



ASX ANNOUNCEMENT (ASX: CVT)

30 January 2019

COVATA ANNOUNCES MAJOR TRANSFORMATIONAL ACQUISITION

Covata Limited (**Covata** or **the Company**) (ASX:CVT) is pleased to announce that it is pursuing a major transformational transaction, being the acquisition of German-based content services, digital workplace and archiving software provider dataglobal GmbH (**dataglobal** or **dg**), that management believes will position the Company strongly for the future.

Executive Summary

The Company:

- Has entered into a binding but conditional agreement to acquire dataglobal. The acquisition conditions include completion of due diligence, regulatory and shareholder approvals (including re-compliance with Chapters 1 and 2 of the ASX Listing Rules) and completion of a capital raising currently proposed to be approximately A\$20 million.
- Has secured funding by way of the issue of secured Convertible Notes to support the direct costs of seeking to implement the dataglobal acquisition and the Company's working capital requirements during the acquisition phase.
- Has granted a call option (which, if exercised, is conditional upon any required shareholder and regulatory approvals) whereby it may undertake a potential divestment of its existing SafeShare intellectual property subject to retaining certain licence and reseller rights.
- Has implemented an interim change to the Board during the period in which it seeks to implement to the proposed acquisition, with Mr Lindsay Tanner resigning and the Company's CFO, Steven Bliim, being appointed.

1. Overview of Strategy and Rationale

Covata was listed in 2014. In 2017/2018, following a change in management, the business was restructured and is now seeing reasonable growth. However, the Board and executive team consider that the Company needs a transformational acquisition that builds scale, supports profitability and provides the necessary resources to grow.

The strategy that provides the rationale for seeking to implement the dg acquisition has been previously outlined to shareholders. Namely, to expand our focus into data discovery, classification, protection and control (encryption) and archiving. The acquisition of German-based dataglobal would deliver on this strategy.

On completion of the acquisition, it is intended that Covata will be rebranded as dataglobal Limited and positioned as a leading content services player providing discovery, classification, security, protection and archiving services, operating at scale, with a robust range of products across Europe and with strong future growth prospects in the US and Asia.

Shareholders will recall Covata has an existing technology partnership with dataglobal under which it has acquired intellectual property forming part of dg's product set to conduct sensitive information discovery and data classification along with secure data archiving. Since acquiring this intellectual property, the Company's relationship with dataglobal has grown closer and stronger and the potential benefits of a combined business more apparent.

Management believes that the acquisition will transform the Company. Key highlights of the dataglobal business are:

- The dataglobal business is profitable (based on review of unaudited accounts which remain subject to audit as part of the acquisition process – refer item 6 below);
- dataglobal has a 20-year history of strong customer relationships with little customer turnover; and
- dataglobal has strong growth potential by applying additional capital to expansion into new markets.

The intention is for the merged entities to be rated as an emerging visionary in the US\$10bn Gartner-defined Content Services market. Discovery, classification, protection, control, encryption and archiving capabilities are all necessary to effectively deliver Content Services and collaboration. The market now wants these solutions to work across multiple content platforms (i.e. traditional Enterprise and Information platforms (ECM, EIM, CRM including Microsoft, OpenText, Oracle, etc.) on-premises, hybrid or in the cloud) to enable digital transformation – Gartner calls this 'Content Services'. Covata and dataglobal together have these capabilities.

Covata Managing Director and CEO Mr Ted Pretty said, *"I am thrilled that Wolfgang Munz, the founder and CEO of dataglobal, has agreed to merge his business into ours as part of our joint strategy to grow a leader in the Content Services market using both our platforms and products. I am also delighted to receive the support of many longstanding shareholders for our strategy by subscribing to the Convertible Notes to allow us to progress with the proposed acquisition of dataglobal. This support is not taken for granted and is respected."*

dataglobal CEO Mr Wolfgang Munz said, *"I am delighted that there is now a real possibility that dg and Covata can come together to tackle the significant opportunity in Europe and other markets for our products and platforms. This opportunity is driven by digital transformation and the regulatory environment of GDPR (EU General data Protection Regulations) and privacy laws."*

2. About dataglobal

dataglobal GmbH is a leader in content services, digital workplace and archiving. Based in Heilbronn, Germany, it has been in business for 20 years and is led by its founder Wolfgang Munz, who also directly or indirectly holds all of the issued share capital of the company.

