



## ASX ANNOUNCEMENT (ASX: CVT)

9 October 2018

### APPENDIX 4C FOR THE QUARTER ENDED 30 SEPTEMBER 2018

#### Overview

Covata Limited (“the Company”) is pleased to present the Appendix 4C for the quarter ended 30 September 2018.

#### Quarter One Financial Highlights

Financial highlights for the quarter were:

- Receipts from customers were \$365K, compared to the prior corresponding quarter of \$167K. Management notes the Company has initiated debt recovery proceedings against NSC Global to recover £40K (A\$74K) which is now long overdue;
- Underlying operating costs for the September quarter were \$2.32M, marginally higher than the \$2.22M forecasted in the June quarter;
- The Company finalised its entitlements issue, raising an additional \$462K from existing shareholders; and
- The Company held \$2.36M in cash as at 30 September 2018 (30 June 2018: \$4.47M);

#### Operational Update

- The Company is pleased with the strength of its sales and channel engagement activities, which we are confident will lead to a growth in revenues and cash collections. Highlights include:
  - Covata commenced a ‘start up’ deployment for Eclipse for SharePoint with a European-based Global 500 customer. Negotiations with procurement and presentations to their business units are proceeding as anticipated.
  - Covata has secured its first ITAR compliance customers in the US and customers can now subscribe online. The sales team will continue to focus on closing existing opportunities created through the SafeShare for ITAR campaign in the United States.
- New product features were launched in the quarter including extending the reach of our Eclipse data security product from SharePoint on-premises to the Cloud via SharePoint Online and OneDrive; and implementing ByzGen blockchain technology into Covata’s existing data security platform to deliver data and access control immutability and real-time auditability.

## **Quarter Two Outlook**

- Estimated operating cash outflows for the December 2018 quarter are anticipated to be \$2.23M (exclusive of revenue and interest) including:
  - Staff costs anticipated to be \$1.33M;
  - Sales and marketing costs are expected to be \$204K;
  - R&D and related activities are anticipated to result in outflows of \$204K;
- The Group will within the next week lodge its application for the R&D tax incentive from AusIndustry, which is anticipated to be \$990K and is expected to be received in the December 2018 quarter.

## **Capital Management**

Given the Company's current cash position and forward estimates of expenditure the Company is actively reviewing its available capital raising options including but not limited to a Share Purchase Plan, or a placement under Listing Rule 7.1 or 7.1A (noting that resolutions for the re-approval and/or full ratification of those capacities are being put forward at the Company's 2018 AGM on 16 October 2018). The Company also has the capacity to vary its operating structure to reduce estimated cash outflows in the current and future quarters if necessary.

## **FY19 Priorities**

Our FY19 priorities are simple:

- Sell more of what we have and continue 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.

- Ends -

## **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.

For further information, please visit [covata.com](http://covata.com).

### **Covata investor relations contact:**

Steven Bliim  
Covata Limited  
Head of Finance and Joint Company Secretary  
[steven.bliim@covata.com](mailto:steven.bliim@covata.com)  
+61 2 8412 8200

Michael Brown  
Pegasus Advisory  
[mbrown@pegasusadvisory.com.au](mailto:mbrown@pegasusadvisory.com.au)  
+61 400 280 080

## 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 September 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	365	365
1.2 Payments for		
(a) research and development	(146)	(146)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(100)	(100)
(d) leased assets	-	-
(e) staff costs	(1,481)	(1,481)
(f) administration and corporate costs	(595)	(595)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	5
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,954)</b>	<b>(1,954)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
(d) intellectual property	(554)	(554)
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	(37)	(37)
<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>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(591)</b>	<b>(591)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	462	462
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(22)	(22)
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>440</b>	<b>440</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	4,472	4,472
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,954)	(1,954)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(591)	(591)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	440	440

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(9)	(9)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,358</b>	<b>2,358</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	2,358	4,472
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term deposits callable with less than 3 months notice)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,358</b>	<b>4,472</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

**Current quarter  
\$A'000**

(166)

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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

**Current quarter  
\$A'000**

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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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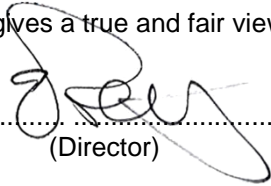
9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(204)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(204)
9.4 Leased assets	-
9.5 Staff costs	(1,333)
9.6 Administration and corporate costs	(558)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(2,299)</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 (share-based consideration)		-
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: ..... 9 October 2018 .....

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.