

# **COVATA LIMITED [ABN 61 120 658 497]**

## **NOTICE OF GENERAL MEETING**

### **EXPLANATORY STATEMENT**

### **PROXY FORM**

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**TIME:** 10.00am (Sydney time)

**DATE:** Wednesday, 7<sup>th</sup> August 2019

**PLACE:** Nexia Sydney, Level 16, 1 Market Street, Sydney, New South Wales, 2000

An Independent Expert's Report has been prepared by PKF Corporate Finance (NSW) Pty Limited in respect of:

1. the acquisition of a relevant interest by dataglobal Vendors in the voting shares of the Company if Resolution 2 is approved; and
2. the giving of financial benefits to the dataglobal Vendors, who are related parties of the Company under section 228(6) of the Corporations Act, if Resolution 3 is approved.

The findings of PKF Corporate Finance (NSW) Pty Limited are that the acquisition of a relevant interest by the dataglobal Vendors and the giving of a financial benefit to the dataglobal Vendors are fair and reasonable to shareholders that are not associated with the dataglobal Vendors.

The Independent Expert's Report is set out in Annexure A and should be read in full. Shareholders should refer to the Independent Expert's Report and the matters set out in the Notice of General Meeting and accompanying Explanatory Memorandum when considering how to vote on the Resolutions.

If you are in doubt as to the course you should follow, consult your financial or other professional advisor.

This Notice of General Meeting should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters contained in this Notice of General Meeting please do not hesitate to contact the Company on (02) 8412 8200.

ASX takes no responsibility for the content of this Notice of General Meeting.

**NOTICE OF GENERAL MEETING  
COVATA LIMITED [ABN 61 120 658 497]**

Notice is given that a General Meeting (**Meeting**) of Covata Limited [ABN 61 120 658 497] (**Company** or **CVT**) will be held at 10.00am (Sydney time) on Wednesday, 7<sup>th</sup> August 2019 at Nexia Sydney, Level 16, 1 Market Street, Sydney, New South Wales, 2000.

Further details in respect of each of the Resolutions proposed in this Notice of General Meeting (**Notice**) are set out in the Explanatory Memorandum (**Memorandum**) accompanying this Notice. Details of the Resolutions contained in the Memorandum should be read together with, and form part of, this Notice.

Please read this Notice carefully and consider directing your proxy on how to vote on each Resolution by marking the appropriate box on the proxy form included with this Notice. Shareholders who intend to appoint the Chair as proxy (including appointment by default) should have regard to the Proxy and Voting Instructions set out on page 10 of this Notice.

**Unless otherwise stated, all numbers, issue prices, exercise prices, conversion prices and face values of securities in this Notice and the Memorandum are on a pre-consolidation basis.**

**GENERAL BUSINESS**

**Resolutions 1 to 8 (being the Acquisition Resolutions) are interdependent. If any of Resolutions 1 to 8 are not passed the rest of those Resolutions will be withdrawn and any of those Resolutions already passed by shareholders will not be acted upon by the Company. Resolutions 1 to 8 are not conditional upon any of the other Resolutions set out in the Notice being passed by shareholders.**

**Resolutions 9, 10 and 14B will be withdrawn if any of Resolutions 1 to 8 are not passed by shareholders. Resolutions 11A to 14D, with the exception of Resolution 14B, will be put to shareholders even if any of Resolutions 1 to 8 are not passed.**

**RESOLUTION 1: APPROVAL FOR CHANGE OF ACTIVITIES**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

**“That, subject to each of the other Acquisition Resolutions being passed, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities as described in the Memorandum which accompanied and formed part of this Notice.”**

***Voting Exclusion Statement***

*The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed or any associates of those persons.*

*However, the Company need not disregard a vote on this Resolution if it is cast by:*

- *a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.*

**RESOLUTION 2: APPROVAL FOR ACQUISITION OF A RELEVANT INTEREST - DATAGLOBAL VENDORS**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, subject to each of the other Acquisition Resolutions being passed, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the acquisition by the dataglobal Vendors of a relevant interest in the issued voting shares in the Company, and the increase in the voting power of the dataglobal Vendors in the Company from zero to a maximum of 29%, as described in the Memorandum**

**which accompanied and formed part of this Notice.”**

**Voting Prohibition**

*The Company will disregard any votes cast in favour of this resolution by or on behalf of the dataglobal Vendors (and/or their nominee(s)) and any of its associates and the persons (if any) from whom the acquisition is to be made and their associates.*

*However, the Company need not disregard a vote cast on this Resolution if:*

- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form; or*
- *it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.*

**RESOLUTION 3: APPROVAL FOR THE GIVING OF A FINANCIAL BENEFIT TO A RELATED PARTY**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes, shareholders approve the giving of a financial benefit to the dataglobal Vendors (who are related parties of the Company under section 228(6) of the Corporations Act), being the issue of 693,333,333 fully paid ordinary shares and cash payment of €6.5 million as the aggregate consideration payable under the Transaction, as described in the Memorandum which accompanied and formed part of this Notice.”**

**Voting Prohibition**

*The Company will disregard any votes cast on this resolution by or on behalf of the dataglobal Vendors (and/or their nominee(s)) and any of their associates.*

*However, the Company need not disregard a vote cast on this Resolution if:*

- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form; or*
- *it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.*

**Independent Expert’s Report – Resolutions 2 and 3**

An Independent Expert’s Report has been prepared by PKF Corporate Finance (NSW) Pty Limited for the purposes of item 7 of section 611 and Chapter 2E of the Corporations Act.

The Independent Expert’s Report is **enclosed** with this Notice as Annexure A.

PKF Corporate Finance (NSW) Pty Limited has concluded that:

- (a) the acquisition by the dataglobal Vendors (and/or their nominee(s)) of a relevant interest for which shareholder approval is sought under Resolution 2 is fair and reasonable to the Company’s shareholders who are not associated with the dataglobal Vendors (referred to as non-associated shareholders); and
- (b) the giving of financial benefits to the dataglobal Vendors (and/or their nominee(s)), as related parties of the Company, for which shareholder approval is sought under Resolution 3, is fair and reasonable to non-associated shareholders.

Further details are set out in the Memorandum and Independent Expert’s Report which the Directors recommend shareholders read in full before making any decision in relation to Resolutions 2 and 3.

A copy of this Notice and the accompanying Memorandum has been lodged with ASIC in accordance with section 218 of the Corporations Act.

**RESOLUTION 4: APPROVAL FOR ACQUISITION OF A RELEVANT INTEREST – THE COMPANY**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, subject to each of the other Acquisition Resolutions being passed, for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the acquisition by the Company of a relevant interest of 29% in the issued voting shares in the Company, (being the same interest as the dataglobal Vendors), as described in the Memorandum which accompanied and formed part of this Notice.”**

**Voting Prohibition**

*The Company will disregard any votes cast in favour of this resolution by or on behalf of the Company and/or the dataglobal Vendors (and/or their nominee(s)) and any of their respective associates and the persons (if any) from whom the acquisition is to be made and their associates.*

*However, the Company need not disregard a vote cast on this Resolution if:*

- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form; or*
- *it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.*

**RESOLUTION 5: APPOINTMENT OF DIRECTOR – WOLFGANG MUNZ**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, subject to each of the other Acquisition Resolutions being passed, Mr Wolfgang Munz, a person who being eligible and having consented to act, be elected as a director of the Company with effect on and from completion by the Company of the acquisition of dataglobal GmbH.”**

**RESOLUTION 6: APPROVAL FOR TRANSACTION CAPITAL RAISING**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, subject to each of the other Acquisition Resolutions being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 913,333,334 fully paid ordinary shares at an issue price of \$0.015 per share to raise \$13.7 million (before costs) as described in the Memorandum which accompanied and formed part of this Notice.”**

**Voting Exclusion Statement**

*The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or any associates of that person.*

*However, the Company will not disregard a vote if it is cast by:*

- *a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

**RESOLUTION 7: CONSOLIDATION OF SHARES**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, subject to each of the other Acquisition Resolutions being passed, for the purposes of Section 254H of the Corporations Act 2001 (Cth) and for all other purposes, the issued capital**

of the Company be consolidated on the basis that every twenty (20) fully paid ordinary shares be consolidated into one (1) fully paid ordinary share, with any resulting fractions of a share rounded up to the next whole number of shares as described in the Memorandum which accompanied and formed part of this Notice.”

#### **RESOLUTION 8: APPROVAL TO ISSUE WARRANTS**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to:**

- **122,644,594 warrants (each with an exercise price of \$0.015 (1.5 cents) and with expiry dates varying from 120 days from the issue date to 18 months from the issue date); and**
- **25,200,000 warrants (each with an exercise price of \$0.028 (2.8 cents) and an expiry date which is 18 months from the issue date),**

**to investors who are not related parties of the Company who subscribed for convertible notes and as described in the Memorandum which accompanied and formed part of this Notice.”**

#### **Voting Exclusion Statement**

*The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or any associates of that person.*

*However, the Company will not disregard a vote if it is cast by:*

- *a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

#### **RESOLUTION 9: CHANGE OF NAME**

To consider and, if thought fit, to pass the following Resolution as a **special resolution**:

**“That, subject to the Acquisition Resolutions being passed and completion by the Company of the acquisition of dataglobal GmbH, for the purposes of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to “dataglobal Limited” with effect from when ASIC changes the name of the Company.”**

#### **RESOLUTION 10: APPROVAL FOR ISSUE OF SHARES – ALPHASTATION GROUP PTY LTD**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, subject to the Acquisition Resolutions being passed and completion by the Company of the acquisition of dataglobal GmbH, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 1,333,333 fully paid ordinary shares to Alphastation Group Pty Ltd (and/or its nominee(s)) as described in the Memorandum which accompanied and formed part of this Notice.”**

#### **Voting Exclusion Statement**

*The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or any associates of that person.*

However, the Company will not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **RESOLUTION 11A: RATIFICATION OF PRIOR ISSUE OF CONVERTIBLE NOTES**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders ratify the prior issue of 77,777,781 convertible notes (each with an issue price and face value of \$0.018, and having a maturity date of 22 August 2019) as described in the Memorandum which accompanied and formed part of this Notice.”**

##### ***Voting Exclusion Statement***

*The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who participated in the issue or any associate of that person.*

However, the Company need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **RESOLUTION 11B: RATIFICATION OF PRIOR ISSUE OF WARRANTS**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders ratify the prior issue of 58,620,689 warrants (each with an exercise price of \$0.028 (2.8 cents) and expiry date of 22 February 2021) as described in the Memorandum which accompanied and formed part of this Notice.”**

##### ***Voting Exclusion Statement***

*The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who participated in the share issue or any associate of that person.*

However, the Company need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **RESOLUTION 11C: APPROVAL FOR AMENDMENT OF WARRANT TERMS**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, for the purposes of ASX Listing Rule 6.23.4 and for all other purposes, approval is given for the Company to amend the terms of 58,620,689 warrants as described in the Memorandum which accompanied and formed part of this Notice.”**

##### ***Voting Exclusion Statement***

*The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who holds a warrant that is the subject of the approval sought under this Resolution or any associates of that person.*

However, the Company will not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **RESOLUTION 11D: RATIFICATION OF PRIOR ISSUE OF CONVERTIBLE NOTES**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders ratify the prior issue of 27,777,778 convertible notes (each with an issue price and face value of \$0.018, and having a maturity date of 22 August 2019) as described in the Memorandum which accompanied and formed part of this Notice.”**

##### ***Voting Exclusion Statement***

*The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who participated in the issue or any associate of that person.*

*However, the Company need not disregard a vote if it is cast by:*

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **RESOLUTION 12: INCREASE OF NON-EXECUTIVE DIRECTOR REMUNERATION POOL**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, for the purposes of Listing Rule 10.17, the Company’s constitution and for all other purposes, the maximum aggregate annual sum that may be payable collectively to the non-executive Directors of the Company be increased by \$80,000, from \$400,000 per annum to \$480,000 per annum.”**

##### ***Voting Exclusion Statement***

*The Company will disregard any votes cast in favour of this Resolution by or on behalf of a Director of the Company or any of their associates.*

