



# PRIME MINERALS LIMITED

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29 August 2014

## ASX ANNOUNCEMENT

### TARGET'S STATEMENT - COCOON DATA HOLDINGS LIMITED

On 30 June 2014, Prime Minerals Limited (ACN 120 658 497) (**Prime**) announced the entry into a bid implementation 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".

Attached herewith is a copy of the Target's Statement that has been prepared in relation to this matter.

#### CONTACT INFORMATION

For further information please contact:

Ronn Bechler  
Market Eye Pty Ltd  
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**COCOON DATA HOLDINGS LIMITED**

[ACN 127 993 300]

**TARGET'S STATEMENT**

This Target's Statement has been issued in response to the Offer (off-market takeover bid) made by Prime Minerals Limited [ACN 120 658 497] (ASX:PIM) for all of the issued ordinary shares of Cocoon Data Holdings Limited [ACN 127 993 300].

The Offer opens on 27 August 2014 and closes at 5.00pm (WST) on 10 October 2014, unless extended or withdrawn.

Each of the directors of Cocoon Data Holdings Limited unanimously recommends that you ACCEPT the Offer from Prime Minerals Ltd (in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition).

**This is an important document and requires your immediate attention.**

**If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.**

## CONTENTS

|     |                                                           |    |
|-----|-----------------------------------------------------------|----|
| 1.  | KEY DATES                                                 | 3  |
| 2.  | IMPORTANT NOTICES                                         | 4  |
| 3.  | CHAIR'S LETTER                                            | 6  |
| 4.  | FREQUENTLY ASKED QUESTIONS                                | 8  |
| 5.  | YOUR CHOICES AS A COCOON SHAREHOLDER                      | 12 |
| 6.  | WHY YOU SHOULD ACCEPT THE OFFER                           | 13 |
| 7.  | RISKS                                                     | 16 |
| 8.  | DIRECTORS' RECOMMENDATIONS AND INTENTIONS                 | 22 |
| 9.  | IMPORTANT INFORMATION FOR COCOON SHAREHOLDERS TO CONSIDER | 24 |
| 10. | KEY FEATURES OF THE OFFER                                 | 26 |
| 11. | INFORMATION REGARDING COCOON                              | 30 |
| 12. | ADDITIONAL INFORMATION                                    | 36 |
| 13. | GLOSSARY AND INTERPRETATION                               | 39 |
| 14. | AUTHORISATION                                             | 43 |

# 1. KEY DATES

|                                                                                                 |                         |
|-------------------------------------------------------------------------------------------------|-------------------------|
| Execution of Bid Implementation Agreement and announcement of Offer by Prime                    | 27 June 2014            |
| Dispatch Notice of Meeting to Prime's shareholders                                              | 25 August 2014          |
| Lodgement of Bidder's Statement with ASIC                                                       | 26 August 2014          |
| Lodgement of Target's Statement with ASIC                                                       | 29 August 2014          |
| Bidder's Statement sent to Cocoon shareholders                                                  | 27-29 August 2014       |
| Target's Statement sent to Cocoon shareholders                                                  | 3 September 2014        |
| Prime Prospectus lodged with ASIC for Prospectus offer                                          | Mid-late September 2014 |
| Suspension of Prime Shares from trading on ASX at the opening of trading                        | 23 September 2014       |
| Meeting to approve merger and associated transactions                                           | 23 September 2014       |
| Offer and Prospectus offer close (unless otherwise extended or withdrawn)                       | 10 October 2014         |
| Completion of merger and issue of Prime Shares under Capital Raising                            | 16 October 2014         |
| Anticipated date the suspension of trading is lifted and Prime Shares recommence trading on ASX | 17 October 2014         |

*\* The dates set out in the above timetable may be varied in accordance with the Corporations Act, and, where required, in consultation with ASX. Any changes to the above timetable will be released to ASX. These dates are indicative only and subject to change without prior notice.*

## **2. IMPORTANT NOTICES**

This document (**Target's Statement**) is a Target's Statement dated 29 August 2014 and issued by Cocoon Data Holdings Limited [ACN 127 993 300] under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover bid made by Prime Minerals Ltd [ACN 120 658 497] for all of the issued ordinary shares in Cocoon.

This Target's Statement includes all information required by the Corporations Act and you should read this Target's Statement carefully and in its entirety.

A copy of this Target's Statement was lodged with ASIC and given to ASX on 29 August 2014. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

### **2.1 Defined terms**

A number of defined terms are used in this Target's Statement. Please refer to section 13 of this Target's Statement for an explanation of these defined terms. Unless a contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement and defined in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

### **2.2 No account of personal circumstances**

The Cocoon Directors encourage you to seek independent legal, financial and taxation advice before making a decision as to whether to accept the Offer. This Target's Statement does not take into account your individual objectives, financial situation or particular needs nor does it contain personal advice.

### **2.3 Disclaimer as to forward looking statements and information**

Various statements appearing in this Target's Statement may be in the nature of forward looking statements relating to acts and events. You should be aware that such statements are only predictions and are subject to unknown risks and uncertainties. These risks and uncertainties include factors and risks specific to the industry in which Cocoon operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets. Cocoon gives no assurance that the anticipated results, performance or achievements expressed or implied in any forward looking statements contained in this Target's Statement will be achieved.

Any information pertaining to Prime in this Target's Statement has been prepared using publicly available information. As such, the information relating to Prime has not been independently verified.

Subject to the Corporations Act, Cocoon and its officers, including anyone named as involved in the preparation of this Target's Statement, does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information or the likelihood of any forward looking statement being fulfilled. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

## **2.4 Foreign Jurisdictions**

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and any persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

## **2.5 Maps and diagrams**

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

## **2.6 Privacy**

Cocoon has collected your information (including your name, contact details and information on your Share and/or Option holding in Cocoon) from its register of shareholders maintained in accordance with section 169 of the Corporations Act, for the purpose of providing you with this Target's Statement.

Cocoon may, from time to time, be required to disclose your personal information to the Australian Taxation Office, other government agencies and regulatory bodies or as otherwise required by law. The Company may disclose your personal information to its agents and service providers as authorised by the Privacy Act (1988) Cth, or for purposes required by the ASX Listing Rules or the Corporations Act. You may access your personal information by contacting Cocoon's Company Secretary, Nick Chiarelli, on +61 2 8412 8200 during normal business hours in Sydney, Australia or [nick.chiarelli@covata.com](mailto:nick.chiarelli@covata.com) and may request corrections to such personal information.

## **2.7 References to Bidder's Statement**

All references in this Target's Statement to the Bidder's Statement or any part or section of the Bidder's Statement will be deemed to be part of this Target's Statement.

Neither Prime nor any Prime Director takes any responsibility for the contents of this Target's Statement, or any part or parts thereof, including references herein to the Bidder's Statement or any part or section of the Bidder's Statement.

## **2.8 References to Prospectus and Notice of Meeting**

All references in this Target's Statement to the Prospectus are references to the Prospectus that Prime will issue in connection with the Offer. The Cocoon Directors understand that the Prospectus is intended to be issued in or about mid to late September 2014.

All references in this Target's Statement to the Notice of Meeting are references to the Notice of Meeting that Prime issued on 25 August 2014 for the purpose of convening the General Meeting of Prime shareholders, to be held on 23 September 2014.

### 3. CHAIR'S LETTER

## Cocoon Data Holdings Limited

29 August 2014

Dear Cocoon Shareholder

On 20 May 2014, the Board of Cocoon Data Holdings Limited announced its intention to undertake a back-door listing of the Company on the Australian Securities Exchange (ASX) by way of a merger with Prime Minerals Limited (ASX: PIM).

To effect the first stage of the merger, Prime has launched an Offer (off market takeover bid) for all of Cocoon's Shares on issue. The Offer is contained on Prime's Bidder's Statement dated 26 August 2014 which is being sent to Cocoon shareholders.

This Target's Statement has been issued by Cocoon in response to Prime's Bidder's Statement.

The Bidder's Statement and this Target's Statement are important documents. We encourage you to read and consider them carefully before deciding whether you wish to accept Prime's Offer.

Under the Offer, Prime is offering Cocoon Shareholders 0.6547 Prime Shares and 0.0953 Performance Shares for every one Cocoon Share you currently own. The Offer values each Cocoon Share at approximately A\$0.15 (based on an adopted price of A\$0.20 per Prime Share<sup>1</sup>, and as further described in sections 4.4 and 6.2 of this Target's Statement).

**The Directors of Cocoon unanimously recommend that you accept the Offer, (in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition) by completing and returning the Acceptance Form enclosed with the Bidder's Statement as early as possible and in any event before 10 October 2014.**

The key reasons why the Cocoon Directors have recommended acceptance are set out in section 6 of the Bidder's Statement.

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Level 4, 156 Clarence Street, Sydney, Australia  
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[www.cocoondata.com](http://www.cocoondata.com)

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<sup>1</sup> The Offer consideration is described in the Bidder's Statement as being based on an adopted price of \$0.20 per Prime Share (on a post-consolidation basis) on the basis that this is the price that Prime Shares are to be offered to investors under the Prospectus and assuming that the Performance Shares are given an equivalent value. See Sections 4.4 and 6.2 of this Target Statement for further details.

