,448)	(284,448)
Professional fees	(546,371)	(497,841)	(1,044,212)
Other expenses	(76,019)	(228,824)	(304,843)
Research and development costs	-	(20,103)	(20,103)
Total expenses	(866,613)	(10,414,647)	(11,281,260)
Income tax	-	-	-
Loss for the period	(766,451)	(7,365,131)	(8,131,582)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	(766,451)	(7,365,131)	(8,131,582)

Appendix A – Historical and pro forma financial information

PRIME MINERALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	Unaudited PIM 30-Jun-14 \$	Unaudited Cocoon 30-Jun-14 \$	Subsequent events 30-Jun-14 \$	Pro forma adjustments 30-Jun-14 \$	Pro forma unaudited 30-Jun-14 \$
CURRENT ASSETS						
Cash and cash equivalents	2	2,462,627	2,158,047	-	13,390,000	18,010,674
Trade and other receivables	3	17,237	2,712,611	-	-	2,729,848
Other assets		9,654	38,745	-	-	48,399
Total current assets		2,489,518	4,909,403	-	13,390,000	20,788,921
NON-CURRENT ASSETS						
Property, plant & equipment		-	177,969	-	-	177,969
Other non-current assets		46,470	160,480	-	(46,470)	160,480
Total non-current assets		46,470	338,449	-	(46,470)	338,449
Total assets		2,535,988	5,247,852	-	13,343,530	21,127,370
CURRENT LIABILITIES						
Trade and other payables	4	204,292	3,018,380	-	-	3,222,672
Employee benefits		-	133,035	-	-	133,035
Total current liabilities		204,292	3,151,415	-	-	3,355,707
NON-CURRENT LIABILITIES						
Loans and borrowings	5	-	12,449,151	(9,949,151)	(2,500,000)	-
Total non-current liabilities		-	12,449,151	(9,949,151)	(2,500,000)	-
Total liabilities		204,292	15,600,566	(9,949,151)	(2,500,000)	3,355,707
NET ASSETS		2,331,696	(10,352,714)	9,949,151	15,843,530	17,771,663
EQUITY						
Share capital	7	5,759,863	14,776,983	9,287,082	19,329,036	49,152,964
Reserves		-	9,473,695	-	-	9,473,695
Accumulated losses	8	(3,428,167)	(34,603,392)	662,069	(3,485,506)	(40,854,996)
Total equity		2,331,696	(10,352,714)	9,949,151	15,843,530	17,771,663

The unaudited consolidated pro forma statement of financial position represents the unaudited statement of financial position of the Company as at 30 June 2014 adjusted for the subsequent events and pro-forma transactions outlined in Note 1 of this Appendix. It should be read in conjunction with the notes to the historical and pro forma financial information.

Appendix A – Historical and pro forma financial information

PRIME MINERALS LIMITED NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION AS AT 30 JUNE 2014

1. Introduction

The financial information set out in this Appendix consists of the Statement of Financial Position as at 30 June 2014 and the Statements of Comprehensive Income for the years ended 30 June 2012, 30 June 2013 and 30 June 2014, of Prime Minerals Limited ("the historical financial information") together with a Pro Forma Consolidated Statement of Financial Position and Pro Forma Consolidated Statements of Comprehensive income reflecting the Directors' pro forma adjustments ("the Pro Forma Consolidated Financial Information").

The Pro Forma Consolidated Financial information has been compiled by adjusting the Consolidated Statement of Financial Position and Consolidated Statements of Comprehensive Income of the Company as at 30 June 2014 for the impact of the following subsequent events:

Adjustments adopted in compiling the pro forma historical financial information

The pro forma historical statement of financial position as at 30 June 2014 has been prepared by adjusting the unaudited statement of financial position of PIM as at 30 June 2014 and the unaudited statement of financial position of Cocoon as at 30 June 2014, to reflect the financial effects of the following subsequent events which have occurred in the period since 30 June 2014 and the date of this Report:

- Convertible notes with a face value of \$2,500,000 issued by Cocoon in June 2014 incur interest at 2% per month over four months until conversion to ordinary PIM shares on completion of the Capital Raising;
- Fair value reduction in convertible notes liability of \$662,069.
- Convertible notes issued by Cocoon were converted into 116,777,777 ordinary shares of Cocoon, reducing the liability by \$9,949,151;

and the following pro forma transactions which are yet to occur, but are proposed to occur following completion of the Acquisition and the Capital Raising.

- The consolidation of PIM's ordinary shares on a ratio of 10:1;
- The remaining convertible notes, together with interest incurred, being converted into PIM Shares upon successful completion of the Takeover Offer at a deemed issue price of \$0.20 per PIM Share;
- The acquisition of 100% of the issued capital of Cocoon through the issue of 250,000,000 post-consolidation ordinary fully paid PIM shares and 36,408,365 Performance Shares;
- The payment of \$250,000 of costs related to the Takeover Offer;
- The issue of up to 10,000,000 post-consolidation ordinary PIM Shares to CPS Capital Group Pty Ltd (or its nominees) ("CPS") in consideration for CPS and its nominees introducing the merger to the Company and assisting with its implementation;
- The issue of the maximum 75,000,000 post-consolidation ordinary PIM shares at \$0.20 each, to raise \$15,000,000 pursuant to the Prospectus;
- The payment of \$1,360,000 of costs related to the execution of the Takeover Offer out of the net proceeds of the Capital Raising; and
- Reverse acquisition accounting entries to reflect the Takeover Offer.

The Pro Forma Consolidated Financial Information has been presented in abbreviated form and does not contain all the disclosures usually provided in an Annual Report prepared in accordance with the *Corporations Act 2001*.

Appendix A – Historical and pro forma financial information

PRIME MINERALS LIMITED NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION AS AT 30 JUNE 2014

Basis of Preparation

(a) Statement of compliance

The historical financial information has been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards (AASBs), adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The significant accounting policies that have been adopted in the preparation and presentation of the Pro forma Consolidated Financial Information are:

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified at *fair value through profit or loss*, which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(e) Going concern

The historical and pro forma financial information has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

(f) Reverse acquisition accounting

The proposed acquisition of Cocoon (the legal subsidiary) by PIM (the legal parent) is deemed to be a reverse acquisition, since the substance of the transaction is such that the existing shareholders of Cocoon will obtain control of PIM.

AASB 3 *Business Combinations* (AASB 3) sets out the accounting principles to be followed in a reverse acquisition transaction. However, the Directors have concluded that PIM does not meet the definition of a business as prescribed in AASB 3 and, as such, it has been deemed that the Acquisition cannot be accounted for in accordance with the guidance set out in AASB 3.

Therefore, consistent with the accepted practice for transactions similar in nature to the Acquisition, the Company has accounted for the Acquisition in the consolidated financial statements of the legal acquirer (PIM) as a continuation of the financial statements of the legal acquiree (Cocoon), together with a share based payment measured in accordance with AASB 2 *Share Based Payments* (AASB 2), which represents a deemed issue of shares by the legal acquiree (Cocoon), equivalent to the current shareholders interest in PIM post the Acquisition. The excess of the assessed value of the share based payment over the pro forma net assets of PIM as at 30 June 2014 has been expensed to the income statement as a listing fee.

Appendix A – Historical and pro forma financial information

PRIME MINERALS LIMITED NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION AS AT 30 JUNE 2014

Further disclosure on the adopted accounting treatment for the Acquisition is set out at Note 6.

(g) Principals of consolidation

The historical and pro forma financial information incorporates the assets and liabilities of all subsidiaries of PIM ("company" or "parent entity") and Cocoon as at 30 June 2014.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(h) Revenue recognition

(iv) Services

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and discounts. Revenue is derived from various products and services which are accounted for differently. The method used is selected on the basis of that which best represents the nature of the contract.

Revenue from licence sales of software products is recognised when all of the risks and rewards have been transferred to the customer, usually only after the delivery, installation and client acceptance of the products.

Revenue derived from support activities is recognised on a straight-line basis over the support period.

Revenue relating to a contractual arrangement to develop customised software is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

Revenue derived through licensing agreements is recognised on a straight-line basis over the licensing period.

(v) Government grants

An unconditional government grant is recognised in profit or loss as other income when there is reasonable assurance that the grant will be received and the Group will comply with the conditions associated with the grant.

Appendix A – Historical and pro forma financial information

PRIME MINERALS LIMITED NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION AS AT 30 JUNE 2014

(vi) *Interest income*

Interest income is recognised using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(i) **Research and development costs**

Research costs are recognised as an expense when incurred. Development costs are recognised as an expense when incurred, except to the extent that such costs, together with unamortised deferred costs in relation to that project are expected, beyond any reasonable doubt, to be recoverable.

Any deferred development costs are amortised over the period in which the corresponding benefits are expected to arise.

The unamortised balance of development costs deferred in previous periods is reviewed regularly and at each reporting date, to ensure the criterion for deferral continues to be met. Where such costs are no longer considered recoverable, they are written-off as expenses in profit or loss.

Government grants received or receivable in relation to development costs, which are deferred, are deducted from the carrying amount. Grants and income tax offsets received or receivable in relation to research and development costs that are recognised as an expense during the current or previous periods, to the extent they are eligible for income tax purposes, are recognised as revenue.

(j) **Share-based payment transactions**

The Company provides benefits to employees and other parties in the form of share based payments, whereby the employees and parties provide services in exchange for shares and other securities in the Company. The cost of the equity settled share based payment transactions is determined by reference to the fair value of the equity instruments granted assessed in accordance with AASB 2 *Share Based Payments*.

The fair value of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance/ and or service conditions are fulfilled (vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) The grant date fair value;
- (ii) The extent to which the vesting period has expired; and
- (iii) The number of equity instruments that, in the opinion of the Directors of the Company, will ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for equity instruments that do not ultimately vest, except for equity instruments where vesting is conditional upon a market condition.

Appendix A – Historical and pro forma financial information

PRIME MINERALS LIMITED NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION AS AT 30 JUNE 2014

(k) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax expenses are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Tax consolidation

Current tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand-alone taxpayer' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The head entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(l) Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Appendix A – Historical and pro forma financial information**PRIME MINERALS LIMITED
NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION
AS AT 30 JUNE 2014****(i) Trade and other receivables**

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(ii) Non-derivative financial liabilities

Fair value is measured at initial recognition and, for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(iii) Share-based payments

The fair value of equity settled share based payment transactions is determined with reference to recent share issues for cash consideration in arm's length transactions.

The fair value of employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instrument (based on historic experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Appendix A – Historical and pro forma financial information

PRIME MINERALS LIMITED
NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION
AS AT 30 JUNE 2014

2. Cash and cash equivalents

	Unaudited 30-Jun-14 \$	Unaudited Pro-forma 30-Jun-14 \$
Cash and cash equivalents	2,158,047	18,010,674
Cocoon cash and cash equivalents as at 30 June 2014		2,158,047
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>		
Prime cash and cash equivalents as at 30 June 2014		2,462,627
Cash costs associated with the Takeover Offer		(250,000)
Proceeds from the issue of fully paid ordinary shares in Prime pursuant to the Prospectus		15,000,000
Capital raising costs		(1,360,000)
		15,852,627
Pro-forma cash and cash equivalents		18,010,674

The Prospectus has provision for subscriptions of between 12,500,000 and 75,000,000 shares to raise between \$2.5 million and \$15 million wherein the pro forma statement of financial position assumes the maximum \$15 million is raised. Should the minimum \$2.5 million be raised, the share issue costs would decrease to \$610,000, the cash at bank balance would decrease by \$11,750,000 to \$6,260,674.

3. Trade and other receivables

	Unaudited 30-Jun-14 \$	Unaudited Pro-forma 30-Jun-14 \$
Trade and other receivables	2,712,611	2,729,848
Cocoon receivables as at 30 June 2014		2,712,611
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>		
Prime receivables as at 30 June 2014		17,237
Pro-forma trade and other receivables		2,729,848

Appendix A – Historical and pro forma financial information

PRIME MINERALS LIMITED
NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION
AS AT 30 JUNE 2014

4. Trade and other payables

	Unaudited 30-Jun-14 \$	Unaudited Pro-forma 30-Jun-14 \$
Trade and other payables	3,018,380	3,222,672
Cocoon payables as at 30 June 2014		3,018,380
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>		
Prime payables as at 30 June 2014		204,292
Pro-forma trade and other payables		<u>3,222,672</u>

5. Interest bearing borrowings

	Unaudited 30-Jun-14 \$	Unaudited Pro-forma 30-Jun-14 \$
Interest bearing loans and borrowings	12,449,151	-
Cocoon borrowings as at 30 June 2014		12,449,151
<i>Subsequent events are summarised as follows:</i>		
Fair value movement on Existing Convertible Notes		(662,069)
Conversion of Existing Convertible Notes to Cocoon shares		<u>(9,287,082)</u>
		(9,949,151)
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>		
Conversion of the New Convertible Notes into PIM shares pursuant to the Takeover Offer		(2,500,000)
Pro-forma interest bearing loans		<u>-</u>

Appendix A – Historical and pro forma financial information

PRIME MINERALS LIMITED NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION AS AT 30 JUNE 2014

6. Reverse acquisition

The proposed acquisition of Cocoon (the legal subsidiary) by PIM (the legal parent) is deemed to be a reverse acquisition as the substance of the transaction is such that the existing shareholders of Cocoon will obtain control of PIM. However, PIM is not considered to meet the definition of a business under AASB 3 *Business Combinations* (AASB 3) and, as such, it has been concluded that the Takeover Offer cannot be accounted for in accordance with the guidance set out in AASB 3. Therefore, consistent with the accepted practice for transactions similar in nature to the Takeover Offer, we have accounted for the acquisition in the consolidated financial statements of the legal acquirer (PIM) as a continuation of the financial statements of the legal acquiree (Cocoon), together with a share based payment measured in accordance with AASB 2 *Share Based Payments* (AASB 2), which represents a deemed issue of shares by the legal acquiree (Cocoon), equivalent to current shareholders interest in PIM post the acquisition. The excess of the assessed value of the share based payment over the net assets of PIM has been expensed to the income statement as a listing fee.

PIM (legal parent, accounting acquiree) will issue 250,000,000 ordinary shares and 36,408,365 Performance Shares to Cocoon's shareholders who, as a result, will own approximately 88.1%¹ of the combined entity at settlement of the Acquisition prior to the Capital Raising. The remaining 11.9% will be owned by the current shareholders of PIM.

As there is no current market for Cocoon shares, the fair value of 100% of PIM is assessed as \$6,748,899 based on 33,744,495 post-consolidation PIM shares on issue at 20 cents each immediately prior to the acquisition.

Consequently, a listing expense of \$4,463,673 has been expensed to the income statement which represents the excess of the deemed fair value of the share based payment less the pro forma net assets of PIM of \$2,285,226 as at 30 June 2014, immediately prior to settlement of the acquisition, as set out below.

	Unaudited Pro-forma 30-Jun-14 \$
Cash and cash equivalents	2,462,627
Trade and other receivables	17,237
Other assets	9,654
Trade and other payables	<u>(204,292)</u>
Net assets of PIM acquired on reverse acquisition	2,285,226
Assessed fair value of asset acquired:	
- Post-consolidation PIM shares on issue	33,744,495
- Post-consolidation PIM value per share under the Prospectus	<u>\$ 0.200</u>
Deemed fair value of share-based payment, assessed in accordance with AASB 2	6,748,899
Pro-forma listing expense recognised on reverse acquisition	<u><u>4,463,673</u></u>

¹ Calculations do not reflect the impact of the 36,408,365 Performance Shares (Deferred Consideration)

Appendix A – Historical and pro forma financial information

**PRIME MINERALS LIMITED
NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION
AS AT 30 JUNE 2014**

7. Contributed equity

(a) Issued and fully paid up capital	Note	Number of shares	\$
Cocoon issued share capital as at 30 June 2014		265,100,041	14,776,983
<i>Subsequent events are summarised as follows:</i>			
Conversion of Existing Convertible Notes to Cocoon shares		116,777,777	9,287,082
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:</i>			
Elimination of the issued share capital of Cocoon on reverse acquisition		(381,877,818)	-
Existing post-consolidation PIM shares at Acquisition		33,744,495	-
Shares issued to Cocoon shareholders on reverse acquisition		250,000,000	6,748,899
Issue of PIM shares to advisors of PIM and Cocoon		10,000,000	2,000,000
Issue of PIM shares on settlement of New Convertible Notes		12,500,000	2,500,000
Issue of PIM shares for interest accrued on New Convertible Notes		1,000,000	200,000
Fully paid ordinary shares issued at \$0.20 pursuant to this Prospectus		75,000,000	15,000,000
Cash costs associated with the share issue pursuant to this Prospectus		-	(1,360,000)
		<u>117,144,454</u>	<u>34,375,981</u>
Pro-forma issued share capital		<u>382,244,495</u>	<u>49,152,964</u>

The Prospectus has provision for subscriptions of between 12,500,000 and 75,000,000 shares to raise between \$2.5 million and \$15 million wherein the pro forma statement of financial position assumes the maximum \$15 million is raised. Should the minimum \$2.5 million be raised, the share issue costs would decrease to \$610,000, the contributed equity balance would decrease by \$11,750,000 to \$35,402,964. The total number of shares on issue would be 319,744,495.

