



ASX ANNOUNCEMENT (ASX: CVT)

26 June 2019

TRANSACTION UPDATE

Covata Limited (ASX:CVT) (**the Company** or **CVT**) provides the following update and further information regarding various transactions announced on 30 January 2019.

- Securing interim funding from convertible noteholders.
- An agreement to sell the Company's shares in Cocoon Data Holdings Pty Ltd (**Cocoon**) which owns the SafeShare business.
- An agreement, subject to shareholder approval, to acquire dataglobal GmbH (**dataglobal**) which will require lodgement of a prospectus (**Prospectus**) to raise capital to fund the dataglobal transaction and to achieve re-compliance under the ASX Listing Rules.

The Company is pleased to announce significant progress on each of the above and provides the following update for the benefit of existing and prospective investors.

Covata CEO and Managing Director, Mr Ted Pretty said, *"We appreciate the support and patience of our shareholders, noteholders, transition counterparties and our advisors and staff during this lengthy but necessary process. We look forward to completing all transaction steps within the next 6 or so weeks."*

1. Convertible Note Funding

The Company is in the process of executing an agreement with certain parties, who are investors exempt from the disclosure requirements of Chapter 6D of the Corporations Act, under which those parties will subscribe for additional secured convertible notes on the same terms as the convertible notes issued on 22 February 2019 to provide funding of \$500,000.

Funds raised will be used as working capital ahead of completion of the dataglobal transaction. An Appendix 3B for the additional notes is expected to be lodged in the coming days.

In connection with the matters set out in this announcement, it is proposed that Covata will issue, subject to shareholder approval, the noteholders (including the holders of new notes referred to above) with: (a) 25,200,000 warrants at an exercise price of 2.8c per share (pre-Consolidation) with an expiry date 18 months from date of issue; and (b) 122,644,594 warrants at an exercise price of 1.5c per share (pre-Consolidation) with various expiry dates ranging from 120 days to 18 months from the issue date.

The issue of these warrants will form part of the resolutions requiring the authorisation of shareholders as set out in the Notice of Meeting (defined below).

2. Cocoon Sale

The Company is in the process of executing an agreement with Cybr5 Pty Ltd, the proposed purchaser of Cocoon, and the noteholders (including the holders of the new notes referred to above), pursuant to which the obligation for payment of the aggregate \$5 million in respect of the Cocoon sale will be discharged as follows:

- \$2 million through the extinguishment of the Company's obligations under the convertible notes, including the new notes referred to above (which were otherwise to have been redeemed together with accrued but unpaid interest through cash received from the Cocoon sale). The noteholders will, subject to certain conditions including lodgement of the Prospectus, accept an issue of new notes in Cybr5 in consideration of extinguishment of their convertible notes with the Company;
- \$2 million in cash at completion of the Cocoon sale; and
- \$1 million in the form of a vendor terms loan from Covata (on terms which would be customary for unsecured loans obtained from any major Australian bank, such as a business overdraft account, or such other terms as agreed between Cybr5 and Covata) to be repaid by Cybr5 within 90 days and payable by Cybr5 in priority to the payment of any debts or obligations of Cybr5 (other than day to day operating expenses).

3. dataglobal Transaction

Following consultation with both corporate advisors and major shareholders of the Company, and following further negotiations with the dataglobal vendors, the Company and the dataglobal vendors have reached an agreement to increase the portion of the consideration payable in CVT shares and decrease the cash consideration.

The Company's view is that these changes reflect the dataglobal vendors' commitment to, and confidence in, the ongoing business.

The revised terms provide for:

- Cash consideration of €6.5 million and the issue of 693,333,333 CVT shares (pre-Consolidation).
- A reduction in the total capital raising amount to \$13.7 million (which will also be the minimum raising amount), to be achieved through the issue of 913,333,333 shares at \$0.015 per share (pre-Consolidation). The capital raising will be conducted under a public offer made via a prospectus (**Prospectus**) which is also anticipated to include provision for existing shareholders to apply under a shareholder offer.
- dataglobal to have, at completion of the acquisition, working capital of not less than €800,000 (a €300,000 increase on the original terms proposed).

As part of seeking to re-comply with Chapters 1 and 2 of the ASX Listing Rules the Company is also proposing to consolidate its share capital on a 20:1 basis (i.e. that every 20 ordinary shares be consolidated to 1 ordinary share) (**Consolidation**). The consideration and capital raising share numbers

above, and the warrant terms set out earlier in this announcement, are described on a pre-Consolidation basis.

As a result of the amendments to the transaction terms, the dataglobal vendors (being Wolfgang Munz and an entity controlled by him) will obtain a relevant interest in up to approximately 29% of the voting shares of the Company. As part of seeking shareholder approvals for the proposed acquisition of dataglobal, the Company has commissioned an independent expert's report to provide an opinion as to whether the proposed acquisition is fair and reasonable to the non-associated shareholders of the Company. The expert's report will form part of a notice of meeting (**Notice of Meeting**) which is nearing finalisation.

4. Prospectus

The Company is seeking to lodge the Prospectus with ASIC today, shortly following this announcement. The Prospectus will contain an indicative timetable for the transactions referred to above.

Offers of the Company's securities will be made in the Prospectus. Anyone who is eligible to participate in the offers of securities under the Prospectus will need to complete an application form that will be in or will accompany the Prospectus. Copies of the Prospectus will be available to be viewed on the Company's website (www.covata.com) or the Prospectus can be requested from the Company. Before deciding to acquire securities under the Prospectus, you should read and consider the Prospectus in its entirety and, if in any doubt, consult with your professional advisor(s).

The Company will provide further updates in due course.

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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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