The dataglobal business has more than 550 customers in 40 countries with negligible customer turnover. Its clients cover the automotive, aerospace, chemical, financial, energy, and manufacturing sectors and include Rhenus Logistics, NDR, Mars, Universal, T-Systems, the Federal Network Agency, and the Deutsche Börse.

The software solutions of dataglobal enable digital transformation, company-wide, audit-proof archiving and the easy creation and management of individual workflows. dataglobal delivers smart content services that simplify and accelerate mobile and distributed collaboration across the enterprise, dramatically improving its competitiveness. Revenues are generated from licence sales, maintenance and services, and professional services. These revenue streams are sourced either through direct sales from employee sales staff or through partners that are trained in dg's product set.

Following completion of the acquisition, it is intended that Covata will change its name to 'dataglobal Limited', the main operational office will shift to Heilbronn, just south of Frankfurt, and management and development resource will be structured to provide core development capability and to address growth opportunities. Covata will continue to maintain an operating presence in Sydney, Australia in addition to its ASX listing.

dataglobal also operates a managed service business involving the on-premises or remote management of complex customer IT environments and systems. Management intends for the merged business to retain a pure product focus and therefore the transaction is intended to proceed on the basis that this managed service business is divested prior to completion, and this divestment forms a condition to the transaction.

3. Acquisition of dataglobal GmbH

Acquisition Terms and Related Matters

The key terms of the proposed dataglobal acquisition are:

Acquisition Consideration

- Covata will acquire all of the issued share capital from the dataglobal shareholders for a total of €13m with consideration settled approximately 65% in cash and approximately 35% through the issue of ordinary Covata shares.
- The share component of the consideration is fixed at 260 million shares in Covata at a deemed issue price being the higher of A\$0.028 per share or the VWAP for the 30 days prior to completion, capped at a price which is 33% higher than the trading price of CVT share at midday on the completion date. At A\$0.028 per share this implies a market capitalisation of Covata of A\$22 million. (It should be noted that a consolidation is likely to be required as part of implementation of the transaction and all references above are on a pre-consolidation basis).
- The consideration shares are to be voluntarily escrowed for a period of up to 18 months from the issue date, subject to any additional escrow applied by ASX.
- The cash component is subject to fluctuations in the currency exchange between the AUD and EUR, management will seek to limit the degree of risk these variances will have on the terms of the acquisition. The Company may seek to hedge any downside risk at an appropriate time with a currency instrument.
- Covata has agreed to anti-dilution provisions which will result in the dataglobal vendors being issued with additional CVT shares in the event that the Convertible Notes (refer to item 5 below) are converted or the warrants issued in connection with the Convertible Notes are exercised.

Acquisition Conditions

The transaction is subject to numerous conditions precedent which are set out below:

- CVT and the Vendors completing, and being reasonably satisfied with the outcome of, due diligence investigations.
- CVT obtaining all necessary shareholder approvals, which are anticipated to include approvals for:
 - The change of scale of CVT's activities that would result on completion of the acquisition in accordance with ASX Listing Rule 11.1.2.
 - The issue of the consideration shares in accordance with the requirements of the ASX Listing Rules and (if necessary) the Corporations Act 2001 (Cth).
 - The completion of the Acquisition Capital Raising (refer item 5 below).
 - The appointment of new members of the Board (refer item 7 below).
 - The change of the Company's name to 'dataglobal Limited' (or another name agreed as appropriate for the merged business).
 - The consolidation of the Company's issued capital (if required) at a ratio to be determined (refer item 5 below).
- CVT obtaining all required board and regulatory approvals and waivers, including under the ASX Listing Rules and Corporations Act including, in the case of ASX, ASX confirming that CVT has successfully re-complied with Chapters 1 and 2 of the ASX Listing Rules subject to satisfaction of usual conditions (including completion of the dataglobal acquisition). It should be noted that the Company has not sought in-principle advice from ASX on the suitability of the merged entity for re-admission.
- CVT receiving valid subscriptions for a capital raising to raise not less than A\$20 million (net of capital raising costs) to support payment of the cash consideration and the ongoing working capital requirements of the merged businesses.
- There having been no material adverse event (as defined in the share sale agreement) between the date of the conditional sale agreement and completion of the acquisition.
- The dataglobal vendors receiving confirmation from a relevant German taxing authority that the transactions contemplated by sale agreement will not trigger an adverse taxing event.
- The dataglobal vendors providing evidence to the reasonable satisfaction of CVT that dataglobal is cash-free and debt-free at completion.
- dataglobal, and to the extent they are able, the dataglobal vendors, procuring the consent (in a form reasonably acceptable to CVT) of counterparties to identified major contacts to the change in control of dataglobal resulting from completion of the acquisition.

- The agreement (in a form reasonably acceptable to CVT) of certain identified key dataglobal personnel to the continuation of their employment with dataglobal following completion.
- The dataglobal vendors procuring that dataglobal divests itself of the managed service business (referred to above) and the grant of certain limited intellectual property licences to, and sub-leases and services arrangements with, the owner of the managed services business.

The parties have agreed to seek to satisfy the conditions by no later than 31 May 2019, which date may be extended by agreement with each party to act in good faith to consider extension requests.

Other Material Terms of the Acquisition

The conditional agreement otherwise contains terms which are typical to agreements of a similar nature including:

- The share purchase agreement requires notarization in accordance with applicable German laws to ensure its enforceability, which is anticipated to occur in the coming week.
- Provisions for post-completion adjustments to give effect to the intent that dataglobal is cash-free and debt-free at completion.
- Warranties and indemnities from the parties including detailed warranties from the vendors in relation to the dataglobal business and its operation. The warranties are subject to typical qualifications including in respect of maximum quantum of claims and qualifications for matters disclosed.
- Provisions relating to confidentiality, default and termination, escrow and dispute resolution.

Status of Due Diligence

The Company has completed a period of (primarily financial) due diligence investigations into the dataglobal business both remotely and in Germany. On the basis of these investigations, and having regard to the existing standing relationship between Covata and dataglobal, the Board believes that the proposed acquisition is in the best interests of shareholders. That said, the acquisition remains subject to completion of further internal due diligence by the Company by 28 February 2019 and such extended due diligence as may be required for as part of a formal due diligence programme to be conducted in connection with the preparation of the prospectus for the Acquisition Capital Raising (refer item 5 below).

Accounting and Audit

In connection with seeking to implement the transaction, it is likely that Covata will seek to change its reporting year to one ending 31 March to align with dataglobal's local tax and reporting year. This would mean a full audit of Covata will be undertaken for the nine-month period ending 31 March 2019.

4. Re-compliance with ASX Listing Rules Chapters 1 and 2

As the acquisition of dataglobal will amount to a significant change in the scale of the Company's activities, the Company is required to obtain the approval of its shareholders for the transaction under Chapter 11 of the ASX Listing rules, and must re-comply with Chapters 1 and 2 of the Listing Rules.

Having regard to the above, the Company notes that:

- The acquisition requires shareholder approval under the ASX Listing Rules and therefore may not proceed if those approvals are not forthcoming.
- The Company is required to re-comply with ASX's requirements for admission and quotation and therefore the acquisition may not proceed if those requirements are not met.
- ASX has an absolute discretion in deciding whether or not to re-admit the Company to the Official List and to quote its securities and therefore the acquisition may not proceed if ASX exercises that discretion.

Investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.

The Company also notes that ASX takes no responsibility for the contents of this announcement and confirms that it is in compliance with its continuous disclosure obligations under Listing Rule 3.1.