(b) Performance Shares

In addition to the 250,000,000 ordinary shares issued to the shareholders of Cocoon at settlement of the Acquisition, the Company will also issue 36,408,365 Deferred Consideration by way of Performance Shares. The Performance Shares will convert to ordinary PIM shares upon the achievement of certain performance milestones as follows:

- Cocoon receives annualised revenue over three consecutive calendar months equivalent to at least \$20,000,000 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;
- deployment on a revenue generating basis of Cocoon'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

Appendix A – Historical and pro forma financial information

PRIME MINERALS LIMITED NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION AS AT 30 JUNE 2014

(b) Performance Shares (cont.)

- deployment of Cocoon'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:

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

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

(f) 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.

(c) Options

Pursuant to the Takeover Offer completing, PIM intends to make offers of new options to Cocoon optionholders who have agreed to cancellation of their Cocoon options in accordance with the terms of the Bid Implementation Agreement. Accordingly, the pro forma options on issue are set out below.

Holder	Pro forma number of options on issue	Exercise price	Expiry Date
Cocoon Australian optionholders	3,525,000	AUD\$0.2933	09-Mar-16
Cocoon US optionholders	16,197,656	USD\$0.1467	30-Jun-19 [^]
Cocoon eligible employee options	15,000,000	AUD\$0.20	30-Jun-19 [^]

[^] Options will expire five years from the date of issue. The pro forma position assumes the options are issued on 30 June 2014.

8. Accumulated losses

	Unaudited 30-Jun-14 \$	Unaudited Pro-forma 30-Jun-14 \$
Accumulated losses	(34,603,392)	(40,854,996)
Cocoon accumulated losses as at 30 June 2014		(34,603,392)
<i>Subsequent events are summarised as follows:</i>		
Fair value movement on Existing Convertible Notes		662,069
<i>Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows</i>		
Interest accrued on \$2.5 million of convertible notes at 2% per month over four months		(200,000)
Cost of PIM shares issued to CPS		(2,000,000)
Listing fee recognised on reverse acquisition		(4,463,673)
Cash costs associated with the Takeover Offer		(250,000)
		(4,867,203)
Pro-forma accumulated losses		(40,854,996)

Appendix A – Historical and pro forma financial information

PRIME MINERALS LIMITED NOTES TO THE HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION AS AT 30 JUNE 2014

9. Related party disclosure

The Directors of PIM as at the date of this Report are Michael Scivolo, Robert Collins and Hersh Majteles. These Directors are to resign on the completion of the Acquisition and Capital Raising. The proposed Directors are Charles Archer, Trent Telford, Philip King, Phillip Dunkelberger and Joseph Miller. Directors' holdings of shares, directors' remuneration and other directors' interests are set out in Section 8.4 of the Prospectus.

10. Commitments and contingent liabilities

The combined entity has lease commitments as at 30 June 2014 as follows:

	Australia \$	USA US\$
Less than 12 months	315,542	142,020
Between 1 year and 3 years	665,751	12,160
Greater than 3 years	22,339	-
Total	1,003,632	154,180

The combined entity did not have any contingent liabilities at 30 June 2014.

11. Controlled entities

Consolidated Entities	Country of Incorporation	Pro-forma Interest held
Prime Minerals Limited	Australia	Parent
Cocoon Data Holdings Limited	Australia	100%
Cocoon Data Pty Limited	Australia	100%
Covata Australia Pty Limited	Australia	100%
Covata USA, Inc.	USA	100%
Fineloop Holdings Pty Ltd	Australia	100%



Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 ("RSM Bird Cameron Corporate Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
 - (a) basic deposit products;
 - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.



1.1. Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

1.2. From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.

1.3. When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

1.4. Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of this report.



Risk Factors

7.1 Introduction

The New Shares and New Options offered under this Prospectus are considered highly speculative. An investment in PIM is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for New Shares and New Options and to consult their professional advisers before deciding whether to apply for New Shares and New Options pursuant to this Prospectus.

This Section identifies circumstances that the Directors regard as the major risks associated with an investment in PIM and which may have a material adverse impact on the financial performance of PIM and the market price of the Shares if they were to arise.

- > The business, assets and operations of Cocoon are subject to certain risk factors that have the potential to influence the operating and financial performance of PIM in the future, if the Transaction is successfully completed (Section 7.1.1).
- > There are also additional risks associated with the contemplated Transaction, specifically in relation to the merged group, which may adversely impact the value of an investment in the New Shares and New Options of PIM (Section 7.1).
- > In addition, there are other general investment risks, many of which are largely beyond the control of PIM and its directors (Section 7.1.2).

The Board aims, and will aim, to manage these risks by carefully planning the Company's activities and implementing risk control measures. However, some of the risks identified below are highly unpredictable and the Company is limited to the extent to which they can effectively manage them.

The following risk factors are not intended to be an exhaustive list of the risk factors to which PIM is exposed. In addition, this Section has been prepared without taking into account applicants' individual financial objectives, financial situation and particular needs. Applicants should seek professional investment advice if they have any queries in relation to making an investment in PIM.

7.1.1 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 their existing products as a result of the core engines on which the Covata Platform is based becoming redundant or no longer being supported.

Cocoon seeks to mitigate 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.

Cocoon further manages this risk by ensuring that service level agreements with partners include mandatory upgrade paths. Cocoon then follows 'back to back' upgrades of the Covata Platform in development release cycles, therefore ensuring that any underlying technology is supported by Cocoon and pushed to the installed client/partner instance.

(b) Third Party Reliance Risk

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

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

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

Cocoon seeks to mitigate 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 primary 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 (Covata SDK) 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.

This risk is being mitigated by 'productising' parts of the Covata Platform into end-user products – for sale directly or indirectly. The first and leading product to come off the Covata Platform is Safe Share. This product is to be sold to partners/distributors and to direct clients. This allows the client to experience the Covata technology through the product whilst encouraging adoption of the Covata Platform for further integration in core systems and business processes.

(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.

Cocoon has historically had low levels of staff turnover in the development teams and has employee remuneration and benefits policies in place in order to maintain low staff turnover. 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 as a platform 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. Cocoon's Safe Share product operates within a more established market segment with file sharing solutions widely accepted including software service providers such as Box and DropBox. Cocoon is targeting corporates in this segment as the high growth segment.

(f) Competition Risk

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

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

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

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

(g) Certification lead times

Due to the lead times often involved in certification, rapid development of products may invalidate certain certifications. This leads to the risk of delay in purchases made 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 patent protection in some jurisdictions

The ability of Cocoon to obtain and sustain patents, maintain trade secret protection and operate without infringing proprietary rights of third parties will be an integral part of Cocoon'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 Cocoon or its partners.

In this regard, based on the perceived cost versus 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 Cocoon's patents will not necessarily be notified to Cocoon and, in any event, Cocoon 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 Cocoon commercially significant protection of its intellectual property.

(j) Funding Risk

In the event that PIM does not successfully raise the Maximum Subscription under this Prospectus (\$15 million), the Company may not be able to execute all of its proposed expansion and operational plans. In particular, the Company may need to significantly reduce planned expenditure on research and development, quality assurance, marketing and certification activities. This may significantly impact the Company's ability to achieve its goals and may in turn impede the financial condition and rate of growth of the Company. Refer to Section 9.3 for full details on proposed use of the funds raised under the Equity Offer.

7.1.2 General Risks Relating to the Transaction

(a) Reliance on Key Management

The responsibility of overseeing the day-to-day operations and the strategic management of PIM depends substantially on its senior management and directors. There can be no assurance that there will be no detrimental impact on the performance of PIM 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. Neither PIM or Cocoon, presently have “key person” insurance for any members of their management. This will be reviewed post Merger.

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

If the Transaction 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 Transaction may not intend to continue to hold those Shares and may wish to sell them on ASX (subject to any applicable escrow period). There is a risk that an increase in the amount of people wanting to sell Shares may adversely impact on the market price of the Company’s securities.

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

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

It is possible that 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 90% minimum acceptance condition, which is one of the Essential Bid Conditions). The existence of third party minority interests in Cocoon Shares may have an impact on the operations of Cocoon as Cocoon would not, in those circumstances, be a wholly owned subsidiary of Prime. However, this impact will depend upon the ultimate level of Prime ownership in Cocoon.

(d) Trading Price of Prime Shares

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

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

(e) Additional Requirements for Capital

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

(f) Litigation Risks

PIM is exposed to possible litigation risks including contractual disputes, occupational health and safety claims and employee claims. Further, PIM 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 PIM’s operations, financial performance and financial position. Neither Prime nor Cocoon is currently engaged in any litigation.

(g) Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on PIM'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

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

7.2 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by PIM or by investors in PIM. The above risk factors, and others not specifically referred to above, may materially affect the future financial performance of PIM and the value of the Securities offered under this Prospectus.

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities. PIM does not expect to declare any dividends during the first two years following completion of the Transaction (see further Section 5.3).

Potential investors should consider that the investment in PIM is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.





Key people, interests and benefits

8.1 Directors

As at the date of this Prospectus, the Board comprises of:

- > **Michael Scivolo** – Non-Executive Chairman;
- > **Robert Collins** – Non-Executive Director; and
- > **Sol Majteles** – Non-Executive Director.

Upon successful completion of the Transaction, the Board will be reconstituted.

The existing directors of PIM are to resign.

Resolutions for the election of the following nominees of Cocoon are to be voted upon by PIM shareholders at the General Meeting to be held on 23 September 2014:

- > **Mr Charles Archer** – Executive Chairman;
- > **Mr Trent Telford** – Executive Director and Chief Executive Officer; and
- > **Mr Philip King** – Non-Executive Director.

The resolutions are subject to and take effect upon successful completion of the Transaction.

In addition Cocoon has resolved that upon the above changes taking effect it will propose to the new Board that the following be appointed as directors of PIM to fill casual vacancies on the Board:

- > **Mr Philip Dunkelberger** – Non-Executive Director; and
- > **Mr Joseph Miller** – Non-Executive Director

The five individuals above (Proposed Directors) are currently directors of Cocoon.

The Proposed Directors bring with them significant experience in the information technology development sector. PIM's proposed Directors collectively bring substantial experience in the wider technology and cyber security sectors to the Company.

The profiles of each of the **Proposed Directors** are provided below:

Mr 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 Federal Bureau of Investigation 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 US 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.

Mr Trent Telford – Chief Executive Officer, Founder and Executive Director

Trent is an experienced company Director and CEO. He has held various ASX and private company directorships and management positions across a number of sectors including mining services, IT and biotechnology.

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, General Electric, American Express, National Australia Bank, Commonwealth Bank of Australia, Bankers Trust, Deutsche Bank, CentreLink, Australian Department of Defence and First Pacific Co. Hong Kong.

In 2001 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 Cocoon in October 2007 and acquired the concept of Secure Objects 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.

Mr Philip King – Non-Executive Director

Philip has been a senior executive in 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, data security and back office processing businesses.

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 and technology businesses. Philip has held senior management and consulting roles in some of the world's leading financial services institutions in the UK, Europe and South Africa. Before co-founding Asia Principal Capital Limited in Brunei and Singapore, Philip was CEO of an electronic payments business providing clearing and settlement solutions globally in selected verticals, notably travel. This is now a multi-billion dollar payment processing company and is considered to be one of the world's largest aggregators of travel payments. In 2010 he co-founded Asia Principal Capital in Australia. Philip has extensive company director experience and is currently Chairman of Licentia Group Limited and myPnPad Limited, UK based authentication software services businesses. He has extensive M&A, capital raising and strategic counsel experience. Philip holds a Bachelor (Honours) degree in Economics and Accounting and a Masters degree in Computing.

Mr Phillip 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 (Senior Vice President of Enterprise Security Strategy), Apple (Manager Federal Government Market) 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.

Mr 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, KaZaa, Multigig and Unicorn Media. 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 degree in Economics/ Business from University of California, Los Angeles (UCLA) and holds Series 7, Series 24 and Series 63 securities licenses.

8.2 Senior management team

Following successful completion of the Transaction, it is proposed that Trent Telford will be appointed as the Chief Executive Officer of PIM and Nick Chiarelli as the Chief Financial Officer of PIM and Company Secretary of PIM. Vic Winkler will be appointed as Chief Technology Officer.

Mr Trent Telford – Chief Executive Officer

Refer to Section 8.1

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.

Vic Winkler – Chief Technology Officer

Vic has over 30 years of experience in Information and Cyber Security, Cloud Security, Systems and Applications development, IT Operations, Testing and Management. He has a proven track record in developing business and marketing strategies in the broad area of information and cyber security, has written and presented numerous technical conference papers. Vic recently published "Securing the Cloud: Cloud Computer Security Techniques and Tactics" (Elsevier, May 2011), which has been broadly acclaimed and is currently used as the course text at numerous universities. In his career he has assembled and managed extraordinary teams of researchers, developers and engineers to develop and deliver security strategies, procedures, policies, operations standards, systems and custom solutions.

Prior to Covata, Vic served as Security Architect for Booz Allen Hamilton. Before that, Vic spent 14 years at Sun Microsystems serving in roles such as Chief Technologist for Security for Sun's Cloud Computing, SunGrid Offering, network solutions, and client offerings. Before joining Sun, Vic worked as a Principal Security Investigator for Litton PRC. Vic received a Computer Science degree from the University of Maryland.



8.3 Interests of advisers

Cocoon and PIM have engaged the following advisers in relation to the Offer:

- > Moelis Australia Advisory Pty Ltd has acted as Sole Lead Manager to the Equity Offer. PIM has agreed to pay \$175,000 under the Minimum Subscription and \$900,000 under the Maximum Subscription (exclusive of any disbursements and GST). During the 24 months preceding lodgement of this Prospectus with ASIC, Moelis Australia Advisory Pty Ltd has not received any fees from PIM for their services.
- > RSM Bird Cameron Corporate Pty Ltd have acted as Investigating Accountant of PIM and has prepared the Investigating Accountant's Report which is included in Section 6 of this Prospectus. PIM estimates it will pay RSM Bird Cameron Corporate Pty Ltd a total of \$20,000 (excluding GST) for these services. It is also anticipated that RSM Bird Cameron Corporate Pty Ltd will be paid a further \$30,000 in relation to due diligence and other services provided in relation to the Takeover Offer. During the 24 months preceding lodgement of this Prospectus with ASIC, RSM Bird Cameron Corporate Pty Ltd has not received any fees from PIM for their services.
- > Steinepreis Paganin has acted as the solicitors to PIM in relation to the Offer. PIM estimates it will pay Steinepreis Paganin \$100,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with ASIC, Steinepreis Paganin has received fees of \$248,000 (excluding GST) from PIM for legal services.
- > Quinert Rodda and Associates Pty Ltd has acted as the solicitors to Cocoon in relation to the Offer. Cocoon estimates it will pay Quinert Rodda and Associates \$55,000 (excluding GST and disbursements) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with ASIC, Quinert Rodda and Associates has received fees of approximately \$138,500 (excluding GST) from Cocoon for legal services.
- > Spruson & Ferguson has acted as the patent attorney for Cocoon in relation to preparing the Patent Report which is included Appendix 1 of this Prospectus. Cocoon estimates it will pay Spruson & Ferguson approximately \$1,700 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Spruson & Ferguson received fees of approximately \$42,500 (excluding GST) from Cocoon for their services.

8.4 Directors' interests and remuneration

8.4.1 Directors' interests in PIM

Directors are not required under PIM's Constitution to hold any Shares to be eligible to act as a director. Immediately prior to completion of the Transaction, the Directors are expected to have relevant interests in Shares and Options as set out in the table below (on a post Consolidation basis):

Director	Shares	Existing Options
Michael Scivolo	Nil	Nil
Robert Collins	Nil	Nil
Sol Majteles	Nil	Nil

Following the successful completion of the Transaction, the Directors and Proposed Directors will have relevant interests in Shares and Options as set out in the table below:

	PIM shares held prior to Transaction	Cocoon shares held prior to Transaction	PIM shares held at completion of Offer ²	New PIM Options held ³
Directors				
Michael Scivolo ¹	Nil	Nil	Nil	Nil
Robert Collins ¹	Nil	Nil	Nil	Nil
Sol Majteles ¹	Nil	Nil	Nil	Nil
Proposed Directors				
Charles Archer	Nil	Nil	Nil	5,306,250
Trent Telford	Nil	8,856,903	6,642,675	10,375,000
Phillip Dunkelberger	Nil	Nil	Nil	5,000,000
Philip King	Nil	3,146,969	2,360,226	Nil
Joseph Miller	Nil	Nil	Nil	Nil

Notes:

¹ It is proposed that Michael Scivolo, Robert Collins and Sol Majteles will resign as directors of PIM following successful completion of the Transaction.

