



PRIME MINERALS LIMITED

Level 1, 8 Parliament Place, West Perth WA 6005
7835

PO Box 1618 West Perth WA 6872

Telephone: +61 8 9481 7833 Facsimile: +61 8 9481

20 May 2014

ASX ANNOUNCEMENT

PRIME MINERALS LIMITED TO MERGE WITH COCOON DATA HOLDINGS LIMITED

Prime Minerals Limited (ACN 120 658 497) (**Prime**) is pleased to announce it has entered into a binding heads of agreement (**Agreement**) to merge with unlisted Australian public company Cocoon Data Holdings Limited (ACN 127 993 300) (**Cocoon**) (**Merger**), which holds various intellectual property interests pertaining to data security software known as "**Covata**".

Under the terms of the Agreement, Prime will merge with Cocoon either by:

- making an off-market takeover offer to acquire all of Cocoon's fully paid ordinary shares (**Cocoon Shares**);
- a scheme of arrangement; or
- a sale of Cocoon's business and assets to Prime.

The Merger process will be more fully documented in a "Merger Implementation Agreement" (**MIA**) to be executed between PIM and Cocoon.

TRANSACTION HIGHLIGHTS

- Exciting transformational growth opportunity secured for Prime at an attractive valuation.
- Covata's disruptive technology offers a game changing approach to internet and data security – a revolution in the approach to the security 'plumbing' of the internet.
- Significant strategic contract signed in Europe and advanced discussions with other strategic global partners in North America.
- Technology independently verified through certification from government accreditation bodies in North America and Australia.
- Product commercialisation achieved through both direct sales and global distribution partners, including system integrators.
- Appointment of a new board and management team with significant experience in the cyber-security industry.

COCOON OVERVIEW

Cocoon was incorporated on 15 October 2007 with the intention of developing and commercialising a new approach to security for the world's sensitive information. Since incorporation and initial development of the Covata Platform, Cocoon has established its technology in Australia, and now the US and Europe. Cocoon has offices in Sydney and Washington DC with a first class management team.

Cocoon has taken a fundamentally different approach to securing sensitive information residing within enterprise networks and across the internet. The technology protects the data and files rather than just the network. Protection means tying the data to three principles; strong encryption, rights management (what you can or can't do with it) and audit (who did what).

This data-centric approach to the governance of data across increasingly shared and 'untrusted' networks and devices (smart-phones, cloud storage providers, internet connections, email and so on), is truly game changing.

The Covata technology is an important development in how the 'plumbing' of the internet is changing. This technology is expected to facilitate a potentially seismic change in the confidence of organisations to conduct business over the internet- from the largest network and IT companies in the world, to small business.

Cocoon's technology is world class, having attained various certifications including US and Australian governments. These institutions require such certifications to ensure the strictest security standards are attained and adhered to. These extensive certifications, each taking around one to two years to obtain, have the further benefit of providing assurance to companies and investors that the Covata technology is of a high standard.

The Covata Platform offers significant points of product and service differentiation and additional revenue streams including:

- cloud storage security and services offered by the company hosted in the Amazon cloud;
- enterprise, platform sales by system integrators; and
- government and/or classified high assurance deployments

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

The management team are focused on extracting significant revenue growth expected from the recent investment of over \$10 million in a new generation Cloud and Platform offering.

Further details in respect of Cocoon and the Covata technology is set out in the investor presentation attached to this announcement.

TERMS OF AGREEMENT

In consideration for Cocoon undertaking the Merger, Prime has agreed to pay to the Cocoon shareholders an equivalent sum of \$57,221,673 (**Consideration**), which shall be satisfied through the issue of fully paid ordinary shares in the capital of Prime (**Prime Shares**) at a deemed issue price of \$0.20 per Prime Share. The Consideration will be paid as follows:

- \$50,000,000 worth of Prime Shares to be issued upon completion of the Merger; and
- \$7,221,673 worth of Prime Shares to be issued upon satisfaction of any one of the following milestones:
 - o annualised revenue over three consecutive calendar months equivalent to at least \$20,000,000 on an annual basis;
 - o execution of an agreement with a recognised multi-national original equipment manufacturer for the integration of Cocoon's products or technology; or

- o commenced or contracted proof of concept trials with a minimum of 20 enterprises/corporations who each have annualised revenues of at least \$200,000,000 and, of these, 10 of which have been converted into binding commercial contracts,

(each, a **Milestone**).

