

# **Prime Minerals Limited** **(to be renamed Covata Limited)**

Investor presentation

September / October 2014



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This presentation 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 presentation. 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.

## Presentation team

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**Chuck Archer**

Executive Chairman

- Over 28 years experience as Assistant Director of the FBI as head of the Criminal Justice Information Services Division
- Testified before multiple US Senate and House committees on advancing technology for Criminal Justice



**Trent Telford**

Chief Executive Officer and  
Executive Director

- Founded Cocoon Data Holdings in October 2007
- Experienced company Director and CEO with former management positions in IT, biotechnology and mining services
- Founder of one of Australia's first mobile marketing technology companies with STW Group



**Phillip Dunkelberger**

Non Executive Director

- President and CEO of Nok Nok Labs, Inc, a leader in strong authentication solutions
- Co-Founder and CEO of PGP Corporation (acquired by Symantec in 2010)
- Significant experience in SAAS infrastructure and enterprise software



**Nick Chiarelli**

Chief Financial Officer and  
Company Secretary

- 15 years financial / accounting experience in Sydney and London
- Managed Cocoon's finance function for 4 years
- Member of Australian Institute of Chartered Accountants



**Vic Winkler**

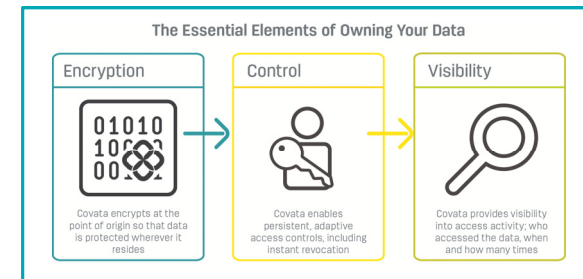
Chief Technology Officer

- Over 30 years experience in information and cyber security, cloud security, and systems and applications development
- Previously security architect for Booz Allan Hamilton and Lead Cloud Technologist for Sun Microsystems
- Published a number of technical conference papers and university texts on cloud technology

# Executive summary

## Who is Cocoon?

- Cocoon has developed an enterprise solution to manage data security at the object level as opposed to securing data at the network or perimeter level
- Patented technology which incorporates three core principles:
  - (1) strong encryption
  - (2) rights management (defining what you can or can't do with the data)
  - (3) audit (visibility into who did what with the data)
- Flexible integration into existing enterprise infrastructure
- High security certifications have been obtained for versions of the software
- Significant market opportunity with strong barriers to entry – no known market competitor offering a similar solution
- Commercialisation strategy is progressed - reseller and product development agreement with NSC Global and is in various stages of negotiations with a number of potential OEM providers



## Merger with Prime Minerals

- Cocoon is undertaking a back door listing via an off-market takeover bid by Prime Minerals for all of Cocoon's Shares and Options on issue
- The Takeover Offer is subject to a number of conditions including
  - 90% minimum acceptance (PIM can waive the condition upon receiving at least 80% of acceptances)
  - Minimum equity raising of \$2.5 million
  - PIM receiving confirmation that it will be re-admitted to the Official List of the ASX and suspension of shares will be lifted
- Takeover offer will close on 10 October 2014 (unless extended)

## Equity offer

- PIM is seeking to raise a minimum of \$2.5 million and a maximum of \$15 million under the Equity Offer
- Offer Price of \$0.20 per New Share (5% discount to the last traded price of PIM on a post-consolidation basis)
- Proceeds of the Offer will be used to commercialise Cocoon's technology by employing additional personnel and accelerate its global marketing efforts

## Overview of Cocoon

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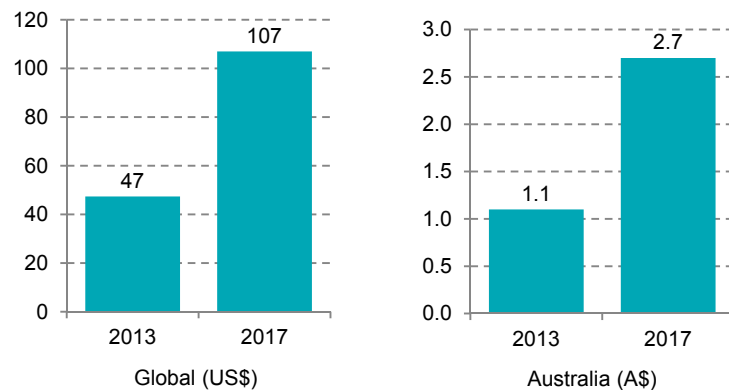