² Assumes the vesting and allocation of Performance Shares as part of the Transaction as outlined in Section 2

³ The terms and conditions of the New Options are set out in Section 10.8 of this Prospectus.

The above table has been drafted on the basis of a number of assumptions that may or may not eventuate, including that the Proposed Directors are approved by Shareholders at the General Meeting on the terms set out in the Notice of Meeting. The actual Shareholdings of the parties on completion of the Transaction may vary.

8.4.2 Directors' remuneration

The proposed Executive Chairman of PIM, Charles Archer, will receive a total fixed salary of US\$320,000 per annum (excluding superannuation and social security benefits). Charles will also be eligible for short term cash incentives of up to 100% of the base salary, subject to Company performance and financial position, and the achievement of key deliverables to be set out by the Proposed Directors. The current employment contract may be terminated in writing by providing 30 days notice.

Post completion of the Transaction, the proposed Chief Executive Officer of PIM, Trent Telford, will receive a total base salary of US\$320,000 per annum (excluding superannuation and social

security benefits). He will be eligible for short term cash incentives of up to 100% of the base salary, subject to Company performance and financial position, and the achievement of key deliverables to be set by the Proposed Directors. The current employment contract is valid until August 2016 but may be terminated in writing by providing 3 months notice.

PIM's Constitution provides that the remuneration of Non-Executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The Constitution provides that the aggregate remuneration for Non-Executive Directors shall be no more than \$150,000.

The remuneration (including superannuation) of existing Directors for the past two financial years and for this financial year to 30 September 2014 is as per the table on the right.

Director	2013	2014	2015 YTD
Michael Scivolo	\$31,719	\$32,775	\$24,713
Robert Collins	\$25,833	\$25,000	\$17,250
Sol Majteles	\$27,250	\$27,312	\$17,844
Total	\$84,802	\$85,087	\$59,807

8.5 Management interests

	PIM shares held prior to Transaction	Cocoon shares held prior to Transaction	Covata Limited shares held at completion of Offer ¹	New Covata Limited Options held ²
Trent Telford	Nil	8,856,903	6,642,675	10,375,000
Nick Chiarelli	Nil	1,460,082	1,095,060	Nil
Vic Winkler	Nil	Nil	Nil	7,125,000

Notes:

¹ Assumes the vesting and allocation of Performance Shares as part of the Transaction as outlined in Section 2

² The terms and conditions of the New Options are set out in Section 10.8 of this Prospectus.

8.6 Deeds of indemnity, insurance and access

PIM has entered into a deed of indemnity, insurance and access with each of its Directors and will enter into deeds of indemnity, insurance and access on the same terms with each of the Proposed Directors and Company Secretary upon their appointment. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against

any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect Board papers in certain circumstances.

The Company anticipates entering into Deeds of Release with each of the existing directors on customary terms at the time of handover to the Proposed Directors.

8.7 Corporate Governance

8.7.1 ASX Corporate Governance Council Principles and Recommendations

PIM has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with PIM's needs.

The Board seeks, where appropriate, to provide accountability levels that meet or exceed the ASX Corporate Governance Council's Principles and Recommendations. Section 8.7 contains a table setting out information in respect of PIM's compliance with The Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council on 27 March 2014 (**Recommendations**). The Recommendations replace and update the prior version of the corporate governance recommendations published by the ASX Corporate Governance Council. The Company anticipates that its corporate governance policies will be reviewed and amended following completion of the Transaction to take into account changes to the Company's activities and Board structure. Its corporate governance policies would also be reviewed and where necessary updated and amended to address the revised Recommendations at the same time.

Details on PIM's corporate governance procedures, policies and practices can be obtained from the Company website at www.primeminerals.com.au.

Board of Directors

- > The Board is responsible for corporate governance of the Company. The Board is responsible for the following matters:
- > ensuring the Company's conduct and activities are ethical and carried out for the benefit of its stakeholders;
- > development of corporate strategy, implementation of business plans and performance objectives;
- > reviewing, ratifying and monitoring systems of risk management, codes of conduct, internal control systems and legal and regulatory compliance;

- > the appointment of the Company's Corporate Manager, Chief Executive Officer (or equivalent), Chief Financial Officer, Company Secretary and other senior executives;
- > monitoring senior executives' performance and implementation of strategy;
- > determining appropriate remuneration policies;
- > allocating resources and ensuring appropriate resources are available to management;
- > approving and monitoring the annual budget, progress of major capital expenditure, capital management and acquisitions and divestitures; and
- > approving and monitoring financial and other reporting.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

The Company believes it is not of a size to justify having a nomination committee. If any vacancies arise on the Board, all Directors will be involved in the search and recruitment of a replacement. The Board believes corporate performance is enhanced when it has an appropriate mix of skills and experience. Any director appointed during the year to fill a casual vacancy or as an addition to the current Board, holds office until the next annual general meeting and is then eligible for re-election by the shareholders.

It is proposed that Mr Charles Archer will be appointed as the chair of the Committee, if the Transaction is successfully completed.

Identification and management of risk

The Company believes it is not of a size to justify having a separate audit and risk management committee. The Company's corporate manager is responsible for overseeing the risk management function. The corporate manager reports to the Board on an annual basis regarding the design, implementation and progress of the risk management policies and internal control systems. Upon completion of the Transaction, the corporate manager's engagement by the Company will terminate and the entire Board (being the Proposed Directors) will take over the role of the corporate manager.

Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

Remuneration arrangements

The total maximum remuneration of Non-Executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director.

The aggregate remuneration for Non-Executive Directors is set at \$150,000 per annum.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director).

The policy generally provides that written notification to the Company Secretary must be obtained prior to trading.

External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Audit committee

The Company believes it is not of a size to justify having a separate audit and risk management committee. All Directors share responsibility for ensuring the integrity of the Company's financial reporting and appropriate Board processes must be implemented to perform the following audit functions:

- (a) reviewing the overall conduct of the external audit process, including the independence of all parties to the process;
- (b) reviewing the performance of external auditors;
- (c) considering the reappointment and proposed fees of the external auditor;
- (d) where appropriate, seeking tenders for the audit and where a change of external auditor is recommended, arrange submissions to the Shareholders for Shareholder approval;
- (e) reviewing the quality and accuracy of all published reports; and
- (f) reviewing the accounting function and ongoing application of appropriate accounting and business policies and procedures.

Diversity Policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

8.8 Departures from Recommendations

Following re-admission to the Official List of ASX, PIM will be required to report any departures from the Recommendations in its annual financial report. The Company's corporate governance statement is set out below.

Principles and recommendations	Comply (yes/no)	Explanation
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the Board, the chair and management; and includes a description of those matters expressly reserved to the Board and those delegated to management.	YES	<p>The Company has adopted a Corporate Governance Charter.</p> <p>The Corporate Governance Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Director's access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.</p> <p>A copy of the Company's Corporate Governance Charter is available on the Company's website.</p>
Recommendation 1.2 A listed entity should: <ul style="list-style-type: none"> > undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and > provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. 	YES	<p>The Company's Corporate Governance Charter has detailed guidelines for the appointment and selection of the Board which requires the undertaking of appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director.</p> <p>Whilst at this stage it is not practical for the Company to establish a Nomination Committee due to the nature of the Company's current and proposed business structure, financial capacity and objectives, all Directors will be involved in the search and recruitment for new or replacement members of the Board. This process would include undertaking appropriate checks before appointing a person, or putting forward to security holders a person for election, as a director and the Company will look to amend its Corporate Governance Charter to explicitly note this.</p> <p>All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in a Notice of Meeting pursuant to which resolutions to elect or re-elect a Director will be voted on.</p>
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	PARTIALLY	<p>All incoming Directors and senior executives will have written agreements with the Company which set out the terms of that Director's appointment.</p> <p>Please see Recommendation 1.2 in relation to the establishment of a Nomination Committee.</p>

Principles and recommendations	Comply (yes/no)	Explanation
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.	YES	The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board.
Recommendation 1.5 A listed entity should: <ul style="list-style-type: none"> > have a diversity policy which includes requirements for the Board: <ul style="list-style-type: none"> – to set measurable objectives for achieving gender diversity; and – to assess annually both the objectives and the entity's progress in achieving them; > disclose that policy or a summary of it; and > disclose as at the end of each reporting period: <ul style="list-style-type: none"> – the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them; and – either: <ul style="list-style-type: none"> (a) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (b) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012. 	PARTIALLY	<ul style="list-style-type: none"> > The Company has adopted policies on diversity which are contained in the Corporate Governance Charter. > Whilst the Company's policies on diversity provide a framework for the Company to achieve a list of measurable objectives that encompass gender equality, it does not propose to establish measurable gender diversity objectives in the foreseeable future as: <ul style="list-style-type: none"> – the Company's senior management team are extremely experienced and stable and we do not intend to make changes in the coming year; and – the Company is strongly committed to making all selection decisions on the basis of merit and the setting of specific objectives for the quantum of males/females at any level would potentially influence decision making to the detriment of the business. > The Company's diversity policies provides for the monitoring and evaluation of the scope and currency of the diversity policies. > The Company's policies on diversity are contained in the Corporate Governance Charter which is available on the company website. > The Company does not propose to establish measurable gender diversity objectives at this stage. See above.

Principles and recommendations	Comply (yes/no)	Explanation
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.6 A listed entity should: <ul style="list-style-type: none"> > have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and > disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	YES	<ul style="list-style-type: none"> > The Chairman and/or Corporate Manager are responsible for evaluating the performance of the Board, its committees and individual directors on an annual basis. They may do so with the aid of an independent advisor. Please see explanation clause 1.2 in relation to the convening of a Nomination Committee. > Details of the performance evaluations conducted will be provided in the Company's Annual Reports.
Recommendation 1.7 A listed entity should: <ul style="list-style-type: none"> > have and disclose a process for periodically evaluating the performance of its senior executives; and > disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	YES (when applicable)	<ul style="list-style-type: none"> > At this stage, it is not practical for the Company to establish a Remuneration Committee due to the nature of the Company's current and proposed business structure, financial capacity and objectives. > A statement as to whether a performance evaluation was conducted in the relevant reporting period will be disclosed annually in the Company's Annual Report.



Principles and recommendations	Comply (yes/no)	Explanation
Principle 2: Structure the Board to add value		
<p>Recommendation 2.1</p> <p>The Board of a listed entity should:</p> <ul style="list-style-type: none"> > have a nomination committee which: <ul style="list-style-type: none"> – has at least three members, a majority of whom are Independent Directors; and – is chaired by an Independent Director, and disclose: <ul style="list-style-type: none"> – the charter of the committee; – the members of the committee; and – as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or > if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively. 	PARTIALLY	<p>The Company does not currently have a Nomination Committee, see Section 1.2 for further details in relation to the Nomination Committee.</p> <p>If a Nomination Committee is established in the future a nomination charter will be adopted as part of the Company's Corporate Governance Policies. Should a committee be established, details of the members of each Committee will be provided in the Annual Report.</p>
<p>Recommendation 2.2</p> <p>A listed entity should have and disclose a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.</p>	YES	<p>Full details as to each director and senior executive's relevant skills and experience are set out in this Prospectus and will be published in the Annual Report.</p>

Principles and recommendations	Comply (yes/no)	Explanation
Principle 2: Structure the Board to add value (continued)		
Recommendation 2.3 A listed entity should disclose: <ul style="list-style-type: none"> > the names of the directors considered by the Board to be Independent Directors; > if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and > the length of service of each director. 	YES	<ul style="list-style-type: none"> > The Corporate Governance Charter provides for the disclosure of the names of Directors considered by the Board to be independent. Upon completion of the Transaction, none of the members of the Board (being the Proposed Directors) will be considered independent on the basis that they will all hold securities in the Company. > The Corporate Governance Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships is provided in this Prospectus and in future Annual Reports. > The length of service of each Director will be provided in future annual reports.
Recommendation 2.4 A majority of the Board of a listed entity should be Independent Directors.	NO	Upon completion of the Transaction, none of the members of the Board (being the Proposed Directors) will be considered independent. The Company will reconsider its position in relation to the new appointments in the future and make any appointment it deems necessary.
Recommendation 2.5 The chair of the Board of a listed entity should be an Independent Director and, in particular, should not be the same person as the CEO of the entity.	NO	The Corporate Governance Charter provides that where practical, the Chairman of the Board will be an independent Non-Executive Director. Upon completion of the Transaction, the Chairman will be Mr Charles Archer, who is not independent on the basis that he will hold securities in the Company.
Recommendation 2.6 A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	PARTIALLY	The Company is committed to procuring appropriate professional development opportunities for Directors so that they may develop and maintain the skills and knowledge needed to perform their role as Directors effectively, whether this be by way of informal program or otherwise. The Company intends to amend its Corporate Governance Charter to explicitly reflect this commitment.

Principles and recommendations	Comply (yes/no)	Explanation
Principle 3: Act ethically and responsibly		
Recommendation 3.1 A listed entity should: <ul style="list-style-type: none"> > have a code of conduct for its directors, senior executives and employees; and > disclose that code or a summary of it. 	YES	<ul style="list-style-type: none"> > The Corporate Code of Conduct applies to the Company's directors, senior executives and employees. > The Company's Corporate Code of Conduct is available on the Company's website and forms part of the Corporate Governance Charter.
Principle 4: Safeguard integrity in corporate reporting		
Recommendation 4.1 The Board of a listed entity should: <ul style="list-style-type: none"> > have an audit committee which: <ul style="list-style-type: none"> – has at least three members, all of whom are Non-Executive Directors and a majority of whom are Independent Directors; and – is chaired by an Independent Director, who is not the chair of the Board, and disclose: <ul style="list-style-type: none"> – the Charter of the Committee; – the relevant qualifications and experience of the members of the committee; and – in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or > if it does not have an Audit Committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. 	PARTIALLY	<p>At this stage, it is not practical for the Company to establish an Audit and Risk Committee due to the nature of the Company's current and proposed business structure, financial capacity and objectives.</p> <p>Whilst the Company doesn't have an audit committee, it will follow the Audit and Risk Management policies set out in the Corporate Governance Charter where possible and is confident that this will independently verify and safeguard the integrity of its financial reporting.</p> <p>The Company's Audit and Risk Management policies form part of the Corporate Governance Charter which are available on the Company website.</p> <p>Details of the qualifications and experience of Directors will be provided in the Company's Annual Reports. Should an Audit and Risk Committee be established, details of the meetings will be provided in the Company's Annual Report.</p>

Principles and recommendations	Comply (yes/no)	Explanation
Principle 4: Safeguard integrity in corporate reporting (continued)		
Recommendation 4.2 The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	PARTIALLY	Before the Board approves the entity's financial statements for a financial period, the CEO and CFO (or such appropriate person) declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity. The Company intends to amend its Corporate Governance Charter to explicitly require that the CEO and CFO (or such appropriate person) declare that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. See section 4.1 in relation to the Audit and Risk Committee.
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	YES	The Company will make arrangements for its external auditor to attend its AGM (as required by the Corporations Act) to answer questions from security holders relevant to the audit.
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1 A listed entity should: <ul style="list-style-type: none"> > have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and > disclose that policy or a summary of it. 	YES	<ul style="list-style-type: none"> > The Corporate Governance Charter provides details of the Company's disclosure policy. The Corporate Governance Charter incorporating the Company's disclosure policy is available on the Company's website.
Principle 6: Respect the rights of security holders		
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	Information about the Company and its governance is available in the Corporate Governance Charter which can be found on the Company's website.

Principles and recommendations	Comply (yes/no)	Explanation
Principle 6: Respect the rights of security holders (continued)		
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company has adopted shareholder communications policies which are set out in its Corporate Governance Charter which aim to promote and facilitate effective two-way communication with investors. The policies outlines a range of ways in which information is communicated to shareholders.
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	<p>The shareholder communication policies which are set out in the Corporate Governance Charter state that as a part of the Company's developing investor relations program, Shareholders are to be provided with information updates upon request by email. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.</p> <p>Shareholders are encouraged to participate at all EGMs and AGMs of the Company. The Company's Corporate Governance Charter requires to Board to, where possible, seek to improve shareholder participation through the design and content of its notices and the conduct of meetings.</p>
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	<p>Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX.</p> <p>Shareholders queries should be referred to the Company Secretary at first instance.</p>



Principles and recommendations	Comply (yes/no)	Explanation
Principle 7: Recognise and manage risk		
<p>Recommendation 7.1</p> <p>The Board of a listed entity should:</p> <ul style="list-style-type: none"> > have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> – has at least three members, a majority of whom are independent directors; and – is chaired by an independent director, <p>and disclose:</p> <ul style="list-style-type: none"> – the charter of the committee; – the members of the committee; and – as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <ul style="list-style-type: none"> > if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework. 	PARTIALLY	<ul style="list-style-type: none"> > The Board is charged with the responsibility of determining the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies. > Whilst the Company doesn't have an audit committee, it will follow the audit and risk policies where possible and is confident that this will independently verify and safeguard the integrity of its financial reports. A copy of the audit and risk policies forms part of the Company's Corporate Governance Charter is available on the Company's website.
<p>Recommendation 7.2</p> <p>The Board or a committee of the Board should:</p> <ul style="list-style-type: none"> > review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the Board; and > disclose in relation to each reporting period, whether such a review has taken place. 	YES	<ul style="list-style-type: none"> > The Company process for risk management and internal compliance includes a requirement to identify and measure risk, , formulate risk management strategies and monitor the performance of risk management systems. The Corporate Governance Charter details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls. > Details of any meetings of the audit and risk committee (should one be established) or the Board will be provided in the Company's Annual Reports.