*However, the Company need not disregard a vote if it is cast by:*

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

##### ***Voting Prohibition***

*Other than as set out below, a vote on Resolution 12 must not be cast as proxy by:*

- a member of the Key Management Personnel, details of whose remuneration are included in the 2018 Remuneration Report; or*
- a closely related party of such member,*

*a person described above being a **Restricted Voter**.*

*A Restricted Voter may cast a vote on Resolution 12 as a proxy if either:*

- the Restricted Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or*

- (b) *the Restricted Voter is the Chair and the written appointment of the Chair as proxy:*
- (i) *does not specify the way the proxy is to vote on this Resolution; and*
  - (ii) *expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.*

**RESOLUTION 13A: ADOPTION OF EMPLOYEE INCENTIVE SCHEME – LOAN SHARE PLAN**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, for the purposes of ASX Listing Rule 7.2 Exception 9(b), and for all other purposes including sections 259B and 260C of the Corporations Act 2001 (Cth), approval is given for the Company to adopt an employee incentive scheme, being the Covata Loan Share Plan, as described in the Memorandum which accompanied and formed part of this Notice.”**

*A voting exclusion statement as set out below in this Notice applies to this Resolution 13A.*

**RESOLUTION 13B: ADOPTION OF EMPLOYEE INCENTIVE SCHEME – SHARE OPTION PLAN**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, for the purposes of ASX Listing Rule 7.2 Exception 9(b), and for all other purposes, approval is given for the Company to adopt an employee incentive scheme, being the Covata Share Option Plan, as described in the Memorandum which accompanied and formed part of this Notice.”**

*A voting exclusion statement as set out below in this Notice applies to this Resolution 13B.*

**RESOLUTION 13C: ADOPTION OF EMPLOYEE INCENTIVE SCHEME – PERFORMANCE RIGHTS PLAN**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, for the purposes of ASX Listing Rule 7.2 Exception 9(b), and for all other purposes, approval is given for the Company to adopt an employee incentive scheme, being the Covata Performance Rights Plan, as described in the Memorandum which accompanied and formed part of this Notice.”**

*A voting exclusion statement as set out below in this Notice applies to this Resolution 13C.*

***Voting Exclusion Statement – Resolutions 13A – 13C***

*The Company will disregard any votes cast in favour of this any or all of Resolutions 13A to 13C inclusive by or on behalf of a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any of their associates.*

*However, the Company need not disregard a vote if it is cast by:*

- *a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

***Voting Prohibition – 13A – 13C***

*Other than as set out below, a vote on Resolutions 13A to 13C inclusive must not be cast as proxy by a Restricted Voter.*

*A Restricted Voter may cast a vote on any or all of Resolutions 13A to 13C inclusive as a proxy if either:*

- (c) *the Restricted Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or*



- (d) *the Restricted Voter is the Chair and the written appointment of the Chair as proxy:*
- (iii) *does not specify the way the proxy is to vote on this Resolution; and*
  - (iv) *expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.*

**NOTE: FIGURES FOR RESOLUTIONS 14A TO 14D INCLUSIVE ARE ON A POST-CONSOLIDATION BASIS**

**RESOLUTION 14A: APPROVAL FOR ISSUE OF PERFORMANCE RIGHTS – EDWARD PRETTY**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is given for the Company to issue a total of 2,500,000 performance rights (on a post-consolidation basis) under the Covata Performance Rights Plan, to Edward (Ted) Pretty (and/or his nominee(s)) as described in the Memorandum which accompanied and formed part of this Notice.”**

*A voting exclusion statement as set out below in this Notice applies to this Resolution 14A.*

**RESOLUTION 14B: APPROVAL FOR ISSUE OF PERFORMANCE RIGHTS – WOLFGANG MUNZ**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, subject to the Acquisition Resolutions being passed and completion by the Company of the acquisition of dataglobal GmbH, for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is given for the Company to issue a total of 2,500,000 performance rights (on a post-consolidation basis) under the Covata Performance Rights Plan, to Wolfgang Munz (and/or his nominee(s)) as described in the Memorandum which accompanied and formed part of this Notice.”**

*A voting exclusion statement as set out below in this Notice applies to this Resolution 14B.*

**RESOLUTION 14C: APPROVAL FOR ISSUE OF PERFORMANCE RIGHTS – WILLIAM MCCLUGGAGE**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is given for the Company to issue a total of 500,000 performance rights (on a post-consolidation basis) under the Covata Performance Rights Plan, to William (Bill) McCluggage (and/or his nominee(s)) as described in the Memorandum which accompanied and formed part of this Notice.”**

*A voting exclusion statement as set out below in this Notice applies to this Resolution 14C.*

**RESOLUTION 14D: APPROVAL FOR ISSUE OF PERFORMANCE RIGHTS – STEVEN BLIIM**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

**“That, for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is given for the Company to issue a total of 500,000 performance rights (on a post-consolidation basis) under the Covata Performance Rights Plan, to Steven Bliim (and/or his nominee(s)) as described in the Memorandum which accompanied and formed part of this Notice.”**

*A voting exclusion statement as set out below in this Notice applies to this Resolution 14D.*

***Voting Exclusion Statement – Resolutions 14A – 14D***

*The Company will disregard any votes cast in favour of this any or all of Resolutions 14A to 14D inclusive by or on behalf of a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any of their associates.*

*However, the Company need not disregard a vote if it is cast by:*

- *a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

**Voting Prohibition – Resolutions 14A – 14D**

*Other than as set out below, a vote on Resolutions 14A to 14D inclusive must not be cast as proxy by a Restricted Voter.*

*A Restricted Voter may cast a vote on any or all of Resolutions 14A to 14D inclusive as a proxy if either:*

- (a) *the Restricted Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or*
- (b) *the Restricted Voter is the Chair and the written appointment of the Chair as proxy:*
  - (i) *does not specify the way the proxy is to vote on this Resolution; and*
  - (ii) *expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.*

Dated: 3 July 2019

By the order of the Board



Patrick Gowans  
Joint Company Secretary

The accompanying Memorandum and the Proxy and Voting Instructions form part of this Notice.

## PROXY AND VOTING INSTRUCTIONS

### PROXY INSTRUCTIONS

A member who is entitled to vote at a meeting may appoint:

- one proxy if the member is only entitled to one vote; and
- one or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged at the registered office of the Company or sent by facsimile transmission to +61 2 9290 9655 no less than 48 hours before the time for holding the Meeting, or adjourned Meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act 2001 (Cth). A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.

The proxy may, but need not, be a member of the Company.

If you sign the proxy form and do not appoint a proxy, you will have appointed the Chair of the Meeting (**Chair**) as your proxy.

A proxy form is attached to the Notice.

### HOW THE CHAIR WILL VOTE UNDIRECTED PROXIES

Except where prohibited to do so, the Chair of the meeting will vote undirected proxies on, and in favour of, all of the proposed Resolutions.

If you appoint the Chair of the Meeting as your proxy (or if the Chair may be appointed by default) and you do not direct the Chair how to vote on any of Resolutions 12 to 14D inclusive, your shares will be voted in favour of those Resolutions even they are connected directly or indirectly with the remuneration of the key management personnel of the Company, even the Chair.

### RESTRICTED VOTERS

Key management personnel identified in the Remuneration Report for the year ended 30 June 2018 (which formed part of the 2018 Annual Report) and their closely related parties as defined in the Corporations Act 2001 (Cth), which includes specified family members, dependents and companies they control, are "Restricted Voters".

Restricted Voters will not be able to vote undirected proxies they hold on Resolutions 12 to 14D inclusive, provided however that the Chair may vote undirected proxies are otherwise set out in these Proxy and Voting Instructions.

### CORPORATE REPRESENTATIVES

Any corporation which is a member of the Company may appoint a proxy, as set out above, or authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any general meeting.

Corporate representatives are requested to bring appropriate evidence of appointment as a representative in accordance with the constitution of the Company. Attorneys are requested to bring the original or a certified copy of the power of attorney pursuant to which they were appointed. Proof of identity will also be required for corporate representatives and attorneys.

### VOTING ENTITLEMENT

For the purposes of the Corporations Act and Corporations Regulations, shareholders entered on the Company's Register of Members as at 7:00pm (Melbourne time) on 5<sup>th</sup> August 2019 are entitled to attend and vote at the meeting.

On a poll, members have one vote for every fully paid ordinary share held. Holders of options are not entitled to vote.

### SPECIAL RESOLUTIONS

For a special resolution to be passed, at least 75% of the votes validly cast on the resolution by shareholders (by number of shares) must be in favour of the resolution. Resolution 9 is a special resolution.

**COVATA LIMITED [ABN 61 120 658 497]  
EXPLANATORY MEMORANDUM**

This Explanatory Memorandum (**Memorandum**) accompanies and forms part of the Notice of General Meeting (**Notice**) issued to convene a general meeting (**Meeting**) of the shareholders of Covata Limited (**Company** or **Covata** or **CVT**) to be held at 10.00am (Sydney time) on Wednesday, 7<sup>th</sup> August 2019 at Nexia Sydney, Level 16, 1 Market Street, Sydney, New South Wales, 2000.

The Notice incorporates, and should be read together with, this Memorandum. Reference to “section” in this Memorandum are to that relevant section of this Memorandum.

Unless otherwise stated, numbers, issue prices, exercise prices, conversion prices and face values of securities in the Notice and this Memorandum are on a pre-consolidation basis. To determine:

- the number of securities on a post-consolidation basis, divide the stated number of securities by 20 (for example, every 20 securities become 1 security following the consolidation); and
- the issue price, exercise price, conversion price or face value of securities on a post-consolidation basis, multiply the stated issue price, exercise price, conversion price or face value by 20 (for example, if a security has an existing issue price or exercise price of \$0.015 (1.5 cent) pre-consolidation then that security will have an issue price or exercise price of \$0.30 (30 cents) post-consolidation).

The indicative exchange rate used for conversion of EUR to AUD in this Memorandum with respect to the Consideration Cash is €1 to AUD\$1.6. This was the exchange rate as at 31 December 2018 (being the balance date used in the pro-forma statement of financial position set out in Annexure C) rounded to one decimal place and was obtained via Oanda.

The actual exchange rate at the time of payment of the Consideration Cash may materially differ from the indicative exchange rate used in this Memorandum.

## EXECUTIVE SUMMARY

Pages 12 to 15 summarise the background of the Resolutions set out in the Notice.

Key matters regarding the proposed acquisition by the Company of all the issued capital of dataglobal, including acquisition by the dataglobal Vendors of a relevant interest in more than 20% of the voting shares of the Company as a result of the Transaction and the Company giving financial benefits to the dataglobal Vendors as deemed related parties, are included in this executive summary.

Defined terms in this executive summary are as defined throughout the Memorandum.

### **The business of the meeting**

As announced to the ASX on 30 January 2019, the Company has entered into a binding but conditional Share Sale and Transaction Agreement to acquire all the issued capital of dataglobal from the dataglobal Vendors.

Further details regarding the Transaction are set out in the Memorandum.

The Meeting has been called to seek shareholder approvals for the Transaction as set out below:

- The Company making a significant change in the nature and scale of its activities as a result of, and following, the completion of the Transaction (Resolution 1).
- The relevant interest of the dataglobal Vendors in the voting shares of the Company increasing from zero to a maximum of 29% (rounded up to the nearest whole number) (Resolution 2).
- The giving of a financial benefit to the dataglobal Vendors, who are deemed to be related parties of the Company pursuant to section 228(6) of the Corporations Act, being the issue of the Consideration Shares and payment of the Consideration Cash (Resolution 3).
- The relevant interest of the Company in its own voting shares of the Company increasing from zero to 29% as a result of the voluntary escrow of the Consideration Shares (Resolution 4).
- The election of Mr Wolfgang Munz, a nominee of the dataglobal Vendors, as a Director of the Company, subject to and with effect from completion of the Transaction (Resolution 5).
- Approval for the issue of 913,333,334 fully paid ordinary shares at \$0.015 (1.5 cents) per share to raise \$13.7 million (before costs) in connection with the Company seeking to re-comply with Chapters 1 and 2 of the ASX Listing Rules (Resolution 6).
- The consolidation of the Company's existing shares on the basis of 20 for 1 (with convertible securities to be similarly reconstructed) (Resolution 7).
- The issue of the Second Tranche Warrants (Resolution 8).
- Changing the name of the Company to "dataglobal Limited" (Resolution 9).
- The issue of 1,333,333 shares to Alphastation (and/or its nominee(s)), an unrelated third party who provided advisory services to the Company in connection with the compilation and drafting of the prospectus for the Transaction Capital Raising (Resolution 10).