5. Funding

The Company has, or intends to, implement the following fundraising actions in connection with the proposed acquisition:

Convertible Note

The Company has obtained commitments for the issue of secured convertible notes to raise A\$1.125 million, which are being held in escrow pending closing which is expected in the coming days. The Company also intends to issue further notes to raise up to total of A\$1.425 million, which is also expected to occur the coming days (together the **Convertible Notes**). These subscriptions are from longstanding shareholders (**Holders**). The Company anticipates funds being received in full on or before 5 February 2019. The Company reserves the right to issue additional Notes to cover the costs of obtaining security holder approval, achieving re-compliance and ongoing operating costs over that period.

The Convertible Notes will be secured over the shares of Cocoon Data Holdings Pty Limited, a wholly owned subsidiary of the Company. This security is limited to the secured assets only.

Use of proceeds from the Convertible Notes will be used to bridge fund Covata to the raising of capital to support the acquisition of dataglobal (being the Acquisition Capital Raising referred to below), including the costs of seeking to implement the acquisition.

The Convertible Notes will have a term of 6 months (**Term**), will carry an interest rate of 11% per annum, a 2% establishment fee and a 2% early repayment or conversion fee. The Convertible Notes may be converted into shares in the Company at a conversion price of A\$0.018 at the election of the Holder, and must be converted at A\$0.018 if the daily VWAP of trades in the Company's ordinary shares exceed A\$0.047 for any five (5) consecutive days or in the event of a takeover bid at a price in excess of \$0.047 per share. The Convertible Notes are redeemable at the election of the Company or otherwise on the earlier of the expiration of the term, the sale of the SafeShare intellectual property for an amount great than \$5 million or in the case of a default under the note documents. Conversion of the convertible notes is subject to shareholder approval (if required) and the issue of a prospectus or cleansing notice.

The Holders will also receive an aggregate of 60,714,285 warrants which entitle them to purchase up to A\$1.7 million of ordinary shares of the Company at A\$0.028 per share. The warrants will have an exercise period of up to 18 months from the end of the Term.

Current Share Purchase Plan (SPP)

The current SPP remains open until 8 February 2019 on the existing terms, save that the Company considers it appropriate to give shareholders who have subscribed before the date of this announcement the opportunity to amend, increase, vary or withdraw their subscriptions at their discretion based on the new information contained in this announcement. These participants are requested to contact Covata’s CFO and Joint Company Secretary, Steven Bliim, no later than 5pm Friday, 8 February on the contact details provided below. The SPP is at A\$0.018 per share. The equity component of the dataglobal acquisition, should it proceed, is at a minimum of A\$0.028 per share.

Shareholders applying under the SPP should be aware that the Company’s securities will be suspended from a following the release of this announcement until such time as it is able to satisfy ASX that it has released sufficient information in respect of the proposed transaction, which is expected to include the audited financial information of dataglobal.

The Company will limit acceptances under the SPP to \$500,000, being the amount (when combined with the Convertible Notes) which it considers necessary to provide it with funding to seek to implement the proposed acquisition.

Acquisition Capital Raising, Pro-Forma Capital Structure and Potential Consolidation

In connection with, and as a condition to, the proposed acquisition of dataglobal, the Company will seek to raise not less than A\$20 million (net of capital raising costs) through the issue of ordinary fully paid shares at a price to be determined (**Acquisition Capital Raising**) – although some of this funding may be raised through debt if available and considered appropriate. The Acquisition Capital Raising will be made under a public offer pursuant to a prospectus proposed to be prepared and lodged by the Company. As at the date of this announcement, the Acquisition Capital Raising is not proposed to be underwritten and the Company has not yet engaged a lead manager for the Acquisition Capital Raising.