Principles and recommendations	Comply (yes/no)	Explanation
Principle 7: Recognise and manage risk (continued)		
Recommendation 7.3 A listed entity should disclose: <ul style="list-style-type: none"> > if it has an internal audit function, how the function is structured and what role it performs; or > if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. 	YES	<p>The audit and risk management policies provides for the internal audit function of the Company. The Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.</p> <p>As the Company does not have an audit and risk committee at this stage, it does not have an internal audit function. Whilst the Company does not have an Audit and Risk Committee, it will follow the audit and risk management policies set out in its Corporate Governance Charter and is confident that this will independently verify and safeguard the integrity of its financial reports.</p>
Recommendation 7.4 A listed entity should disclose whether, it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	YES	<p>The audit and risk management policies set out in the Corporate Governance Charter detail the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually.</p>



Principles and recommendations	Comply (yes/no)	Explanation
Principle 8: Remunerate fairly and responsibly		
<p>Recommendation 8.1</p> <p>The Board of a listed entity should:</p> <p>have a remuneration committee which:</p> <ul style="list-style-type: none"> > has at least three members, a majority of whom are independent directors; and <ul style="list-style-type: none"> – is chaired by an independent director, <p>and disclose:</p> <ul style="list-style-type: none"> – the charter of the committee; – the members of the committee; and – as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <ul style="list-style-type: none"> > if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. 	PARTIALLY	<ul style="list-style-type: none"> > See Recommendation 1.7 in relation to the Remuneration Committee. > The Company will reconsider its position in relation to the new appointments in the future and make any appointment it deems necessary. > Whilst the Company doesn't have a remuneration committee, it will follow the remuneration policies set out in its Corporate Governance Charter where possible and is confident that this process will ensure that the remuneration for Directors and senior executives is not excessive.
<p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of Non-Executive Directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.</p>	YES	<p>See Recommendation 1.7 in relation to the Remuneration Committee.</p> <p>The remuneration policies set out in the Corporate Governance Charter disclose the Company's policies and practices regarding the remuneration of Non-Executive, Executive and other Senior Executives.</p>

Principles and recommendations	Comply (yes/no)	Explanation
Principle 8: Remunerate fairly and responsibly (continued)		
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: <ul style="list-style-type: none"> > have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and > disclose that policy or a summary of it. 	NO	The Company has not adopted such a policy as it does not currently have an equity based remuneration scheme. Assuming shareholder approve the adoption of a proposed equity based remuneration scheme which is to operate after implementation of the Transaction, the Company will review, and if necessary, amend its Corporate Governance Charter to include a policy on whether participants in the scheme are permitted to enter into transactions which limit the economic risk of participating in the scheme. The review, and any changes, will form part of the review of corporate governance policies following completion of the Transaction to take into account changes to the Company's activities. A copy of the policy, if adopted, will be set out on the Company's website.





Details of the Offer

9.1 Offer structure

The Offer will be structured as follows:

- > An Equity Offer to raise a minimum of \$2,500,000 and a maximum of \$15,000,000 via the issue of 12,500,000 to 75,000,000 New Shares, respectively at \$0.20 per Share. The Equity Offer will comprise:
 - an Institutional Offer which will consist of an invitation to select Institutional Investors in Australia and selected jurisdictions outside Australia to bid for New Shares under an Institutional Bookbuild; and
 - a Broker Firm Offer which will be open to Australian resident retail clients of Brokers who have received a firm allocation from their Broker (Broker Firm Offer); and
- > An Option Offer to holders of existing Cocoon Options in exchange for the cancellation of existing Cocoon Options where the terms of the New Options terms are of an equivalent nature to the terms of the existing Cocoon Options.

(collectively, **the Offer**).

No general public offer of New Shares will be made under this Prospectus.

The allocation of New Shares in the Institutional Offer and Broker Firm Offer will be determined at the sole discretion of the Sole Lead Manager in consultation with PIM and Cocoon.

All New Shares issued under this Prospectus will be fully paid and will rank equally with all other Shares then currently on issue.

9.1.1 Conditions of the Offer

Completion of the Offer is conditional upon:

- > Shareholder approval of all Essential Resolutions at the General Meeting of PIM to be held on 23 September 2014 (see Section 2.3); and
- > PIM's takeover offer for all Cocoon Shares becoming or being declared free of all conditions to the Takeover Offer (see Section 2.1);

- > ASX confirming that it will re-admit PIM to the Official List and terminate the suspension from Official Quotation of Shares, subject to such terms and conditions (if any) as are prescribed by ASX or the ASX Listing Rules (see Section 2.3),

(collectively, **Conditions**).

Accordingly, the Offer under this Prospectus is effectively inter-conditional on the successful completion of each other part of the Transaction.

In the event that the Conditions are not satisfied, the Offer will not proceed and no New Shares or New Options will be issued pursuant to this Prospectus. If this occurs, applicants will be reimbursed their application monies (without interest).

9.2 Purpose of the Offers and the Prospectus

The primary purpose of the Equity Offer under this Prospectus is to enable the Company, after completion of the merger with Cocoon, to raise funds predominantly for the expansion of its business operations by employing additional personnel and acceleration of its global marketing efforts.

PIM is aiming to apply the funds raised under the Equity Offer in the manner detailed in the section below. The Board believes that the funds raised from the Equity Offer, combined with existing funds will provide PIM with sufficient working capital at anticipated expenditure levels to achieve the objectives as shown in the table in that Section.

This Prospectus has also been issued to:

- > assist PIM to meet the re-admission requirements of ASX under Chapters 1 and 2 of the ASX Listing Rules (eg. Shareholder spread) (see Section 2.3); and
- > to remove the need for an additional disclosure document to be issued upon the sale of any New Shares and New Options that are to be issued under the Offers, and / or upon the exercise of any such New Options by retail investors.

9.3 Sources and Uses of Proceeds

PIM intends to apply funds raised from the Equity Offer, together with existing cash reserves, in the next two years following re-admission to the Official List of the ASX (for the purpose of satisfying ASX's requirements for re-listing following a significant change to the nature and scale of the Company's activities) as follows:

Sources of Funds				
Estimated PIM cash balance post Transaction	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Research and Development tax rebate	\$2,300,000	\$2,300,000	\$2,300,000	\$2,300,000
Equity raising amount	\$2,000,000	\$5,000,000	\$10,000,000	\$15,000,000
Total funds available	\$6,300,000	\$8,800,000	\$13,800,000	\$18,800,000
Uses of Funds				
Current Employee, Contractor, Consultant expenses				
Research & Development	\$1,943,333	\$1,943,333	\$1,943,333	\$1,943,333
Quality Assurance	\$530,000	\$530,000	\$530,000	\$530,000
Support & Maintenance	\$530,000	\$530,000	\$530,000	\$530,000
Administration	\$1,148,333	\$1,148,333	\$1,148,333	\$1,148,333
Sales	\$1,148,333	\$1,148,333	\$1,148,333	\$1,148,333
Subtotal	\$5,300,000	\$5,300,000	\$5,300,000	\$5,300,000
Product Development and Commercialisation				
Research & Development	Nil	\$350,000	\$450,000	\$800,000
Quality Assurance	Nil	\$100,000	\$150,000	\$250,000
Support & Maintenance	Nil	\$100,000	\$150,000	\$250,000
Administration	Nil	\$100,000	\$100,000	\$200,000
Sales	Nil	\$850,000	\$1,150,000	\$2,000,000
Subtotal	Nil	\$1,500,000	\$2,000,000	\$3,500,000
Global Marketing Activities				
Branding & Advertising	Nil	\$250,000	\$1,000,000	\$1,500,000
Direct Sales & Marketing Activities	Nil	\$250,000	\$750,000	\$1,100,000
Indirect Sales & Marketing Activities	Nil	Nil	\$250,000	\$400,000
Certification	Nil	Nil	\$500,000	\$500,000
Subtotal	Nil	\$500,000	\$2,500,000	\$3,500,000
Operating Expenses / Working Capital	\$390,000	\$740,000	\$2,940,000	\$5,140,000
Costs of Offer	\$610,000	\$760,000	\$1,060,000	\$1,360,000
Total uses of funds	\$6,300,000	\$8,800,000	\$13,800,000	\$18,800,000

Notes:

Cocoon is considering entering into finance facility with a third party financier, on arms' length commercial terms, under which Cocoon would receive funds in advance of receiving its research and development tax rebate, such funds to be repaid from this rebate once received.

Operating Expenses includes rent, office expenses, travel and administration.

In the event that less than the Maximum Subscription is raised, the Company may not be able to execute all of its planned commercialisation strategies. Please refer to the risk factor in Section 7.1.1(j).

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with ASIC. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in Section 7).

9.4 Capital Structure

As at the date of this Prospectus, PIM has 337,444,946 Shares on issue (on a pre-Consolidation basis).

As part of the Transaction, PIM will undertake a consolidation of capital on the basis that every 10 existing Shares will consolidated to 1 Share.

The expected capital structure of PIM following completion of the Offer (assuming the Minimum Subscription, and Maximum Subscription under the Equity Offer, and the Takeover Offer is fully accepted) is summarised below. The capital structure is presented on a post Consolidation basis.

Shares ¹	Number (Minimum Subscription – \$2.5 million)	Number (Maximum Subscription – \$15 million)
Shares on issue (on a post Consolidation basis)		
Current (assuming no other Shares are issued)	33,744,495	33,744,495
Issue to Cocoon Shareholders under Takeover Offer (post Consolidation Shares)	250,000,000	250,000,000
Shares issued under the Equity Offer	12,500,000	75,000,000
Shares issued to Advisers of PIM as part of the Transaction ²	10,000,000	10,000,000
Issue of PIM Shares under Convertible Note Agreements ³	13,500,000	13,500,000
Total (post Consolidation basis)	319,744,495	382,244,495
Options and Performance Shares		
Existing Options	Nil	Nil
Option Offer ⁴	34,722,656	34,722,656
Performance Shares issued to Cocoon Shareholders under the Takeover Offer ⁵	36,408,365	36,408,365
Total (post Consolidation basis)	71,131,021	71,131,021

Notes:

¹ The rights attaching to the Shares (including all New Shares) are summarised in Section 10.3 of this Prospectus.

² The issue of up to 10,000,000 Shares (on a post Consolidation basis) to CPS Capital Group Pty Ltd (CPS) (or its nominees) in consideration for CPS and its nominees introducing the Merger to the Company and assisting with its implementation

³ The number of PIM Shares outlined above which are to be issued as per the Convertible Note Agreements includes the conversion of debt (pursuant to the interest component of the Cocoon convertible notes) into PIM Shares as at 4 months since the date of the Convertible Note Agreements. If the interest component results in the issue of further PIM Shares to those investors, the additional PIM shares will be issued to using PIM's 15% annual placement capacity under ASX Listing Rule 7.1.

⁴ The terms of the New Options are summarised in Section 10.8 of this Prospectus.

⁵ Performance Shares convert upon the satisfaction of any one of the milestones as listed in Section 10.4 of this Prospectus

9.5 Summary terms of the Equity Offer

Topic	Summary
What type of security is being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the security being offered?	A description of the New Shares, including the rights and liabilities attaching to them are set out in Section 10.3.
What is the consideration payable for each security offered?	New Shares will be issued at an Offer Price of \$0.20 per New Share.
When will the Offer be open?	Key dates including the details of the Offer period are set out in Key Offer Information.
What are the cash proceeds to be raised?	The Offer will look to raise a minimum of \$2.5 million and a maximum of \$15 million.
What is the minimum application size under the Broker Firm Offer?	The minimum application under the Broker Firm Offer is \$2,000, and in multiples of \$500 thereafter, as directed by the specific retail Broker.
What is the allocation policy?	The allocation of New Shares in the Institutional Offer and Broker Firm Offer will be determined at the sole discretion of the Sole Lead Manager in consultation with the Company and Cocoon.
When will I receive confirmation that my application has been successful?	It is expected that initial holding statements will be mailed by standard post on or about 17 October 2014.
Will the Shares be quoted?	<p>PIM will apply for Official Quotation of all New Shares issued under this Prospectus within 7 days after the date of this Prospectus. However, applicants should be aware that ASX will not commence Official Quotation of any Shares until PIM has re-complied with Chapters 1 and 2 of the ASX Listing Rules and has received the approval of ASX to be re-admitted to the Official List (see Section 2.4). As such, the New Shares may not be able to be traded for some time after the close of the Offers.</p> <p>If the New Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of this Prospectus, or such period as varied by ASIC, or if ASX otherwise rejects PIM's application for re-admission to the Official List (see Section 2.4), PIM will not issue any New Shares and will repay all application monies for the New Shares within the time prescribed under the Corporations Act, without interest. In those circumstances, the Takeover Offer will be withdrawn and PIM will not proceed with the Transaction.</p> <p>The fact that ASX may grant Official Quotation to the New Shares is not to be taken in any way as an indication of the merits of PIM or the New Shares now offered for subscription.</p>
When are the Shares expected to commence trading?	It is expected that the trading of Shares on ASX will commence on or around 23 October 2014.
Is the Offer underwritten?	The Offer is not underwritten.

Topic	Summary
Are there any escrow arrangements?	<p>No. New Shares issued pursuant to the Institutional and Broker Firm Offer will not be subject to any escrow requirement by the ASX.</p> <p>Shares issued under the Takeover Bid may be subject to escrow. Please refer to Section 10.14.</p>
Has any ASIC relief or ASX waivers been obtained or relied on?	<p>ASX has granted the Company a waiver from ASX Listing Rules 6.1 and 6.2 in order to allow an additional class of securities (Performance Shares) to be issued by the Company.</p> <p>ASX has granted the Company a waiver from ASX Listing Rule 1.1 Condition 11 to allow the issue of New Options at an exercise price of USD\$0.1467 pursuant to the Option Offer.</p> <p>PIM will apply to the ASX for a waiver from certain restriction requirements that might otherwise apply to PIM Shares issued as consideration under the Takeover Offer on the basis that a majority of Cocoon Shares were issued for cash and most Cocoon Shareholders held their Cocoon Shares for a substantial period of time prior to PIM making the Takeover Offer. Subject to this, all or a proportion of the Shares issued to Cocoon Shareholders under the Takeover Offer and to Cocoon Optionholders under the Option Offer may be restricted from trading for a period of up to 24 months after the date of re-admission of PIM to the ASX. Please refer to Section 10.14.</p>
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.
What should I do with any enquiries?	If you have any queries in relation to the Offer, please contact the Company Secretary on +61 8 9481 7833 or PIM's website at www.primeminerals.com.au

9.6 Institutional Offer

9.6.1 Invitations to bid

The Company and the Sole Lead Manager will invite certain eligible Institutional Investors to subscribe for New Shares under the Institutional Offer. The Institutional Offer will comprise an invitation to Institutional Investors in Australia and certain other jurisdictions to bid for New Shares under this Prospectus.

9.6.2 Allocation policy

The Institutional Offer will be conducted using a fixed price bookbuild process managed by the Sole Lead Manager. Full details of how to participate, including instructions will be provided to eligible participants by the Sole Lead Manager.

The allocation of New Shares among applicants in the Institutional Offer will be determined by the Sole Lead Manager in consultation with the Company and Cocoon. The Sole Lead Manager, in consultation with the Company and Cocoon, has absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

9.7 Broker Firm Offer

9.7.1 Who can apply

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia or New Zealand. If you have been offered a firm allocation of Shares by a Broker, you will be treated as an applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

9.7.2 How to apply

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form.

By making an application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applicants under the Broker Firm Offer should contact their Broker about the minimum and maximum application amount. PIM and the Sole Lead Manager reserve the right to aggregate any applications that they believe may be multiple applications from the same person. PIM and the Sole Lead Manager may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The Broker Firm Offer is expected to close at 5.00pm on 2 October 2014. PIM and the Sole Lead Manager may elect to extend the Equity Offer or any part of it, or accept late Applications either generally or in particular cases. The Equity Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

The Company, Cocoon, the Sole Lead Manager and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your application.

9.7.3 Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided to you by that Broker.

9.7.4 Allocation policy

Subject to Section 9.7.2, shares that have been allocated to Brokers for allocation to their Australian and New Zealand resident retail clients will be issued to the Applicants nominated by those Brokers. Subject to Section 9.7.5, it will be a matter for each Broker as to how they allocate firm shares among their retail clients, and they (and not PIM, Cocoon or the Sole Lead Manager) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant shares.