# Cocoon Data Holdings Limited

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There are a number of benefits if Cocoon shareholders accept Prime's Offer and the Offer is successfully completed, including:

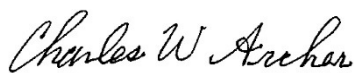
1. The business and operations of Cocoon will continue in substantially the same manner as it is presently being conducted post completion of the takeover;
2. Post the successful completion of the merger, the Board of Prime Minerals will be reconstituted to consist of five of the existing directors of Cocoon and the company name will be changed to 'Covata Limited';
3. Access to a more liquid market for trading Prime Shares received under the Offer than is available for unlisted Cocoon Shares; and
4. As part of an ASX-listed company if the Offer is successfully completed, Cocoon will have improved potential access to capital and will be better capitalised (as part of the merger, Prime will undertake a capital raising of up to \$15 million).

Cocoon shareholders who own 60% of the Cocoon Shares currently on issue have already indicated that in the absence of a Superior Proposal and in the absence of a variation or waiver of a Bid Condition they will accept and/or procure the acceptance of the takeover offer in respect of all the Cocoon Shares that they control.

There are risks associated with the Offer and accepting Prime's Shares and Performance Shares for your Cocoon Shares, including the risks set out in section 7 of the Bidder's Statement.

We encourage you to read both the Bidder's Statement and the Target's Statement carefully. If you have any questions, please contact your professional financial adviser or Cocoon's Company Secretary, Nick Chiarelli, on +61 2 8412 8200 or [nick.chiarelli@covata.com](mailto:nick.chiarelli@covata.com).

Regards



**Charles Archer**  
**Executive Chairman**



**Trent Telford**  
**Chief Executive Officer and Executive Director**

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#### **4. FREQUENTLY ASKED QUESTIONS**

This section answers some commonly asked questions about the Offer. It is not intended to address all relevant matters for Cocoon shareholders to consider. This section should be read together with all other parts of this Target's Statement and the Bidder's Statement.

##### **4.1 Who is making the offer?**

Prime Minerals Limited [ACN 120 658 497]. Prime was admitted to the Official List of ASX on 28 December 2007. Prime is primarily a uranium explorer and holds an exploration licence in Lake Mason, Western Australia. Future intentions regarding the mineral exploration interests, including potential divestment, are described in section 11.12 of the Bidder's Statement. Prime's securities are suspended from trading on ASX. Following Completion, Prime intends to change its name to Covata Limited to better suit the new direction of the Merged Entity.

##### **4.2 What will I receive for my Cocoon Shares under the Offer?**

Prime is offering Cocoon shareholders 0.6547 Prime Shares and 0.0953 Performance Shares for every one Cocoon Share you own.

The terms of the Prime Shares and the Performance Shares are described in sections 3.20 and 3.21 of the Bidder's Statement.

The Offer Consideration is stated on a post-consolidation basis. Prime is seeking approval from its members to undertake a 1:10 share consolidation at the General Meeting. Refer to sections 2.1, 3.8 and 3.11 of the Bidder's Statement for further information about the proposed share consolidation.

##### **4.3 What are the terms of the Performance Shares?**

The Performance Shares will convert into PIM Shares upon the satisfaction of any one of the Milestones attaching to the Performance Shares. PIM Shares issued on conversion of the Performance Shares will rank equally with existing PIM Shares. If no Milestones are met within 3 years from the date of issue of the Performance Shares, the Performance Shares will lapse and will not convert into PIM Shares.

Performance Shares will not be quoted or tradeable on ASX. However, Prime has stated it will apply for Prime Shares issued on conversion of the Performance Shares to be listed on ASX.

Section 3.21 of the Bidder's Statement contains more information about the rights and liabilities attaching to Performance Shares.

##### **4.4 What is the value of the Offer?**

The implied value of the Offer as at the date of this Target's Statement is \$0.15 per Cocoon Share (based on a post-consolidation trading price of \$0.20 per Prime Share).

The implied value of the Offer is described in the Bidder's Statement as being based on an adopted price of \$0.20 per Prime Share (on a post-consolidation basis) on the basis that this is the price that Prime Shares are to be offered to investors under the Prospectus and assuming that the Performance Shares are given an equivalent value. Based on the 30 day VWAP for Prime Shares to and including 25 August 2014 (being the 30 day period up to and including the last trading day for Prime Shares on

the ASX prior to the date of the Bidder's Statement), the value of a Prime Share is \$0.0197. This is equivalent to a price per Prime Share of \$0.197 (on a post-consolidation basis), assuming that the Performance Shares have an equivalent value to the Prime Shares giving an implied value of \$0.148 for each Cocoon Share. See page 5 and Section 2.1 of the Bidder's Statement for further details.

#### **4.5 What choices do I have as a Cocoon shareholder?**

As a Cocoon shareholder, you have the following choices in respect of your Cocoon Shares:

- (A) accept the Offer (which is recommended in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition);
- (B) reject the Offer (for which no action is necessary); or
- (C) sell some or all of your Cocoon Shares (unless you have previously accepted or agreed to accept the Offer and have not validly withdrawn your acceptance).

There are several implications of each of the above choices. You should refer to section 5 of this Target's Statement for further information.

#### **4.6 What are the Cocoon Directors recommending?**

Each Cocoon Director recommends that you accept the Offer for your Cocoon Shares (in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition).

You should refer to section 6 of this Target's Statement for further information.

#### **4.7 What do the Cocoon Directors intend to do with their Cocoon Shares?**

Each Cocoon Director intends to accept the Offer in respect of the Cocoon Shares they own or control within 5 Business Days after the date of the Offer (in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition).

#### **4.8 What are the risks associated with accepting the Offer?**

The performance of the Merged Entity and the market price and value of the Prime Shares will be subject to a range of risks. Section 8 of the Bidder's Statement and section 7 of this Target's Statement provide a detailed explanation of the risks associated with the Offer.

#### **4.9 What are the conditions to the Offer?**

The Offer is subject to the Bid Conditions set out in section 1.8(a) of Annexure A of the Bidder's Statement.

In summary, the Bid Conditions to the Offer are:

- (a) Prime acquiring a Relevant Interest in at least 90% of all of the issued Cocoon Shares at the end of the Offer Period (and thereby becoming entitled to compulsorily acquire all of the outstanding Cocoon Shares on issue pursuant to Part 6A.1 of the Corporations Act);
- (b) completion of the Capital Raising for a minimum of \$2.5 million;

- (c) approval of Prime's members at the General Meeting of all Essential Resolutions;
- (d) no 'prescribed occurrences' occur in respect of Cocoon; and
- (e) no Material Adverse Change occurs in respect of Cocoon.

Prime has a right to waive the 90% Minimum Acceptance Condition referred to above if Prime has received acceptances of at least 80% of Cocoon Shares.

The Cocoon Directors and other Cocoon shareholders who together own 60% of all Cocoon Shares on issue as at the date of this Target's Statement, have advised Cocoon that, in the absence of a Superior Proposal and in the absence of a variation or waiver of an Bid Condition, they intend to accept and/or procure the acceptance of the Offer in respect of all of the Cocoon Shares that they control.

#### **4.10 How do I accept the Offer?**

Details of how to accept the Offer are set out in section 1.4 of Annexure A of the Bidder's Statement and in the Acceptance Form accompanying the Bidder's Statement.

#### **4.11 How long will the Offer remain open?**

The Offer opens on 27 August 2014. Unless withdrawn or extended in accordance with the Corporations Act, the Offer will close at 5.00pm (WST) on 10 October 2014.

#### **4.12 Can I accept the Offer for some, but not all, of my Cocoon Shares?**

No. You cannot accept the Offer for part of your Cocoon Shares. You can only accept the Offer for all of your Cocoon Shares.

#### **4.13 What are the consequences of accepting the Offer now?**

If you accept the Offer while it is conditional and unless withdrawal rights are available (as set out below), you will give up your right to:

- sell your Cocoon Shares; and
- otherwise deal with your Cocoon Shares while the Offer remains open.

If you accept the Offer and it becomes Unconditional, you will receive 0.6547 Prime Shares and 0.0953 Performance Shares for every 1 Cocoon Share you own (on a post-consolidation basis).

#### **4.14 If I accept the Offer, can I withdraw my acceptance?**

You can only withdraw your acceptance if Prime varies the Offer in a way that postpones the time when Prime is required to satisfy its obligations by more than one month. See section 1.6 of Annexure A of the Bidder's Statement for further details.

#### **4.15 What if I do not accept the Offer?**

If you do not accept the Offer, you will retain your Cocoon Shares and will not be entitled to receive any Offer Consideration.