The Company is also seeking shareholder approval for the following matters which are not directly connected with the Transaction:

- Ratification of the prior issue of Notes and First Tranche Warrants (Resolutions 11A, 11B and 11D) and approval for the amendment to the terms of the First Tranche Warrants to remove cashless exercise provisions (Resolution 11C).

- Increase of the non-executive Director remuneration pool of the Company by \$80,000, from \$400,000 to \$480,000 (Resolution 12).
- Adoption of the Covata Loan Share Plan, Covata Share Option Plan and Covata Performance Rights Plan, each an employee incentive scheme of the Company (Resolutions 13A to 13C).
- The issue of an aggregate of 6,000,000 Performance Rights (on a post-Consolidation basis) to the existing and proposed Director(s) of the Company under the Covata Performance Rights Plan (Resolutions 14A – 14D). Resolution 14B (issue of Performance Rights to Wolfgang Munz) is subject to the Acquisition Resolutions passing and completion of the Transaction.

Further details of each of the above is set out in this Memorandum:

- Sections 2, 3, 13 and 14 provide detail regarding the Transaction, the acquisition of a relevant interest by the dataglobal Vendors, how the dataglobal Vendors are considered related parties of the Company, the financial benefit(s) proposed to be obtained by the dataglobal Vendors in connection with the Transaction and the effect of the Transaction on the control of the Company.
- Sections 3, 5.1 and 9 provide detail about dataglobal and its business, the dataglobal Vendors (including Wolfgang Munz who is proposed for election as a Director at the meeting) and their respective intentions for the Company following completion of the Transaction.
- Section 10 and Annexure C set out the pro-forma statement of financial position for the Company including adjustments for completion of the Transaction.
- Section 11 sets out risks associated with the business of the Company, including following completion of the Transaction.
- Section 8 sets out the capital structure of the Company including following completion of the Transaction.
- Section 12 provide details about the Directors of the Company, who will continue as Directors following completion of the Transaction, including their interest(s) in the securities of the Company and a biography.
- Section 15 provides details on the acquisition of a relevant interest by the Company, including a description of the terms of the voluntary escrow agreement and a description of the deemed relevant interest of the Company.
- Sections 5.2, 7 and 16 provides details of the Transaction Capital Raising.
- Section 6.1, 7 and 16 provide details of the proposed change of name.
- Sections 6.2, 7 and 16 provides details of the proposed issue of Advisor Shares to Alphastation.
- Sections 6.3, 7 and 16 provides details of the ratification of Notes and First Tranche Warrants, the proposed issue of Second Tranche Warrants and the amendment to the terms of First Tranche Warrants.
- Sections 6.4, 7 and 16 provide details on the proposed increase of the non-executive director remuneration pool of the Company.
- Sections 6.4, 7 and 16 provides details regarding the Covata Loan Share Plan, Covata Share Option Plan and Covata Performance Rights Plan.
- Sections 6, 7, 12 and 16 provides details regarding the proposed issue of Performance Rights to the existing and proposed Director(s) of the Company under the Covata Performance Rights Plan.

- Section 7 sets out an overview of the Resolutions under the Notice. Details of the Resolutions are set out in full in section 16.
- Sections 17 and 18 provides Director recommendations for the Resolutions (as applicable). These recommendations are also set out in summary form below.

### **Completion**

The conditions precedent of completion of the Transaction are set out in section 2 and include, amongst other matters, shareholders approving Resolutions 1 to 8 as set out in the Notice and ASX giving its conditional approval for the re-admission of the Company to the Official List of ASX.

### **Independent Expert's Report**

An Independent Expert's Report prepared by PKF regarding the Transaction and in particular:

- acquisition by the dataglobal Vendors of a relevant interest of more than 20%; and
- the provision of financial benefits to the dataglobal Vendors, who are related parties of the Company under section 228(6) of the Corporations Act,

is attached as Annexure A.

The conclusion of the Independent Expert is that:

- (a) the relevant interest acquisition by the dataglobal Vendors for which shareholder approval is sought under Resolution 2 is fair and reasonable to the Company's shareholders who are not associated with the dataglobal Vendors (referred to as non-associated shareholders); and
- (b) the giving of financial benefits to the dataglobal Vendors, as related parties of the Company, for which shareholder approval is sought under Resolution 3, is fair and reasonable to non-associated shareholders.

See the Independent Expert's Report attached as Annexure A for further detail.

### **Voting prohibitions/exclusions**

The voting prohibition and/or voting exclusion applicable to a Resolution are as set out in the Notice.

### **Directors recommendations**

**The Directors strongly recommend shareholders review this Notice, including the Memorandum and the Independent Expert's Report annexed as Annexure A, prior to voting on the Resolutions.**

**Excluding Resolution 4, the Directors do not have any interest in of Resolutions 1 to 11D inclusive. The Directors therefore unanimously recommend that shareholders vote in favour of all of Resolutions 1 to 11D inclusive, other than Resolution 4 which is specifically excluded from this recommendation.**

**As the Company will acquire a relevant interest if Resolution 4 is passed the Directors do not make any recommendation with respect to Resolution 4.**

**Resolutions 12 to 13C are directly or indirectly connected with remuneration of the Directors of the Company. Accordingly, the Directors make no recommendation regarding Resolutions 12 to 13C.**

**Resolutions 14A to 14D are connected with the remuneration of each of the existing and proposed Director(s) of the Company. Accordingly, each Director and proposed Director abstains from**

**making any recommendations with respect to the Resolution relating to the issue of securities to them. All other non-interested Directors recommend shareholders vote in favour of those Resolutions of Resolution 14A to 14D inclusive that do not relate to an issue of securities to them.**

**Further Information**

Further detail regarding each of the matters in this executive summary are set out in the Memorandum.

**Caution regarding examples and tables**

Unless otherwise stated, all examples and tables set out in the Memorandum:

- assume no additional shares are issued other than as specified in the tables and that no existing and future convertible securities convert to fully paid ordinary shares; and
- where post-consolidation figures are included, such figures are subject to rounding; and
- where percentages are included, such percentages are subject to rounding.

Unless such holder(s) is the recipient, the percentage control of all holders would be reduced upon issue of further fully paid ordinary shares and/or the conversion of any existing and/or future convertible securities to fully paid ordinary shares.



## GENERAL BUSINESS

### 1. Overview of the Transaction

On 30 January 2019, the Company announced that it had entered into a binding but conditional Share Sale and Transfer Agreement (**SSTA**) to acquire dataglobal GmbH, an entity domiciled in Germany (**dataglobal**), through the acquisition by the Company of all the issued capital of dataglobal from the existing equity holders of dataglobal, being Wolfgang Munz and Wolfgang Munz Holdings GmbH (collectively the **dataglobal Vendors**). Unless otherwise stated, references to the dataglobal Vendors includes any of their respective nominee(s) as applicable.

The SSTA was subsequently varied on 24 June 2019.

The acquisition by the Company of dataglobal is referred to in this Memorandum as the **Transaction**.

Further details of the Transaction, the effect of the Transaction on the Company and information regarding dataglobal (including its business and operations) are set out throughout this Memorandum.

### 2. Transaction Terms

Below is an overview of the key commercial terms of the Transaction as provided for in the SSTA including as varied on 24 June 2019:

#### 2.1 Consideration

The Company proposes acquiring all the issued capital of dataglobal from the dataglobal Vendors for aggregate consideration of €13 million, to be comprised of:

- 693,333,333 fully paid ordinary CVT shares (**Consideration Shares**), comprising approximately 50% of the aggregate consideration payable collectively to dataglobal Vendors. Consideration Shares will be voluntarily escrowed for 18 months from issue; and
- A cash component equal to €6.5 million (indicatively AUD\$10,400,000 at an indicative exchange rate of €1 to AUD\$1.6, which may materially vary at the time of payment) (**Consideration Cash**). The Consideration Cash amount is subject to fluctuations in the currency exchange between the AUD and EUR and management will seek to limit the degree of risk these variances will have on the terms of the Transaction.

#### 2.2 Conditions precedent

The Transaction is subject to various conditions precedent which are set out below:

- The Company obtaining all necessary shareholder approvals for the Transaction (which are sought in Resolutions 1 to 8 of the Notice);
- The Company obtaining all required board and regulatory approvals and waivers, including under the ASX Listing Rules and the Corporations Act. These regulatory approvals are anticipated to include, but are not limited to, ASX confirming the Company has successfully re-complied with Chapters 1 and 2 of the ASX Listing Rules subject to satisfaction of usual conditions (including completion of the Transaction);
- The Company completing the Transaction Capital Raising (refer section 5.2 for further details);
- The Company completing the sale of Cocoon Data Holdings Pty Ltd (**CDH**) on certain agreed terms.
- There not having been any material adverse event (as defined in the SSTA) between the date of execution of the SSTA and completion of the Transaction;

- The dataglobal Vendors receiving confirmation from a relevant German taxing authority that the transactions contemplated by the SSTA will not trigger an adverse taxing event;
- The dataglobal Vendors providing evidence to the reasonable satisfaction of the Company that dataglobal is debt-free and has minimum working capital of €800,000 (indicatively AUD\$1,280,000 at an indicative exchange rate of €1 to AUD\$1.6, which may materially vary at completion) at completion of the Transaction;
- dataglobal, and to the extent they are able, the dataglobal Vendors, procuring the consent (in a form reasonably acceptable to the Company) of counterparties to identified major contracts to the change in control of dataglobal resulting from completion of the Transaction;
- The agreement (in a form reasonable acceptable to the Company) of certain identified key dataglobal personnel to the continuation of their employment with dataglobal following completion of the Transaction; and
- The dataglobal Vendors procuring that dataglobal divests itself of the managed services business and the grant of certain limited intellectual property licences to, and sub-leases and services arrangements with, the owner of the managed services business.

### 2.3 Other material terms

The SSTA otherwise contains the following terms:

- Provision of post-completion adjustments to give effect to the intent that dataglobal is cash-free and debt-free and has a minimum working capital amount of €800,000 (indicatively AUD\$1,280,000 at an indicative exchange rate of €1 to AUD\$1.6, which may materially vary at completion) at completion of the Transaction (which is a condition precedent of the Transaction).
- The Company providing the following post-completion covenants:
  - The main part of the dataglobal business will be retained in Heilbronn until at least 31 December 2019;
  - The business location of dataglobal and an active part of the dataglobal business operations will be retained in Heilbronn from 1 January 2020 until at least 31 December 2025; and
  - The Company will retain a registered office of dataglobal in Heilbronn until at least 31 December 2025.

These covenants relate to a prior agreement between the dataglobal Vendors and a third-party investor in dataglobal for the acquisition of that third party's equity interests in dataglobal. Following completion of the Transaction, the Company's main operations will be conducting the dataglobal business from existing dataglobal offices in Heilbronn and the Company expects that dataglobal will continue to maintain active business operations in Heilbronn in the medium to long term. Accordingly, the Company has no reason to believe it will breach these covenants.

If the Company sells or transfers 50% or more of the shares or assets of dataglobal to a third party before 31 December 2025, it shall seek that the third party acquirer agree to the imposition of the post-completion covenants set out above that will bind the Company from completion.

- Warranties and indemnities from each of the parties including detailed warranties from the dataglobal Vendors with respect to the dataglobal business and operations. The warranties are subject to typical qualifications including qualifications for disclosed matters.