9.7.5 Acceptance of Applications

An application in the Broker Firm Offer is an offer by the applicant to PIM to apply for the amount of New Shares specified in the Application Form, at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement Prospectus) and the Application Form. To the extent permitted by law, an application by an applicant under the Offer is irrevocable.

An application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the applicant. Acceptance of an application will give rise to a binding contract on allocation of New Shares to successful applicants.

The Sole Lead Manager, in agreement with the Company and Cocoon, reserve the right to reject any application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by an applicant in completing their application.

9.8 Option Offer

The Option Offer is a specific offer made to Cocoon Optionholders. Under the Bid Implementation Agreement, it is a condition to the Takeover Offer that PIM grants New Options (subject to shareholder approval) to holders of existing Cocoon Options (on equivalent terms as their existing Cocoon Options, subject to an uplift in the exercise price as a result of the Company's Shares being valued at A\$0.20 and Cocoon Shares having a value of A\$0.15) in consideration for those Cocoon Optionholders cancelling those Cocoon Options. The number of New Options to be issued to Cocoon Optionholders pursuant to the Option Offer is set out in the table below which incorporates the revised exercise price.

PIM, in this Prospectus is making offers of New Options to Cocoon Optionholders who have agreed to cancellation of their Cocoon Options in accordance with the terms of the Bid Implementation Agreement. Accordingly, Cocoon Optionholders will be entitled to apply for their entitlement to New Options under this Prospectus for Nil cash consideration.

Only Cocoon Optionholders (or their nominees) who have agreed to the cancellation of their Cocoon Options may accept the Option Offer. A personalised Application Form in relation to the Option Offer will be issued to each Cocoon Optionholder together with a copy of this Prospectus.

Holder	Current Cocoon Options	Number of New Options to be issued	Exercise Price of New Options	Expiry Date
Cocoon AU Optionholders	4,700,000	3,525,000	AUD \$0.2933	9 March 2016
Cocoon US Optionholders	20,425,000	15,318,750	USD \$0.1467	5 years from the date of issue
Cocoon US Optionholders	1,171,875	878,906	USD \$0.1467	15 November 2014
Cocoon Eligible Employee Options	20,000,000	15,000,000	AUD \$0.20	5 years from the date of issue
Total	46,296,875	34,722,656		

Please refer to section 10.8 for full terms of the New Options.

9.9 Taxation

The acquisition and disposal of New Shares or New Options will have tax consequences, which will differ depending on the individual financial affairs of each investor, the particular circumstances relating to his/her holding of securities and the taxation laws applicable. Investors who are in doubt as to their taxation position should seek professional advice. It is solely the responsibility of the applicant to inform himself or herself of his or her taxation position resulting from the participation in the Offer.

9.10 Clearing House Electronic Sub-Register System and Issuer Sponsorship

PIM participates in the Clearing House Electronic Sub-register System (CHES). ASX Settlement Pty Ltd, a wholly owned subsidiary of ASX, operates CHES. Investors who do not wish to participate through CHES will be issuer sponsored by PIM.

Electronic sub-registers mean that PIM will not be issuing certificates to investors. Instead, investors will be provided with holding statements (similar to a bank account statement) that set out the number of New Shares or New Options issued to them under this Prospectus. The holding statements will also advise holders of their Holder Identification Number (if the holder is broker sponsored) or Security Holder Reference Number (if the holder

is issuer sponsored) and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship. Electronic sub-registers also mean ownership of shares or options can be transferred without having to rely upon paper documentation.

Further, monthly statements will be provided to holders if there have been any changes in their security holding in PIM during the preceding month. Securityholders may request a holding statement at any other time, however a charge may be made for such additional statements.

9.11 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer of, or invitation to apply for, New Shares or New Options in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the New Shares or New Options or otherwise permit a public offering of the New Shares or New Options subject of this Prospectus in any jurisdiction outside Australia.

Where this Prospectus has been dispatched to persons in jurisdictions outside of Australia, in which the securities legislation or regulation requires registration or any analogous treatment, this Prospectus is provided for information purposes only. This Prospectus has not been and will not be registered under any such legislation or regulation or in any such jurisdiction.

The New Options may not be offered outside Australia except to Cocoon Optionholders in the United States in transactions exempt from the registration requirements of the US Securities Act of 1933 and applicable state securities laws. The New Shares may not be offered outside Australia except to Institutional Investors in New Zealand and Singapore.

New Zealand

This Prospectus 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). The New Shares are not being offered or sold in New Zealand, or allotted with a view to being offered for sale in New Zealand, and no person in New Zealand may accept a placement of New Shares other than to:

- > persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
- > persons who are each required to
 - (i) pay a minimum subscription price of at least NZ\$500,000 for the Shares before allotment or
 - (ii) have previously paid a minimum subscription price of at least NZ\$500,000 for New Shares in a single transaction before the allotment of such initial securities and such allotment was not more than 18 months prior to the date of this Prospectus.

Singapore

This Prospectus and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New 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 exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "Institutional Investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this Prospectus immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United States

This Prospectus may not be released to any news wire service in the United States or distributed in the United States except to Cocoon Optionholders.

The New Options and the New Shares 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 New Shares may not be offered in the United States and the New Options (and any shares underlying them) may only be offered in the United States to Cocoon Optionholders in transactions exempt from the registration requirements of the US Securities Act and applicable US state securities laws. Any Cocoon Optionholder resident in the United States must complete a US Investor Certificate as part of the application process.

This Prospectus 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 Option Offer or the accuracy, adequacy or completeness of this Prospectus. Any representation to the contrary is a criminal offence.

US shareholders of Cocoon should note that the Option 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 Option 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.

9.12 Enquiries

If you have any queries in relation to the Offers, please contact the Company Secretary on +61 8 9481 7833 or PIM's website at www.primeminerals.com.au.



Additional Information

10.1 Material Contracts

10.1.1 Bid Implementation Agreement

On 27 June 2014, PIM entered into a Bid Implementation Agreement with Cocoon which set out the terms and conditions upon which the parties proposed to implement the Transaction, including the Takeover Offer and the Equity Offer pursuant to this Prospectus. The Bid Implementation Agreement was amended on 25 August 2014.

A summary of the key terms of the Bid Implementation Agreement is set out below.

> Exclusivity

The Bid Implementation Agreement includes certain exclusivity arrangements. In summary, during the Exclusivity Period, each of Cocoon and PIM must:

- **(No existing discussions)** cease any existing negotiations or discussions in respect of any Competing Proposal with any person;
- **(No shop)** not directly or indirectly solicit, invite, encourage or initiate any inquiry, expression of interest, offer, proposal or discussion in relation to, or which may reasonably encourage or lead to, a Competing Proposal;
- **(No talk and no due diligence)** not directly or indirectly:

(A) enter into, continue or participate in any negotiations or discussions with any person in relation to or which can reasonably encourage or lead to a Competing Proposal;

(B) negotiate, accept, approve, recommend or enter into, or offer or agree to negotiate, accept, approve, recommend or enter into, any agreement, arrangement or understanding regarding an actual, proposed or potential Competing Proposal;

(C) disclose any non-public information about its business or affairs (or the business or affairs of any of its subsidiaries) to any person (other than a public authority) with a view to obtaining, or which can lead to, a Competing Proposal; or

(D) communicate to any person an intention to do any of the above,

even if the Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by it or has been publicly announced (except where its Board of directors has determined in good faith that the Competing Proposal is or may lead to a Superior Proposal and failure to respond to such Competing Proposal would be likely to constitute a breach of the fiduciary or statutory duties owed by its directors);

- **(Notification)** as soon as possible notify the other party if it is approached by any person to engage in any activity that would breach the no talk and no due diligence obligations set out above; and
- **(Matching right)** not enter into any legally binding agreement, arrangement or understanding under which it or a third party proposes to undertake an actual, proposed or potential Competing Proposal, unless its Board of directors acting in good faith determines that the Competing Proposal is likely to be a Superior Proposal, provides the other party with the material terms of the Competing Proposal and gives the other party 5 business days to provide a matching or superior proposal.

> Break fees

Cocoon must pay PIM a reimbursement of \$572,819 (plus GST, if applicable) in certain circumstances, including where PIM terminates the Bid Implementation Agreement as a result of:

- Cocoon committing a material breach of substantial importance or of consequence to PIM relating to a material term of the Bid Implementation Agreement, and the material breach has not been remedied within 5 days of Cocoon receiving notice in writing from PIM of the breach.
- The Cocoon Board withdrawing its recommendation of PIM's Takeover Offer other than as a result of a material breach by PIM of the Bid Implementation Agreement or a material adverse change in the circumstances of PIM that is material in the context of the Takeover Offer;

- Cocoon breaching:
 - (A) Its obligation to recommend acceptance of the bid;
 - (B) Its obligation to conduct the pre-bid activities outlined in section 6 of the Bid Implementation Agreement;
 - (C) any of its exclusivity obligations as summarised above,
- the Minimum Acceptance Condition not being satisfied (or waived by PIM) at the end of the offer period in relation to the Takeover Offer;
- a Target Prescribed Occurrence (as defined in the Bid Implementation Agreement) occurs; or
- a Target Material Transaction (as defined in the Bid Implementation Agreement) occurs.

Clause 13.2 of the Bid Implementation Agreement sets out a full list of the circumstances in which this reimbursement amount is payable by Cocoon.

> **Termination**

The Bid Implementation Agreement contains customary termination provisions.

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

10.1.2 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.

- > **(Drawing):** Cocoon may issue drawn down notices under the Facility Agreement subject to the shareholder approvals referred to in Section 2.3 having been received, the 80% acceptance level referred to in Section 2.1 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. Upon successful completion of the Takeover Offer and the New Convertible Notes having been converted into PIM Shares, draw down on the Loan Facility at any time pursuant to a drawdown notice. In addition, PIM may issue a notice to Cocoon at any time requiring Cocoon to accept an advance pursuant to the Loan Facility.

- > **(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.
- > **(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.
- > **(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).
- > **(Conversion):** Any or all outstanding Loan monies can be converted into Cocoon Shares if:
 - a Competing Proposal in respect of this Takeover Offer is made, disclosed, or announced in relation to Cocoon; or
 - 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.

- > **(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.

10.1.3 Covata AU Licence 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:

- > **(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)**.
- > **(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.
- > **(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 have determined that fees of Nil will be payable for the year ended 30 June 2014.
- > **(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.
- > **(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.
- > **(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.
- > **(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 wilfully review the content of any confidential material created or handled using the software.
- > **(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.
- > **(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.

10.1.4 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:

- > **(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**).
- > **(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.
- > **(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 have determined that fees of Nil will be payable for the year ended 30 June 2014.
- > **(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.
- > **(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.
- > **(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.
- > **(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 wilfully review the content of any confidential material created or handled using the software.
- > **(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.
- > **(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.

10.1.5 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 sub-licenses 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:

- > **(Exclusive customers):** Covata AU agrees not to sell any Products to the exclusive clients of NSC (which include Verizon Australia Pty Limited).
- > **(Appointment):** Covata AU grants NSC the exclusive right and license to sell sub-licenses for Products and to exclusive clients and NSC shall have the authority to enter into direct sub-licenses with customers pursuant to a sub-license 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 sub-license agreement.
- > **(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.
- > **(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).
- > **(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:
 - NSC shall have entered into at least 30 separate Proof of Concept (POC) licenses during the first year of the Term;
 - Covata AU shall have received at least US\$5,000,000 of gross remittances from NSC during the second year of the Term;
 - Covata AU shall have received at least US\$12,000,000 of gross remittances from NSC during the third year of the Term;
 - Covata AU shall have received at least US\$17,000,000 of gross remittances from NSC during the fourth year of the Term; and
 - Covata AU shall have received at least US\$22,000,000 of gross remittances from NSC during the fifth year of the Term, (Exclusivity Milestones).
- > **(Exclusivity):** For so long as NSC continues to meet the Exclusivity Milestones, Covata AU shall not appoint any other party as a reseller of sub-licenses for Products within the Territory or to NSC's exclusive clients.
- > **(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.
- > **(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.
- > **(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.

- > **(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.
- > **(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.
- > **(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.
- > **(Termination):**
 - 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.
 - Verizon may also terminate following the expiration of the Initial Term.
 - 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.

- > **(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

10.1.6 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.

- > **(Payment):** In satisfaction of the performance of the PO by Covata AU, Verizon agreed to pay fees to Covata AU in accordance with the price-list provided to Verizon by Covata AU, or as otherwise agreed between the parties.
- > **(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.

10.1.7 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 a suite of four software products developed by Covata AU (License).

The material terms of the PDDA are set out below:

- > **(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.
- > **(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.
- > **(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:
 - **(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
 - **(Standalone Rights):** the lower of:
 - (A) 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
 - (B) 50% of Covata AU's best standalone wholesale list price for the products sold.
- > **(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.
- > **(Limit of Liability):** Covata AU's liability under the PDDA is limited to the fees received by Covata AU in the preceding 12 months.

> (Termination):

- TPG may terminate the PDDA in its sole discretion by giving 180 days notice to Covata AU.
- 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.

10.1.8 Offer management agreement

Under this agreement, dated 22 September 2014, the Sole Lead Manager has agreed to arrange, manage, promote, market and advertise the Offer to investors. The Sole Lead Manager will receive a financial advisory fee and an offer management fee for these services. The Sole Lead Manager will also be entitled to reimbursement of its reasonable costs and expenses.

The Company and Cocoon have provided certain representations, warranties and undertakings to the Sole Lead Manager under this agreement (which are fairly customary for a transaction of this type).

The Sole Lead Manager may terminate its obligations under this agreement, absolutely, if the following termination events occur:

- > ASIC determines that the Prospectus fails to comply with applicable law;
- > a material adverse change occurs to the Prime Group or the Cocoon Group;
- > the S&P/ASX 200 index falls by 10% or more and persists for at least 3 consecutive trading days;
- > the S&P/ASX 200 index falls by 15% or more;
- > the Prime Group or the Cocoon Group breaches any law;
- > the Company's application for re-admission to the ASX is refused or granted subject to a condition which is unacceptable to the Sole Lead Manager (acting reasonably);
- > any ASIC relief or ASX waivers or confirmations granted to the Company to facilitate the Offer are withdrawn;
- > ASIC issues a stop order, or commences a hearing or investigation, in relation to the Offer;

- > a new circumstance occurs which has not been disclosed in the Prospectus and which, in the Sole Lead Manager's reasonable opinion, is materially adverse from an investor's perspective;
- > the Company withdraws the Prospectus;
- > a director of the Company or Cocoon is charged with an indictable offence or disqualified from managing a company;
- > a person withdraws their consent to being named in the Prospectus;
- > there is an undisclosed encumbrance over the assets of the Prime Group or the Cocoon Group;
- > an insolvency event occurs in relation to the Prime Group or the Cocoon Group;
- > a force majeure occurs;
- > the Company offers applicants a refund of their application moneys;
- > the Sole Lead Manager forms the view (acting reasonably) that a supplementary Prospectus needs to be lodged, but the Company fails to lodge a supplementary Prospectus;
- > a change to the capital structure, constituent documents, directors or senior management of the Prime Group or the Cocoon Group occurs without the Sole Lead Manager's consent;
- > any due diligence information provided to the Sole Lead Manager in relation to the Offer is misleading or deceptive;
- > the Company receives a statutory notice that the Prospectus is defective;
- > a judgment exceeding \$250,000 is obtained against the Prime Group or the Cocoon Group; or
- > a governmental process exceeding \$250,000 is issued against the Prime Group or the Cocoon Group.

Further, the Sole Lead Manager may terminate its obligations under this agreement, conditionally, if the following materiality qualified termination events occur:

- > there is a misleading or deceptive statement in the Prospectus or an omission from the Prospectus of required information;
- > the due diligence report (including the confirmations and sign-offs within) is misleading or deceptive;
- > hostilities begin involving Australia, New Zealand, the USA, the UK, China, Indonesia, Japan or a member of the EU, or a national emergency is declared by any of those countries, or a major terrorist act is perpetrated anywhere in the world;
- > a new law or policy is announced or proposed which does, or is likely to, prohibit or regulate the business activities of the Prime Group, the Cocoon Group, the Offer, capital raisings generally in Australia or stock markets generally in Australia;
- > a material contract of the Prime Group or the Cocoon Group is amended or terminated without the Sole Lead Manager's consent;
- > a default occurs under a material contract of the Prime Group or the Cocoon Group;
- > a breach of an undertaking by the Company or Cocoon under this agreement occurs; or
- > a breach of a representation or warranty by the Company or Cocoon under this agreement occurs.

The Company and Cocoon have agreed to:

- > indemnify the Sole Lead Manager, its related bodies corporate and each of their officers, employees, agents and advisers (Indemnified Parties) against any losses incurred by them; and
- > release the Indemnified Parties from any claims or causes of action that the Company or Cocoon may have against them, in connection with the Offer or the Merger, subject to certain exemptions (including fraud, gross negligence or wilful misconduct by the Indemnified Parties).