If the Offer becomes or is declared Unconditional but Prime does not become entitled to compulsorily acquire your Cocoon Shares under the Corporations Act, unless you sell your Cocoon Shares, you will remain a shareholder in Cocoon. In that case, depending on the number of Cocoon

Shares acquired by Prime, you may be a minority Cocoon shareholder in what will be a less liquid stock as Cocoon will not be listed on the ASX.

If Prime acquires a relevant interest in at least 90% of Cocoon Shares by the end of the Offer Period (in satisfaction of the Minimum Acceptance Condition) and each other Bid Condition is satisfied or waived, Prime has stated that it will proceed to compulsory acquisition of all Cocoon Shares not yet acquired by Prime.

If this compulsory acquisition was to occur, all Cocoon shareholders who have not yet accepted the Offer, will be issued with the Offer Consideration on the same terms as Cocoon shareholders who have accepted the Offer.

#### **4.16 What if the Bid Conditions are not satisfied or waived?**

If the Bid Conditions are not satisfied before the Offer closes or waived within the prescribed period, then the Offer will lapse and your acceptance of the Offer will be void.

If this occurs, you will continue to hold your Cocoon Shares and be free to deal with them as if the Offer had not been made.

#### **4.17 When will I receive my Offer Consideration?**

If you accept the Offer, Prime will issue you your Prime Shares and Preference Shares as consideration for your Cocoon Shares on or before the earlier of:

- (a) one month after you have validly accepted the Offer or if the Offer is subject to a defeating condition when you accept, the Offer becoming Unconditional (whichever is later); and
- (b) 21 days after the end of the Offer Period, assuming the Offer becomes or is declared Unconditional,

provided that you have provided all documents required for acceptance of the Offer with your acceptance.

Further details are set out in section 1.7 of Annexure A of the Bidder's Statement.

#### **4.18 What are the tax implications of the Offer?**

A general summary of the Australian tax consequences for Cocoon shareholders who accept the Offer is set out in section 7 of the Bidder's Statement. This summary is expressed in general terms and the tax consequences of your participation in the Offer will depend on your individual circumstances. As such, you should obtain your own tax advice prior to making your decision whether to accept the Offer.

#### **4.19 How can I make further enquiries?**

If you have any queries in relation to the Offer, you can contact the Cocoon's Company Secretary, Nick Chiarelli, on +61 2 8412 8200 during normal business hours in Sydney, Australia or [nick.chiarelli@covata.com](mailto:nick.chiarelli@covata.com).

## 5. YOUR CHOICES AS A COCOON SHAREHOLDER

**The Cocoon Directors unanimously recommend that you ACCEPT the Offer (in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition).**

A summary of the key reasons the Cocoon Directors have recommended acceptance of the Offer (in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition) is set out in section 6 of this Target's Statement.

As a Cocoon shareholder, you have three choices available to you:

### **(A) ACCEPT THE OFFER**

Cocoon shareholders may elect to accept the Offer. Details of the Offer Consideration that will be received by Cocoon shareholders who accept the Offer are set out in section 10 of this Target's Statement and in the Bidder's Statement.

The Bidder's Statement contains details of how to accept the Offer in section 1.4 of Annexure A of the Bidder's Statement and in the Acceptance Form accompanying the Bidder's Statement.

### **(B) SELL YOUR COCOON SHARES**

Cocoon shareholders who have not already accepted or agreed to accept the Offer can sell their Cocoon Shares.

Cocoon shareholders who sell their Cocoon Shares may be liable for capital gains tax on the sale and may incur a brokerage charge in connection with the sale.

The Cocoon Directors also note that, as Cocoon is not listed, there is no liquid market for Cocoon Shares and it may therefore be difficult to sell their Cocoon Shares.

### **(C) REJECT THE OFFER**

If you wish to reject the Offer, no action is required.

If Prime and its associates have a relevant interest in at least 90% of the Cocoon Shares during or at the end of the Offer Period and all other Bid Conditions are satisfied, Prime will be entitled to compulsorily acquire any Cocoon Shares that it does not already own.

If the Offer becomes or is declared Unconditional but Prime does not become entitled to compulsorily acquire your Cocoon Shares under the Corporations Act, unless you sell your Cocoon Shares, you will remain a minority Cocoon shareholder.

## **6. WHY YOU SHOULD ACCEPT THE OFFER**

The Cocoon Directors recommend the Cocoon shareholders accept the Offer in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition.

In summary, the key reasons the Cocoon Directors have recommended to Cocoon shareholders to accept the Offer (in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition) are:

### **6.1 Your shareholding will be more liquid in the Merged Entity**

The Offer will provide Cocoon shareholders with access to a more liquid market for trading Prime Shares received under the Offer in exchange for of their unlisted Cocoon Shares.

It is the intention of the Board that, after Completion of the Takeover Bid, Prime will be re-admitted to the Official List of ASX. As a listed company, the Merged Entity may have access to a wider range of financial opportunities, including a wider spread of shareholders, which may facilitate future capital raising.

As Cocoon is currently an unlisted public company, Cocoon shareholders are not able to trade their shares freely on ASX or otherwise. If the Takeover Bid reaches Completion, Cocoon shareholders will become shareholders of the Merged Entity, an ASX listed company, and may benefit from the greater liquidity associated with being able to trade their shares in an open market.

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

Therefore, if you accept the offer and the waiver is granted, you may have access to a greater range of investors and, if you opt to sell your shareholding in the Merged Entity, you may find it easier to trade your shareholding in the Merged Entity than if you held Cocoon Shares.

### **6.2 The Offer represents an appropriate price for your Cocoon Shares**

The Cocoon Directors consider that the Offer Consideration represents appropriate consideration for Cocoon shareholders' Shares.

As described in the Bidder's Statement the implied value of the Offer as at the date of this Target's Statement is \$0.15 per Cocoon Share (based on a post-consolidation trading price of \$0.20 per Prime Share).

This is based on the price at which Prime Shares are to be offered to investors under the Prospectus (\$0.20 per Prime Share on a post-consolidation basis), and the assumption that the Performance Shares are given an equivalent value. Based on the 30 day VWAP for Prime Shares to and including 25 August 2014 (being the 30 day period up to and including the last trading day for Prime Shares on the ASX prior to the date of the Bidder's Statement), the value of a Prime Share is \$0.0197. This is equivalent to a price per Prime Share of \$0.197 (on a post-consolidation basis), assuming that the Performance Shares have an equivalent value to the Prime Shares giving an implied value of \$0.148 for each Cocoon Share. See page 5 and Section 2.1 of the Bidder's Statement for further details.

If the Offer is completed and Prime acquires 100% of the Cocoon Shares, former Cocoon shareholders will hold approximately 86.32% of the enlarged Merged Entity. This would mean approximately 86.32% of the value of the Merged Entity would be attributable to pre-merger Cocoon, with the balance of approximately 13.68% attributable to pre-merger Prime, which the Cocoon Directors consider to be an appropriate allocation of value of the Merged Entity as between existing Prime shareholders and Cocoon shareholders if the merger is successfully completed.

After the merger, if completed successfully, the implied value of the Offer Consideration will change as a consequence of changes in the market price of the shareholding in the Merged Entity from time to time.

Please refer to section 2.1 of the Bidder's Statement for further information in respect of the implied value of the Offer.

### **6.3 The Merged Entity will have a strong board and management team**

Upon successful completion of the Offer, the Prime Board will be reconstituted. The existing directors of Prime, Messrs Scivolo, Collins and Majteles are to resign. Pursuant to rights provided under the Bid Implementation Agreement the following have been nominated by Cocoon for appointment as directors of Prime:

Mr Charles Archer – Executive Chairman;

Mr Trent Telford – Executive Director & CEO; and

Mr Philip King – Non-Executive Director.

Resolutions for the election of the above nominees are to be voted upon by Prime shareholders at the Prime General Meeting on 23 September 2014. The resolutions are subject to and take effect upon successful completion of the Offer.

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

Mr Phil Dunkelberger – Non-Executive Director; and

Mr Joseph Miller – Non-Executive Director

All of the above individuals are currently directors of Cocoon.

Refer to section 3.5 of the Bidder's Statement for information on the proposed reconstitution of the Merged Entity's board.

### **6.4 Tax**

Given the complexity of the taxation legislation and the wide variety of differences in tax according to the particular circumstances of a shareholder, you should seek independent taxation advice regarding the tax consequences of accepting the Offer.

If you are an Australian resident you may have access to partial or full scrip for scrip rollover relief, in which case you will not incur capital gains tax (CGT) as a result of accepting the Offer.

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

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

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

If this may apply to you, you need to ensure you obtain appropriate advice about the requirements applicable to this form of relief.

Refer to section 7 of the Bidder's Statement for further information.

You should not rely on the above as tax advice applicable to your circumstances and should seek independent taxation advice regarding the tax consequences of accepting the Offer given your particular circumstances.

#### **6.5 The Offer is a superior value proposition relative to alternatives**

While the Directors have considered other opportunities to raise capital, the Board considers that the Offer provides Cocoon shareholders with the best opportunity to raise new capital and potentially access further capital if required in the future.