- Each party to the SSTA provides the other parties with an indemnity in the case of a breach of warranty or material breach of the SSTA. No claim may be brought under the SSTA unless losses of the claiming party due to a cause of action under or in connection with the SSTA (excluding legal and other costs in pursuing the cause of action) exceed, or are likely to exceed, \$15,000 in each single case and if the aggregate amount of claims exceeding \$15,000 exceeds an aggregate amount of \$60,000.
- Where a party is in default under the terms of the SSTA the other party may serve a notice to remedy the default. If the default remains unremedied for ten business days following notice then the party not in default (either the Company or the dataglobal Vendors) may choose to either proceed with specific performance of the terms of the SSTA or terminate the SSTA. Where the SSTA is terminated in this manner all other rights of the parties remain unaffected.
- Provisions typical for arrangements of this kind including terms relating to confidentiality, governing law and the dispute resolution process.

### 3. dataglobal Vendors

#### 3.1 Apportionment of consideration

The identity of the dataglobal Vendors, their holdings in dataglobal and the respective proportions of Consideration Cash they are each proposed to receive upon completion of the Transaction are set out in the table below. Wolfgang Munz Holding GmbH (**WM Holding**) is proposed to receive all of the Consideration Shares:

dataglobal Vendor	% of dataglobal	Consideration Shares		Cash (€)
		Pre-Consolidation	Post-Consolidation	
Wolfgang Munz	0.27%	Nil	Nil	€175,500
Wolfgang Munz Holding GmbH*	99.73%	693,333,333	34,666,667	€6,324,500
<b>Total</b>	100%	693,333,333	34,666,667	€6,500,000**

\* Wolfgang Munz Holding GmbH is an entity associated with Mr Wolfgang Munz.

\*\*Indicatively AUD\$10,400,000 at an indicative exchange rate of €1 to AUD\$1.6, which may materially vary at completion)

#### 3.2 Relevant interest – Consideration Shares

The dataglobal Vendors do not hold any shares, or securities convertible to shares, in the Company as at the date of the Notice.

Upon acquiring the Consideration Shares, WM Holding will hold a relevant interest in 29% of the voting shares of the Company (rounded up to the nearest whole number).

Wolfgang Munz is a controller of WM Holding as a result of his position as sole director and sole shareholder of WM Holding. Accordingly, Mr Munz is deemed to have a relevant interest in any shares in which WM Holding has a relevant interest, which includes the Consideration Shares once issued.

Accordingly, the Company is seeking shareholder approval pursuant to item 7 of Section 611 of the Corporations Act for the dataglobal Vendors to increase its relevant interest in the voting shares of the Company from zero to 29%. Further details are set out in section 13.

Further details of the relevant interest to be acquired by the Company are set out in sections 15.

### 3.3 Providing financial benefits to related parties

Due to Mr Wolfgang Munz being proposed to be appointed as a Director, the Company has a reasonable basis for believing the dataglobal Vendors will become related parties of the Company in future as contemplated by section 228(6) of the Corporations Act.

Accordingly, payment of the Consideration Cash and issue of the Consideration Shares to the dataglobal Vendors constitute the giving of a financial benefit to a related party(ies) for which, subject to certain exceptions, shareholder approval is required under Chapter 2E of the Corporations Act.

The Board consider that the Transaction is, and was negotiated, on arms' length terms and therefore shareholder approval for the purposes of Chapter 2E of the Corporations Act is not required. Notwithstanding this position, the Directors have determined to seek shareholder approval for the purposes of Chapter 2E of the Corporations Act to provide shareholders with the opportunity to cast their vote on all aspects of the Transaction with the benefit of the view of the Expert and the content of the Independent Expert's Report.

Further details are set out in sections 4 and 14.

No other related party(ies) of the Company have any interest in the Transaction.

### 3.4 Relevant interest – voluntary escrow

The Company is deemed to have a relevant interest in any securities that are subject to disposal restrictions (escrow). Accordingly, the Company will be deemed to have a relevant interest in the Consideration Shares to be issued to the dataglobal Vendors as these shares will be subject to voluntary escrow for 18 months from issue.

As at the date of this Notice, the Company has 12,977,400 fully paid ordinary shares that are subject to voluntary escrow until 19 July 2019. As these shares will be released from escrow prior to the date of the Meeting they are not included in calculating the percentage relevant interest to be acquired by the Company for which approval sought through Resolution 4.

The relevant interest of the Company in its own securities arises with respect to the imposition of disposal restrictions only and, subject to compliance with terms of voluntary escrow, all other rights and benefits remain with the holder.

The Company is seeking shareholder approval pursuant to item 7 of Section 611 of the Corporations Act to allow the Company obtain an interest in the shares to be issued to the dataglobal Vendors which represent 29% of the voting shares of the Company.

Further details are set out in section 15.

## **4. Independent Expert's Report**

An Independent Expert's Report has been prepared by PKF Corporate Finance (NSW) Pty Limited (**PKF** or **Independent Expert**) in respect of the Transaction and in particular the relevant interest acquisition by the dataglobal Vendors for the purposes of item 7 of section 611 and the giving of financial benefits to the dataglobal Vendors for the purposes of Chapter 2E of the Corporations Act.

The Independent Expert's Report is enclosed with this Memorandum as Annexure A.

The conclusion of the Independent Expert is that:

- (c) the relevant interest acquisition by the dataglobal Vendors is fair and reasonable to the Company's shareholders who are not associated with the dataglobal Vendors (referred to as non-associated shareholders); and

- (d) the giving of financial benefits to the dataglobal Vendors (as related parties of the Company) is fair and reasonable to non-associated shareholders.

**The Directors' strongly recommend shareholders read the Notice and this Memorandum (including its Annexures) prior to determining how to vote on the Resolutions contained in the Notice.**

## 5. Matters ancillary to the Transaction

### 5.1 Appointment of Director

Wolfgang Munz is proposed to join the Board. The appointment of Mr Munz is subject to and conditional upon shareholder approval (sought under Resolution 5) and completion of the Transaction.

It is proposed that all existing Directors of the Company will remain following completion of the Transaction. Information with respect to Mr Munz and each of the existing Directors of the Company (including their respective holdings in the securities of the Company) is set out in section 12.

### 5.2 Transaction Capital Raising

The Company must re-comply with Chapters 1 and 2 of the ASX Listing Rules as a condition of the Transaction. In connection with achieving re-compliance with Chapters 1 and 2 of ASX Listing Rules, the Company proposes issuing 913,333,334 fully paid ordinary shares at an issue price of \$0.015 (1.5 cents) per share (**Capital Raising Shares**) to raise \$13.7 million before costs (**Transaction Capital Raising**).

On a post-consolidation basis, the Transaction Capital Raising will comprise the issue of 45,666,667 fully paid ordinary shares at an issue price of \$0.30 (30 cents) per Capital Raising Share.

The Transaction Capital Raising will be conducted by way of an offer to be made under a prospectus which was issued by the Company, lodged with ASIC and released to ASX on 26 June 2019. In addition to enabling the Company to comply with the disclosure obligations of Chapter 6D of the Corporations Act, the prospectus is part of re-compliance by the Company with Chapter 1 and Chapter 2 of the ASX Listing Rules and commencement of trading in the Company's fully paid ordinary shares on the Official List of the ASX.

Completion of the Transaction Capital Raising will be subject to and conditional upon shareholders passing all of the Acquisition Resolutions, the Company receiving valid subscriptions for all of the Capital Raising Shares and completion of the Transaction.

An indicative use of the funds to be raised under the Transaction Capital Raising and expenditure of funds on its business objectives as held at re-compliance is set out in the table below. The below table also includes amounts payable to the Company in connection with its disposal of SafeShare (refer to section 9.1) and the minimum working capital that must be retained in dataglobal at completion of the Transaction (which forms a condition precedent to the Transaction and is described in section 3):

Source of funds	Amount (AUD\$)
Disposal of SafeShare	\$3,000,000 <sup>1</sup>
Dataglobal opening working capital	\$1,280,000*
Proceeds from Transaction Capital Raising	\$13,700,000
<b>Total</b>	<b>17,980,000</b>
<b>Use of funds from Transaction Capital Raising</b>	
Cash consideration to dataglobal Vendors	\$10,400,000*
Growth funding (comprised of next three points)	\$3,385,000
<i>Marketing and market entry</i>	<i>\$1,130,000</i>
<i>Sale and account management resources teams</i>	<i>\$1,604,000</i>
<i>Support and Customer Success teams</i>	<i>\$651,000</i>
Working capital (comprising the next three points)	\$2,318,280
<i>Administration costs</i>	<i>1,594,000</i>
<i>Platform and integration costs</i>	<i>574,280</i>
<i>Cocoon contribution</i>	<i>150,000</i>
Costs of the Transaction	\$1,876,720
<b>Total</b>	<b>\$17,980,000</b>

<sup>1</sup> As noted in Section 6.3, the sale of CDH (which holds the Safe Share intellectual property) forms a condition to the Transaction. Accordingly, proceeds of that sale are assumed as received and included in the Company's use of funds above. The sale of CDH is proposed to proceed on terms which include the deferral of part of the consideration (\$1 million) which is to form a loan payment to the Company within 90 days – those funds also form part of the funds above.

\* Calculated at an indicative exchange rate of €1 to AUD\$1.6, which may materially vary at completion.

The above use of funds table is indicative only and is subject to change.

### 5.3 Consolidation of issued capital

The Company proposes consolidating its issued capital on a 20 for 1 basis (**Consolidation**). The purpose of the Consolidation is to implement a more appropriate capital structure for the Company having regard to the Transaction, the Transaction Capital Raising and the Company seeking to re-comply with Chapters 1 and 2 of the ASX Listing Rules generally. Further details are set out in sections 8 and 16.

## 6. **Other Matters**

### 6.1 Change of name

Subject to and conditional upon completion of the Transaction, the Company is proposing to change its name to “**dataglobal Limited**”. The name change is proposed to take effect when ASIC changes the name of the Company. The Company also proposes changing its ASX code to “DTG”.

### 6.2 Issue of shares to Alphastation

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The Company is seeking shareholder approval for the issue of 1,333,333 fully paid ordinary shares (**Advisor Shares**) to Alphastation Group Pty Ltd (**Alphastation**) (and/or its nominee(s)). No Director, proposed Director or employee of the Company has any relationship with Alphastation.

Advisor Shares are proposed to be issued to Alphastation (and/or its nominee(s)) for services provided by Alphastation to the Company in connection with the compilation and drafting of the prospectus for the Transaction Capital Raising that was issued by the Company, lodged with ASIC and released to ASX on 26 June 2019. Further details are set out in section 7.

The issue of Advisor Shares is subject to and conditional upon completion of the Transaction. If shareholders do not approve the issue of the Advisor Shares then the Company intends to issue the Advisor Shares using its existing placement capacity following completion of the Transaction.

### 6.3 Interim Capital Raising and Proposed Sale of Cocoon Data Holdings Pty Ltd

#### *Convertible Notes and Proposed Cocoon Sale*

On 22 February 2019, an aggregate of 77,777,781 secured convertible notes (**Notes**) were issued to unrelated professional, sophisticated and other investors who are exempt from the disclosure requirements of Chapter 6D of the Corporations Act who were existing, long-standing shareholders of the Company, raising an aggregate total of \$1,400,000 (**Interim Capital Raising**). On 26 June 2019, the Company announced that it had raised a further \$500,000 through the issue of further Notes on identical terms.

The proceeds of the issue of the Notes have, and are intended to be applied to, the costs of implementing the Transaction and working capital requirements of the Company.

The terms of the Notes included a conversion price of \$0.018 (1.8 cents) per Note (subject to adjustment for anti-dilution provisions and provisions for adjustments on reconstructions). On 26 June 2019, the Company entered into variation agreements with the Note holders and the proposed purchaser of CDH pursuant to which those parties agreed to:

- The extinguishment of the Company's obligations under the Notes which were otherwise to have been redeemed together with accrued but unpaid interest through cash received from the CDH sale. The Notes, together with agreed interest, represent an aggregate obligation owing by the Company of \$2 million. The noteholders will accept an issue of new notes by the entity purchasing CDH, Cybr5 Pty Ltd (**Cybr5**), in consideration of extinguishment of their Notes with the Company. The extinguishment is to form part of the consideration for the CDH sale.
- The Note holders agreed to amend the terms of the First Tranche Warrants that they hold by removing provisions providing for cashless exercise of First Tranche Warrants (refer below and section 16).
- In consideration of the Note holders agreement to subscribe for the additional Notes and agree to the arrangements described above, the Company has agreed to issue the Note holders the Second Tranche Warrants (refer below).

