

## ASX ANNOUNCEMENT | COVATA LIMITED

27 July 2017

### Appendix 4C and Business Update for Quarter Ended 30 June 2017

#### Summary

We are very pleased to confirm that Covata remains firmly on track to deliver the turnaround outlined in the Shareholder Update and EGM on 5 April 2017 as follows:

- as forecasted for the June quarter, we significantly reduced our cost base and cash burn, and have extended our cash runway into late CY18;
- we identified and are well underway in further addressing technical debt; building new connectors and integrating our existing Safe Share product with the most common content applications; creating new partnerships and opening new channels.

We are also:

- implementing a strategic pivot to build and deploy an integrated *data security* platform or *data centric audit and protection* platform, that offers:
  - added features such as advanced threat detection, discovery, access and policy control, classification, activity monitoring, data loss prevention, user behaviour analytics and compliance reporting; and
  - deployment options in public cloud, private or hybrid clouds, or on-premises, and
- building a viable sales pipeline.

#### Quarter Four Financial Highlights

Financial highlights for the quarter were:

- We held \$6.325M in cash as at 30 June 2017 (31 March 2017: \$7.692M) closely in line with our internal forecasts.
- Receipts from customers were \$31K.
- Staff costs were \$1.2M (including termination costs of \$31.6K), compared to \$2.3M in the March quarter. Staff costs for the next quarter are anticipated to be \$872K subject to any new hires.



- Operating outflows were \$1.74M this quarter compared to \$3.7M in the March quarter again in line with forecasts. Covata continued to accrue R&D claims through 30 June that will be lodged shortly and will result in a further cash inflow in the December 2017 quarter.
- Estimated operating outflows for the September 2017 quarter are anticipated to be \$1.68M (exclusive of revenue and interest).

### Quarter Four Operating Highlights

The following work was undertaken during the fourth quarter to position Covata for growth in FY18 including:

- core product development to address our technical debt;
- enhanced product development to integrate our security offering into key enterprise applications for ease of use;
- the internal launch of our new rolling five quarter product roadmap;
- the development of customer use cases and case studies for launch on our website which is being upgraded in the September quarter, along with our digital marketing presence to generate lead referral; and
- specific discussions with leading global cloud providers to launch our SaaS hosted product.

Further announcements to the market regarding sales capability and our pipeline, as well as key partnerships and initiatives currently under negotiation, are anticipated in the near-term.

Regards,

A handwritten signature in black ink, appearing to read "Ted Pretty", written over a light blue horizontal line.

Ted Pretty  
Chief Executive Officer and Managing Director

### CORPORATE CONTACT DETAILS

Dana Danieli  
Covata  
VP Marketing, Communications & Investor Relations  
[dana.danieli@covata.com](mailto:dana.danieli@covata.com)  
0400 993 305

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Covata Limited

**ABN**

61 120 658 497

**Quarter ended ("current quarter")**

30 June 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	31	93
1.2 Payments for		
(a) research and development	-	(134)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(145)	(632)
(d) leased assets	-	-
(e) staff costs	(1,231)	(8,153)
(f) administration and corporate costs	(364)	(3,673)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	142
1.5 Interest and other costs of finance paid	-	(6)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	2,022
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,706)</b>	<b>(10,341)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2)	(12)
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	5	16
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other – return of credit card facility deposit</b>	131	131
<b>2.6 Net cash from / (used in) investing activities</b>	<b>134</b>	<b>135</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	215	8,067
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	106
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(473)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>215</b>	<b>7,700</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	7,692	8,880
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,706)	(10,341)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	134	135
4.4 Net cash from / (used in) financing activities (item 3.10 above)	215	7,700

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(10)	(49)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>6,325</b>	<b>6,325</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,325	2,692
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term deposits callable with less than 3 months notice)	5,000	5,000
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,325</b>	<b>7,692</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
(173)
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**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
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8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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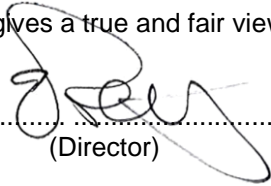
9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(52)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(118)
9.4 Leased assets	-
9.5 Staff costs	(872)
9.6 Administration and corporate costs	(636)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(1,678)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....  
(Director)



Date: ..... 27 July 2017 .....

Print name: ..... Edward Pretty .....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.