You should also take into account that there may be reasons against accepting the Offer, particularly Risks of the Offer as described in section 7.1 commencing on the following page.



## **7. RISKS**

### **7.1 Risks of the Offer**

The Cocoon Directors recommend that Cocoon shareholders accept the Offer in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition. However, there are a number of factors which Cocoon shareholders should be aware of in making their decision in relation to the Offer. These include:

#### **(a) Inability to accept a Superior Proposal**

A third party may emerge with a Superior Proposal. If you accept the Offer, you will not be able to accept your Cocoon Shares into any Superior Proposal unless the Offer lapses or withdrawal rights are available to you due to extensions of the Offer Period. As at the date of this Target's Statement, the Cocoon Directors are not aware of a current or anticipated Superior Proposal.

#### **(b) Conditions of the Offer**

Prime's Offer is subject to a number of conditions, which as at the date of this Target's Statement, have not been satisfied or waived. The full terms of these conditions are set out in section 1.8(a) of Annexure A of the Bidder's Statement. The Bid Conditions must be either satisfied or waived by Prime before accepting Cocoon shareholders can receive the Bid Consideration under the Offer.

If you accept the Offer and any of those Bid Conditions remain unsatisfied at the end of the Offer Period, and are not waived by Prime, there is no obligation on Prime to issue Prime Shares as consideration for Cocoon Shares. In the meantime, Cocoon shareholders who accept the conditional Offer will be unable to deal with their Cocoon Shares or withdraw their acceptance (subject to the withdrawal rights discussed in section 1.6 of Annexure A of the Bidder's Statement).

#### **(c) Dilution of your shareholding**

If you accept the Offer and the Offer becomes Unconditional, your interests in Cocoon will be diluted and Cocoon shareholders will no longer hold 100% of the issued share capital of Cocoon or control Cocoon. If the Offer is completed, former Cocoon shareholders will hold approximately 78.19% of the enlarged Merged Entity.

#### **(d) Risk of fluctuations in the Merged Entity's share price**

Following completion of the Offer, the Merged Entity's share price may rise or fall based on market conditions and the Merged Entity's financial and operational performance. If the Merged Entity's share price falls, the value of the Offer Consideration received by Cocoon shareholders who accept the Offer will decline in value. Accordingly, there is no guarantee that Cocoon shareholders will actually realise the implied value of the Offer to be received.

The Cocoon Directors also refer Cocoon shareholders to the risk factors set out in section 8.2 of the Bidder's Statement and the risks which are set out below.

## 7.2 Risks in respect of Cocoon's current operations

### (a) Redundancy, Upgradability and Scalability Risk

There is a risk that product integrators will not be able to use the Covata Platform in conjunction with its existing products as a result of the core engines on which the Covata Platform is based becoming redundant or no longer being updated.

Cocoon has significantly addressed this risk by ensuring that its current technology choices and architecture use industry standard development frameworks. This creates a low risk of redundancy as changes to these frameworks are monitored internally. In addition, the modular architecture of the Covata Platform also allows for substitution of redundant or deprecated technologies and scale performance testing in the development process mitigates the risk associated with product integrators being unable to integrate the technology in their products.

### (b) Third Party Reliance Risk

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

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

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

Cocoon seeks to mitigate against this risk by ensuring that it maintains an agile development process involved with patching and updates where these problems are publicly identified. In addition, internal processes for testing and quality assurance reduce potential risks caused via the incorporation of updates to third party libraries and development tools.

### (c) Platform Risk

While Cocoon has an ability to sell products directly to end-users, its current focus is on creating a platform for integration by existing market participants in order to provide a revenue stream. The platform strategy allows the creation of customised value added solutions via a software development kit at the consumer end point, rather than a general 'product' solution for use in point cases.

The risk in this strategy is adoption by smaller market segments which are unable to afford tailored solutions or have limited needs where there is no 'shrink-wrapped' product to implement. To some degree this can be alleviated by the 'white labelling' of technology products based on the Covata Platform and sold through branded solution providers.

(d) **Staff Risk**

There is a risk that, where there is a turnover of development staff who have knowledge of the technology and business, that knowledge will be lost in the event that those staff resign or retire. This involves the risk that those staff will have information in respect of Cocoon's intellectual property which has a commercial value to Cocoon as well as an opportunity cost for replacement of those staff and subsequent training.

This risk is mitigated as Cocoon has historically had low levels of staff turnover in the development teams. In addition, all staff contracts contain express provisions with respect to ownership of intellectual property and restraints of trade to limit any potential loss suffered by Cocoon to the maximum extent possible.

(e) **Market Risk**

The data centric security market in which Cocoon currently operates is relatively undeveloped. As such, it is difficult to ascertain the level of knowledge and confidence in the market regarding such technology. Knowledge and informational barriers may prevent uptake of data centric security except in specific applications, thus limiting market opportunities.

(f) **Competition Risk**

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

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

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

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

(g) **Certification lead times**

Due to the lead times often involved in certification, rapid development of products may invalidate certain certifications. This leads to the risk of delay in purchase by some entities, or refusal to deal with products that are not independently verified under certain standards.

(h) **Risk of inadequate security procedures jeopardising the integrity of the Covata Platform**

To date, Cocoon has not received ISO 27001 certification with respect to its management system to bring information security under explicit management control. Cocoon may need to make changes to its internal processes in order to be eligible for such certification. Whilst Cocoon anticipates pursuing ISO 27001 certification, the absence of such certification may lead to the risk of delay in purchase by some entities, or refusal to deal with products that are not ISO 27001 certified.

(i) **Lack of intellectual property protection**

The ability of 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) **Currency Risk**

Cocoon expects in the medium to longer term to derive a majority of its revenue in US dollars. Accordingly, changes in the exchange rate between the United States dollar and the Australian dollar would be expected to have a direct effect on the performance of Cocoon.

### 7.3 **General Risks Relating to the Merged Entity**

(a) **Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Merged Entity depends substantially on its senior management and directors. There can be no assurance that there will be no detrimental impact on

the performance of the Merged Entity or its growth potential if one or more of these employees cease their employment and suitable replacements are not identified and engaged in a timely manner. The Merged Entity does not have any present intention to obtain “key person” insurance for any member of its management.

**(b) Risk of High Volume of Sale of Securities in PIM**

If the Offer is Completed, Prime will have issued a significant number of new Shares to various parties. Some of the Cocoon shareholders and others that receive Prime Shares as a result of the Offer may not intend to continue to hold those shares and may wish to sell them on ASX (subject to any applicable escrow period). There is a risk that an increase in the amount of people wanting to sell Shares may adversely impact on the market price of Prime’s securities.

There can be no assurance that there will be, or continue to be, an active market for Prime Shares or that the price of Prime 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 the 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 Offer (in the event that PIM waives, with the prior written consent of Cocoon, the Minimum Acceptance Condition). The existence of third party minority interests in Cocoon Shares may have an impact on the operations of Cocoon as Cocoon would not, in those circumstances, be a wholly owned subsidiary of PIM. However, this impact will depend upon the ultimate level of PIM ownership in Cocoon.

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

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

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

**(e) Additional Requirements for Capital**

The capital requirements of the Merged Entity depend on numerous factors. Depending on the ability of the Merged Entity to generate income from its

operations, the Merged Entity may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Merged Entity is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations.

(f) **Litigation Risks**

The Merged Entity is exposed to possible litigation risks including contractual disputes, occupational health and safety claims and employee claims. Further, the Merged Entity may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Merged Entity's operations, financial performance and financial position. Neither PIM nor Cocoon is currently engaged in any litigation.

(g) **Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Merged Entity's activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

(h) **Force Majeure**

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

## **8. DIRECTORS' RECOMMENDATIONS AND INTENTIONS**

### **8.1 Summary of the Offer**

The consideration being offered by Prime under the Offer is 0.6547 Prime Shares and 0.0953 Performance Shares for every one Cocoon share you own (on a post-consolidation basis).

The Offer is subject to the Bid Conditions, as described in section 1.8(a) of Annexure A of the Bidder's Statement.

The rights and liabilities of the Prime Shares and the terms and conditions of the Performance Shares are set out in sections 3.20 and 3.21 of the Bidder's Statement.

### **8.2 Directors of Cocoon**

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

Mr Charles Archer – Executive Chairman;

Mr Trent Telford – Executive Director and CEO;

Mr Philip Argy – Non-Executive Director;

Mr Kevin Bermeister – Non-Executive Director;

Mr Philip Dunkelberger – Non-Executive Director;

Mr Philip King – Non-Executive Director; and

Mr Joseph Miller – Non-Executive Director.

As set out in section 6.3 of this Target's Statement, Messrs Charles Archer, Trent Telford and Philip King have been nominated for appointment to the Board of Prime with effect upon successful completion of the Offer. In addition Cocoon has resolved that upon the changes to the Board of Prime taking effect it will propose to the new Board of Cocoon that Messrs Philip Dunkelberger and Joseph Miller be appointed as directors of Prime to fill casual vacancies on the Prime Board. Further details in respect of the proposed directors are set out in section 3.5 of the Bidder's Statement.

