[ COVATA ]

14 September 2018

Dear Shareholder,

## SHAREHOLDER SALES AND PRODUCT UPDATE

Covata is pleased to provide this sales and product update to all shareholders in preparation for our AGM, which will take place on 16 October 2018. The Notice of Meeting of the AGM is being despatched today.

This update covers:

- Sales Wins with Eclipse and SafeShare ITAR
- New Channel Partners
- New Product Releases and Developments
- FY19 Priorities and Outlook

## Sales Wins

**1. Covata has commenced a 'start up' deployment for Eclipse for SharePoint with a European-based Global 500 customer**

Covata has secured a purchase order to provide a European-based Global 500 corporation with our Eclipse for SharePoint data protection product, as foreshadowed in the Company's update dated 2 July 2018.

The use case is to protect data in accordance with the customer's data governance program, including its GDPR compliance obligations.

The first order requires a €15,000 (A$24,000) 'start up' payment by the customer for an initial quantity of licences and for services associated with its deployment of Eclipse in its group IT environment. Using that environment as a demonstration platform, the customer will seek to drive business unit adoption and Covata has committed to support this process. Any subsequent orders will be based on business unit uptake and pricing is then likely to be on a per user basis. It should be noted that the start-up deployment does not commit the customer to subscribe for future licences.

This first step is a significant milestone in Covata gaining further market recognition of our Eclipse solution in protecting sensitive Microsoft SharePoint data, including 'blinding' IT administrators. Subject to a reasonable level of business unit demand and business unit funding support, Covata is confident that the start-up deployment has the potential to deliver an increase in licence numbers from Q2-Q3 onwards.

The Covata product and sales teams have worked for over 9 months on developing our European base and we see this opportunity as having the potential to transform into our first global marquee customer installation.

**2.  Covata has secured ITAR compliance customers in the US**

Covata has now signed a total of 5 US-based defence industry customers onto our SafeShare platform deployed on AWS GovCloud in the United States, with two more customers negotiating commercial terms. These customers are using SafeShare to meet their International Traffic in Arms Regulations **(**ITAR) compliance obligations (by restricting access to protected data to US Persons and restricting the physical location of that data to the US).

SafeShare assists its customers to maintain an information security policy, implement strong access control, protect sensitive data with encryption and a complete audit history.

Our ITAR compliance program is an important and successful step in demonstrating the value of our SafeShare product in highly regulated industries, including defence. The typical deal value to date is in excess of US$10,000 over 3 years and our US-based lead generation activities are showing a strong latent demand for these services. The addressable market in the US is estimated to be over 100,000 businesses with approximately 2,000 in Australia.

# New Product Releases and Developments

As shareholders would be aware, the product roadmap for Covata has included enhanced product development and the deployment of new technologies.

**1.  Enhanced product development**

Importantly, in July this year work was completed on extending the reach of our CipherPoint Eclipse data security product from SharePoint on-premises to the Cloud via SharePoint Online and OneDrive. Within the next 8 weeks we intend to complete its extension to Exchange Online to protect email content and attachments, which is at the core of most unstructured data.

Our SafeShare product has been enhanced with a range of improvements which broaden the applicable use cases and improve the user experience.  For example, users can now utilise SafeShare from within their Microsoft Office applications and edit documents without downloading them (thereby maintaining control of the source document).

Covata has also successfully completed and launched its Data Discovery product. This finds sensitive and regulated data in file shares, SharePoint, SharePoint Online, OneDrive for Business and more.

**2.  New Technologies**

Work continues with our data classification partner, dataglobal GmbH, to integrate its classification engine into our data security platform and extend the data repositories it can scan.

In addition, Covata has developed a strategic relationship with UK-based ByzGen Limited (**ByzGen**), a London-based technology company and one of the first blockchain companies to focus exclusively on the Defence and Security sector. ByzGen is working with Covata to implement its blockchain technology into Covata's existing data security platform to deliver:
- data and access control immutability and real-time auditability; and
- simplified processes and procedures and reduced operational costs.

Scheduled delivery of these beta enhancements is anticipated by the end of Q2 FY19. Both parties are also planning to provide services to defence and security agencies to address inefficient processes and data quality and integrity issues in security vetting systems.

## New Channel Partners

Covata has secured **T-Systems South Africa** as both a Customer and Partner for the important South African market. The initial license purchase will allow T-Systems to utilise SafeShare for internal usage and to demonstrate the solution capabilities to its large customer base with the intention to provide multi-tenanted SaaS on its M2 Private Cloud.

In addition, we have discussions underway with a number of information technology service providers and consultants to act as distributors of our products. When we have secured sufficient channel scale, these will be announced and named as part of an overall channel update.

## FY19 Priorities and Outlook

The Company has achieved much in a short period of time. As reflected in our audited accounts, FY18 revenues were up 247% and cash receipts up 1,095%.

Today we operate a very lean team of 23, which we believe is around the minimum necessary to operate effectively in the enterprise software space and meet the requirements of an ASX-listed vehicle. I can assure shareholders that the focus and output of this team has been exemplary.
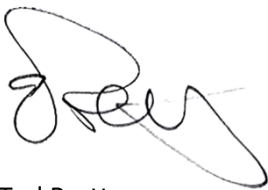
Our FY19 priorities are simple:
- sell more of what we have and repeat year-on-year growth;
- find new channel partners to help us target marquee customers, keeping the messages simple and use case driven;
- target key markets – Europe, the US and demand driven segments (e.g. GDPR, ITAR);
- maintain fiscal discipline; and
- seek to further integrate with most common sensitive data repositories and content applications.

Management recognises that we need to continue to build shareholder confidence by growing the business customer by customer. We are now at a positive inflection point and we look forward to strong and confident shareholder support as we build value.

Along with our Board, I look forward to seeing you at the AGM in October.

Yours sincerely

Ted Pretty
Managing Director and CEO

**About Covata**

Covata is a leading provider of software solutions that enable continuous identification, classification and secure management of unstructured data across enterprise and the cloud and consolidates control into one place for companies to securely manage their data to be compliant, reduce risk, reduce costs and improve productivity.

Our Data Security Platform empowers businesses to discover, protect and control sensitive information across multiple platforms and repositories with industry best security for Microsoft SharePoint & Office 365, Secure Enterprise File Sharing & Collaboration, and Access Security Broker capabilities through our API translator.

With offices and resources in the US, UK, Europe and Australia and coverage in all other regions, our customers & partners span the public sector and defence, aerospace, technology, automotive, manufacturing, finance, media and sports industries.

**Further information**
For further information, please visit covata.com.

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