Cocoon may, at any time prior to completion of the Merger, effectuate further equity funding (on a pre-money valuation of \$57,221,673), and/or debt funding, from existing and new investors, to raise up to \$2,500,000 (**Additional Funding**).

The Consideration (and hence the number of Prime Shares) will be increased by the amount of any Additional Funding.

Prime has also agreed to provide to Cocoon a fully secured, interest free loan of \$1,500,000 for a term of 12 months (which will be convertible in certain circumstances), with the full terms and conditions to be set out in a formal loan agreement to be entered into contemporaneously with the MIA (**Loan Agreement**). In the event that the Merger is not completed by 30 September 2014 but all of the conditions precedent have been satisfied (other than receipt of conditional approval for readmission to trading on the ASX, completion of the Capital Raising and, if the Merger is to be implemented by a scheme of arrangement, the scheme becoming effective), Prime has agreed to increase the loan by \$500,000.

The Merger is conditional upon satisfaction or waiver of the following conditions precedent by 30 September 2014:

- completion by Prime and Cocoon, to the absolute satisfaction of their respective boards of directors, of all necessary legal and technical due diligence investigations in respect of the other;
- execution of the MIA on or prior to 6 June 2014 (or such alternate date as Prime and Cocoon may agree in writing);
- Prime and Cocoon entering into the Loan Agreement;
- ASX granting conditional approval to reinstate the securities of Prime to trading on ASX (after Prime re-complies with Chapters 1 and 2 of the ASX Listing Rules) and those conditions being satisfied to the reasonable satisfaction of Prime and Cocoon;
- Prime undertaking a capital raising (**Capital Raising**) and receiving valid applications for at least \$5,000,000 under the Capital Raising (less the amount of any Additional Funding);
- Prime undertaking a consolidation of its issued share capital on a basis to be agreed, which shall not be more than a 10 for 1 basis (if shares under the Capital Raising are offered at \$0.20 per share, otherwise the maximum consolidation ratio shall be adjusted accordingly) (**Consolidation**);
- Prime holding a shareholder meeting to:
 - o obtain all approvals that are required to give effect to the transactions contemplated by the Agreement, including ASX Listing Rule 11.1; and
 - o change the name of Prime to such name as is nominated by Cocoon;
- all convertible securities in Cocoon being converted into Cocoon Shares by completion of the Merger, excluding any entitlements under Cocoon's employee option schemes;

- either:
 - if the Merger proceeds by way of takeover bid, the holders of at least 90% of the Cocoon Shares accepting the offer under the takeover bid and Prime being entitled to proceed to compulsory acquisition of Cocoon; or
 - if the Merger proceeds by way of scheme of arrangement, the requisite approvals being obtained at a scheme meeting of Cocoon shareholders and the scheme becoming effective; and
- any other third party approvals, regulatory consents or conditions required to give effect to the transactions contemplated by the Agreement being obtained,

Prime will also issue 100,000,000 shares (on a pre-Consolidation basis) to key consultants as consideration for those persons formulating the proposed Merger, introducing the proposal to the parties and assisting with its implementation.

NEW BOARD & MANAGEMENT TEAM

Upon completion of the Merger, the current Prime directors will resign from the Board and will be replaced by nominees of Cocoon. It is anticipated that Cocoon will initially nominate at least two Australian based persons and two US based persons to fill these positions.

ESCROW

The Prime Shares issued to Cocoon shareholders holders will be subject to any applicable escrow restrictions in accordance with the ASX Listing Rules.