### **8.3 Directors' Recommendations**

After taking into account each of the matters in this Target's Statement and in the Bidder's Statement, your Cocoon Directors unanimously recommend that you ACCEPT the Offer (in the absence of a Superior Proposal and in the absence of a variation or waiver of an Essential Bid Condition).

In considering whether to accept the Offer, your Directors encourage you to:

- Read the whole of this Target's Statement and the Bidder's Statement;
- Have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;

- Consider the alternatives noted in section 5 of this Target's Statement; and
- Obtain financial advice from your broker or financial adviser and obtain taxation advice on the effect of accepting the Offer.

#### **8.4 The Directors' reasons for their recommendations**

The Directors' reasons for their recommendation are set out in section 6 of this Target's Statement.

#### **8.5 Intentions of the Directors in relation to the Offer**

Each Director of Cocoon will accept the Offer in respect of any Cocoon Shares that they, or their associates, own or control (whether they are held directly or through an entity they control). Each of the Relevant Interests of each Cocoon Director are set out in section 11.3 of this Target's Statement.



## **9. IMPORTANT INFORMATION FOR COCOON SHAREHOLDERS TO CONSIDER**

### **9.1 The Offer Summary**

On 30 June 2014, Prime announced to ASX its intention to make an off-market takeover bid for all of the ordinary shares in Cocoon pursuant to Part 6.5, Division 2 of the Corporations Act. On 27 August 2014, Prime lodged a Bidder's Statement with ASIC and intends to send the Bidder's Statement to Cocoon shareholders between 27 and 29 August 2014.

Key features of the Offer are set out in section 10 of this Target's Statement. Annexure A of the Bidder's Statement contains the full terms of the Offer and the Bid Conditions, together with other material information, and you should carefully read the Bidder's Statement in conjunction with this Target's Statement.

Once you have accepted the Offer, you will be prevented from participating in a Superior Proposal (should one eventuate), unless the limited circumstances for withdrawal of your acceptance apply. As at the date of this Target's Statement, the Cocoon Directors are not aware of any such Superior Proposal.

The Cocoon Directors will continue to assess any opportunities that may arise to obtain a Superior Proposal for your Cocoon Shares and deal with any such opportunities in a manner consistent with their statutory and fiduciary duties.

### **9.2 Information in relation to Prime**

Prime was admitted to the Official List of ASX on 28 December 2006 under the name Prime Minerals Limited. PIM is a mining exploration company with a predominant focus in uranium.

Prime owns an exploration licence at Lake Mason in Western Australian which has been found to contain traces of uranium mineralisation. Prime also has exposure to gold, vanadium/titanium and iron ore, with continued exploration and analysis of other potential mineral deposits in Australia and on a global level.

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

Further information on Prime, its current operations and top 20 shareholders is contained in section 3 of the Bidder's Statement and is available on Prime's website ([www.primeminerals.com.au](http://www.primeminerals.com.au)).

### **9.3 Minority Ownership Consequences**

The Offer is presently subject to a Minimum Acceptance Condition which, if fulfilled (and if all other conditions are fulfilled or waived), will entitle Prime to compulsorily acquire all outstanding Cocoon Shares. Prime has a right to waive this 90% Minimum Acceptance Condition if Prime has received acceptances of at least 80% of Cocoon Shares.

If the Offer becomes or is declared Unconditional but Prime does not become entitled to compulsorily acquire your Cocoon Shares under the Corporations Act, unless you sell your Cocoon Shares, you will remain a shareholder in Cocoon. In that case, depending on the number of Cocoon

Shares acquired by Prime, you may be a minority Cocoon shareholder in what will be a less liquid stock as Cocoon will not be listed on the ASX.

#### 9.4 **Other alternatives to the Offer**

As at the date of this Target's Statement, no Superior Proposal has emerged.

The BIA restricts Cocoon from soliciting alternative offers or proposals, or responding and negotiating with respect to a Competing Proposal. However, these restrictions do not in any way prevent or restrict a third party from putting forward a Competing Proposal and the restrictions do not apply in respect of a Competing Proposal where the Board, acting in good faith and having obtained advice from its legal and financial advisors, reasonably determines that a Competing Proposal is a Superior Proposal and that failing to respond would be likely to constitute a breach of its statutory or fiduciary duties.

In the event that the Board does determine that a Competing Proposal is or may be a Superior Proposal, Prime has a right to be notified of the Competing Proposal and a right to match or better any Superior Proposal, which must be exercised within a period of 5 Business Days from notification.

## 10. KEY FEATURES OF THE OFFER

### 10.1 Consideration payable to Cocoon shareholders who accept the Offer

The Offer Consideration being offered by Prime is 0.6547 Prime Shares and 0.0953 Performance Shares for every 1 Cocoon Share.

### 10.2 Bid Conditions

The Offer is subject to a number of Bid Conditions which are set out in full in section 1.8(a) of Annexure A of the Bidder's Statement.

In summary, the key Bid Conditions are as follows:

- (a) Fulfilment of the Minimum Acceptance Condition;
- (b) Approval of all Essential Resolutions at the General Meeting;
- (c) Completion of the Capital Raising of a minimum of \$2.5 million;
- (d) ASX consenting to Prime's Re-admission; and
- (e) Cocoon not experiencing a Material Adverse Change during the Offer Period.

### 10.3 Notice of Status of Conditions

The Bidder's Statement indicates that Prime will give a Notice of Status of Conditions to ASX and Cocoon on 3 October 2014 (subject to extension if the Offer Period is extended).

In that notice, Prime is required to set out:

- whether the Offer is free of any or all of the Bid Conditions;
- whether, so far as Prime knows, any of the Bid Conditions have been fulfilled; and
- Prime's voting power in Cocoon.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such extension, Prime is required, as soon as practicable after the extension, to give a notice to the ASX and Cocoon that states the new date for the giving of the notice.

If a Bid Condition is fulfilled (so that the Offer becomes free of that Offer Condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Prime must, as soon as practicable, give the ASX and Cocoon a notice that states that the particular Bid Condition has been fulfilled.

#### 10.4 **Offer Period**

Unless the Offer is extended or withdrawn, it is open for acceptance until 5.00pm (WST) on 10 October 2014.

Pursuant to section 650(C)(2) of the Corporations Act, Prime may not extend the Offer Period after it has given a Notice of Status of Conditions. However, if the Offer is Unconditional, Prime may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- (a) Prime improves the Offer Consideration offered under the Offer;
- (b) Prime's voting power in Cocoon increases to more than 50%.

If either of these events occur, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

#### 10.5 **Withdrawal of the Offer**

Prime may not withdraw the Offer if Cocoon shareholders have already accepted it (though the conditions of the Offer may not be satisfied and the Offer will lapse if the conditions are not satisfied or waived). Before you accept the Offer, Prime may withdraw the Offer with the written consent of ASIC, subject to the conditions (if any) specified in such consent.

#### 10.6 **Effect of Acceptance**

The effect of acceptance of the Offer is set out in section 1.6 of Annexure A of the Bidder's Statement. Cocoon shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the rights attaching to their Cocoon Shares and the representations and warranties which they give by accepting the Offer.

#### 10.7 **Ability to Withdraw Acceptance**

You have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if Prime varies the Offer in a way that postpones, for more than one month, the time when Prime needs to meet its obligations under the Offer, and the Offer is still subject to the Bid Conditions.

#### 10.8 **When you will receive your Offer Consideration if you accept the Offer**

In the usual case, you will receive your Offer Consideration on or before the earlier of:

- (a) 1 month after the later of the date on which the Offer becomes or is declared Unconditional or the date you accepted the Offer if the Offer is Unconditional at the time of acceptance; or
- (b) 21 days after the end of the Offer Period, assuming the Offer becomes or is declared Unconditional,

provided that you have provided all documents required for acceptance of the Offer with your acceptance.

However, there are certain exceptions to the timetable for issuing the Offer Consideration. Full details of when you will be issued your Offer Consideration are set out in section 1.7 of Annexure A of the Bidder's Statement.

#### **10.9 Effect of an Improvement in Offer Consideration on Cocoon shareholders who have already accepted the Offer**

If Prime improves the Offer Consideration offered under the Takeover Bid, all Cocoon shareholders will be entitled to the benefit of that improved Offer Consideration, whether or not they have accepted the Offer prior to the improvement.

#### **10.10 Lapse of Offer**

The Offer will lapse if the Bid Conditions are not waived or fulfilled by the end of the Offer Period (as extended). If the Offer lapses, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void, and you will be free to deal with your Cocoon Shares as you see fit.

#### **10.11 Compulsory Acquisition**

Prime has indicated in section 6.2(b) of the Bidder's Statement that, if it satisfies the required thresholds, it intends to compulsorily acquire any outstanding Cocoon Shares.

Prime will be entitled to compulsorily acquire any Cocoon Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period, Prime and its associates have a Relevant Interest in at least 90% (by number) of the Cocoon Shares.