The sale of CDH forms a condition to the completion of the Transaction. The sale of CDH is proposed to complete for aggregate consideration of \$5 million paid/satisfied on the following terms:

- \$2 million through the extinguishment of the Company's obligations under the Notes as referred to above;
- \$2 million in cash at completion of the CDH 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).

Further details of this sale were set out in the Notice of General Meeting announced to ASX on 11 April 2019. This sale was approved by shareholders on 10 May 2019.

#### *First Tranche Warrants*

The Notes issued on 25 February 2019 were accompanied by an aggregate of 58,620,689 free-attaching warrants, each exercisable at \$0.028 (2.8 cents), expiring 22 August 2020 (being the date that is 18 months from issue) and which, upon exercise, entitle the holder to one fully paid ordinary share in the capital of the Company (**First Tranche Warrants**).

An Appendix 3B with respect to the issue of the Notes and First Tranche Warrants was released to ASX on 25 February 2019.

If the Consolidation proceeds, the First Tranche Warrants would be consolidated into an aggregate of 2,931,034 First Tranche Warrants, each with an exercise price of \$0.56 (56 cents).

#### *Second Tranche Warrants*

In consideration for the holders of the Notes agreeing to variation to the terms of the Notes, the Company has agreed to issue the Note holders:

- 122,644,594 warrants (each with an exercise price of \$0.015 (1.5 cents) comprising; (a) 25,000,000 with an expiry date 120 days from the issue date; (b) 25,000,000 with an expiry date 180 days from the issue date; and (c) 72,644,594 with an expiry date 18 months from the issue date; and
- 25,200,000 warrants (each with an exercise price of \$0.028 (2.8 cents) and an expiry date which is 18 months from the issue date).

(collectively **Second Tranche Warrants**).

The Second Tranche Warrants will be issued to the Note holders, each of whom are unrelated professional, sophisticated and other investors who are exempt from the disclosure requirements of Chapter 6D of the Corporations Act who were existing, long-standing shareholders of the Company.

If the Consolidation proceeds, the Second Tranche Warrants would be consolidated into an aggregate of 1,260,000 warrants with an exercise price of \$0.56 and 6,132,230 warrants with an exercise price of \$0.30 with expiry dates between 120 days and 18 months from issue.

#### *Amendment of terms of First Tranche Warrants*

As part of the negotiations referred to above, the Note holders have agreed to amend the terms of the First Tranche Warrants by removing provisions that provided for cashless exercise of First Tranche Warrants. The amendment to the First Tranche Warrants formed part of the variation agreement entered into by the holders of Notes. Accordingly, holders of First Tranche Warrants have conditionally agreed to the amendment to terms of First Tranche Warrants.

The amendment to the terms of First Tranche Warrants is subject to and conditional upon shareholder approval.

If shareholders approve the amendment, First Tranche Warrants will only be able to be converted to fully paid ordinary shares upon valid exercise including payment of the exercise price in full.

#### *Terms of Warrants*



A summary of the terms of the First Tranche Warrants and the Second Tranche Warrants are set out in Annexure D to this Memorandum.

#### 6.4 Non-executive Director remuneration pool, employee incentive scheme and issues to Directors

Shareholder approval is also sought for the following matters:

- Increasing the existing non-executive Director remuneration pool by \$80,000, from \$400,000 to \$480,000.
- Adoption of the Covata Loan Share Plan, Covata Share Option Plan and Covata Performance Rights Plan, each being an employee incentive scheme of the Company; and
- The issue of an aggregate of 6,000,000 Performance Rights (on a post-Consolidation basis) to the existing and proposed Director(s) of the Company under the Covata Performance Rights Plan.

### 7. **Overview of Meeting Resolutions**

#### 7.1 Acquisition Resolutions

For the purposes of this Memorandum Resolutions 1 to 8 are the **Acquisition Resolutions**. All Acquisition Resolutions are interdependent. Accordingly, if any Acquisition Resolutions are not approved by the Company's shareholders, the Transaction will fail and not be completed.

An overview of the resolutions in the Notice (including the Acquisition Resolutions) is set out below:

- (a) **(Resolution 1)** The change in the activities of the Company which will result as a consequence of the acquisition of dataglobal requires shareholder approval under ASX Listing Rule 11.1.2.
- (b) **(Resolution 2)** Part of the consideration payable to the dataglobal Vendors for the acquisition of dataglobal is the issue of 693,333,333 Consideration Shares to WM Holding, which will result in the relevant interest of the dataglobal Vendors in the shares of the Company collectively increasing from zero to a maximum of 29% (rounded up to the nearest whole number). Accordingly, Shareholder approval is being sought for the purposes of item 7 of section 611 of the Corporations Act for the acquisition by the dataglobal Vendors of a maximum relevant interest of 29% in the voting shares of the Company.
- (c) **(Resolution 3)** Provision of the consideration to the dataglobal Vendors constitutes the giving of a financial benefit to a related party under Chapter 2E of the Corporations Act. Shareholder approval is therefore being sought for the giving of a financial benefit to the dataglobal Vendors, being comprised of the Consideration Shares and the Consideration Cash.
- (d) **(Resolution 4)** The Company is deemed to have a relevant interest in shares that are subject to disposal restrictions (escrow). The Consideration Shares are to be voluntarily escrowed for a period of 18 months from issue. No other shares will be subject to voluntary escrow as at the date of the Meeting.

Accordingly, shareholder approval is being sought for the purposes of item 7 of section 611 of the Corporations Act for the acquisition by the Company of a maximum relevant interest in 29% of the voting shares of the Company (rounded up to the nearest whole number).

- (e) **(Resolution 5)** Subject to and conditional upon the successful completion of the Transaction, Mr Wolfgang Munz will be appointed as a director of the Company subject to his election being approved by shareholders.
- (f) **(Resolution 6)** The Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules and, as part of achieving this, will need to complete the Transaction Capital Raising (which is also a condition precedent of the completion of the Transaction).

- (g) **(Resolution 7)** The Company is proposing to undertake the Consolidation to consolidate its share capital on a 20 for 1 basis. The Consolidation is proposed to implement a more appropriate capital structure for the Company having regard to the Transaction, the Transaction Capital Raising and the Company seeking to re-comply with Chapters 1 and 2 of the ASX Listing Rules.
- (h) **(Resolution 8)** The Company seeks approval for the issue of the Second Tranche Warrants.

#### 7.2 Resolutions conditional upon the Acquisition Resolutions passing

The Transaction is not conditional upon the following Resolutions being passed by shareholders. These Resolutions are, however, conditional upon the Acquisition Resolutions being passed by shareholders. If the Acquisition Resolutions are not passed then these Resolutions will be withdrawn:

- (a) **(Resolution 9)** The Company intends changing its name to 'dataglobal Limited'. If approved, the change of name is proposed to take effect upon ASIC changing the name of the Company.
- (b) **(Resolution 10)** The Company seeks shareholder approval for the issue of the Advisor Shares to Alphastation (and/or its nominee(s)) for services provided by Alphastation in connection with the compilation and drafting of the Prospectus.
- (c) **(Resolution 14B)** The Company seeks shareholder approval for the issue of Performance Rights to Wolfgang Munz, a proposed Director of the Company, under the Performance Rights Plan.

#### 7.3 Other resolutions

The Transaction is not conditional upon the following Resolutions being passed by shareholders and the following Resolutions are not conditional upon the Acquisition Resolutions being passed:

- (a) **(Resolutions 11A, 11B and 11D)** The Company seeks ratification of Notes and First Tranche Warrants which were issued under the Interim Capital Raising so that the Company maintains its placement capacity under ASX Listing Rule 7.1.
- (d) **(Resolution 11C)** The Company seeks shareholder approval to amend the terms of First Tranche Warrants by removing provisions providing for the cashless exercise of First Tranche Warrants. Upon amendment of these terms, the First Tranche Warrants will only be convertible to fully paid shares upon valid exercise including payment of the exercise price in full.
- (b) **(Resolution 12)** the Company seeks to increase the existing non-executive Director remuneration pool by \$80,000, from \$400,000 to \$480,000.
- (c) **(Resolution 13A – 13C)** the Company seeks the adoption of the Covata Loan Share Plan, Covata Share Option Plan and Covata Performance Rights Plan, each as an employee incentive scheme of the Company.
- (d) **(Resolution 14A, 14C and 14D)** the Company seeks shareholder approval for the issue of Performance Rights to existing Directors under the Performance Rights Plan.

Further details in respect of each of the Resolutions are set out in this Memorandum.

## 8. Effect on Capital Structure

The effect of the Transaction on the capital structure of the Company (on both a pre-consolidation and post-Consolidation basis) is set out in the tables below:

### 8.1 Ordinary Shares

	PRE-CONSOLIDATION	POST-CONSOLIDATION
Existing CVT Shares	782,935,601	39,146,780 (32.74%)
Consideration Shares (Resolutions 2 and 3)	693,333,333	34,666,667 (29.00%)
Capital Raising Shares (Resolution 6)	913,333,334	45,666,667 (38.20%)
Advisor Shares (Resolution 10)	1,333,333	66,667 (0.06%)
<b>TOTAL SHARES FOLLOWING TRANSACTION</b>	<b>2,390,935,601</b>	<b>119,546,781 (100%)</b>

Following completion of the Transaction, the dataglobal Vendors shall have a relevant interest in 29% of the voting shares of the Company (rounded up to the nearest whole number).

Further details are set out in section 13.

### 8.2 Convertible Securities

The below sets out existing convertible securities of the Company and the Second Tranche Warrants:

SECURITY	PRE-CONSOLIDATION	POST-CONSOLIDATION	EXPIRY DATE
<b>Options</b>			
Number:	5,569,583	278,479	22 November 2022
Exercise price:	4.5 cents (\$0.045)	90 cents (\$0.90)	
Number:	19,523,000	976,150	6 September 2023
Exercise price:	2.8 cents (\$0.028)	56 cents (\$0.56)	
<b>Total options</b>	<b>25,092,583</b>	<b>1,254,629</b>	-

In addition, the Company has a further 53,754,183 options (2,687,709 on a post-consolidation basis) that will, following the Consolidation, have an exercise price of between \$1.00 and \$6.60. These options are set out in full on a pre-Consolidation basis in the last Appendix 3B of the Company released to ASX on 25 February 2019.

The Company has the following warrants on issue or that are proposed to be issued:

<b>Warrants</b>			
Number: Exercise price:	38,240,979 27.4 cents (\$0.274)	1,912,048 5.48 dollars (\$5.48)	25 March 2020
Number: Exercise price: (being the <b>First Tranche Warrants</b> )	58,620,689 2.8 cents (\$0.028)	2,931,034 56 cents (\$0.56)	22 February 2021
Number: Exercise price: <b>(Second Tranche Warrants)</b>	25,000,000 1.5 cents (\$0.015)	1,250,000 30 cents (\$0.30)	120 days from issue
Number: Exercise price: <b>(Second Tranche Warrants)</b>	25,000,000 1.5 cents (\$0.015)	1,250,000 30 cents (\$0.30)	180 days from issue
Number: Exercise price: <b>(Second Tranche Warrants)</b>	72,644,594 1.5 cents (\$0.015)	3,632,230 30 cents (\$0.30)	18 months from issue
Number: Exercise price: <b>(Second Tranche Warrants)</b>	25,200,000 2.8 cents (\$0.028)	1,260,000 56 cents (\$0.56)	18 months from issue
<b>Total warrants</b>	<b>244,706,262</b>	<b>12,235,312</b>	

The Company also currently has 105,555,559 Notes on issue that are intended to be extinguished as part of the sale of CDH. Refer to section 6.3 for details.