RE-COMPLIANCE WITH ASX LISTING RULES CHAPTERS 1 AND 2

Since the Merger will result in a significant change to the nature and scale of Prime's activities, the Merger will require Prime shareholders' approval under ASX Listing Rule 11.1.2 and will also require Prime to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

CONSOLIDATION

In order to re-comply with the ASX Listing Rules, Prime intends, subject to shareholder approval, to undertake the Consolidation of its issued capital with a view to Prime Shares being valued at a minimum of \$0.20 each post Consolidation.

CAPITAL RAISING

To enable Prime to re-comply with the ASX Listing Rules and to support its growth strategy post-completion of the Merger, Prime plans, subject to shareholder approval, to conduct a capital raising under a full form prospectus to raise at least \$5 million, less the amount of any Additional Funding (**Prospectus**).

Under the Prospectus, Prime Shares will be offered at an issue price of at least \$0.20 per Prime Share (**Capital Raising**).

Prime intends to appoint one or more brokers to manage the Capital Raising.

SHAREHOLDER APPROVALS

A notice of meeting seeking shareholder approval for the resolutions required to effect the Merger will be sent to Prime shareholders in due course. It is expected that Prime will convene a meeting to facilitate shareholder approval in July 2014.

On the date of the meeting, Prime securities will be suspended and, subject to Prime shareholder approval being obtained, will remain suspended until Prime has re-complied with ASX Listing Rules and the Merger has taken effect.

PRO-FORMA CAPITAL STRUCTURE

On the basis Prime completes the Merger and associated transactions on the terms set out above, Prime's capital structure on a post-Consolidation basis will be as follows (assuming a 1 for 10 Consolidation, 100% acceptance of the Takeover Offer, \$5 million is raised under the Capital Raising at \$0.20 per Prime Share and no other shares are issued by either Prime or Cocoon), excluding Cocoon staff options:

	Shares	Options
Current Issued Capital	337,444,946	Nil
Post Consolidation Issued Capital	33,744,495	Nil
Takeover Offer	250,000,000 ¹	Nil
Satisfaction of a Milestone	36,108,365	Nil
Capital Raising	25,000,000	Nil
Issue of Prime Shares to advisers	10,000,000	Nil
Total Post Merger & Capital Raising	354,852,860	Nil

1. This number may increase by up to 12,500,000 shares in the event the Additional Funding is completed.

Note: The above table shows Prime's pre and post-Merger capital structure. As part of the Merger process, the Company will most likely need to undertake the Consolidation in order to comply with Chapters 1 and 2 of the ASX Listing Rules, which require a capital raising at \$0.20 per share. The above table is based on a share price of \$0.02 immediately prior to the issue of the requisite notice of meeting, and consequently a consolidation ratio of 1 share for every 10 held. However, if the share price is at a higher price prior to the issue of the notice of meeting, the reconstruction ratio may be reduced. As a result, the issue of Prime Shares under the Takeover Offer, the Capital Raising and to advisers of Prime will be adjusted accordingly.

INDICATIVE TIMETABLE

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

Event	Date
Announcement of Merger	21 May 2014
Completion of due diligence	9 June 2014
Execution of MIA and Loan Agreement	9 June 2014

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

As the structure of the Merger has not yet been confirmed, it is not possible for Prime to include a full timetable for the Merger. Upon execution of the MIA, an updated timetable for the Merger will be provided.

ADVISORS

Prime's legal advisor is Steinepreis Paganin.

Cocoon's legal advisor is Quinert Rodda & Associates.

CONTACT INFORMATION

For further information please contact:

Ronn Bechler
Market Eye Pty Ltd
(03) 9591 8900

21 May 2014

Cocoon Data Holdings Limited/Covata

Business Overview



Cocoon Investment Case

Game Changing Technology:

- Covata's technology offers a game changing approach to secure file sharing & data security.

Intellectual Property & Certification:

- Covata holds intellectual property interests pertaining to data security.
- Technology independently certified by Australian & US government agencies. Each government certification takes 1 – 2 years creating barriers to entry.

Strategic Partnerships to Drive Growth:

- Significant distribution agreement signed in Europe, Middle East & Africa.
- In advanced discussions with strategic partners in North America.
- Commercialisation strategy through direct sales & global distribution partners and system integrators.