10.2 Litigation

As at the date of this Prospectus, neither PIM nor Cocoon is currently engaged in any litigation and neither the Directors nor the Proposed Directors are aware of any legal proceedings pending or threatened against PIM or Cocoon.

10.3 Rights and liabilities attaching to PIM Shares (including New Shares)

The New Shares offered under this Prospectus will be fully paid ordinary shares in the issued capital of PIM and will, upon issue, rank equally with all other Shares then on issue.

The rights and liabilities attaching to Shares are regulated by PIM's Constitution, the Corporations Act, the ASX Listing Rules, the ASX Settlement Rules and common law. The following is a summary of the more significant rights and obligations attaching to the Shares (including New Shares). This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Further details of the rights 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.

10.3.1 General meetings

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

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

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

10.3.2 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:

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

10.3.3 Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any Shares created or raised under any special arrangement as to dividend, the Board may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all 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 Shares. The Board may also from time to time pay to the Shareholders such interim dividends as the Board may determine.

No dividend shall carry interest as against the Company. The 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 Board, 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 Board, implement a dividend reinvestment plan on such terms and conditions as the Board thinks fit and which provides for any dividend which the Board may declare from time to time payable on Shares which are participating 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 Shares.

10.3.4 Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the 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 Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, 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 Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

10.3.5 Shareholder liability

As the New Shares offered the Prospectus are fully paid shares, they are not subject to any calls for money by the Company and will therefore not become liable for forfeiture.

10.3.6 Transfer of Shares

Generally, Shares 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 or the ASX Listing Rules.

10.3.7 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 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.

10.3.8 Alteration of Constitution

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.

10.4 Rights and liabilities attaching to Performance Shares

The Performance Shares offered to Cocoon Shareholders under the Takeover Offer will be issued at the same time as the New Shares.

The Performance Shares will convert upon the satisfaction of any one of the following milestones:

- 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;
- deployment on a revenue generating basis of Cocoon'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
- deployment of Cocoon'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**).

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. Any Performance Share not converted into a PIM Share within 3 years from the issue of the Performance Share will lapse.

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. 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.

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.

Full terms and conditions of the Performance Shares are set out below:

- > **(Performance Shares):** Each Performance Share is a share in the capital of PIM.
- > **(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.
- > **(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.
- > **(No Dividend Rights):** The Performance Shares do not entitle the Holder to any dividends.
- > **(Rights on Winding Up):** Upon winding up of PIM, the Performance Shares may participate in the surplus profits or assets of PIM only to the extent of \$0.000001 per Performance Share.

- > **(Transfer of Performance Shares):** The Performance Shares are not transferable.
- > **(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.
- > **(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.
- > **(Participation in Entitlements and Bonus Issues):** Subject always to the rights under 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.
- > **(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.
- > **(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.

10.5 Adoption of employee incentive plans

If the Takeover Offer is successful, PIM plans to adopt and implement two employee incentive plans on terms that mirror (where possible) the existing Cocoon employee incentive plans.

Employee incentive plans that are currently in place by Cocoon and will be mirrored by PIM pending a successful takeover Offer are: the “Cocoon Data Holdings Limited Share Plan” and the “Cocoon Data Holdings Limited US Share and Option Plan”.

A summary of the terms and conditions of the above employee incentive plans are set out at Section 10.6 and 10.7 below.

10.6 Share Plan

Set out below is a summary of the terms and conditions of the “Covata Limited Share Plan” (**Share Plan**) to be adopted at the General Meeting:

- (a) **Eligibility:** Participants in the Share Plan may be salaried employees or executive directors of the Company or any of its subsidiaries (Employee Participants).
- (b) **Administration of Share Plan:** The Board, or a duly appointed committee of the Board, is responsible for the operation of the Share Plan.
- (c) **Invitations:** The Board of Directors may issue an invitation to the Employee Participant to participate in the Share Plan. The invitation will:
 - (i) invite applications for the number of Share Plan Shares specified in the invitation;
 - (ii) specify the date of issue of the Share Plan Shares;
 - (iii) specify the issue price for the Share Plan Shares;
 - (iv) invite applications for a loan up to the amount payable in respect of the Share Plan Shares accepted by the Employee Participant in accordance with the invitation;
 - (v) any vesting conditions applicable to the Share Plan Shares; and
 - (vi) specify any other terms and conditions attaching to the Share Plan Shares.

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

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

- (i) the Employee Loan must be made solely to the Employee Participant and in the name of that Employee Participant;
- (ii) the Employee Loan will be interest free;
- (iii) the Employee Loan will be limited-recourse, the effect of which is that if all of the Shares issued in respect of the Employee Loan are sold by the Company on behalf of the Employee Participant, the Employee Participant's liability is discharged regardless of the sale price;
- (iv) the Employee Loan made available to an Employee Participant shall be applied by the Company directly toward payment of the issue price of the Share Plan Shares;
- (v) the Employee Loan must be repaid on the earlier to occur of:
 - (A) a Liquidity Event (defined below) occurring;
 - (B) the date on which the Share Plan Shares have been compulsorily divested in accordance with the Plan rules; and
 - (C) the date on which an Employee Participant disposes of, or attempts to dispose of, the Share Plan Shares;
- (vi) an Employee Participant may elect to repay the Employee Loan amount in respect of any or all of the Share Plan Shares at any time prior to expiry of the term of the Employee Loan;
- (vii) any fees, charges and stamp duty payable in respect of an Employee Loan will be payable by the Employee Participant;
- (viii) the Company shall have security over the Share Plan Shares in respect of which an Employee Loan is outstanding and the company shall be entitled to sell those Share Plan Shares in accordance with the terms of the Share Plan; and

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

(A) Divestment of Share Plan Shares:

- If, prior to repayment of an Employee Loan by an Employee Participant, the Employee Participant:
- (i) ceases employment with the Company as a result of the Employee Participant's termination without notice, resignation, gross negligence or serious and wilful misconduct (Bad Leaver), does not satisfy any relevant vesting conditions, acts fraudulently or dishonestly, becomes insolvent or fails to repay the Employee Loan on the due date for repayment,
 - (A) the Employee Participant will retain all vested Share Plan Shares; and
 - (B) all of the unvested Share Plan Shares will be compulsorily divested on a date determined by the Board;
 - (ii) ceases employment with the Company and is not a Bad Leaver (or the Board considers that the Employee Participant should not be treated as a Bad Leaver):
 - (A) the Employee Participant will retain all vested Share Plan Shares; and
 - (B) all of the Employee Participant's Share Plan Shares will be compulsorily divested on a date determined by the Board, unless the Board provides express written consent that the Employee Participant may retain any or all of such unvested Share Plan Shares.

- (B) Liquidity Event: If a change of control occurs (Liquidity Event), or the Board determines such event is likely to occur:
- (i) the Board may in its absolute discretion determine the manner in which any or all of the Employee Participant's Share Plan Shares (whether vested or unvested) will be dealt with which may include, without limitation, in a manner that allows the Employee Participant to participate in and/or benefit from any transaction arising from or in connection with the Liquidity Event and/or the re-designation of any or all of the Employee Participant's Share Plan Shares; and
 - (ii) if required, the Employee Participant must do and procure all things the Board considers necessary or appropriate to facilitate the variation of the rights of their Share Plan Shares such that, following such variation, they are ordinary shares in the capital of the Company.
- (C) Restriction on transfer: Employee Participants may not sell or otherwise deal with a Share Plan Share until the Employee Loan amount in respect of that Share Plan Share has been repaid and until the expiry of the qualifying period in respect of the Share Plan Shares, if any, that may be imposed by the Board and set out in the invitation.
- (D) Voting of Share Plan Shares: Employee Participants grant to the Company an irrevocable power of attorney pursuant to which it appoints the Company Secretary as its proxy to vote the Share Plan Shares at its discretion;
- (E) Rights attaching to Share Plan Shares: Share Plan Shares will rank equally in all respects (other than with respect to any restrictions on transfer specified above or otherwise imposed by the Board) with other Shares on issue.

10.7 Cocoon Data Holdings Limited US Share and Option Plan

Set out below is a summary of the terms and conditions of the "Cocoon Data Holdings Limited US Share and Option Plan" (US Share and Option Plan):

- (a) Eligibility

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

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

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

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

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

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

(g) Exercise of Options

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

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

(h) Cessation of employment

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

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

(i) Death or permanent disability

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

(ii) For Cause

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

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

(i) Lapse of Options and Rights

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

(j) Participation in Rights Issues and Bonus Issues

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

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

(k) Reorganisation

If there is a reorganisation of the issued capital

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

(l) Change in Control

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

(m) Transfer

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

10.8 Rights and liabilities attaching to New Options

(a) Entitlement

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

(b) Exercise Price

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

(c) Vesting Schedule

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

Recipient	Number of New Options	Vesting Commencement Date (number of options vested on that date if any)	Options to vest one (1) year from Vesting Commencement Date	Vesting of Remaining Options	Exercise Price	Expiry Date
Charles Archer	5,231,250	20/04/2012	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing June 30, 2013	USD\$0.1467	Five (5) years from the date of issue
	75,000	31/07/2013	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2014	USD\$0.1467	Five (5) years from the date of issue
Philip Argy	750,000	Fully vested	Fully vested	Fully vested	\$0.2933	9 March 2016
Asia Principal Capital	900,000	Fully vested	Fully vested	Fully vested	\$0.2933	9 March 2016
Mat Collett	375,000	Fully vested	Fully vested	Fully vested	\$0.2933	9 March 2016
Philip Cuff	750,000	Fully vested	Fully vested	Fully vested	\$0.2933	9 March 2016
Phillip Dunkelberger	5,000,000	14/08/2014 (500,000)	750,000	Equally over twelve (12) calendar quarters on the last day of each quarter commencing March 31, 2015	\$0.20	Five (5) years from the date of issue
Arthur Fisher	900,000	03/12/2012	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing December 31, 2013	USD\$0.1467	Five (5) years from the date of issue
	112,500	31/07/2013	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2014	USD\$0.1467	Five (5) years from the date of issue

Recipient	Number of New Options	Vesting Commencement Date (number of options vested on that date if any)	Options to vest one (1) year from Vesting Commencement Date	Vesting of Remaining Options	Exercise Price	Expiry Date
Jim Ivers	843,750	01/06/2012	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing June 30, 2013	USD\$0.1467	15 November 2014
	35,156	31/07/2013	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2014	USD\$0.1467	15 November 2014
Kamil Kreiser	375,000	Fully vested	Fully vested	Fully vested	\$0.2933	9 March 2016
William Stroud	487,500	01/11/2012	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing December 31, 2013	USD\$0.1467	Five (5) years from the date of issue
	75,000	31/07/2013	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2014	USD\$0.1467	Five (5) years from the date of issue
	187,500	18/12/2013	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2014	USD\$0.1467	Five (5) years from the date of issue
Trent Telford	10,000,000	01/08/2014 (2,000,000)	3,000,000	Equally over four (4) calendar quarters on the last day of each quarter commencing March 31, 2015	\$0.20	Five (5) years from the date of issue
	375,000	Fully vested	Fully vested	Fully vested	\$0.2933	9 March 2016
Vic Winkler	6,975,000	01/05/2012	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing June 30, 2013	USD\$0.1467	Five (5) years from the date of issue
	150,000	31/07/2013	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2014	USD\$0.1467	Five (5) years from the date of issue
Mike Young	1,125,000	28/08/2013	25%	Equally over twelve (12) calendar quarters on the last day of each quarter commencing September 30, 2014	USD\$0.1467	Five (5) years from the date of issue

(d) Expiry Date

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

(e) Exercise Period

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

(j) Shares issued on exercise

Shares issued on exercise of the New 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 New 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 New Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options without exercising the New Options.

(n) Change in exercise price

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

(o) Unquoted

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

(p) Transferability

The New Options are not transferable.

Current top 20 shareholders in Cocoon Holdings

#	Holder	Ownership (shares)	Ownership (%)
1	TPG Telecom Limited	66,666,665	17.5%
2	Raven Capital	32,000,000	8.4%
3	Gaffwick Pty Limited	22,222,222	5.8%
4	Ilwella Pty Limited	22,222,222	5.8%
5	Europlay Capital Advisors	17,112,604	4.5%
6	Philip Cuff	12,291,346	3.2%
7	Gerard & Helen O'Brien	10,903,284	2.9%
8	Stephen Thompson	10,652,422	2.8%
9	Trent Telford	8,856,903	2.3%
10	Kensington and Park Group Holdings	8,417,152	2.2%
11	First Stirling Finance	7,926,508	2.1%
12	Jack Burston	7,918,498	2.1%
13	Asia Principal Capital Group	7,319,097	1.9%
14	Berkeley Capital	7,031,014	1.8%
15	Philip Argy	6,964,245	1.8%
16	Vicex Holdings	6,818,182	1.8%
17	Angus Miller	5,709,772	1.5%
18	Ben Smith Super	4,636,364	1.2%
19	Cidex Computer Systems	4,303,940	1.1%
20	Raven Ventures	4,000,000	1.0%

The top 20 shareholders in the above table sets out the relevant interests of the name holder and/or associates and assume the conversion of warrants as discussed in Section 2.6.3.

10.10 Consents

- (a) Other than as set out below, each of the parties referred to in this Section:
- do not make, or purport to make, any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by the relevant party;
 - to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of the party; and
 - did not authorise or cause the issue of all or any part of this Prospectus.
- (b) Steinepreis Paganin has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus as Australian lawyers to PIM in relation to the Offers.
- (c) Quinert Rodda and Associates has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus as Australian lawyers to Cocoon in the form and context in which it is named.
- (d) HLB Mann Judd has given its written consent to being named as auditor of the Company in this Prospectus and to the inclusion of the audited financial information on PIM in the Investigating Accountant's Report in Section 6 of this Prospectus in the form and context in which the information is included. HLB Mann Judd has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.
- (e) KPMG has given its written consent to being named as auditor of Cocoon in this Prospectus and to the inclusion of the audited financial information on Cocoon in the Investigating Accountant's Report in Section 6 of this Prospectus in the form and context in which the information is included. KPMG has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.
- (f) RSM Bird Cameron Corporate Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 6 of this Prospectus in the form and context in which the information and reports are included. RSM Bird Cameron Corporate Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.
- (g) Moelis Australia Advisory Pty Limited has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus as Sole Lead Manager to the Equity Offer in the form and context in which it is named.
- (h) Spruson & Ferguson has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to be named as the patent attorney in this Prospectus and to the inclusion of the Patent Report in Appendix 1 in the form and context in which it is named.

10.11 Expenses of the Offers

The total expenses of the Offers (excluding GST) are estimated to be approximately \$610,000 for the minimum \$2.5 million equity raising and \$1,360,000 for the maximum \$15 million equity raising. Details of the expenses are expected to be as follows in the table below:

Item of Expenditure	\$2,500,000 Subscription under Equity Offer (\$)	\$15,000,000 Subscription under Equity Offer (\$)
ASIC fees	2,225	2,225
ASX fees	108,000	115,000
Capital raising fees	175,000	900,000
Legal fees	170,000	170,000
Investigating Accountant's Fees	20,000	20,000
Printing, Distribution and Miscellaneous	134,775	152,775
Total	\$610,000	\$1,360,000

10.12 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will continue to be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's shares.

Price sensitive information will be publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, PIM will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

10.13 Modifications of the Corporations Act

PIM has not obtained any modifications of, or exemptions from, the Corporations Act in connection with the Offers. PIM has however relied on instruments issued by ASIC which provide modifications and exemptions that apply generally to all persons (including PIM).

10.14 Modifications of the ASX Listing Rules

The Shares and New Options issued under the Takeover Offer and the Option Offer issued to accepting Cocoon Shareholders and Cocoon Optionholders will be issued in consideration for the acquisition of Cocoon, which may be considered by ASX to be a classified asset. In the absence of waivers by ASX or the exercise of its discretion, Cocoon Shareholders and Cocoon Optionholders may be required under the ASX Listing Rules to enter into restriction agreements under which they will be restricted from trading the Shares issued to them as consideration or New Options for periods of between 12 and 24 months.

Recipients of New Shares issued pursuant to the Institutional and Broker Firm Offer under this Prospectus will not be required to enter into restriction agreements and the New Shares issued to them will not be subject to escrow (and will all be free trading).

The Company will apply to ASX for a waiver of the escrow provisions under the ASX Listing Rules as they apply to Shares and New Options issued under the Takeover Offer and the Option Offer, on the basis that a majority of Cocoon Shares were issued for cash and most Cocoon Shareholders held their Cocoon Shares for a substantial period of time prior to PIM making the Takeover Offer. If granted, PIM will be permitted to:

- > have regard to the cash paid by Cocoon Shareholders and Cocoon Optionholders (**Cocoon Securityholders**) for their Cocoon Shares and Cocoon Options respectively in determining the proportion of the Shares and New Options issued as consideration for those Cocoon Shares and Cocoon Options (Consideration Securities) that would be treated as restricted securities; and
- > “back date” the commencement of the escrow period that applies in respect of Consideration Securities issued to Cocoon Securityholders to the original date of their investment in Cocoon securities (or, in effect, treat the escrow period as having already expired).