# Industry overview

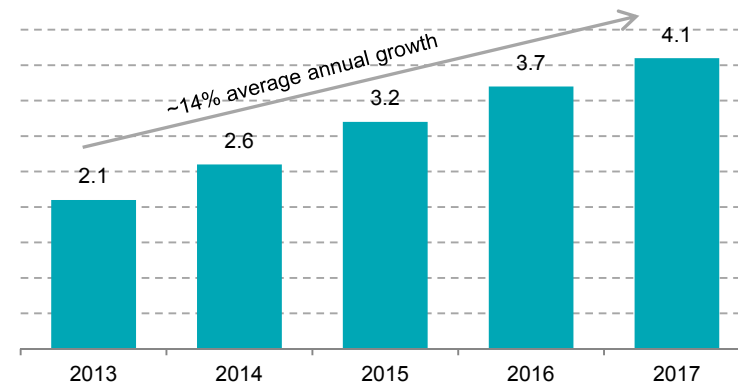
**The IT security market is estimated to be valued at US\$68 billion and is expected to continue to grow**

- Protecting and securing data and proprietary information is of high importance to government and enterprise
  - Prevalence of information in digital form
  - Increasing distribution / exchange of information using unsecure mediums
- The International Data Corporation in 2013 estimated spending in cloud computing will reach US\$107 billion globally and A\$2.7 billion in Australia, by 2017
- Global cloud-based security market is predicted to grow to US\$4.1 billion by 2017 as reported according to Gartner
- There are a number of key trends identified in the IT security market including:
  - Increased adoption by government and business to use cloud as a cost effective means of storing information
  - Growing demand for flexibility and customisation in IT security solutions
  - Employees using personal devices to access information on an organisation's network or cloud

**CLOUD COMPUTING MARKET (\$ billion)**



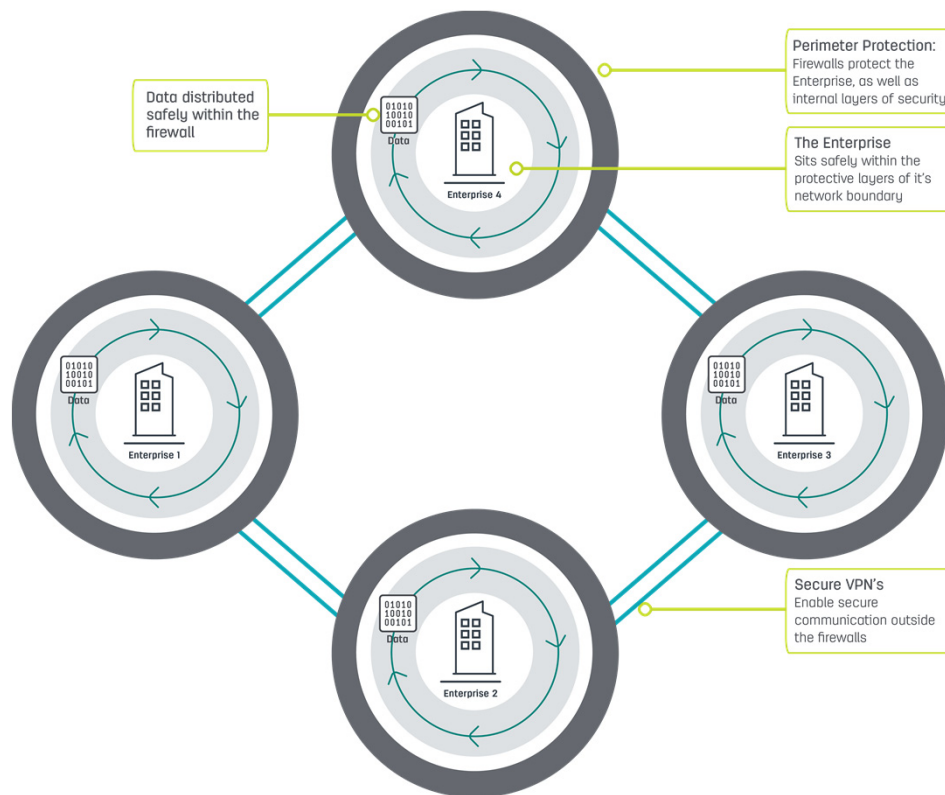
**CLOUD SECURITY SPENDING (US\$ billion)**