Assuming an Acquisition Capital Raising of A\$20 million (net of capital raising costs) at an issue price of A\$0.028 per share the indicative capital structure of the Company following completion of the dataglobal acquisition is set out below:

Indicative Capital Structure	No. Shares	Shares A\$	Shares %
Existing shares on issue	774,268,954	21,679,531	43%
Target consideration shares	260,000,000	7,280,000	15%
Acquisition Capital Raising	<u>759,878,427</u>	<u>21,276,596</u>	<u>42%</u>
	1,794,147,381	50,236,127	100%

Assumptions:

- Indicative share price of \$0.028 (as noted below a consolidation may be required as part of the Company’s re-compliance with Chapters 1 and 2 of the ASX Listing Rules).
- Total capital raise to satisfy the cash component and for additional working capital is net \$20 million.
- Convertible Notes are redeemed or otherwise not converted.

The indicative use of funds from the Acquisition Capital Raising is set out below:

Use of funds	Amount A\$
Cash consideration for vendor of dg	13,520,000
Brokerage and advisor fees	1,276,596
Legal and accountant fees	400,000
Working capital (for business expansion)	6,080,000
Total	<u>21,276,596</u>

It is not anticipated that the dataglobal vendors (either alone or considered collectively) will obtain control of, or voting power of, 20% or more of the Company as a result of the transaction (refer table above).

As noted earlier in this announcement, as part of seek to implement the proposed acquisition and/or seeking to re-comply with Chapters 1 and 2 of the ASX Listing Rules, the Company may seek shareholder approval to consolidate its issued capital at a ratio to be determined. Further updates will be provided in due course however all references in this announcement to share numbers, share prices and option or warrant exercise prices are references on a pre-consolidation basis.

6. Financials

dataglobal has to date operated as a privately held entity and therefore its accounts have not historically been subject to audit. The Company understands that dataglobal is in the process of obtaining audited accounts (in accordance with IFRS standards) which are anticipated to be available on, or about, 22 March 2019.

The Company has had the benefit of reviewing unaudited accounts as part of its due diligence investigations to date (refer item 3 above), which indicate that the entity has a recent history (last 3 years) of increasing profitability and sustained revenues over that period of in excess of €4.4 million. The Company understands that approximately two-thirds of revenue is recurring.

Although the Company has no reason to question to the accuracy of the unaudited accounts, it intends to wait until audited accounts are available to provide shareholders with details of the likely impact of the acquisition on CVT's assets, equity interests, revenue, expenditure and profit or loss. This information will be provided as part of a notice of meeting seeking approvals for the dataglobal acquisition, if not beforehand.

Following consultation with ASX, the Company recognises that it is not in a position to provide all the information required by ASX (including audited financials of dataglobal) for trading of the Company's ordinary shares to continue following the announcement of the proposed transaction. Accordingly, the ASX has indicated that CVT will be suspended upon the release of this announcement.

7. Board and Management

As a consequence of the proposed transactions Covata will move to a new transitional board and management structure. Lindsay Tanner will step down as a non-executive director effective today and Steven Bliim, the Company's CFO and Joint Secretary, will join the Board alongside Bill McCluggage (Chairman) and Ted Pretty (CEO). On completion of the dataglobal acquisition it is intended that the Board will comprise Ted Pretty as Executive Chairman, Bill McCluggage as Lead Independent Director, Wolfgang Munz as CEO and Executive Director and up to two other independent directors with relevant global software experience. Further details will be provided in due course.

Covata Chairman Mr Bill McCluggage said *"As Chairman I thank Lindsay for his unfailing support of the company and management team over the past two years and his stewardship in guiding the Company to a position where it is ready and able to undertake this next stage of its transformation. His experience has been*

invaluable and greatly appreciated. The proposed Board changes are seen as part a necessary transition as the company seeks to become more European based and globally focused. I also welcome and thank Steven our CFO for stepping onto the Board as we undertake this transition."

A summary of Wolfgang Munz's professional experience is set out below.

Wolfgang Munz, the principal shareholder, is in charge of product strategy and development of dataglobal. In 1992, after completing his degree at the University of Nürnberg in Telecommunications Engineering with a special focus on Precision Engineering, he founded dataglobal.

Wolfgang's goal is to be on the forefront of data management. His objective is to provide state-of-the-art technology in data management, bringing added value to dataglobal's customers. By recognizing trends and developing new technologies, he strives to stay one step ahead of the competition. The dg product family is the result of this pursuit.