Experienced Board & Management:

- Covata's Board & management include data security industry pioneers & entrepreneurs with proven track-records.



covata

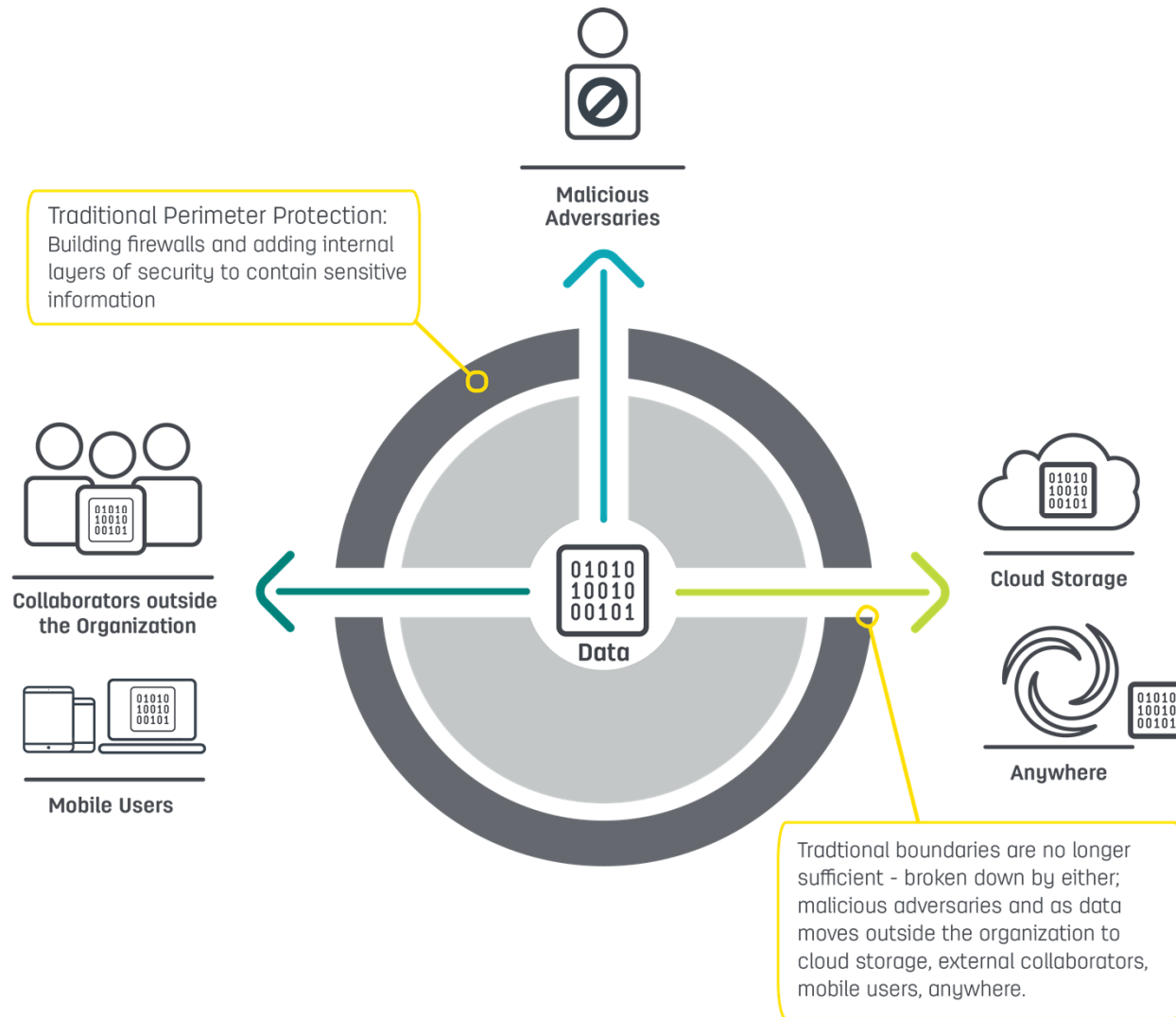
Own your data

Covata protects your data in a zero trust world by securing it wherever it resides. Securing data at the point of origin before it is shared and distributed to the cloud, onto insecure mobile devices, and through business applications.

