



ASX ANNOUNCEMENT (ASX: CVT)

31 January 2019

APPENDIX 4C FOR THE QUARTER ENDED 31 DECEMBER 2018

Overview

Covata Limited (**Covata** or the **Company**) (ASX: CVT) is pleased to present the Appendix 4C for the quarter ended 31 December 2018.

Quarter Two Financial Highlights

Financial highlights for the quarter were:

- Receipts from customers were \$243K, compared to the prior corresponding quarter of \$148K. Management notes the Company is continuing with debt recovery proceedings against NSC Global to recover £40K (A\$74K);
- Underlying operating costs for the December quarter were \$2.25M, compared to \$2.32M for the September quarter, driven primarily by R&D work conducted on integrating blockchain technology with the Company's product set; and
- The Company held \$1.28M in cash as at 31 December 2018 (30 September 2018: \$2.36M).

Operational Update

- Covata has pleasingly passed 'start up' deployment for Eclipse for SharePoint with its European-based Global 500 customer and is moving to 'staging' this month, a step which precedes 'full production' deployment. This due to the requirements to operate error free for an acceptable period and to allow final purchase approval to be obtained, which is anticipated in late February. This has been a complex deployment and the Company appreciates both the customer's and our shareholders' patience.
- Covata has secured a further two ITAR compliance customers in the US and customers can now subscribe online.
- Product development and deployment undertaken in the quarter included:
 - for SafeShare - upgrade of Azure UK to Light Deployment Model; QA and release of new SafeShare features including Outlook Add-in, Single Sign On, Multi-tenant SAML and Reporting services; upgrade of the Australian SafeShare instance on Azure; the second phase of ByzGen blockchain (integration for on-chain permissions use case); SafeShare instance in Azure to a new deployment model and CS1.0 features; the deployment of Office Online Server for ITAR;
 - for Eclipse - QA and release of Eclipse 1.2 including topology refresh tools and range of other improvements; completion work on protecting content in MSFT Exchange, Multitenant single sign on, customer migration, reporting and Eclipse service improvements;

- further development of our Data Security Console; and
- continued work on Discovery and Classification for Exchange Email and support for additional repositories with dataglobal.

Strategy and Acquisition Update

Shareholders are referred to the Company's ASX release yesterday titled "*Covata Announces Major Acquisition*".

Quarter Three Outlook

- Estimated operating cash outflows for the March 2019 quarter are anticipated to be \$1.43M (exclusive of revenue and interest).
- Due to the nature and impact of the transformational acquisition and possible divestment announced yesterday, non-operational transactional expenses will be incurred and will impact on overall cash reserves in Q3 and Q4.

Capital Management

The Company has secured further funding by securing agreements for the subscription and issue of secured convertible notes to raise A\$1.42M (**Convertible Notes**) (before costs). These subscriptions are from longstanding shareholders. The Company anticipates closing the issue of the Convertible Notes and receiving funds in the coming days.

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 GmbH and the potential sale of Covata's shares in SafeShare (refer to the Company's release yesterday for further details).

The Company also has the capacity to vary its operating structure to reduce estimated cash outflows in the current and future quarters if necessary.

Audit Review

During the period, KPMG (Gold Coast) resigned as our auditors and Nexia Australia (Sydney) were appointed. The Board made this decision based on cost efficiency as well as proximity. Nexia are underway with our half year review with accounts expected to be lodged on or before 28 February 2019.

FY19 Priorities

Our priorities for the balance of FY19 are:

- Operate under business as usual conditions regarding short term product development and sales;
- Complete the proposed transactions and associated capital raisings; and
- Maintain fiscal discipline.

– 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.

Covata investor relations contacts:

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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")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	243	608
1.2 Payments for		
(a) research and development	(301)	(447)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(45)	(145)
(d) leased assets	-	-
(e) staff costs	(1,326)	(2,807)
(f) administration and corporate costs	(553)	(1,148)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	6
1.5 Interest and other costs of finance paid	(1)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	992	992
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(990)	(2,944)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	-	(554)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	(37)
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – return of credit card facility deposit	-	-
2.6	Net cash from / (used in) investing activities	-	(591)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	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)
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)	-	-
3.10	Net cash from / (used in) financing activities	-	440

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,358	4,472
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(990)	(2,944)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(591)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	440

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(84)	(93)
4.6	Cash and cash equivalents at end of quarter	1,284	1,284

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,284	2,358
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term deposits callable with less than 3 months notice)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,284	2,358

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
(163)
-

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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. Financing facilities available <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.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(135)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(86)
9.4 Leased assets	-
9.5 Staff costs	(908)
9.6 Administration and corporate costs	(306)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(1,435)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	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: 31 January 2019

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.