# Traditional approach to data security

Data security traditionally focuses on the network or perimeter level

## NETWORK / PERIMETER SECURITY (TRADITIONAL APPROACH)



- Security at the network or perimeter level leaves individual data files unsecure
  - All data can be accessed once the perimeter is breached
  - Network is hackable from outside organisations
  - Potential for documents to be leaked from inside an organisation
  - Can require costly hardware solutions
- Difficult to control the security and integrity of data when sharing files outside of an organisation
  - Data can be compromised once shared via email or uploaded to and accessed from an unsafe cloud storage site

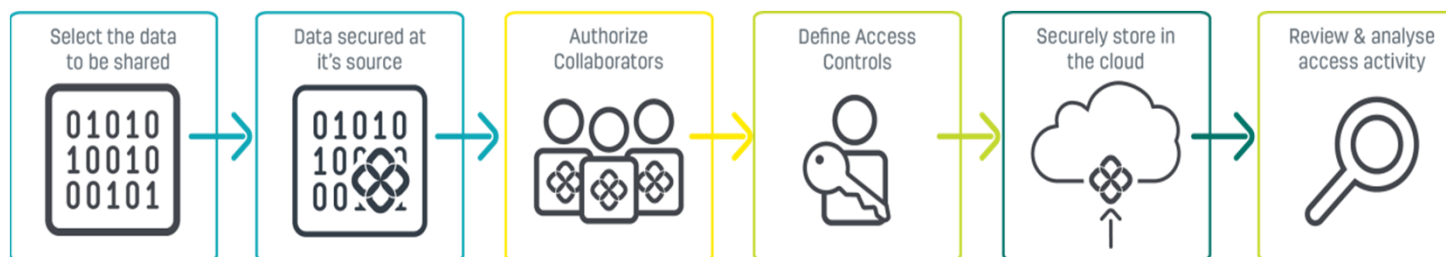


# The Covata technology

## Covata has developed a disruptive approach to IT security

- Cocoon has developed the Covata Platform which provides an enterprise specific solutions that performs encryption at the data source and separates the data from the associated access keys and controls
- Solution is device and file type agnostic
  - Core technology is designed as a platform solution for use across open networks (secure and insecure)
  - Data remains secure whether accessed via the cloud, mobile devices or within organisations' private network
- Provides a point of difference to other commercial data security providers
  - File encryption at source
  - Centralised management of user access
  - Ability to revoke access to sensitive data in real time
  - Complete auditability of access activity

## DATA SECURITY MANAGEMENT PROCESS



# Certifications

Versions of the Covata Platform have been awarded a number of prestigious IT certifications

- Independent certifications provide customers with assurance that technology is of a high standard
- Versions of the Covata Platform have been independently certified by US and Australian organisations
- Provides government, system integrators, resellers and OEM partners with an assurance that the Covata Platform:
  - Provides a high level of security protection
  - Can be integrated to comply with strict government security regulations if required
- Cocoon holds a number of registered patents in key jurisdictions including the US, Australia, New Zealand and Singapore

## SECURITY CERTIFICATES



**FIPS 140-2 Level, Design Assurance Level 3**

- Certifies highest level of protection, complying with strict Government security regulations
- Assurance for US and Canadian Government customers, system integrators and resellers



**FIPS-197 Advanced Encryption Standards 256**

- Security certification sufficient to protect classified information in US Government
  - Supersedes protection at SECRET level



**Common Criteria EAL 4+**

- Indicates particular versions of the software were independently verified against international standards



**DSD Cryptographic Evaluation**

- Assures data security is upheld during the transfer of classified information over unclassified networks
- Certification is relied on by Australian and New Zealand Government agencies

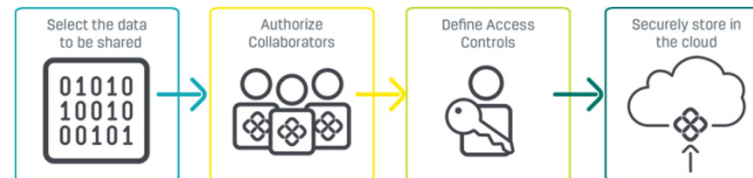
Source: Certificate websites

# Enterprise application

## Cocoon's first product for commercialisation is Safe Share

- Enterprises typically have a number of different security platforms for different applications (eg. email and mobile devices are likely to have different security overlays)
- The Covata Platform can be integrated to connect into existing systems within an enterprise
  - Significant cost efficiencies and business process benefits
- Cocoon has developed a commercial cloud based Enterprise File Sharing and Synchronisation product called **Safe Share**
  - Purposefully built for enterprise users
  - Demonstrates the application of the Covata Platform and assists with the advancement of Cocoon's commercialisation strategy
- Safe Share is compatible across many electronic devices and can be accessed via a web browser (Internet), Windows and iOS applications
- Safe Share can be tailored to suit specific enterprise needs