If granted in respect of the majority of Cocoon Shares, the waiver of the escrow provisions may not apply to the extent that Cocoon has issued securities to related parties, in consideration for services provided to Cocoon or for the acquisition of assets from vendors. On the basis of the above, it is estimated that approximately 70% to 80% of the Shares issued as consideration for the acquisition of Cocoon Shares will be free to trade however, as the outcome of the waiver application is determined for ASX it is not possible to state with certainty in advance the extent to which any Shares securities issued under the Takeover Offer and the Option Offer may be restricted (escrowed) or the period of escrow.

As a number of the New Options to be issued under the Option Offer will have exercise prices of less than \$0.20, the Company has obtained a waiver from the ASX in order for it to be readmitted to the Official List of the ASX despite having Options on issue with an exercise price of below \$0.20. Refer to Section 2.6.1 above.

Other than as summarised above, PIM has not obtained any modifications of, or exemptions from, the ASX Listing Rules in connection with the Offers.

10.15 Governing law

Each of the Offers and the contracts formed on return of an Acceptance Form are governed by the laws applicable in Western Australia, Australia. Each person who applies for New Shares and New Options pursuant to this Prospectus submits to the non-exclusive jurisdiction of the courts of Western Australia, Australia, and the relevant appellate courts.

10.16 Directors' Authorisation

This Prospectus is issued by PIM and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director and Proposed Director has consented, and as at the date of this Prospectus has not withdrawn his consent, to the lodgement of this Prospectus with ASIC.



Michael Scivolo
Non-Executive Chairman
For and on behalf of Prime Minerals Limited



Appendix 1 – Patent Report



12 September 2014

Prime Minerals Limited
Level 1, 8 Parliament Place
West Perth WA 6005

Established 1887

Spruson & Ferguson
ABN 84 362 252 431

Level 35, St. Martins Tower
31 Market Street
Sydney NSW 2000, Australia

Mail to: GPO Box 3898
Sydney NSW 2001, Australia

Phone: +61 2 9393 0100
Fax: +61 2 9261 5486

mail.au@spruson.com
www.spruson.com

Dear Sirs

Intellectual Property Portfolio Report

Our Ref: P079238M:LDP:AJL

1. This Report has been prepared by Spruson & Ferguson for inclusion in a prospectus to be issued by Prime Minerals Limited, ACN 120 658 497.

This Report is current as at 12 September 2014, and Spruson & Ferguson is not aware of any changes to the status of matters discussed in this Report since that date. The information provided below is subject to matters set out in Section 4 of this Report.

The Report is directed to patents and patent applications identified in Annexure 1.

2. OVERVIEW OF IP PROTECTION

Intellectual Property (IP) includes patents, registered designs, trade marks, copyright, plant breeders' rights and rights to require that information be confidential (commonly referred to as 'know how' or 'trade secrets').

Patents, designs, trade marks and copyright are the most common forms of IP which can be enforced by an owner to prevent others from using or otherwise exploiting the IP without the owner's permission. This Report deals only with IP in the form of patents and applications for patents.

2.1 Monopoly provided by a patent

A patent is a right granted by a government to the inventor of an article, device, substance, process, or method, which is new, inventive and useful, in return for its disclosure to the public at large. The inventor can assign or license this right.

Patents provide the inventor, or the inventor's assignee, with the exclusive right to exploit the invention for the life of the patent, which is generally 20 years. This exclusive right allows the patentee to prevent others from exploiting the invention covered by the patent in the country of grant by instituting an infringement action against the infringing party.

AH01(8995082_5):EAA

Servicing Australia, Bangladesh, Brunei, Cambodia, China, Hong Kong, India, Indonesia, Laos, Macau, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Papua New Guinea, Philippines, Singapore, South Pacific Islands, Sri Lanka, Taiwan, Thailand, Vietnam
Affiliated with: Spruson & Ferguson Lawyers (Australia), Spruson & Ferguson (Asia) Pte Ltd (Singapore), Spruson & Ferguson Sdn Bhd (Malaysia)

Under Australian law, “exploitation” includes:

- (a) where the invention is a product – to make, hire, sell or otherwise dispose of the product, to offer to make, sell, hire or otherwise dispose of it, to use or import it, or to keep it for the purpose of doing any of those things; or
- (b) where the invention is a method or process - to use the method or process or do any act mentioned in paragraph (a) in respect of a product resulting from such use.

Broadly, in order to be the subject of a patent, the invention must, *inter alia*, be new and not be obvious at the time of lodging the patent application. Subject to limited exceptions, demonstrating, selling, publishing, or discussing the invention in public is likely to preclude the inventor's or its assignee's ability to obtain a valid patent.

Eighteen months after lodgement of an initial patent application, the detailed description of the invention (contained in the complete patent specification) becomes available for public inspection.

2.2 Patent validity

Grant of a patent does not guarantee validity, and an invalid patent is unenforceable. Further, the grant of a patent does not guarantee that all claims of that patent are valid.

The grant of a patent also does not guarantee that the invention defined therein can be exploited without infringing the rights of others.

2.3 Payment of annual fees for patents

Patent applications and patents are subject to the payment of annual fees (annuities or taxes) throughout the life of the application and the granted patent. If annuities are not paid, the patent (or patent application) may lapse.

Spruson&Ferguson has determined from its own records and those of CPA Global, the agent for payment of the annuities that, at the time of this Report, there are no overdue fees (i.e. annuities) in respect of the patents.

2.4 International conventions

Australia is a signatory to a number of international conventions that relate to intellectual property. Many of these are administered by the World Intellectual Property Organisation (WIPO), which is an agency of the United Nations. Some features of the most important conventions are discussed below.

2.4.1 Paris Convention

The ‘Paris Convention for the Protection of Industrial Property’ is signed by approximately 170 member states, including Australia. When seeking patent protection in foreign countries, it is necessary to lodge a separate application in each country or region where protection is desired and this may be done under the provisions of the

Paris Convention within 12 months of the date of lodging a corresponding patent application in Australia.

2.4.2 Patent Cooperation Treaty (PCT)

Australia is also a signatory to the PCT. The PCT allows for the lodgement of an 'international patent application'. This provides for a single application to designate any number of member states in which the patent is to be pursued, and provides priority in those states. The PCT has 146 contracting states (as at 1 February 2013), including most industrialised countries. It is also possible to designate the European Patent Convention (EPC; see below) via the PCT.

The effect of filing an international application is to place an application on foot in each of the designated countries. Usually, the international application is filed within 12 months of lodging a provisional application and claims priority from that provisional application. The use of the PCT permits the effective lodgment and associated fees for each of the designated countries to be delayed by up to a further 18 or 19 months from the 12 month deadline under the Paris Convention. An application is said to be in the "international phase" from after filing the PCT application and until the filing of national applications (or in the case of the EPC, regional application), generally referred to as entering the "national phase".

2.4.3 International Search Report (ISR)

Use of the PCT procedure also means that the results of an early "prior art search" for publications pre-dating the filing date of the application which may be relevant to the patentability of the invention (the ISR), indicating the searcher's opinion on the novelty and inventiveness of the invention, are available before the deadline for paying the national phase fees in the designated countries.

2.4.4 Written Opinion(s)/International Preliminary Report on Patentability (IPRP)

Use of the PCT procedure can also involve certain recognised national patent offices (including the Australian Patent Office; IP Australia) providing comments on the relevance of the material listed in the ISR, in what is known as a Written Opinion. Although it is not compulsory, the PCT applicant can reply to the Written Opinion(s) with rebutting arguments and/or amendments. At the end of this process an IPRP issues. If all claims are said to meet the main three examined patentability requirements under this procedure (novelty, inventive step, industrial applicability), then the IPRP is said to be "clear". Although not binding, a clear IPRP can be helpful in obtaining national patent protection in many jurisdictions. It is also important to note that a non-clear IPRP is not finally determinative of corresponding subsequent national patent application/s filed.

Searches of prior art are not designed to, and do not, indicate whether the commercial exploitation of the patent applicant's invention will infringe the patent rights of others. An invention with a "clear" IPRP may still infringe patent rights of third parties that a prior art search would not identify.

2.4.5 European Patent Convention (EPC)

Under the 'European Patent Convention', it is possible to lodge a single patent application to seek protection in any, or all, of the following European countries: Albania, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Former Yugoslav Republic of Macedonia, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Liechtenstein, Lithuania, Luxembourg, Latvia, Monaco, Malta, The Netherlands, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey and the United Kingdom. Several 'extension states' exist (Bosnia and Herzegovina, and Montenegro) which also recognize European patents upon request.

- 2.4.6** Under the EPC a single examination of the "regional" application is conducted by the European Patent Office (EPO). The EPO will conduct their own comprehensive search and examination of an application according to their laws and may raise rejections or objections that cannot be overcome, even on the basis of documents which were recognised as not prejudicial in the IPRP. If an objection or rejection raised by the EPO cannot be overcome by amendment or by submissions, or by a combination of both, the patent application will be refused. Refusal of an application by the EPO means refusal of the application for the purposes of all of the member countries. Allowance (or acceptance) of the application by the EPO can lead to grant of a European patent, which must then be registered (or validated) in the chosen countries of those covered by the EPC to have effect in those countries.

2.4.7 National patents

There is no such thing as a 'world patent'. In order to obtain protection overseas, a national patent application must be lodged in each relevant jurisdiction. The result of examination of a national application in one country is not binding on any other country (as different to a "regional" application such as under the EPC, as noted at paragraph 2.5.6). Similarly, it is important to note that, in the case of a national application that has been through the PCT proceedings, a clear or favourable IPRP is not binding on a national office. Most national patent offices will conduct their own comprehensive search and examination of an application and may raise rejections or objections that cannot be overcome, even on the basis of documents which were recognised as not prejudicial in the IPRP. If an objection or rejection raised by a national office cannot be overcome by amendment or by submissions, or by a combination of both, the patent application will be refused. The grant of a patent in one country does not guarantee grant in others. Similarly, challenges to patent validity must generally be made in each country of interest. It is only upon grant of a patent in a particular country that the patentee then has enforceable rights in that country for the invention defined in the claims of the granted patent.

2.5 Overview of the Patenting Process

The patenting process typically involves three steps, being: (1) filing of a provisional application; (2) filing of a complete application (which in the case of a PCT application is divided into: (a) international phase; and (b) national phase during which the application is subject to examination before the relevant patent office); and (3) grant of a patent.

The usual first step in obtaining patent protection for an invention typically involves filing a “provisional” patent application. A purpose of the provisional application is to describe the invention and to provide 12 months within which to carry out further experiments/trials to further characterize the invention. The date of lodging the provisional application establishes a “priority date”.

At the end of the 12 month period, the provisional application lapses. In order to maintain the priority date a “complete” patent application must be filed prior to the end of that 12 month period, representing the second step in obtaining patent protection.

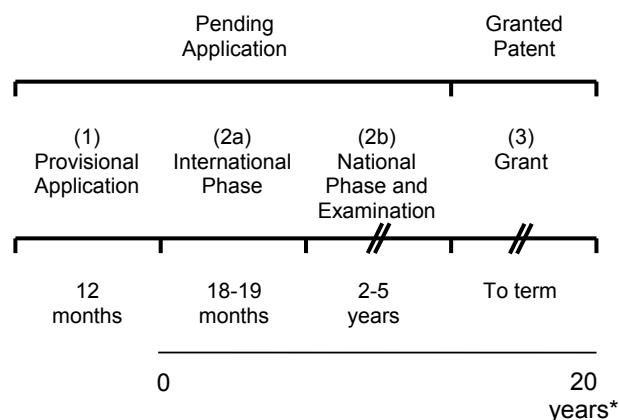
If patent protection is sought in multiple countries, the complete application may be filed as a single “international” application pursuant to the Patent Cooperation Treaty (PCT) described above. This application represents a bundle of applications allowing patent protection to be pursued in countries that are signatories to the PCT.

After the “international phase” of this application, the “national” or “regional” phase is entered in individual signatory countries or regions as desired. Once the international (PCT) application enters this phase it undergoes examination before the relevant national patent office (or the EPO as noted) to determine whether the application proceeds to grant or is refused. Typically, that substantive examination will include an assessment of whether the claimed invention satisfies the requirements of that jurisdiction for patentable subject matter, novelty, inventiveness and appropriate claim scope in view of what is described in the patent application.

In some circumstances, instead of filing a single complete PCT application, it may be preferable to file multiple complete applications in individual countries under the Paris Convention described above.

Set out below is a schematic diagram of the process generally involved in obtaining patent protection in the context of the three steps referred to above, being: (1) filing of a provisional application; (2) filing of: (a) a complete “international” application resulting in entry into international phase; and (b) national or regional phase application/s, involving prosecution of patent application/s in individual signatory countries or regions; and (3) grant and term of the resulting patent.

Overview of a typical patenting process



* subject to payment of renewal fees and potential extension of term in limited circumstances

3. Patent Portfolio

Spruson & Ferguson is engaged by Covata Australia Pty Limited, ACN 156 175 245, in a capacity to provide patent attorney services in respect of patents and patent applications listed in Annexure 1 of this Report. Each of the patents and patent applications listed in Annexure 1 are in the name of, or intend to issue in the name of, Cocoon Data Holdings Limited, ACN 127 993 300. We understand that Covata Australia Pty Ltd is a wholly owned subsidiary of Cocoon Data Holdings Limited.

As shown in Annexure 1, the patents and applications are all proceeding in the name of Cocoon Data Holdings Limited except US Patent No. 8,806,027, which was filed in the names of the inventors. An Assignment of US Patent Application No. 12/809,758 (now issued as US Patent No. 8,806,027) from the inventors to Cocoon Data Holdings Limited has been recorded at the US Patent and Trade Mark Office on Reel/Frame Nos. 025199/0842 and 025199/0845.

For those entries of Annexure 1 which are pending applications rather than granted patents, an expiry date for the cases is not stated. As shown on the "Overview of a typical patenting process" the term of a patent is 20 years from the filing date of the relevant complete application. Under certain circumstances it may be possible to extend the patent term in some jurisdictions (e.g. for a further 3-5 years) if a patent contains claims to pharmaceutical compositions. The filing date of a complete application, such as a PCT application, may be up to 12 months after the earliest priority date claimed by the application. Some countries permit the filing of further applications from an initial complete application under certain circumstances. These further applications are typically referred to as "divisional" applications and may be filed more than 12 months after the earliest priority date claimed by the application.

A summary the patent families provided in Table 1, Table 2 and Table 3 of Annexure 1 is provided below.

3.1. Table 1: "System and method for securing data"

The patents and applications of Table 1 of Annexure 1 each claim priority to United States Provisional Patent Application No. 61/021271 (filed 15 January 2008) and Australian Provisional Patent Application No. 2007907016 (filed 21 December 2007). These patents and applications are National Phase entries of International Patent Application No. PCT/AU2008/001898, filed on 22 December 2008. All applications have been granted at this date.

3.2 Table 2: "Secure data object generation and management"

The sole application in Table 2 of Annexure 1 is International Patent Application No. PCT/AU2014/000715, filed on 14 July 2014 and which designates all PCT states. This application claims priority from Australian Provisional Patent Application No. 2013902603, filed on 15 July 2013. This application may enter the National Phase of any designated state before the relevant deadline (14 January 2017 in many jurisdictions). Any patents rights granted for a National Phase entry will normally have a

maximum term of 20 years from the filing date of this application (i.e. 20 years from 14 July 2014).

3.3 Table 3: “Secure communication method”

The sole application in Table 3 of Annexure 1 is Australian Innovation Patent Application No. 2014101079, filed on 5 September 2014. This application does not claim any Convention priority. The maximum term of an Australian Innovation Patent is 8 years from the filing date. The maximum term for this application is 8 years from 5 September 2014. Australian Innovation Patent Application No. 2014101079 has yet to grant.

4. LIMITATIONS AND DISCLAIMERS

4.1 Search limitations

4.1.1 General

The prior art (or “novelty”) searches conducted by the various patent offices to determine whether a patent should be granted are limited in terms of the time periods and the geographical areas covered. Thus, the databases used in searching may not include older published documents and may not cover certain jurisdictions. Further, all searches are subject to the accuracy and scope of the material searched as well as the classification criteria adopted. Accordingly, whilst the searches conducted by various patent offices provide a reasonable indication of patentability, these and other factors make it impossible to guarantee that every relevant prior art record has been identified and considered. Hence, any conclusions regarding the validity of claims in a patent based on patent office searches should be regarded as indicative rather than conclusive.

4.1.2 Unpublished Documents

Searches cannot locate documents which have not been published at the time of conducting the search. In most countries, publication of a patent application does not occur until 18 months from the earliest priority date. Delays between official publication and the implementation of information onto the relevant databases can also occur.