## **9. About the Company, dataglobal and its business**

### **9.1 About the Company**

The Company is an Australian public company that was incorporated on 27 July 2006.

The Company has operated in the technology sector since 2014 and is currently listed on the ASX. The shares of the Company have been suspended from trading on the ASX since 30 January 2019.

Accordingly, information about the Company can be obtained via the ASX platform at [www.asx.com.au](http://www.asx.com.au) under the code "CVT".

The Company is proposing to pursue the dataglobal business as its main undertaking following completion of the Transaction, however it also proposes to continue to commercialise its existing assets, whether as part of a dataglobal product or in isolation, including:

- The assets of CipherPoint Software Inc., a wholly owned subsidiary of the Company, which includes all customers of the Eclipse product;
- The rights to the classification intellectual property and all intellectual property in the Company's data security console which are intended to be retained under a licence agreement forming part of the terms of the proposed CDH sale; and

- All other intellectual property and/or associated technical support and architecture material held outside of CDH.

Although the Company will be continuing in the technology industry in which it has been operating since 2014, acquisition of dataglobal will materially change the scale of its operations.

Further details of dataglobal and its business are set out below (in particular sections 9, 10 and 11).

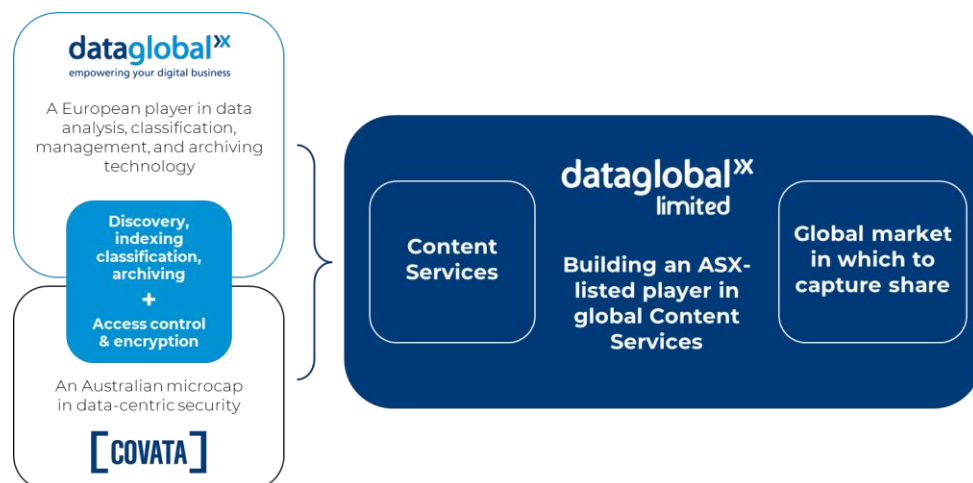
## 9.2 The dataglobal opportunity

CVT identified dataglobal as an emerging player in content management and archiving services (**Content Services**). The two companies then entered into a strategic alliance in March 2018. The Company acquired the right to utilise dataglobal's data classification and analysis tools as well as the right to distribute dataglobal's products. Working closely together over the following months highlighted the potential benefits of a joint strategy to grow into a meaningful player in the Content Services market and expand into new geographic markets as a combined entity.

Following the establishment of this relationship, the Company determined that an acquisition of dataglobal could be transformational by repositioning the Company into a growing segment of the enterprise market. dataglobal has historical revenues and an established footprint in Europe from which to expand into other markets.

Upon completion of the acquisition, the Company intends to change its name to dataglobal Limited (subject to receipt of required shareholder approval).

**Figure 1: dataglobal combined entity**

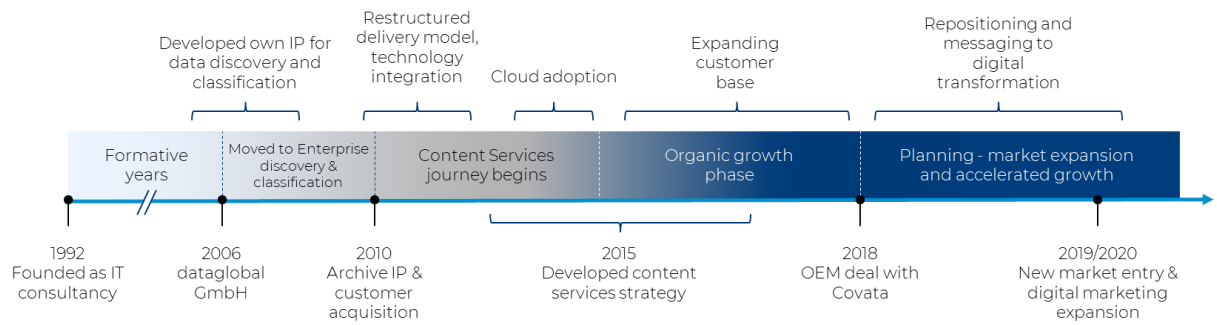


## 9.3 About dataglobal and its business

dataglobal is positioned as an established player in the Content Services software market. With the acquisition by the Company, dataglobal is entering the fourth phase of its evolution:

- Phase 1 (1992 – 2006): An IT consultancy founded by Wolfgang Munz
- Phase 2 (2006 – 2015): Developed its own products leading to the release of data discovery and archiving software. Became dataglobal GmbH
- Phase 3: (2015 – 2019): Transitioned to Content Services business and organic expansion
- Phase 4 (2019+): Acquisition by the Company and proposed capital-funded expansion

**Figure 2: dataglobal business timeline**



The combined entity brings together:

- Content Services capability from an established market player
- A Content Services platform, **dataglobal CS**, built over a decade
- An in-market security product in CVT’s Eclipse that has the potential to be rolled out across the dataglobal client base subject to completion of product enhancements and integration development work
- An organically grown business proposing to scale up with the application of capital

dataglobal has an existing footprint and is deployed across a number of market segments. The Content Services market is a growing sector which provides an ample market opportunity for the combined entity to execute its growth plan.

dataglobal conducts business from its base in Heilbronn, Germany (between Frankfurt and Stuttgart) and has development teams in Hamburg and cost-efficient resources in Cluj (Romania) allowing dataglobal to compete with other global players in the industry.

dataglobal’s products are in use by over 450 enterprise and government customers, mostly headquartered in the Germany, Austria and Switzerland (**DACH**) region of Europe, with deployments in over 40 countries worldwide. The enterprise customers include Global Fortune 500 companies as well as large companies operating in media, manufacturing, logistics and sensitive industries such as financial services, aerospace, pharmaceuticals and food production.

dataglobal CS allows for valuable company data to be integrated from multiple applications (e.g. SAP and SharePoint), email, cloud applications as well as Office 365 and paper document archives. This information is linked and prepared with Content Services for improved workflows and the digitisation of processes to increase efficiencies.

dataglobal has historically also operated a managed infrastructure services business which comprised the management of on-premises hosted IT infrastructure for a small number enterprises. The managed infrastructure services business operates independently of the Content Services business. In assessing dataglobal, the Board formed the view that the managed infrastructure services business did not align with its business strategy to become a global player in the Content Services industry. Accordingly, as a condition of the transaction, the managed infrastructure services business is to be divested.

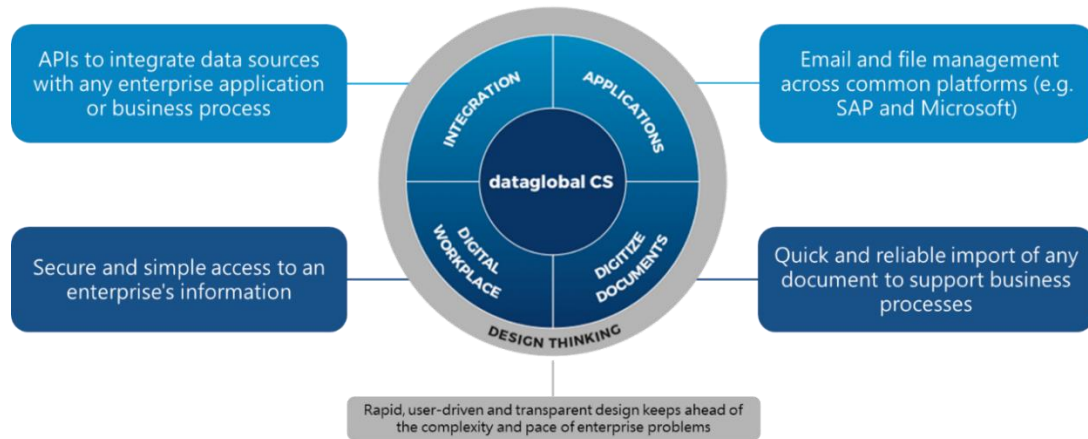
#### 9.4 dataglobal Solution Overview

dataglobal CS leverages business information to drive digital transformation within organisations. This is through:

- Access: Secure and simple access to an enterprise’s information
- Applications: Email and file management across common platforms (e.g. SAP and Microsoft)

- Digitisation: Quick, reliable import, storage and archiving of any document to support business processes
- Integration: Application Program Interface(s) (**API(s)**) to integrate data sources from any enterprise application or business process

**Figure 3: dataglobal strategic offering**

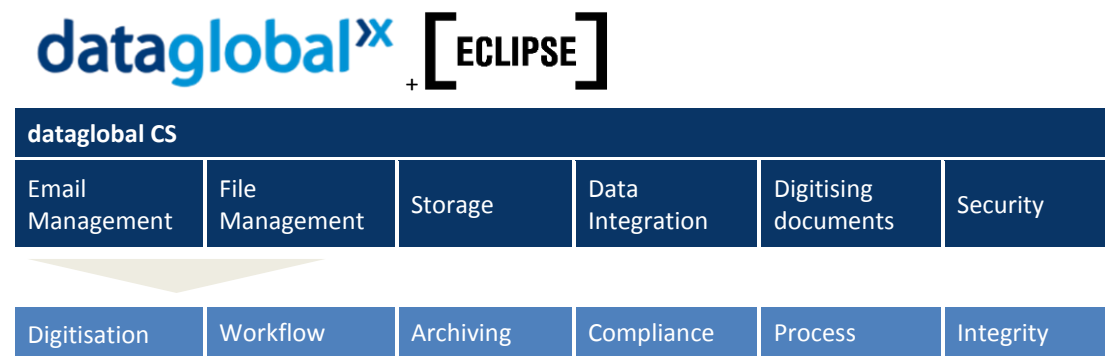


dataglobal aims to enable enterprises to make optimal use of valuable information with Content Services that are necessary for digital transformation and process automation. Content is managed within the dataglobal CS platform where users can access data that is relevant to them on the device they prefer, which in turn improves the value of the data to the enterprise and its end users.

*Value Proposition and Benefits*

The combination of dataglobal CS and Eclipse post-Transaction provides the Company with a product suite capable of being central to solutions in demand by both growing and established organisations, although further development work is anticipated to be required to enhance the Eclipse product and enable its successful integration with dataglobal CS.

**Figure 4: dataglobal product offering**



dataglobal CS is the dynamic layer that integrates an organisation's systems. Company data is integrated, linked and prepared with Content Services for improved workflows and the digitisation of processes. Dynamic hierarchies allow users to view information from the point of view of different departments, which flow through to a number of benefits for customers in the areas of management and productivity.