If this threshold is met, Prime will have 1 month after the end of the Offer Period within which to give compulsory acquisition notices to Cocoon shareholders who have not accepted the Offer. Cocoon shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Cocoon shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Cocoon Shares. If compulsory acquisition occurs, Cocoon shareholders who have their Cocoon Shares compulsorily acquired are likely to be issued their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

It is also possible that Prime will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the Cocoon Shares. Prime would then have rights to compulsorily acquire Cocoon Shares not owned by it within 6 months of becoming the holder of 90%. Prime's price for compulsory acquisition under this procedure would have to be considered by an independent expert.

#### **10.12 Indicated intentions to accept**

The Cocoon Directors and other Cocoon shareholders who together own 60% of all Cocoon Shares on issue as at the date of this Target's Statement, have advised Cocoon that, in the absence of a Superior Proposal and in the absence of a variation or waiver of an Bid Condition, they intend to accept and/or procure the acceptance of the Offer in respect of all of the Cocoon Shares that they control.

#### **10.13 Cocoon shareholders outside Australia and New Zealand**

The Bidder's Statement is stated not to constitute an offer of securities in any jurisdiction where it would be unlawful.

The Offer is not being made by Prime in any country outside Australia and New Zealand except to the extent the Bidder's Statement may be permitted to be distributed to existing shareholders of Cocoon resident in Hong Kong, Singapore, the United Kingdom and the United States as set out in section 9.13 of the Bidder's Statement.

#### **10.14 Intentions of the Bidder**

The intentions of Prime and the Merged Entity (as at the date of the Bidder's Statement) are set out in the Bidder's Statement. These statements are statements of intention as at the date of the Bidder's Statement and may change as new information comes to light or circumstances change.

#### **10.15 Cocoon Share Price absent the Offer**

Currently, Cocoon Shares are not quoted on a financial market and are an illiquid investment. If Cocoon does not complete the Transaction with Prime, there is no guarantee that there will be an active market for Cocoon Shares at any time in the future.

The Cocoon Directors consider that there is a significant risk that, if the Offer is not successful, Cocoon will remain unlisted and Cocoon Shareholders will not be able to realise their investment easily.

#### **10.16 Taxation consequences of a change of control in Cocoon**

A detailed overview of the Australian taxation considerations of accepting the Offer is set out in section 7 of the Bidder's Statement. While the outline provides a general summary of the Australian taxation considerations and potential consequences of participating in the Offer, the tax consequences of your participation will depend on your individual circumstances. As such, you should obtain your own tax advice before making a decision on whether to accept the Offer.

## **11. INFORMATION REGARDING COCOON**

### **11.1 Overview of Cocoon, its activities and projects**

Cocoon was incorporated on 15 October 2007 with the intention of developing and commercialising a new approach to data security, with a vision that network and perimeter security would eventually become a redundant commodity, bringing rise to the need to secure the data itself. On 22 January 2010, Cocoon converted to be, and remains, a public company limited by shares. Since incorporation and the initial development of the Covata Platform, Cocoon has commenced the commercialisation of its technology in Australia, the United States and Europe. The Covata Platform is the core underlying technology that encrypts and decrypts the data, applies access controls based on permissions administered according to set security policies and provides visibility, auditability and analytics against all access activity. Cocoon has offices in Sydney and Washington DC with a well-credentialed management team.

The “Cocoon Data” name was supplanted by Covata to ensure trade-mark compliance in target markets. It is anticipated that the Cocoon Data name will be retired upon the successful ASX listing.

Cocoon has taken a fundamentally different approach to securing sensitive information residing within enterprise networks and more importantly outside of these networks across the Internet. The technology protects the data itself – at its source - rather than the network. Covata’s approach to protection means tying the data to three key principles: strong encryption; rights management (what you can or can’t do with the data); and audit (who did what).

Cocoon believes that this data-centric approach, which allows businesses to share sensitive data over ‘untrusted’ networks and devices (smart-phones, cloud storage providers, Internet connections, email and so on), is innovative and has the potential to be commercially distributive.

The Covata Platform and Cocoon’s approach to its technology highlight important developments in how the ‘plumbing’ of the Internet is changing. This technology is expected to facilitate a potentially seismic change in the confidence of organisations to conduct sensitive and governed business over the Internet - from the largest network and IT companies in the world, to small businesses.

Cocoon has attained various certifications including those from the US and Australian governments. Many government departments require such certifications as a pre-requisite to purchasing software products. These extensive certifications, each taking around one to two years to obtain, have the benefit of providing assurance to companies and investors that the Covata technology is of a high standard.

The management of Cocoon believe that the Covata Platform offers significant product and service differentiation to existing data security solutions in the market.

The management of Cocoon have identified additional future revenue streams including:

- cloud storage security and file sharing services offered by the Company hosted in the Amazon cloud and by other Managed Service Providers;
- enterprise platform sales by system integrator partners; and
- government and / or classified high assurance deployments typically sold directly by Covata sales people.

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

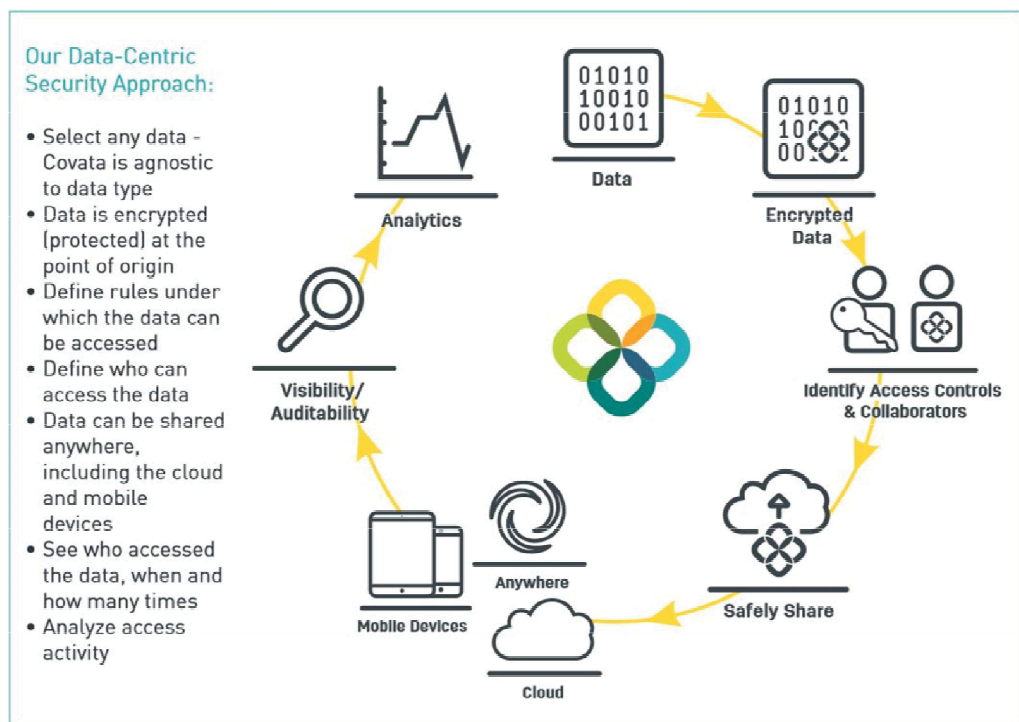
The management team are focused on extracting significant revenue growth expected from the recent investment of over \$10 million in its new generation cloud and platform offering.

An overview of the Covata Platform and its underlying technology are set out below.

(a) *Covata Platform overview*

The Covata (a name derived from “covert data”) technology was developed as a solution for business and government to manage data security and the application of access permissions at the data object level, rather than at a network level. The technology builds on the concept of ‘data-centric security’, that is, the application of security policies and access controls at a data level and maintaining those security policies within and across organisations. This concept is a move away from the paradigm where data is securely stored (at rest) on a network and access to the data repository is secured at the network or storage area level.

The diagram below outlines the model for how Covata’s data-centric security model works.



The technology facilitates controlled sharing of data objects - allowing access to those who are specifically trusted - and controlled distribution - which limits the user’s ability to interact with data objects based on individual, explicit permissions set by the data owner or those that are aligned with existing security policies. Covata is designed for person to person (**P2P**) exchange of information but is also applicable to machine to machine (**M2M**) secure communications as well as other potential communication models.

The security principles embodied in the Covata technology are designed to allow transmission of sensitive or secret data across untrusted networks or environments, as a result of the data being encrypted at the point of origin. This technology can potentially



remove the need for the implementation, operation and maintenance of technologies such as virtual private networks (**VPN**). This capability simplifies information transfer requirements by the user without them having to log on and make a secure connection across the VPN to access relevant data when they are not co-located with their trusted network.