4.1.3 Non-patent prior art documents and disclosure

No search can ever be considered entirely conclusive or exhaustive because some forms of prior art such as prior public use, oral disclosures, prior commercial exploitation and prior publication in non-patent literature, cannot be searched systematically.

4.1.4 Commercialisation/Secret Use

The commercialization or secret use of an invention that is the subject of a patent application can affect the patentability of the invention and the validity of any patent granted on the invention. Such commercialization or secret use is unlikely to be identified by documentary searches of publicly accessible databases.

4.1.5 Reliance on cited prior art classification

The views expressed in relation to relevance of the prior art cited in various searching and examination reports are based on the relevant classification attributed in such reports.

4.1.6 Searching and other matters relevant to validity

Searching may not disclose other matters relevant to validity including, for example, matters relevant to obviousness (i.e. inventive step).

4.2 Examination Reports in one Country Not Binding in Other Countries

Patent applications lodged in each country are generally subject to an independent search and examination by the local patent office, the results of which are not binding in other jurisdictions. Equally, international PCT search and examination reports are not binding on national patent applications during examination in the national phase. Such search and/or examination reports should therefore be regarded as relevant to patentability in the particular jurisdiction and not determinative of patentability elsewhere. Furthermore, grant of a patent in one country does not guarantee that patent/s for the same or related inventions will be granted in other countries.

4.3 Grant of Patent Provides no Guarantee of Validity

Grant of a patent by a national patent office provides an indication rather than a guarantee of its validity. In most jurisdictions, a patent application is subject to substantive examination prior to grant. Although this process confers an initial presumption of validity, in most countries that “presumption” carries no binding legal weight and a patent may be challenged at any time after grant by way of revocation proceedings undertaken in a court of competent jurisdiction. In certain countries a granted patent may be subjected to re-examination by the relevant patent office, particularly if relevant prior art is identified that was not considered during initial examination of the application.

4.4 Grant of Patent Provides no Guarantee of Non-infringement

Grant of a patent provides no guarantee that the patentee is entitled to commercially exploit the patented invention. For example, the working of an invention, even if validly patented, may nevertheless infringe an earlier patent or other intellectual property rights.

4.5 Scope of Claims May Vary During Examination

It may be possible, and is often necessary, during the examination of a patent application to define the invention more specifically by amendment of the claims to distinguish the invention over relevant prior art. Accordingly, there may be variations in the claims between countries, reflecting in part the different national examination procedures and threshold patentability requirements. Such amendments may affect the scope and hence the commercial significance of the resultant patent protection.

4.6 Opposition Proceedings

Some jurisdictions allow for accepted patent applications to be opposed by any third party. For example, Australia and New Zealand provide for pre-grant opposition whereas Europe provides for post-grant opposition. Successful opposition proceedings to an application may result in some of the claims of the application being refused or may result in all of the claims of the application being refused, in which latter case a patent typically would not be granted on that application. Successful opposition proceedings to a patent may result in some or all of the claims being held invalid or restricted in breadth.

4.7 Enforcement of Patent Rights

Upon grant of a patent, a patentee may initiate proceedings against an alleged infringer of the patent. In many jurisdictions, damages for infringement may be awarded for infringements occurring from the date of publication of the patent specification, provided certain criteria are met.

4.8 Infringement of the rights of others

As noted above, searches conducted during patent prosecution do not provide any guarantee that the subject inventions may be commercially exploited without risk of infringement of third parties. More particularly, searches focused on novelty and inventive step have different strategies from infringement searches (which seek to establish whether a specific activity is likely to infringe other parties' patent rights).

4.9 Entitlement to Priority

In order for material disclosed in a patent application to be entitled to the priority date of a corresponding provisional application, there must have been (for Australia under the current patent law) a "real and reasonably clear disclosure" of such material in the provisional application. Similar provisions apply in other jurisdictions. Subject matter not so disclosed is not entitled to the claim to priority, which may affect patentability of the subject invention or the validity of any patent that may be granted.

4.10 Changes to Patent Law

From time to time the statutory basis governing patents in a particular jurisdiction may be amended by the relevant authority, typically the government of that jurisdiction. In addition, the practical effect of the statute may evolve by the development of case law, that is, by the interpretation of the statute by the relevant Courts. The Australian government recently enacted changes to the *Patents Act (1990)*. The government's stated intention in introducing those legislative changes was to "raise the bar" on patentability requirements. The changes will apply to all Australian applications for which a request for examination is filed after 15 April 2013. The changes will not apply to any Australian application for which a request for examination was filed before 15 April 2013, nor will they apply to any granted patent arising from such an application.

4.11 Duty of disclosure

In some jurisdictions there is a duty to disclose certain information to the relevant Patent Office. This information can include search results issued in respect of corresponding foreign applications, and/or any prior art information known to the applicant or its agents, which can be considered material to the patentability of the relevant invention. Failure to disclose such information in accordance with jurisdictional requirements can adversely affect the validity and/or enforceability of the relevant patent.

4.12 Reliance on information provided

The preparation of this Report has included access to and reliance on information contained in publicly available databases relevant to the patent applications in Annexure 1. Spruson&Ferguson is not responsible for the accuracy of information available in public databases and we cannot guarantee the accuracy of those databases.

5. Spruson&Ferguson's interest

Spruson&Ferguson is engaged by Covata Australia Pty Limited for professional patent and trademark services. Spruson&Ferguson has been and continues to be involved in the preparation, filing and prosecution of patent applications, including those set out in Annexure 1. No Principal of Spruson&Ferguson has any financial interest in Covata Australia Pty Limited or Cocoon Data Holdings Limited over and above the fees charged for the professional work done. The fees charged for that professional work, including the preparation of this Report, are based upon Spruson&Ferguson's standard rates of charging.

6. Spruson&Ferguson's expertise

Spruson&Ferguson is one of Australia's leading patent and trade mark attorney firms, providing a comprehensive range of expertise to our clients in the field of Intellectual Property (IP).

7. Consent

Consent for the inclusion of this Report in a Prospectus to be issued by Prime Minerals Limited, in the form in which it now appears, has been granted by Spruson&Ferguson and has not been revoked, as at the date of this Report. Spruson&Ferguson has not consented to any other reference in the Prospectus in respect of this Report.

Yours sincerely

SPRUSON & FERGUSON



Lee Pippard

BE FIPTA

Principal

lee.pippard@spruson.com

Annexure 1

Cocoon Data Holdings Limited - Patent Portfolio

Table 1: "System and method for securing data"

1: "System and method for securing data"					
Country	Applicant/Owner	Official No.	Earliest Priority Date	Filing Date	Status
Australia	Cocoon Data Holdings Limited	2008341026	21-Dec-2007	22-Dec-2008	Registered (expiry 22 December 2028)*
New Zealand	Cocoon Data Holdings Limited	586279	21-Dec-2007	22-Dec-2008	Registered (expiry 22 December 2028)*
Singapore	Cocoon Data Holdings Limited	162487	21-Dec-2007	22-Dec-2008	Registered (expiry 22 December 2028)*
United States	Lawrence Edward Nussbaum, Stephen Thompson (inventors); Assignee is Cocoon Data Holdings Limited	8,806,207	21-Dec-2007	22-Dec-2008	Registered (expiry 15 December 2029)*#

Table 2: "Secure data object generation and management"

2: "Secure data object generation and management"					
IP Authority	Applicant/Owner	Official No.	Earliest Priority Date	Filing Date	Status
World Intellectual Property Organisation (PCT application)	Cocoon Data Holdings Limited	PCT/AU2014/000715	15 July 2013	14 July 2014	Pending

*assuming timely payment of renewal fees to full term

#including USPTO Patent Term Adjustment of 258 days

Covata Australia Pty Limited

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Table 3: “Secure communication method”

3: “Secure communication method”					
Country	Applicant/Owner	Official No.	Earliest Priority Date	Filing Date	Status
Australia	Cocoon Data Holdings Limited	2014101079	5 September 2014	5 September 2014	Pending



Appendix 2 – Glossary and Interpretation

12.1 Definitions

Unless the context requires otherwise, where the following terms are used in this Prospectus, they have the following meanings:

\$ means an Australian dollar.

Advanced Encryption Standard or AES means a specific encryption technique.

Adviser means those persons whom introduced the Merger to the Company and assisted with its implementation.

Application Form means an application form attached to or accompanying this Prospectus relating to an Offer.

Application Monies means the amount accompanying an Application Form submitted by the applicant.

ASIC means Australian Securities & Investments Commission.

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

ASX Listing Rules means the official listing rules of ASX.

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 sub-registers.

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.

Bidder's Statement means the Bidder's Statement issued by PIM in connection with the Takeover Offer and lodged with ASIC on 26 August 2014.

Board means the Board of Directors as constituted from time to time.

Broker or Brokers means broker or brokers appointed by the Sole Lead Manager to act as a participating broker in the Broker Firm Offer.

Broker Firm Offer means the offer of New Shares to selected brokers under this Prospectus set out in Section 9.7.

Broker Stamping Fee means fees paid to Brokers for their role in the Broker Firm Offer.

Closing Date means the closing date of the Offers as set out in the indicative timetable in the Key Offer information section of this Prospectus (subject to PIM, in consultation with the Sole Lead Manager reserving the right to extend the Closing Date or close the Offers early).

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 Prospectus.

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

Cocoon Eligible Employee Option means an option granted to specified Cocoon employees, exercisable at \$0.15 each, that will be replaced with New Options exercisable at \$0.20 each, as set out in Section 9.8.

Cocoon Group means Cocoon and its Subsidiaries.

Cocoon Material Contracts has the meaning given in the Bid Implementation Agreement, as disclosed to ASX on 30 June 2014.

Cocoon Option means an existing Cocoon option.

Cocoon Optionholder means a holder of one or more Cocoon Options.

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

Cocoon Shareholder means a holder of one or more Cocoon Shares.

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

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

Competing Proposal means, in respect of a party, any expression of interest, offer or proposal by a third party (other than the Company, Cocoon or any of their subsidiaries) 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 (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).

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

Conditions means conditions of the Offer as detailed in Section 9.1.1

Consolidation means a 1:10 consolidation of Shares and Options, and the adjustment of the terms and conditions of any such Options in accordance with ASX Listing Rule 7.22.1, for which Shareholder approval is being sought at the General Meeting.

Constitution means the constitution of PIM.

Convertible Note Agreement means an agreement entered into by Cocoon in accordance with the terms of the BIA, pursuant to which a lender, or lenders, advanced (in aggregate with any other Convertible Note Agreements) up to \$2,500,000 (or such higher amount as Prime and Cocoon agree in writing) to Cocoon in payment of the face value of the Cocoon convertible notes, and includes a Secured Convertible Note Agreement.

Corporations Act means the Corporations Act 2001 (Cth).

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 SDK means Covata Software Development Kit.

Directors mean the directors of PIM as at the date of this Prospectus.

Equity Offer means the offer of New Shares under the Institutional Offer and Broker Firm Offer.

Essential Bid Conditions means the conditions in Section 2.1 required to complete the Transaction unless waived by PIM following the written consent of Cocoon, where required.

Essential Resolutions means those Shareholder resolutions referred to in Section 2.3 of this Prospectus and to be considered at the General Meeting, as described in further detail in the Notice of Meeting.

Foreign Cocoon Shareholder means any Cocoon Shareholder whose address as shown in Cocoon's register of members is in a jurisdiction outside Australia (and its external territories).

General Meeting means the general meeting of PIM to be held on 23 September 2014, which seeks Shareholder approval for the matters set out in the Notice of Meeting (including the Essential Resolutions).

Institutional Bookbuild means the process to determine demand and allocate New Shares to institutional investors under the Institutional Offer.

Institutional Investor means an investor who is either a professional investor or sophisticated investor under sections 708(8) and 708(11) of the Corporations Act; or in certain other jurisdictions as agreed between the Company, Cocoon and the Sole Lead Manager, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any government agency (except one with which the Company and Cocoon is willing, in its absolute discretion, to comply), in either case, provided that if such person is in the United States, it is only an Institutional Investor if it is an eligible US fund manager.

Institutional Offer means the offer of New Shares to selected institutional investors under this Prospectus set out in Section 9.6.

Investigating Accountant means RSM Bird Cameron Corporate Pty Ltd (ACN 050 508 024).

IT means information technology.

Maximum Subscription means PIM receiving Valid Applications for 75,000,000 New Shares under the Equity Offer to raise \$15,000,000.

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

Merger means the merger of PIM and Cocoon upon successful completion of the Transaction.

Minimum Subscription means PIM receiving Valid Applications for 12,500,000 New Shares under the Equity Offer to raise \$2,500,000.

New Share means a Share issued, on a post Consolidation basis, pursuant to this Prospectus.

New Option means an Option exercisable at the price and on the date as set out at 10.8.

Notice of Meeting means the Notice of General Meeting and Explanatory Statement of PIM in relation to the General Meeting, to be dated on or around 23 September.

Offers means, collectively, the Equity Offer and the Option Offer, and Offer means any of them, as the case requires.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Officers means members of the Board including the Company Secretary.

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

Optionholder means a holder of one or more Options.

Option Offer means the offer of New Options to Cocoon Optionholders under this Prospectus set out in Section 9.8.

Original Equipment Manufacturer or **OEM** means a company that manufactures their own products and in this context, relates to technology product companies.

Performance Share means a performance share issued by PIM on the terms and conditions set out in Section 10.4.

Prospectus means this prospectus.

Proposed Directors means Messrs Charles Archer, Trent Telford, Philip King, Phillip Dunkelberger and Joseph Miller.

Public Authority means any government or governmental, semi-governmental, administrative, statutory, fiscal, or judicial body, entity, authority, agency, tribunal, department, commission, office, instrumentality, agency or organisation (including any minister or delegate of any of the foregoing), any self-regulatory organisation established under statute and any recognised securities exchange (including without limitation ASX), in each case whether in Australia or elsewhere.

Safe Share means Covata's commercial cloud based Enterprise File Sharing and Synchronisation product.

Section means a section of this Prospectus.

Secure Objects Technology means the patented name for the Covata Platform.

Securities means the New Shares and New Options offered pursuant to this Prospectus.

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

Share Registry means Advanced Share Registry Services Ltd (ACN 127 175 946).

Shareholder means a holder of one or more Shares.

Software Development Kit or **SDK** means a set of software development tools used to create various software applications.

Sole Lead Manager means Moelis Australia Advisory Pty Limited (ACN 142 008 446).

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 or **Takeover Offer** means the off-market takeover offer made by PIM for all Cocoon Shares pursuant to the Bidder's Statement.

Transaction means, collectively, the approval of all Essential Resolutions at the General Meeting, the Takeover Offer, the Equity Offer, the Option Offer and the Consolidation.

Valid Application means a valid and complete application to subscribe for New Shares and/or New Options under this Prospectus, accompanied by the appropriate application money in full.

Virtual Private Network or **VPN** means a network typically using telecommunication infrastructure used to connect to a private network including a company's internal network.

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

12.2 Interpretation

Unless the contrary intention appears, the following rules apply in interpreting this Prospectus:

- > words or phrases defined in the Corporations Act have the same meaning in this Prospectus;
- > a reference to legislation, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- > the singular includes the plural and vice versa;
- > the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any government agency;
- > a reference to Australian dollars, AUD, \$ or dollars is to the lawful currency of the Commonwealth of Australia; and
- > a reference to time is to WST.

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Corporate Directory

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 and CEO)

Philip King (Non-Executive Director)

Phillip Dunkelberger (Non-Executive Director)

Joseph Miller (Non-Executive Director)

Current ASX Code:

PIM

Proposed ASX Code:

COV

Sole Lead Manager to the Offer

Moelis Australia Advisory Pty Ltd

Level 27, Governor Phillip Tower

1 Farrer Place

SYDNEY NSW 2000

Investigating Accountant

RSM Bird Cameron Corporate Pty Ltd

8 St Georges Terrace

PERTH WA 6000

Registered Office

1st Floor

8 Parliament Place

WEST PERTH WA 6005

Telephone: +61 8 9481 7833

Facsimile: +61 8 9481 7835

Website: www.primeminerals.com.au

Share Registry*

Advanced Share Registry Ltd

110 Stirling Hwy

NEDLANDS WA 6009

Phone: +61 8 9389 8033

Legal Advisers to PIM

Steinepreis Paganin

Lawyers and Consultants

Level 4, The Read Buildings

16 Milligan Street

PERTH WA 6000

Legal Advisers to Cocoon

Quinert Rodda & Associates Pty Ltd

Suite 1, Level 6

50 Queen Street

MELBOURNE VIC 3000

Auditor to PIM

HLB Mann Judd

Level 4

130 Stirling Street

PERTH WA 6000

Auditor to Cocoon

KPMG

Level 11, Corporate Centre One

Cnr Bundall Road & Slatyer Avenue

BUNDALL QLD 4217

[^] 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 Prospectus