**Table 1: dataglobal customer value proposition**

<p><b>Management</b></p>	<ul style="list-style-type: none"> <li>• Greater transparency and information overview</li> <li>• Scalable expandable solutions</li> <li>• Legal security, compliance, archiving and audit security</li> <li>• Central administration of content</li> <li>• Company-wide integration of all files, documents and emails</li> <li>• Flexible access to information in the digital workplace - web, mobile, desktop</li> <li>• Independent data formats that extend the life cycle of the information beyond the originating application and current storage systems.</li> </ul>
<p><b>Productivity</b></p>	<ul style="list-style-type: none"> <li>• Easy to use and intuitive with minimal training required</li> <li>• Enables fast and accurate decision-making</li> <li>• Accelerated workflows facilitate distributed team collaboration</li> <li>• Cost reduction</li> <li>• Faster search results across all assets in all locations shortens response times</li> <li>• APIs seamlessly integrate to existing customer systems to ensure maximum impact of data insights and automation</li> <li>• Maintained integrity of all information and full integration with MS Office applications.</li> </ul>

*Competitive positioning*

The Content Services market has a number of players of varying size and scope. Each has their own core focus and specialisation. Though dataglobal operates in the same market, it does not directly compete with many of these organisations.

dataglobal has a number of attributes that the Company believes could provide a competitive advantage over time, including:

- a focus on improving customers’ businesses (not just managing their data);
- long-standing experience on open content management, data integrity and secure retrieval;
- multi-industry use case experience including in media, consumer, logistics, manufacturing and finance, as well as secure sectors such as defence, aerospace and government;
- the ability to operate independently of legacy Enterprise Content Management (**ECM**) environments and across multiple data repositories and content sources;
- capacity to co-exist with the most common ECM, Enterprise Resource Management software (**ERP**), Customer Relationship Management software (**CRM**) and cloud-based applications;
- the ability to leverage content and generate actionable insights irrespective of how the content has been traditionally stored or managed, even if the original applications that generated the data no longer exist; and
- operating experience in the EU environment of General Data Protection Regulation (**GDPR**).

dataglobal sees itself as a potential challenger in the Content Services market with an opportunity to leverage its experience from the DACH region into other markets.



### *Advantage through Artificial Intelligence and Machine Learning*

dataglobal CS utilises machine learning (**ML**), a subset of artificial intelligence (**AI**), to “train” the dataglobal system to accurately classify data. This is central to the effective management, use and protection of sensitive business data. ML also is a key factor enabling automation of content management.

A large amount of business information is in unstructured content which typically exists outside core systems but contains information critical to business operations and decision-making. This includes word documents (proposals, contracts, project plans, service reports, etc.), presentations, spreadsheets, pdf files, drawings, emails, images, videos and messaging. ML helps to rapidly mine and tag content with more meaningful metadata, increasing its utility. Combining the information and insights mined from unstructured content with the data stored in ERP, CRM and other business systems can enable enterprises to gain deeper insights into the ways their business works leading to greater efficiencies.

### *On-premises, hybrid and cloud*

dataglobal recognises the importance of providing the capability to organisations to utilise Content Services across diverse environments including on-premises, hybrid and cloud. Its experience in Europe suggests whilst customers are looking to embrace cloud-based applications and data repositories, they have a keen focus on maintaining hybrid environments where their most sensitive data can be stored and secured within their own systems. dataglobal CS enables and supports this approach. It is also agnostic as to where data is stored.

### 9.5 Customer Base

dataglobal is established in the DACH region of Europe. A large proportion of its customers are represented by clients from this region.

Figure 5: Sample customer brands using dataglobal



dataglobal has over 450 customers with deployments in over 40 countries. There are also 16 enterprise customers of Eclipse, the Covata security product. This provides an existing client base that can be leveraged in the future.

Figure 6: dataglobal global footprint



9.6 Case Studies: dataglobal in Action

The value proposition of dataglobal is underpinned by meeting user needs in customer deployments. Covata’s investigation has shown that dataglobal has a low customer churn per year and long term

customer tenure. The Company has reviewed Case Studies presented from enterprises and government organisations to demonstrate the client value proposition in action.

**Table 2: dataglobal customer case studies**

Company		Industrial products manufacturing, Germany
<b>Requirement</b>		<ul style="list-style-type: none"> <li>• Business process optimisation and digitisation of order processing</li> <li>• Infrastructure relief, as well as system and maintenance cost reduction</li> <li>• Consolidation of existing standalone email and SAP archiving solutions</li> <li>• Revision-proof archiving</li> </ul>
<b>Solution</b>		<ul style="list-style-type: none"> <li>• Introduction of a centralised solution for all archiving needs with dataglobal CS</li> <li>• Compliant migration of archived legacy data</li> <li>• Order digitisation for complete order data management</li> <li>• Display of SAP and non-SAP documents together as files in the dataglobal Digital Workplace</li> </ul>

Company		Food production and distribution, Switzerland
<b>Requirement</b>		<ul style="list-style-type: none"> <li>• Replace the existing paper chain, consisting of roughly 5,000 delivery slips daily between its 12 Fresh Service depots, 140 sales representatives and operations team</li> <li>• Efficiency of supply chain to be ahead of customer expectation</li> <li>• Aim was to maintain customer loyalty, create an easy to follow audit trail and lower operating costs</li> </ul>
<b>Solution</b>		<ul style="list-style-type: none"> <li>• Ongoing digitisation with dataglobal CS through auto archiving and management of email, SAP and Microsoft</li> <li>• Digital Delivery slip creation on-demand through any device, routed to SAP system</li> <li>• Simple addition of new products</li> <li>• Transition to near paperless solution</li> </ul>

Company		Supplier to automotive & aerospace industry, Germany
<b>Requirement</b>		<ul style="list-style-type: none"> <li>• Company-wide archiving solution sought to process both SAP and non-SAP machine data</li> <li>• Archive had to be able to provide large volumes of data and make data available for over 50 years</li> </ul>
<b>Solution</b>		<ul style="list-style-type: none"> <li>• dataglobal CS archives data from all sources</li> <li>• Reports from production also included capturing sensors, machines and data from the control centre processes</li> <li>• Data completely and comprehensibly archived for over 50 years and directly audited via certified processes</li> </ul>

Company		Pharmaceutical company, Germany
<b>Requirement</b>		<ul style="list-style-type: none"> <li>• Digitised processing and content maintenance in a medical product information system</li> <li>• Medicine information is typically updated from organisations by email and paper forms, and has therefore been costly and error prone</li> </ul>
<b>Solution</b>		<ul style="list-style-type: none"> <li>• The complete process has been digitised in dataglobal CS</li> <li>• Process includes auto-reconciliation with SAP and other systems, proof of receipt and easy stakeholder access</li> </ul>

### 9.7 dataglobal Operations

dataglobal is based in Heilbronn, Baden-Württemberg - one of the leading economic and innovative regions in Germany and Europe (45 mins from Stuttgart). It is close to its customers and prospects in the DACH region, its core target market. dataglobal is able to leverage its existing development teams in Hamburg, Germany and Cluj, Romania for customer deployment.

Germany is the biggest economy in Europe. The Baden-Württemberg region where dataglobal is based has one of the strongest regional economies and is home to many global companies including those that are customers of dataglobal.

**Figure 7: dataglobal operations in Europe**



**Figure 8: Building in Heilbronn where dataglobal's office is located**



In connection with the purchase by the dataglobal Vendors of a prior investor's shares in dataglobal in early 2017, the dataglobal Vendors and dataglobal agreed to keep the fundamental part of the business operations of dataglobal based in the administrative district (city or region) of Heilbronn until 31 December 2019 and thereafter to keep dataglobal's registered office and an active business operation in Heilbronn until 31 December 2025. The Board of Covata has accepted this decision. Further details are set out in section 2.

## 9.8 Business Model

### *Meeting User Needs*

At the core of the dataglobal business model is a commitment to deliver Content Services to increase business efficiency and competitiveness and to assist appropriate security and compliance.

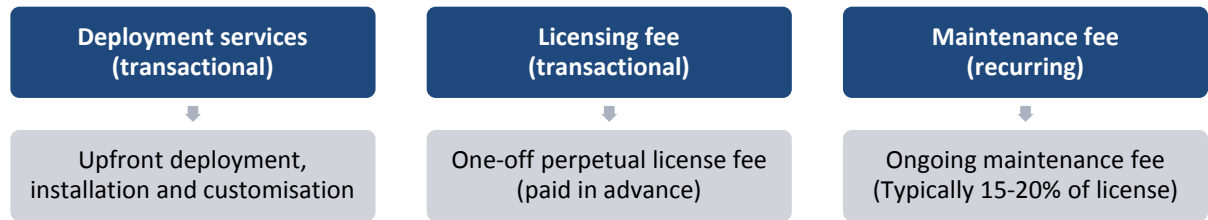
The ability to search, index, classify, manage, archive and retrieve data across all common business applications are critical capabilities for every organisation. dataglobal tends to focus on delivering these capabilities in a way that is mobile, simple and secure.

Traditional silo-based approaches of entities who market products in the ECM and EFSS (file sharing and workplace collaboration) have shown to be inadequate to meet the needs of the next generation of leading enterprises. By focusing on cross application and cross enterprise use cases, dataglobal seeks to either complement or displace traditional incumbents.

### Revenue Model

The revenue structure is as follows:

**Figure 8: dataglobal revenue model**



Deployment services costs are based on the requirements of customers. Perpetual licence fees are based on the number of users, mailboxes, installations, services and functionality deployed. Customers may take multiple additional licences over time.

dataglobal also receives ongoing revenue from its annual maintenance fees. For the year ended 31 March 2019, this accounted for 62% of total revenue. There are periodic opportunities to revisit each customer arrangement and propose and implement a rise in maintenance fees if appropriate.

As the majority of the dataglobal customers are based in the EU most fees are received in Euro.

### Planned Growth

dataglobal's business model is capable of supporting sustainable market growth and the funding sought under the Transaction Capital Raising will in part be used to support this growth.

- New annual licensing revenue includes a proportion generated by existing customers expanding their arrangement with dataglobal (eg increased number of users or licensing new applications)
- For each new customer, or an existing customer extending its relationship with dataglobal, there is a direct correlation to an increase in recurring revenues for maintenance. Maintenance is critical for customers as dataglobal maintains updates and integrations and APIs to the most common applications used by customers
- For larger customers with growth potential, dedicated customer success and local support teams will be deployed to build and maintain relationships within those enterprises.
- dataglobal's experience across multiple industries allows for more efficient delivery of relevant solutions to new customers from those industries as many processes are the same

The Company intends to leverage digital marketing, develop a voice as an industry leader, optimise its marketing process towards solutions and user benefits and implement an effective sales conversion practice to strengthen its pipeline to sales conversion ratio.

### Sales and Marketing

dataglobal currently employs a multi-channel strategy with a mix of direct sales (eg internal business development) and indirect sales (e.g. IT consultants and distributors).

Typically, direct sales are inbound organic sales. The Company believes opportunity exists for growth by increasing sales and marketing resources, building and deploying customer account management and customer success teams and expanding the direct sales force.

In addition to the direct sales team, dataglobal has a network of consultants and distributors in the DACH region that provide additional sales reach to both large and small enterprises. These relationships

include software and technology partners, as well as consulting and implementation services providers that enable dataglobal to be integrated across a number of use cases.

dataglobal has an emerging Software as a Service (**SaaS**) channel through a reseller relationship with a large European telecommunications and managed services provider. The deployment of SaaS in global and regional markets represents another potential growth opportunity for the business over the medium term.

*Intellectual Property and Product Licensing*

The key commercial asset of dataglobal comprises its licence of software to its customers. dataglobal has created products related to data classification, archiving, digital signature and connectors. dataglobal relies on a combination of copyright as well as confidentiality and contractual provisions to protect its proprietary technologies and processes. There are no patents in place for its core software with development to date protected by trade secret and through the structuring of secure solutions, as is typical in software businesses.

dataglobal has also licenced its technology on an OEM basis to third parties for incorporation into those parties’ own applications and this presents further revenue opportunities.

dataglobal make use of a combination of open-source and proprietary software in its business and in the development of its products and these arrangements are undertaken on common industry-based terms.

Shareholders should refer to section 11.2 for intellectual property related risks.

