

## ASX ANNOUNCEMENT | COVATA LIMITED (ASX: CVT)

Sydney, Australia – 21 November 2016

### Crown Prosecution Service (CPS) underway - Runway being extended to Q3 2018

The Company is aware that the share price has significantly decreased in recent weeks. This deterioration has occurred despite the announcement on 31 October last of Covata being selected by the UK Crown Prosecution Service (CPS) to participate in a Proof of Concept (POC) exercise which the Board considers represents a material and positive development. The Company also continues to make substantial across the board progress in developing and sustaining its business and its prospects. This steady process is in line with expectations and difficult to reconcile with the continued share price deterioration.

To ensure the availability of accurate market information, the Company thought it prudent to reaffirm its short and medium-term outlook, and update shareholders on a range of initiatives underway.

Key performance tracking points:

1. **Cost reduction program.** The Company has instigated a cost reduction program. The reduced monthly cash expenditure in addition to the Company's current cash balance and expected FY2016 R&D refund of \$2 million (and expected similar amount in FY2017) **should provide runway into Q3 FY2018 without the need to rely on capital markets.** There has been reduced spend in October and full benefits are expected to be realised within Q3 2016/2017.
2. **Crown Prosecution Service POC underway.** There has been positive engagement with the customer and the POC remains on target for completion by the end of December 2016.
3. The UK Government pipeline continues to expand and mature. **An engagement has been submitted to a further Government department comparable to the CPS.** Both these departments are 'Tier 1' classification content (Classified at Restricted/Confidential), and provide a potential path to a select group of users being 'Tier 2' (Secret/Highly Sensitive). These initiatives are all made possible through the G Cloud registration.
4. **An independent executive search firm was appointed earlier this quarter.** This initiative is as foreshadowed to source new highly qualified Board and Executive members to augment/replace existing roles. New appointments will be focused on candidates that will open up new networks immediately, and have the relevant experience to drive revenue from our technology in 2017 and 2018. The Company looks forward to near term announcements relating to this.

Covata CEO Trent Telford commented: "We believe the Safe Share product occupies a solid market position and are excited about the alpha release of the Covata Delta product.

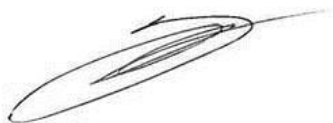
“Management is firmly focused on building a sustainable business and driving revenue into FY2017. Like most enterprise businesses in the security and compliance sector, engineering and development expenditure is high in the early stages until there is a transition to monetise the technology. We are at this inflection point.

“The recent appointment of Bill McCluggage to the Board, and others to be announced soon, are a reflection of this transition. We are focused on building an executive team and board that can execute on the Company’s revenue objectives.

Also to note is that whilst government contracts take more time to win, they typically provide longer term revenue streams. Safe Share provides us with an opportunity in the UK Government sector.”

The Company looks forward to providing a further detailed update of the recent initiatives and business pipeline as part of its AGM on 30 November 2016.

Regards,



Trent Telford  
Covata Founder and CEO

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