## SAFE SHARE PRODUCT OVERVIEW



### Safe Share Functionality...



### Safe Share Features...



# Safe Share, an enterprise-focused solution

The screenshot displays the covata Safe Share web interface. The top navigation bar includes the covata logo, 'Safe Share', and a user profile 'nick.carroll@covata.com'. The main area is divided into a left sidebar with 'Upload', 'Create', and file categories, and a central file list. The file list shows various documents and folders, with 'Load Test Data.zip' selected. A details panel on the right shows file metadata and a list of collaborators. A sharing dialog is open, showing the 'Human Resources' folder and allowing users to add collaborators and set access controls.

**File List:**

File Name	Owner	Created
Offsite	Simon Wild	15 Sep 2014
Pentest Aug 2014	Simon Wild	27 Aug 2014
Test	rick.carroll@covata.com	15 Sep 2014
1471-2164-12-406-s2.xlsx	Robert Bartlett	29 Aug 2014
Collateral_White_Paper_Corporate_File_Sharing_v3.docx	rick.carroll@covata.com	01 Aug 2014
Covata-Intro-9-14-rob.pptx	Robert Bartlett	05 Sep 2014
<b>Load Test Data.zip</b>	rick.carroll@covata.com	15 Sep 2014
Press_Release_Covata_View_Only_Final_03252014.docx	rick.carroll@covata.com	25 Jul 2014
Product Roadmap 2014.pdf	rick.carroll@covata.com	10 Jul 2014
Stock Research.pdf	rick.carroll@covata.com	25 Jul 2014
WholeCovata_T-Systems_25 July 2014_v2.pptx	rick.carroll@covata.com	25 Jul 2014

**File details:**

Name: Load Test Data.zip  
Created: Sep 15 2014 9:42 AM  
Modified: Sep 15 2014 3:54 PM  
Size: 312.9 MB  
File type: zip

**Shared with:**

- andrew.lum@covata.com
- david.yeung@covata.com
- kevin.mchugh@covata.com

**Share Dialog:**

Name: Human Resources

**Collaborators:**

- helen.fraser@outlook.com
- vic.winkler@covata.com

**Access Controls:**

- ☒ Allow downloading of contents?
- ☒ Allow printing of contents?
- ☒ Apply sharing changes to all sub-folders and files?

**Folder details:**






Name: Human Resources  
Created: May 26 2014 5:37 PM  
Modified: Jul 25 2014 4:33 PM

**Shared with:**

- helen.fraser@outlook.com
- vic.winkler@covata.com

# Commercialisation strategy

Cocoon is progressing three commercialisation channels

Channel	Description	Current customer / partner and target markets
Reseller partners and distribution	<ul style="list-style-type: none"> <li>Cocoon has developed a strategy of utilising a network of trusted partners and distributors for specific regions / client groups</li> <li>Utilises reseller trusted relationships while minimising number of required sales staff</li> </ul>	  
Direct sales	<ul style="list-style-type: none"> <li>Direct sales to certain customer segments including Government and Defence Agencies</li> <li>Strong reputation in the intelligence community</li> </ul>	 
Original Equipment Manufacturers (OEMs)	<ul style="list-style-type: none"> <li>OEM clients would “embed” the Covata Platform within their existing software ecosystem               <ul style="list-style-type: none"> <li>Provide scalability and attractive margins</li> </ul> </li> </ul>	Currently in various stages of negotiations with a number of potential global OEM partners <sup>1</sup>

1. Discussions remain preliminary, incomplete and confidential

# Competitive advantages

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Cocoon has spent significant time and resources in developing the Covata Platform which has a number of significant competitive advantages in the IT security market place