Your data is secure no matter where it goes, through the combination of protection, control and visibility – you are always in control – you “Own Your Data”.

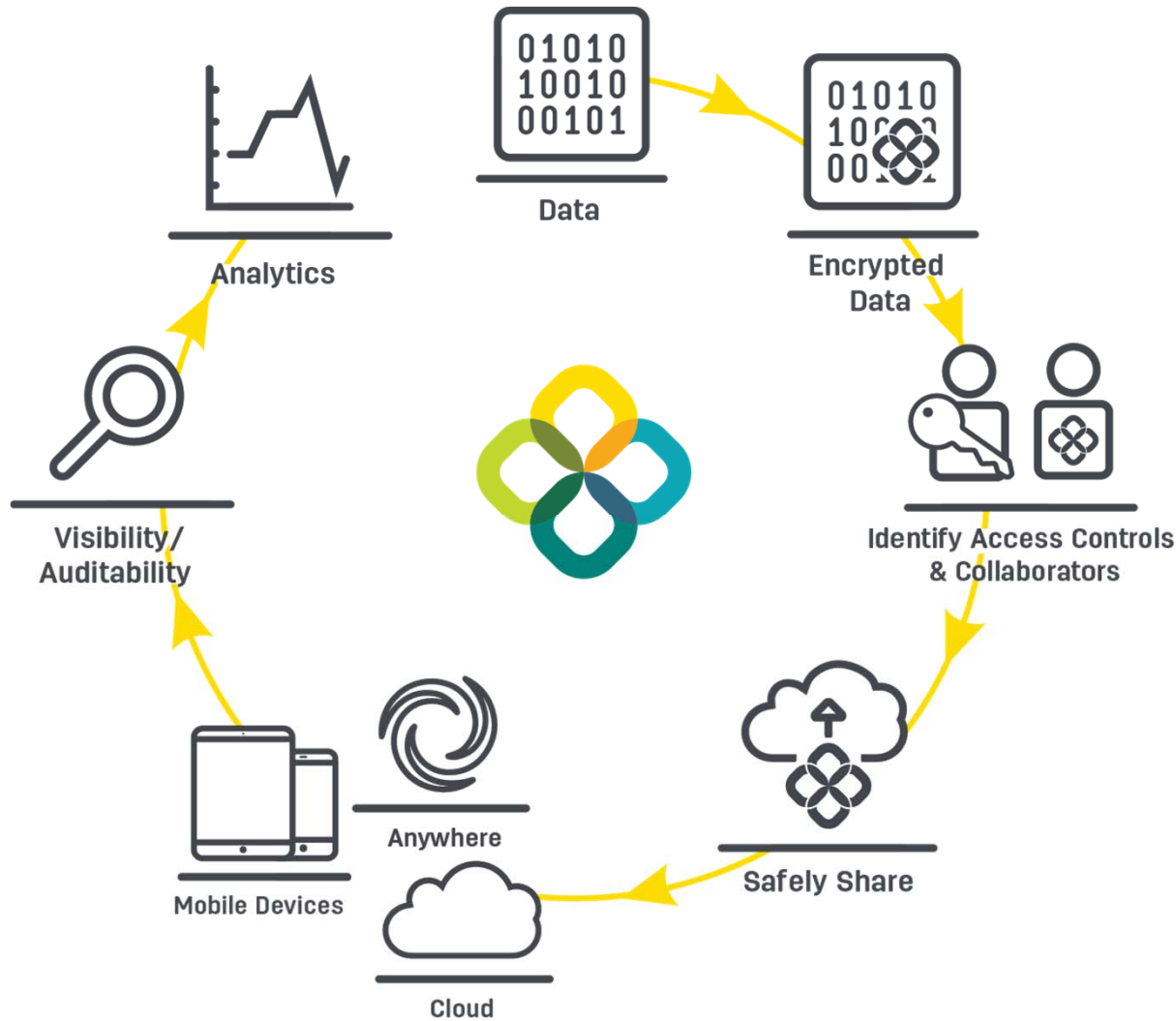
By providing our customers with the solutions to put the security of their data first, Covata empowers them to conduct business with the confidence the data is protected and in their control wherever the business needs take it.