The Covata Platform is a solution which can be implemented independent of the product or application; via the Covata Software Development Kit (**Covata SDK**). The Covata SDK enables system integrators to develop specific applications for the customer leveraging all the power of the Covata technologies. Cocoon has developed an application called Safe Share as an example of the applications which can be developed using the Covata SDK. The Safe Share application is available through a web application, a windows application, and a universal iOS app for iPad and iPhone to access documents securely in a mobile environment. Products such as Safe Share can also be used as an 'opener' for enterprise level server installations when companies wish to integrate the Covata platform into legacy applications. This product is an Enterprise File Sharing Service aimed specifically at industry verticals where the 'consumer-like' offerings sometimes lack the underlying architecture and security required of corporates. Finance and Managed Service Providers (ISP's) are an example of the target market for Safe Share

The Covata Platform can be integrated with different systems without a singular dependence on a particular operating system or application, maximizing its potential utility.

(b) *Underlying Technology*

The Covata Platform has been developed using a combination of proprietary source code and open source third party libraries. The encryption and security tools used within the technology comply with industry standards such as the Advanced Encryption Standard (**AES**) and the Covata Platform has been developed to meet with specific certification requirements in Cocoon's key target markets.

Furthermore the Covata Platform development model has avoided dependence on operating system (**OS**) based security and encryption tools, which are beyond the control of Cocoon and are potentially more vulnerable than those incorporated into the Covata Platform.

The architecture of the Covata Platform has been designed to be modular and replaceable so that where technology changes are required or mandated, then the Covata Platform can be rapidly adapted or changed.

**11.2 Cocoon Capital Structure**

As at the date of this Target's Statement, Cocoon's issued capital is as set out in section 4.6 of the Bidder's Statement.

**11.3 Cocoon Directors' Interests in Cocoon Securities**

As at the date of this Target's Statement, each Cocoon Director and his associates held a Relevant Interest in Cocoon Securities as follows:

| <b>Director (or associate(s))</b> | <b>Shares</b> | <b>Options</b> |
|-----------------------------------|---------------|----------------|
| Charles Archer                    | Nil           | 7,075,000      |
| Trent Telford                     | 7,843,572     | 13,833,333     |
| Philip King                       | 3,376,727     | Nil            |
| Phil Dunkelberger                 | Nil           | 6,666,666      |
| Joseph Miller                     | Nil           | Nil            |
| Philip Argy                       | 6,964,245     | 1,000,000      |
| Kevin Bermeister                  | Nil           | Nil            |

#### **11.4 Cocoon Directors' Dealings in Cocoon Securities**

No Cocoon Director has acquired or disposed of a Relevant Interest in any Cocoon Securities in the 4 month period ending on the date immediately before the date of this Target's Statement, other than the purchase by Mr Trent Telford of 975,542 Cocoon Shares for a consideration of 15 cents per Cocoon Shares on 8 July 2014.

#### **11.5 Cocoon's and Cocoon Directors' Interests in Prime Securities**

Neither Cocoon nor any Cocoon Director has a Relevant Interest in Securities of Prime or any Related Body Corporate of Prime.

Prime proposes to make offers to the Cocoon Directors, in their capacities as holders of Cocoon Securities and therefore following completion of the Takeover Bid, Cocoon Directors will hold Securities in the Merged Entity (currently Prime).

#### **11.6 Cocoon Directors' Dealings in Prime Securities**

No Cocoon Director has acquired or disposed of a Relevant Interest in Prime Securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

#### **11.7 Benefits and Agreements**

##### **(a) Benefits in connection with retirement from office**

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without shareholder approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Cocoon or a Related Body Corporate of Cocoon.

##### **(b) Agreements connected with or conditional on the Offer**

There are no agreements made between any Cocoon Director and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Cocoon Securities other than to note that, while no service or other agreements have been entered, as set out in section 6.3 of this Target's Statement Messrs Charles Archer, Trent Telford and Philip King have been nominated for appointment to the Board of Prime with effect upon successful completion of the Offer and Cocoon has resolved that upon the

changes to the Board of Prime taking effect it will propose to the new Board of Cocoon that Messrs Philip Dunkelberger and Joseph Miller be appointed as directors of Prime to fill casual vacancies on the Prime Board. The proposed annual remuneration of the proposed directors of Prime are set out in section 9.8 of the Bidder's Statement.

(c) Benefits from Prime

None of the Cocoon Directors have agreed to receive, or are entitled to receive, any benefit from Prime which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Cocoon Securities, other than as noted the paragraph 11.7(b).

(d) Interests of Cocoon Directors in contracts with Prime

None of the Cocoon Directors have any interest in any contract entered into by Prime, other than as noted in paragraph 11.7(b).

**11.8 Prime's and Prime's Directors' interests in Cocoon Shares**

Details of Prime's interests in Cocoon and the Transaction are set out in sections 9.1 and 9.2 of the Bidder's Statement.

The Prime Directors do not have an interest in Cocoon securities as at the date of the Bidder's Statement.

**11.9 Financial Information**

Refer to Sections 5.9 to 5.12 of the Bidder's Statement which contain pro forma financial information about the Merged Entity upon completion of the Offer.

**11.10 Forecast financial information for Cocoon**

Cocoon has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information. The Cocoon Directors have concluded that, as at the date of this Target's Statement, it would be misleading to provide forecast financial information for Cocoon as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable laws.

**11.11 Cocoon Intellectual Property and Material Contracts**

Please refer to sections 4.7 to 4.11 of the Bidder's Statement for information relating to Cocoon's material contracts and intellectual property.

**11.12 Merged Entity - Completion of the Offer**

Upon Completion of the Offer, existing Cocoon shareholders will become economic owners of the Merged Entity. Subject to satisfaction of the Bid Conditions and Completion, Prime will shift its focus from its mineral exploration interests to commercialising the Cocoon intellectual property interests.

The Merged Entity will consider how its existing mineral exploration interests will be managed and dealt with at a future time to be determined by the new board of directors of the Merged Entity.

The Merged Entity's preference is likely to be to divest Prime's existing mineral exploration interests to third parties. The Merged Entity will also consider whether Prime's existing subsidiary will be wound up or retained after completion of the Offer.

If the Offer is successful, the Merged Entity plans to adopt and implement a number of employee incentive plans on terms identical, or substantially similar, to the existing Employee Share Plan and Employee US Share and Option Plan.

**11.13 Intentions regarding Cocoon upon Completion of the Offer**

Prime has stated, on the basis of the information concerning Cocoon which is known to Prime at the date of the Bidder's Statement, that following Completion:

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

Prime has a right to waive the 90% Minimum Acceptance Condition referred to above if Prime has received acceptances of at least 80% of Cocoon Shares. Prime's intentions in the event that it does not meet the 90% Minimum Acceptance Condition and waives the Minimum Acceptance Condition, or without having received acceptances of at least 80% of Cocoon Shares waives Minimum Acceptance Condition with Cocoon's consent, and/or only acquires 50% or less of Cocoon Shares, are set out in sections 6.2(c) and 6.2(d) of the Bidder's Statement.

## **12. ADDITIONAL INFORMATION**

### **12.1 Agreements relating to the Offer**

#### **(a) Bid Implementation Agreement**

On 27 June 2014 Cocoon and Prime entered into a Bid Implementation Agreement under which Prime agreed to make the Offer and Cocoon agreed to comply with certain exclusivity obligations. The Bid Implementation Agreement was amended on 25 August 2014.

The full Bid Implementation Agreement was included in Prime's ASX announcement of 30 June 2014. A free copy of the announcement including the Bid Implementation Agreement as announced can be obtained during the Offer Period by contacting Cocoon's Company Secretary, Nick Chiarelli, on +61 2 8412 8200 during normal business hours in Sydney, Australia or [nick.chiarelli@covata.com](mailto:nick.chiarelli@covata.com). A copy can also be obtained from Prime's website ([www.primeminerals.com.au](http://www.primeminerals.com.au)).

A break fee of approximately \$572,216 (excluding any applicable GST) is payable by Cocoon to Prime in certain circumstances, which are described in section 9.11 of the Bidder's Statement.

#### **(b) Facility Agreement**

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

The key terms of the loan facility agreement as amended are summarised in Section 4.11(d) of the Bidder's Statement.

### **12.2 Effect of the Offer on Cocoon's material contracts**

To the best of Cocoon's knowledge, none of the material contracts to which Cocoon is a party contain change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of Cocoon.

### **12.3 Material Litigation**

Cocoon is not currently involved in any litigation or disputes which are material in the context of Cocoon and its subsidiaries taken as a whole.

### **12.4 Effect of the Offer on Cocoon convertible securities**

#### **(a) Cocoon Options**

Prime and Cocoon have agreed to enter into agreements with existing Cocoon Optionholders to replace their existing Employee Options with either Prime Options or, as an alternative in case of US employee Options, Prime Shares upon successful completion of the Offer. Replacement Prime Options are to be granted, subject to necessary shareholder and

regulatory approvals (including, if necessary, waiver of ASX Listing Rules), on the same terms as the existing Cocoon Options.

(b) Cocoon Convertible Notes

Cocoon intends to procure that all holders of convertible notes in Cocoon issued on or before 19 May 2014 (being the date of the binding heads of agreement between Cocoon and Prime referred to in the BIA), if their notes have not already converted after the date of the BIA, vary the terms of their convertible note agreements to provide that the convertible notes will automatically convert upon the Offer being declared Unconditional and that the holder accepts the Offer in respect of the Cocoon Shares issued to them within 5 Business Days of conversion of their convertible notes.