- 1 Unique IP portfolio with patent protection and certifications in place
  - Disruptive technology of a data centric security approach that allows data to be shared across unsecure networks and devices while maintaining security protection and integrity
  - Provides ability to control distribution of data and allows visibility of user interaction
- 2 Management believes there is no market competitor that offers a similar solution that can be integrated as easily into existing infrastructure
  - Availability of Covata SDK<sup>1</sup> allows the client's system integrators to access the coding required to tailor company specific solutions
  - Covata technology can interact across different systems and applications
- 3 Substantial software development and coding required for competitors to imitate the Covata Platform
  - Cocoon has spent in excess of A\$30 million over 6 years to develop an enterprise ready solution
- 4 Current strategic and global partnerships are in place
- 5 Equivalent accreditation / certifications can take up to 24 months to obtain

1. Software Development Kit

# Strong Board and Management Team

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## PROPOSED BOARD OF DIRECTORS

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<b>Charles Archer</b> <i>Executive Chairman</i>	<ul style="list-style-type: none"><li>Over 28 years experience as Assistant Director of the FBI as head of the Criminal Justice Information Services Division</li><li>Testified before multiple Senate and House committees on advancing technology for Criminal Justice</li></ul>
<b>Trent Telford</b> <i>Founder, CEO and Executive Director</i>	<ul style="list-style-type: none"><li>Founded Cocoon Data Holdings in October 2007</li><li>Experienced company Director and CEO and founder of one of Australia's first mobile marketing technology companies with STW Group</li></ul>
<b>Phillip Dunkelberger</b> <i>Non-Executive Director</i>	<ul style="list-style-type: none"><li>President and CEO of Nok Nok Labs, Inc, a leader in strong authentication solutions</li><li>Co-Founder and CEO of PGP Corporation (acquired by Symantec in 2010)</li></ul>
<b>Joseph Miller</b> <i>Non-Executive Director</i>	<ul style="list-style-type: none"><li>Managing Director of Europlay Capital Advisors, LLC ("ECA"), an Los Angeles based boutique merchant bank and financial advisory firm<ul style="list-style-type: none"><li>ECA services and invests in technology, media, telecom etc.</li></ul></li></ul>
<b>Philip King</b> <i>Non-Executive Director</i>	<ul style="list-style-type: none"><li>Over 30 years experience in financial services, payments and IT</li><li>Co-founded Asia Principal Capital Limited in Brunei and Singapore</li></ul>

## EXECUTIVE MANAGEMENT

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<b>Trent Telford</b> <i>Founder, CEO and Executive Director</i>	<ul style="list-style-type: none"><li>Founded Cocoon Data Holdings in October 2007</li><li>Experienced company Director and CEO and founder of one of Australia's first mobile marketing technology companies with STW Group</li></ul>
<b>Nick Chiarelli</b> <i>Chief Financial Officer</i>	<ul style="list-style-type: none"><li>15 years financial / accounting experience in Sydney and London</li><li>Managed Cocoon's finance function for 4 years</li></ul>
<b>Vic Winkler</b> <i>Chief Technology Officer</i>	<ul style="list-style-type: none"><li>Over 30 years experience in information and cyber security, cloud security, and systems and applications development</li><li>Previously security architect for Booz Allan Hamilton and Lead Cloud Technologist at Sun Microsystems</li></ul>

## Transaction overview

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# Merger with Prime Minerals (PIM)

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## Merger overview

- On 20 May 2014, PIM announced its intention to merge with Cocoon
- The merger is to be effected by means of an off-market takeover bid by PIM for all Cocoon Shares
- PIM shareholder approval obtained at the General Meeting on 23 September 2014

## Consideration

- 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
- Implied consideration to Cocoon shareholders of \$57.3 million if Performance Shares vest and \$50 million if Performance Shares don't vest<sup>1</sup>

## Conditions

- Takeover offer is subject to a number of Conditions including:
  - 90% minimum acceptance (PIM can waive the condition upon receiving at least 80% of acceptances)
  - Minimum equity raising of \$2.5 million
  - PIM receiving confirmation that it will be re-admitted to the Official List of ASX and suspension of shares will be lifted

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1. 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).