Traditional Data Security – Inward facing



- Business is increasingly being conducted outwardly facing, and the need to share sensitive data beyond the domain is necessary for all organisations.
- Data needs to be protected at the data level, empowering data owners to conduct business with confidence and without concern – wherever the data goes, over untrusted networks and to insecure devices, insider and outside firewalls.

Covata's Outward Facing, Data-Centric Approach



Features:

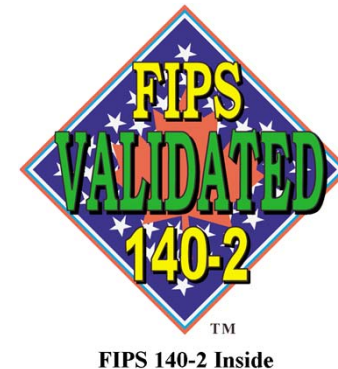
- Select any data - Covata is agnostic to data type.
- Data is encrypted (protected) at the point of origin.
- Set controls on your data: define rules under which the data can be accessed & who can access it.
- Data can be shared anywhere, including the cloud and mobile devices.
- See who accessed the data, when and how many times.
- Analyse access activity.

Technology Certifications

Certifications are often seen by prospective customers as a pre-requisite, indicating that the technology is of a high standard.

Cocoon Data has achieved the following certifications for its Secure Objects technologies:

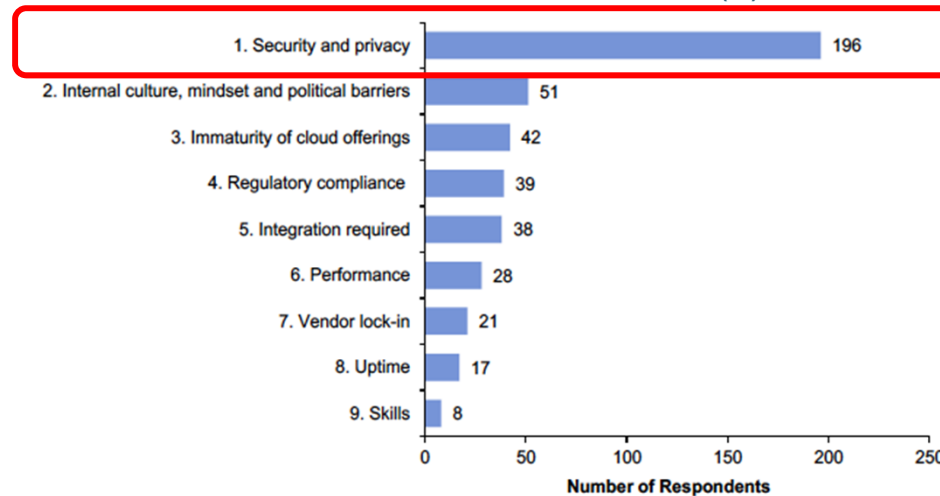
- Secure Objects C++ Cryptographic Module has been formally awarded FIPS 140-2 Level 1, Design Assurance Level 3, through National Institute of Standards and Technology (NIST).
 - FIPS 140-2 certification assures US and Canadian Government customers, system integrators and resellers, that Covata provides the highest level of protection, complying with strict government security regulations.



- FIPS-197 Advanced Encryption Standards (AES) 256 compliant through NIST.
- Common Criteria EAL 4+ and DCE (DSD Cryptographic Evaluation).

The Growing Market & Opportunity

- IT Security market is expected to exceed \$93B in 2017, with a CAGR of 8.5%. (1)
- Gartner survey of CISOs noted that Security and Privacy was the #1 concern relating to Cloud adoption at an almost 4X rate of the #2 concern. (2)



- Cloud adoption is driving the need for a new security paradigm. Industry sources state that the Cloud-based security market is expected to be worth \$3.1B in 2015. (3)

“Covata empowers enterprises to move to the cloud with confidence.”