Cocoon intends to procure that all holders of convertible notes issued after 19 May 2014, vary the terms of their convertible note agreements to provide that, upon successful completion of the Offer, their convertible notes will automatically convert directly into Prime Shares, if the terms of their convertible notes do not already provide for automatic conversion directly into Prime Shares.

(c) Cocoon Warrants

Cocoon is to seek 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 Offer being declared Unconditional as consideration for an issue of Cocoon Shares and the holder accepts the Offer in respect of the Cocoon Shares issued to them on cancellation of their warrants.

## 12.5 Consents

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged by Prime with ASIC or given to ASX by Prime. Pursuant to the Class Order, the consent of Prime is not required for the inclusion of such statements in this Target's Statement. Any Cocoon shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting Cocoon's Company Secretary, Nick Chiarelli, on +61 2 8412 8200 during normal business hours in Sydney, Australia or [nick.chiarelli@covata.com](mailto:nick.chiarelli@covata.com).

As permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

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

## 12.6 **No other material information**

This Target's Statement is required to include all the information that Cocoon shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement;
- (b) only if the information is known to any Cocoon Director.

The Cocoon Directors are of the opinion that the information that Cocoon shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- (a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- (b) the information contained in the documents lodged by Cocoon with ASIC before the date of this Target's Statement; and
- (c) the information contained in this Target's Statement.

The Cocoon Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Cocoon Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Cocoon Directors have had regard to:

- (a) the nature of the Cocoon Shares;
- (b) the matters that Cocoon shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to Cocoon shareholders professional advisors; and
- (d) the time available to Cocoon to prepare this Target's Statement.

### 13. GLOSSARY AND INTERPRETATION

#### 13.1 Definitions

The meanings of the terms used in this Target's Statement are set out below.

**\$, A\$ or AUD** means Australian dollars.

**Acceptance Form** has the meaning given to it in the Bidder's Statement.

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

**ASX** means ASX Limited [ACN 008 624 691] or the Australian Securities Exchange operated by ASX Limited, as the context requires.

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

**BIA or Bid Implementation Agreement** means the Bid Implementation Agreement between Cocoon and Prime dated 27 June 2014, as amended on 25 August 2014.

**Bid Conditions** means the conditions of the Offer as detailed in section 1.8(a) of Annexure A of the Bidder's Statement.

**Bidder** means Prime Minerals Limited [ACN 120 658 497].

**Bidder's Statement** means the bidder's statement of Prime dated 26 August 2014.

**Board** means the board of directors of Cocoon.

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

**Capital Raising** means the capital raising to be undertaken by Prime in connection with its application for Re-admission to the ASX.

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

**Cocoon or the Company** means Cocoon Data Holdings Limited [ACN 127 993 300].

**Cocoon Director** means a director of Cocoon.

**Cocoon Option or Options** means options to acquire Cocoon Shares.

**Cocoon Share or Shares** means fully paid ordinary shares of Cocoon.

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



- (a) acquire, or have a right to acquire, a legal, equitable or economic interest or Relevant Interest in 10% or more of all of the voting shares in that party's shares (whether by way of acquisition of existing shares or the issue of new shares);
- (b) acquire, or have a right to acquire, a legal, equitable or economic interest in the whole or a substantial party 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).

**Completion** means Prime's acquisition of all issued Cocoon Shares and Cocoon Options pursuant to the Takeover Bid.

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

**Employee Options** means Options issued under the Employee Share Plan.

**Employee US Share and Option Plan** means the Cocoon Data Holdings Limited US Share and Option Plan.

**Employee Share Plan** means the Cocoon Data Holdings Limited Share Plan.

**Essential Bid Condition** means the conditions set out in sections 1.8(a)(iv), (v) and (vi) of Annexure A of the Bidder's Statement.

**Essential Resolutions** means all resolutions being put to Prime shareholders at the General Meeting with the exception of resolutions 7 and 18.

**General Meeting** means the meeting of Prime shareholders to be held on 23 September 2014.

**Material Adverse Change** means any change, event, effect, occurrence or state of fact that is, or is expected to be, material and adverse to the assets, liabilities (including contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), business, operation, financial condition or prospects of a party.

**Merged Entity** means Covata Limited, being the entity created by the merger of Cocoon and Prime upon Completion of the Takeover Bid.

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

**Notice of Meeting** means the Notice of Meeting issued by Prime to Prime shareholders on 25 August 2014.

**Notice of Status of Conditions** means Prime's notice disclosing the status of the conditions to the Offer which is required to be given by section 630(3) of the Corporations Act.

**Offer** means the off market takeover offer by Prime to acquire all Cocoon shares in consideration for 0.6547 Prime Shares and 0.0953 Performance Shares for every 1 Cocoon Share held (on a post-consolidation basis), equal to 6.547 Prime Shares and 0.953 Performance Shares for every 1 Cocoon share held on a pre-consolidation basis on the terms and conditions set out in the Bidder's Statement and this Target's Statement.

**Offer Consideration** means 0.6547 Prime Shares and 0.0953 Performance Shares for every 1 Cocoon Share held (on a post-consolidation basis), equal to 6.547 Prime Shares and 0.953 Performance Shares for every 1 Cocoon share held on a pre-consolidation basis.

**Offer Period** means the period during which the Offer will remain open for acceptance in accordance with the Bidder's Statement.

**Re-admission** means Prime's re-admission to the official list of ASX following its application for re-admission under Chapters 1 & 2 of the ASX Listing Rules.

**Relevant Interest** has the same meaning as given in sections 608 and 609 of the Corporations Act.

**Related Bodies Corporate** has the meaning given to it in section 50 of the Corporations Act.

**Performance Share** means a share described in the Bidder's Statement as a Performance Share, offered as part of the consideration under the Offer.

**Prime** means Prime Minerals Limited [ACN 120 658 497].

**Prime Director** means a director of Prime.

**Prime Shares** means fully paid ordinary shares of Prime.

**Prospectus** means the prospectus proposed to be prepared by Prime and lodged with ASIC in accordance with Chapter 6D of the Corporations Act in or about mid to late September 2014, pursuant to which an offer by Prime of Prime Shares at an issue price of no less than \$0.20 per PIM Share (on a post-Consolidation basis) is to be made.

**Securities** means Cocoon Shares and Cocoon Options.

**Superior Proposal** means a publicly announced transaction which, if completed substantially in accordance with its terms, would mean a person (other than Prime or one of its Related Bodies Corporate) would become the holder of:

- (a) more than 50% of Cocoon Shares; or
- (b) the whole of substantially the whole of the business, assets and undertakings of Cocoon,

provided that a majority of Cocoon Directors determine, acting in good faith after receipt of advice from Cocoon's financial and legal advisers and in order to satisfy what the Cocoon Directors consider to be their fiduciary and statutory duties, that the transaction or proposed transaction (including any conditions precedent and the person or persons making it) is capable of being valued and completed and is superior overall for Cocoon shareholders as compared to the Offer.

**Takeover Bid** means Prime's off-market takeover bid for all of the Cocoon Shares, made pursuant to Chapter 6 of the Corporations Act.

**Target** means Cocoon Data Holdings Limited.

**Target's Statement** means this document, including attachments, being the statement of Cocoon under Part 6.5 Division 3 of the Corporations Act.

**Transaction** means the acquisition by Prime of all the Cocoon shares under the Takeover Bid, and its associated transactions.

**Unconditional** in relation to the Offer, means that all conditions relevant to the Offer as set out in section 1.8(a) of Annexure A of the Bidder's Statement have been fulfilled or have been waived by Prime.

**VWAP** means volume weighted average price of a listed entity's securities quoted on ASX.

**WST** means Western Standard Time.

**US\$ or USD** means United States dollars.

## 13.2 Interpretation

In this Target's Statement:

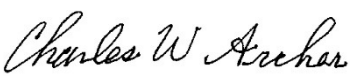
- (a) Other words and phrases have the same meaning (if any) given to them in the Corporations Act.
- (b) Words of any gender include all genders.
- (c) Words importing the singular include the plural and vice versa.
- (d) An expression importing a person includes a company, partnership, joint venture, association, corporation or other body corporate and vice versa.
- (e) A reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant.
- (f) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of them.
- (g) Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
- (h) A reference to time is a reference to WST unless otherwise indicated.
- (i) A reference to dollars, \$, A\$, cents and currency is a reference to the lawful currency of Australia.

14. **AUTHORISATION**

This Target's Statement has been approved by a resolution passed by the Board of Cocoon. All Cocoon Directors other than Mr Philip Argy and Mr Dunkelberger who were unable to attend the Board meeting at which the resolution was passed voted in favour of that resolution.

Signed for and on behalf of Cocoon:

Date: 29 August 2014

Signature: 

Name: Charles Archer

Position: Executive Chairman