## Equity offer overview

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# Equity Offer

## OVERVIEW OF THE EQUITY OFFER

- The Merged Group is seeking to raise between \$2.5 million and \$15.0 million under the Equity Offer
- Offer price of \$0.20 per New Share (on a post consolidation basis)
  - Offer price represents a 5% discount to PIM's last traded price and a 19% discount to the 5-day VWAP prior to the trading halt
- The Equity Offer will comprise an Institutional Offer and a Broker Firm Offer
- New Shares will be fully paid and rank equally with existing PIM Shares currently on issue
- The Equity Offer is conditional upon:
  - PIM's takeover offer for all Cocoon Shares becoming or being declared free of all conditions
  - ASX confirming that it will re-admit PIM to the Official List and terminate the suspension from the Official Quotation of Shares
- Moelis Australia Advisory Pty Ltd has been appointed Sole Lead Manager to the Equity Offer

## SUMMARY OF KEY METRICS

	Minimum Subscription	Maximum Subscription
Offer price per Share <sup>1</sup>	\$0.20	\$0.20
Total number of New Shares offered	12,500,000	75,000,000
Cash proceeds to be received	\$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 <sup>2</sup>	319,744,495	382,244,495
Market capitalisation at Offer Price <sup>2</sup>	\$63,948,899	\$76,448,899
Ownership of new investors post completion of the Offer <sup>2</sup>	3.9%	19.6%
Ownership of new investors post completion of the Offer (on a fully diluted basis) <sup>3</sup>	3.2%	16.5%

1. Shares may not trade at the Offer Price upon listing

2. Excludes Performance Shares and Options on offer

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

# Sources and Uses of Proceeds

Subscription amount	\$2.5 million	\$5 million	\$10 million	\$15 million
Source 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 (FY14)	\$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
<b>Total funds available</b>	<b>\$6,300,000</b>	<b>\$8,800,000</b>	<b>\$13,800,000</b>	<b>\$18,800,000</b>
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
<b>Total</b>	<b>\$6,300,000</b>	<b>\$8,800,000</b>	<b>\$13,800,000</b>	<b>\$18,800,000</b>

## 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.

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.

## Pro forma capital structure upon completion of the Transaction

	Minimum Subscription (\$2.5 million)		Maximum Subscription (\$15.0 million)	
	Shares on issue (m)	Ownership (%)	Shares on issue (m)	Ownership (%)
<b>Shares on issue</b>				
Current (assuming no other Shares are issued)	33.7	10.5%	33.7	8.8%
Issue to Cocoon Shareholders under Takeover Offer (post Consolidation Shares)	250.0	78.2%	250.0	65.4%
Shares issued under the Equity Offer	12.5	3.9%	75.0	19.6%
Shares issued to Advisors of PIM as part of the Transaction	10.0	3.1%	10.0	2.6%
Issue of PIM Shares under Convertible Note Agreements	13.5	4.2%	13.5	3.5%
<b>Total Shares on issue</b>	<b>319.7</b>	<b>100.0%</b>	<b>382.2</b>	<b>100.0%</b>
<b>Options and Performance Shares</b>				
Existing Options	Nil		Nil	
Option Offer	34.7		34.7	
Performance Shares issued to Cocoon Shareholders under the Takeover Offer	36.4		36.4	
<b>Total Options and Performance Shares on issue</b>	<b>71.1</b>		<b>71.1</b>	

Note: The pro forma capital structure upon completion of the Transaction is presented on a post consolidation basis.

# Indicative timetable<sup>1</sup>

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Lodgement of Prospectus with ASIC	22 September 2014
Offer Period opens	23 September 2014
Offer Period closes	2 October 2014
Close of Takeover Offer <sup>2</sup>	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

1. 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. PIM also reserves the right not to proceed with all or part of the Offer at any time before the issue of New Shares and New Options to applicants.

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

## Summary of key risks

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# Summary of key risks

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## 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 updated.
- 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 depreciated 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 (SLAs) 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.

## 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.

## Platform Risk

- While Cocoon has an ability to sell products directly to end-users, its current focus is on creating a platform for integration by existing market participants in order to provide a revenue stream. The platform strategy allows the creation of customised value added solutions via a software development kit at the consumer end point, rather than a general 'product' solution for use in point cases.
- The risk in this strategy is adoption by smaller market segments which are unable to afford tailored solutions or have limited needs where there is no 'shrink-wrapped' product to implement. To some degree this can be alleviated by the 'white labelling' of technology products based on the Covata Platform and sold through branded solution providers.
- This risk is being mitigated by 'productising' parts of the Platform into end-user products – for sale directly or indirectly. The first and leading Product to come off the 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 Platform for further integration in core systems and business processes.



## Summary of key risks (continued)

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### 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. 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.

### 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.

### 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.

### 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.

## Summary of key risks (continued)

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### 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.
- 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.