(1) Source: Forecast Overview: Information Security, Worldwide, 3Q13 Update, 14 November 2013 (Gartner)

(2) Source: Tackle six security issues before encrypting data in the cloud, 9 March 2013 (Gartner)

(3) Source: Forecast Overview: Public Cloud Services, Worldwide, 4Q12 Update, 8 February 2013 (Gartner)

Competitive & Complementary Landscape

Secure Cloud Collaboration:

- Cubby
- Box
- Google Drive
- SkyDrive
- Dropbox

Cloud Collaboration Services (BYOStore):

- Boxcryptor
- Cloudfogger
- Viivo
- nCrypted Cloud



Secure Gateways:

- CipherCloud
- Vormetric
- Gazzang
- Vaultive
- Porticor

Mobile Device Management:

- Zenprise
- Airwatch
- Good

Cross Functional:

- Windows Azure
- Voltage

Covata's Go to Market Strategy

The Covata Platform is currently being distributed via two channels. Over time it is expected that sales through Partners / System Integrators are likely to contribute the vast bulk of Covata's revenue.

Sales through Partners/Integrators:

Collaborating with respected partners/integrators with existing large customer bases who will embed the Covata SDK within their offerings.

Targets include:

- Vendors who will insert the Covata solution to plug existing security gaps within their products/services, meeting their customers' expectations for increased security coverage.
- Service providers who will add data-centric protection to their list of available services, increasing cloud security for their clients.

Direct Sales by Covata:

Identifying businesses wishing to securely store and share files using off-the-shelf Covata products. These products can apply to a broad base business domain in the commercial space, as well as identified targeted vertical and horizontal markets.

Covata Competitive Advantage

- Five key metrics stand in the way of new competitive offerings:
 - **Spend:** Covata has spent in excess of \$30m and 6 years to develop an enterprise ready platform.
 - **IP:** Covata has a unique IP portfolio - including granted and pending patents.
 - **Time:** There is substantial programming effort – years not months – required to develop and replicate.
 - **Accreditation:** Even once developed, equivalent accreditations would take at least 12 months to achieve – best case.
 - **Distribution:** Current and pending global strategic partnerships

Covata's Management

Trent Telford – *Founder and Executive Chairman*

Trent started his career in large financial organizations in Europe including Bankers Trust and Deutsche Bank, before becoming an IT Management Consultant across Australia and Asia. He has advised blue-chip companies on government strategy, delivery, technology architecture, change management and transformation; including Vodafone, GE, Amex, NAB, CBA, Bankers Trust, Deutsche Bank, ANZ, CentreLink, Australian Department of Defense and First Pacific Co. Hong Kong.

Trent founded one of Australia's first mobile marketing technology companies with STW Group (part of WPP) and counted major television networks and global brands as customers. He sold the business to another STW related digital company. In October 2007 Trent Founded Cocoon Data and acquired the Secure Objects technology. Trent was responsible for the vision and path that has underpinned the company's market position today. Key elements have included capital raising, Federal Government focus, Common Criteria Certification, Defense Intelligence Agencies as foundation clients and the investment in mobile capability.

Charles Archer - *CEO and Executive Director*

Charles ("Chuck") Archer is a senior executive with Government and Industry experience of exceptional breadth and access. Chuck culminated his 28 years of US Federal Government service as Assistant Director of the FBI in charge of the FBI's Criminal Justice Information Services Division (CJIS), managing 3,000 employees and overseeing 600 contractors. He was appointed by the US Attorney General to SES-6, the highest civil-service rank in the US Government.

Chuck has frequently testified before multiple Senate and House committees on policy matters and issues related to advancing technology for Criminal Justice. He has also spoken at international fora including the United Nations in Vienna, Interpol in Lyon, and the International Association of Chiefs of Police in New Delhi and Canberra.



Litton

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.

Booz | Allen | Hamilton



Litton