8. Potential Divestment of SafeShare

The Company advises that it has also entered into an agreement whereby Gibraltar Holdings Pty Limited (**Gibraltar**), or its approved nominee, has an option up until 15 March 2019 (unless extended by mutual agreement) to acquire the shares of Cocoon Data Holdings Pty Limited (**Cocoon**) for the sum of A\$5 million cash. Cocoon holds the SafeShare IP and also 100% of the shares in Covata Australia Pty Limited, the company which licences and OEMs the SafeShare product and holds customer contracts.

It should be noted that the sale of Cocoon is not connected with, or conditional on, the acquisition of dataglobal (nor vice versa).

Completion must occur within 30 days after exercise of the option and is subject to any required shareholder third party or regulatory approvals. In the event of completion, the proceeds of the sale will in part be used to repay the Convertible Notes, interest and fees. The divestment will be subject to a perpetual royalty-free licence back to Covata of the SafeShare IP and platforms developed by the Company for its use in its ongoing business. The agreement also contemplates that, if the option is exercised, Covata and Gibraltar (or its nominee) will also enter into mutual collaboration and reselling relationship with certain non-compete arrangements.

In the event of a superior proposal being received by the Company, the option agreement allows the Company to require the option holder to exercise the option or otherwise permits the Company to accept the third-party offer.

Excluded from the sale are all assets not held in Cocoon, including shares of CipherPoint and all customers of its Eclipse product, the rights to the dataglobal classification IP, all IP to Covata's data security platform and console, all technical support and architecture materials. As noted above, if the option is exercised Covata will retain a global perpetual royalty-free licence to the core IP underpinning the existing SafeShare product.

9. Timetable

The Company will seek to complete the acquisition of dataglobal in accordance with the timelines contemplated in the share purchase agreement, namely 31 May 2019. The Company notes, however, that the parties to the dataglobal agreement have agreed that these timelines may be extended and agreed to act in good faith in considering any such extensions.

A more detailed timeline will be provided in due course.

10. Employees

The Board has also decided to extend the participation of existing employees under the shareholder approved Loan Funded Share Plan and Employee Option Plan to seek to provide continuity during the course of, and for the period following, the implementation of the proposed acquisition. These are intended to be issued shortly and generally on the same basis as previous annual grants at A\$0.018 per share. Incentives for executive directors will be put to the shareholders for approval at the next EGM but are also to be issued at A\$0.018 per share.

11. Q&A and Investor call

The Company has provided below an interim Q&A summary and intends to hold a call for existing shareholders shortly. Dial in details will be provided in due course. Management will cover the matters highlighted in this announcement, the Q&A below and any questions on notice from shareholders. When the date is announced please advise your proposed attendance on the call and send forward any questions you would like addressed during that call to the Company's CFO and Joint Company Secretary Steven Bliim at steven.bliim@covata.com

-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 Console 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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Q&A

Funding

- 1. Why has the Company sought funding via a secured convertible note?*
Funding from the current SPP is not underwritten. The Convertible Note structure effectively underpins the Company's short-term funding requirements and should provide greater assurance to all shareholders that also support the Company.
- 2. What is the impact on the SPP?*
The SPP remains on foot with a closing date of 5pm AEST 8 February 2019.
- 3. What are the prospects for raising the necessary capital for the acquisition?*
Management has already held limited confidential discussions with certain leading brokers and financiers with an interest in this sector however, at present, the transaction is not underwritten and there can be no guarantee that funding will be provided in the quantum and/or on the terms required, or at all.

Acquisition of dataglobal

- 4. Why is Covata proposing to acquire dataglobal?*
To position the Company globally in secure digital transformation with the ability to offer a complete platform covering discovery, classification, security, protection and archiving. This transformation is at the heart of what Gartner describes as the Content Services market. Our technology and approach are complementary, we see good synergies, we see the opportunity to expand into all global markets and we see the possibility of aligning with major global content services players.

The business has strong stable revenues, is profitable (based on review of unaudited accounts) and in managements view has compelling growth prospects.
- 5. How will the Company and business be positioned going forward?*
Our objective is to be positioned a visionary vendor in the Gartner-defined magic Quadrant for Content Services providing the critical capabilities required by customers to undertake digital business transformation.
- 6. What is the size of the market opportunity and why do you think the Company will be successful?*
The Content Services market is estimated to be US\$10bn and growing at a CAGR of 15%. The merger of Covata and dataglobal would places us at the epicentre of that market with a commercially deployed platform, marquee customers and an outstanding and stable team.
- 7. What changes will the acquisition involve?*
Covata will change its name to dataglobal Limited (or similar) . The Company will remain ASX listed. The main operational office will shift to Heilbronn just south of Frankfurt with a small office retained in Sydney. Management and development resource will be integrated. The Company will be led by Ted Pretty and Wolfgang Munz.
- 8. What will happen if the dataglobal transaction does not complete?*
Clearly the Covata Board and management team are committed to using their best efforts to ensure the transaction has the greatest chance of success. In the event that the transaction does not proceed for any reason including the withholding of any consents or approvals that may be required then we will explore all other possible opportunities for the Company to realise value for shareholders.

Potential Sale of Cocoon Data Holdings Pty Limited

9. *Why is the Company considering selling Cocoon and the SafeShare IP?*

The Company has received expressions of interests and has carefully considered the benefits of realising cash from a sale whilst retaining access to the IP. We also considered the optionality and value creation that might flow from using the cash for the acquisition of dataglobal. It also simplifies our market focus and business model.

10. *What impact will this have on the future position of the Company as a data security provider?*

The Company will remain a provider of data security solutions. However, these will be focused on enabling digital transformation as part of an integrated Content Services approach alongside dataglobal's existing assets and offerings.

11. *What will happen to existing customers?*

Customers and resellers of SafeShare will continue to be supported by Cocoon Data Holdings Pty Limited which owns the IP, and Covata Australia Pty Limited which is the operating company. The relevant team will remain involved at the discretion of the purchaser and there should be no impact on service.

12. *Why does management believe this is the correct approach?*

Covata started life enabling electronic file synchronisation and sharing (EFSS) with SafeShare. Although the Company's subsidiary Covata Australia Pty Limited has made solid progress through its local OEM/reseller deal, has extended its sales of SafeShare for ITAR compliance and built new Microsoft integrations and blockchain functionality, the market for EFSS remains competitive. It is likely to have a better future in an unlisted structure and merged with other niche cybersecurity solutions. Of course, we will enjoy access to the IP in any event under the proposed deal structure.

13. *What if the option to acquire is not exercised?*

If the purchase option is not exercised and no other buyer emerges the shares will be retained by Covata.

14. *What assets or IP will be retained within the Covata Limited structure?*

Covata will retain ownership of all IP to its data security platform and console, all assets in and shares of CipherPoint and all customers of its Eclipse product, the rights to the dataglobal classification IP, all technical support and architecture, and will enjoy a perpetual royalty-free licence to the core IP underpinning the existing SafeShare product.

The Future

15. *Assuming all these transactions are completed, what will Covata look like in 2019/2020?*

Covata Limited will become dataglobal Limited. It will have core capabilities based in Germany and Australia but with a global growth market focus. It will generate solid scalable revenues from its product portfolio. The majority of its revenues will be recurring. It will be one of the market leaders in its category.

16. *What does management see as the future prospects of the Company should all these transactions be completed?*

At the transactional level the deal is highly accretive and will accelerate Covata to seeking to become cashflow positive and profitable. At an operational level we know there are strong growth opportunities for the business in entering new markets including the US and Asia. Finally, at a strategic level, the business will have a compelling story and strong prospects for shareholders delivering potential valuation accretion and/or an attractive exit.

17. *How can shareholders stay up to date on developments?*

The Board and management are committed to ensuring that the Company complies with its continuous disclosure obligations. In addition, we will take the opportunity to schedule update calls when major milestones are achieved or if there is any material development that would be of interest to shareholders.

-Ends-