9.9 Key Operating Metrics

Given its history as a privately owned and funded software business dataglobal has a keen focus on the typical core operating metrics for a successful enterprise software business. Post-Transaction this focus will not change but will be enhanced by a commitment to invest in markets and geographies that offer growth potential:

**Table 3: dataglobal operating metrics**

<b>Licence growth</b>	dataglobal has identified opportunities to accelerate growth by investing in sales and marketing, channel development and customer success teams.
<b>Percentage of recurring revenue</b>	<p>Recurring revenue is income generated by dataglobal that comes in regularly, and is considered stable. Recurring revenue can be counted on coming in with a high degree of certainty. dataglobal receives ongoing revenue from its maintenance fees that can be classified as recurring revenue. For the year to 31 March 2019, 62% of dataglobal revenues are maintenance fees.</p> <p>Growth in licences typically has a direct correlation with growth in maintenance fees.</p>
<b>Lifetime term value (LTV)</b>	<p>Post-Transaction the Company intends to implement a regime of tracking and comparing results on a periodic basis. Customer LTV is a metric that indicates the total revenue a business can reasonably expect from a single customer account. The two primary drivers of LTV are the:</p> <ul style="list-style-type: none"> <li>• cost of customer acquisition (CAC); and</li> <li>• duration customers stay as paid customers (tenure)</li> </ul>

As a listed entity, dataglobal will have better access to funding to drive growth strategies such as those described in this Memorandum. As a private and internally funded company, dataglobal had been previously restricted in its capacity to fund growth.

The Company, post-Transaction, sees advantages in dataglobal increasing its focus around two new areas:

- Identification of key strategic accounts which have the capacity to significantly grow and who are early adopters or organisations that have the potential and willingness to experiment and test new solutions; and
- Implementing customer success teams to expand the footprint of applications within and across each customer organisation.

By evaluating its sales and marketing mix and re-prioritising the balance of acquisition to account growth, the Company believes that dataglobal can make improvements in top and bottom-line results.

9.10 Growth Strategy

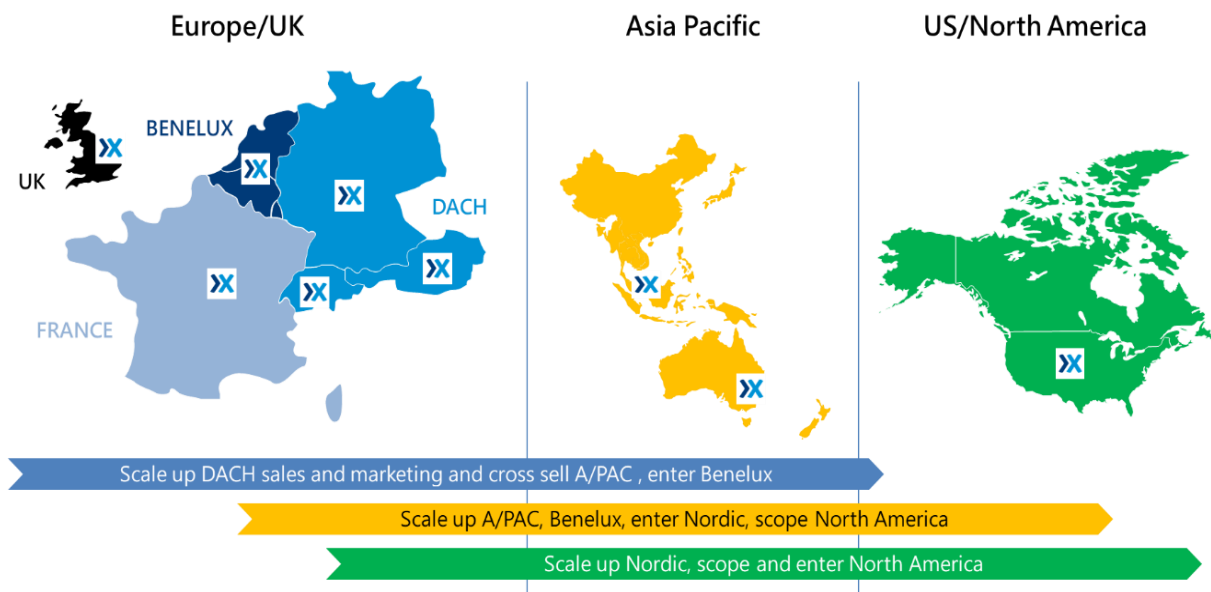
*Organic Growth*

The Company’s plans for dataglobal’s growth are intended to be based on four growth pillars which will be supported by a number of strategic initiatives.

**Table 4: dataglobal organic growth pillars**

<b>1. Expand within existing verticals</b>	<b>2. Ramp digital marketing and sales</b>	<b>3. Accelerate targeted customer acquisition</b>	<b>4. Access new regions</b>
<i>Invest in customer success teams that will target larger deal sizes within existing key market verticals (e.g. banking and finance)</i>	<i>Intensive focus on new digital lead generation and targeted campaigns. Re-engineer sales processes</i>	<i>Leverage existing use cases and success across industry verticals</i>	<i>Expand into adjacent markets (e.g. France, Benelux and Nordic countries). Leverage growth in APAC through existing partnerships in the region.</i>

**Figure 9: dataglobal international growth plan**



*Growth by managing the Customer Lifecycle*



It is the intention of the Company to secure, maintain and grow customer relationships over the long term. Examples of how this is and will be undertaken in practice may include:

- Supporting existing and potential longstanding customers over their entire data lifecycle journey by ensuring that they can access their data at any time irrespective of whether the underlying applications that created or stored that data are available;
- Growing customer relationships from that of a vendor to being a trusted partner providing trusted services and support wherever the customer conducts its business; and
- Evolving the Company’s product sets and constantly updating the Company’s integrations with existing and new platforms, applications and data repositories deployed and or used by the Customer whether on premises or in the cloud.

*Growth by Acquisition*

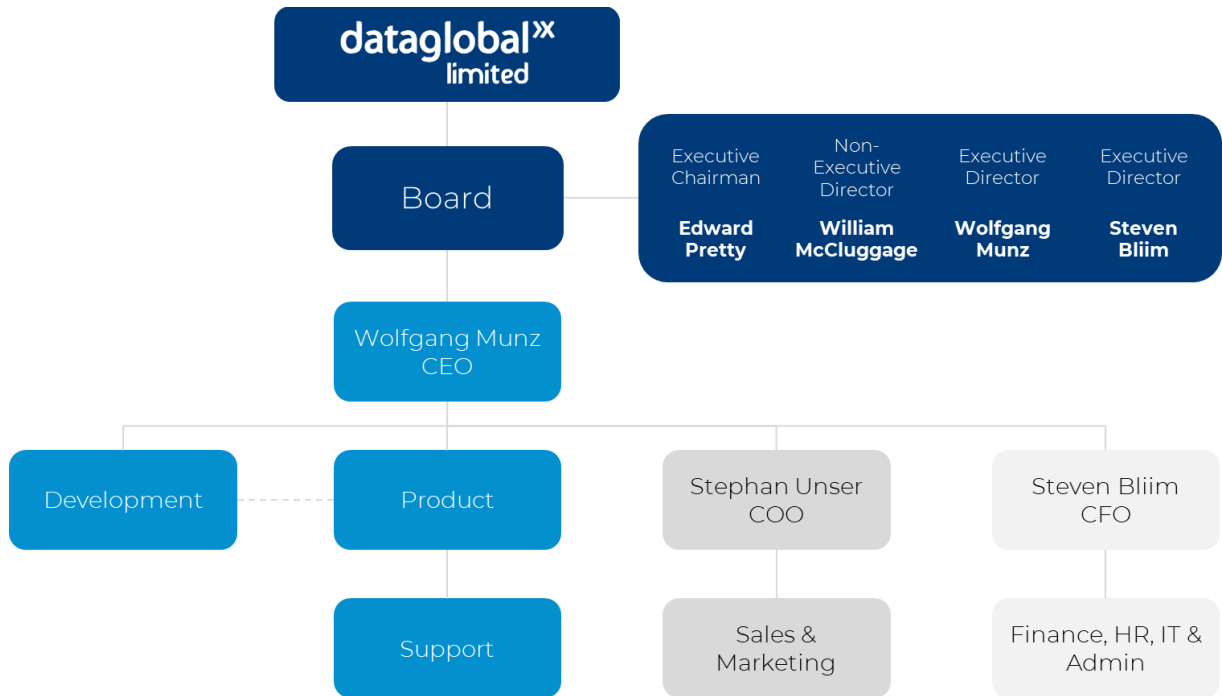
As at the date of the Notice, the Company and/or dataglobal are not in discussions in respect of, any proposed acquisitions or strategic partnerships other than the Transaction. The Company intends, however, to remain alert to any opportunities that represent value and further the combined entities’ strategic vision.

A key consideration will be cultural fit including an entrepreneurial approach and a focus on delivering of excellent results.

9.11 Management Structure

dataglobal will integrate into the current Company structure with the Board providing oversight, reporting and governance for the combined entity.

**Figure 10: dataglobal post-acquisition organisation chart**



Post-Transaction, the combined entity will seek to expand its Board and management.

## 9.12 Statement of intentions

The dataglobal Vendors have provided a statement of intentions regarding the future of the Company if shareholders approve the Acquisition Resolutions. The statement of intentions is set out in full in Annexure B.

In summary, the statement of intentions provides that the dataglobal Vendors collectively:

- **(Business of the Company)** other than as will result from completion of the Transaction and the dataglobal business becoming the main undertaking of the Company, have no present intention of making any significant changes to the business of the Company;
- **(Capital of the Company)** have no present intention to inject further capital into the Company;
- **(Present employees)** have no present intention of making any changes regarding the future employment of the present employees of the Company (except as will result from the Transaction);
- **(Transfer of assets)** have no present intention regarding any proposal whereby any assets will be transferred between the Company and the dataglobal Vendors or any person associated with either of them (except as will result from the Transaction);
- **(Deployment of assets)** have no present intention to otherwise redeploy the fixed assets of the Company (except as necessary to implement the Transaction and the strategic direction of the Company following successful completion of the Transaction);
- **(Financial or dividend policies)** have no present intention to significantly change the Company's existing policies in relation to financial matters or dividends; and
- **(Updates and strategic review):** the dataglobal Vendors may, in conjunction with the Company's Board, conduct a strategic review of the performance, prospects, assets and business of the Company to identify any areas they may be able to add value. The dataglobal Vendors may also work with the Company to ensure the policies of the Company are up to date and comply with relevant standards.

The dataglobal Vendors intend to support the election and re-election of Wolfgang Munz to the Board.

The dataglobal Vendors may, at some future time, acquire further shares in the Company in a manner consistent with the Corporations Act, the ASX Listing Rules and other applicable laws. The dataglobal Vendors have not yet decided whether they may, either jointly or severally, seek to acquire further shares in the Company.

The statement of intentions of the dataglobal Vendors summarised above and included in full in Annexure B is based on information known to the dataglobal Vendors at the date of the Notice. It includes statements of the current intention of the dataglobal Vendors only and may vary as new information becomes available or circumstances change.

The statement of intentions (including the above summary) was prepared by the dataglobal Vendors and provided to the Company for inclusion in this Memorandum. The Company did not cause the preparation of the statement of intentions or the above summary.

## 10. **Pro-forma statement of financial position**

The pro-forma statement of financial position of the Company following completion of the Transaction is set out in Annexure C. The Directors recommend that shareholders read the Notice and this Memorandum (including its Annexures which include the Independent Expert's Report) prior to determining how to vote on the Resolutions set out in the Notice.

## **11. Risks associated with the dataglobal business**

### 11.1 Introduction

The business, assets and operations of the Company following completion of the Transaction are subject to certain commercial, operational and financial risk factors that, alone or in combination with other factors, have the potential to influence the operating and financial performance of the Company in the future (refer section 11.2). In addition, there are other general investment risks, many of which are beyond the control of the Company and are largely difficult to predict or anticipate (refer section 11.3).

The Board aims to manage these risks by carefully planning the Company's activities and implementing risk control measures. However, as noted above, some of the risks identified below are highly unpredictable and the Company may be limited to the extent to which it can effectively manage them.

The following risk factors are not intended to be an exhaustive list of the risk factors to which the Company is exposed or will, following completion of the Transaction and relisting, be exposed. In addition, shareholders should note that this section has been prepared without taking into account any shareholders' individual financial objectives, financial situation and particular needs.

### 11.2 Business and Industry Risks

#### *Market Acceptance*

To be successful, the Company's products need to find acceptance in a competitive market and the Company needs to demonstrate an ability to retain existing customers and attract new customers.

Furthermore, the Company's business model operates under a perpetual licencing model (paid upfront) together with rolling 12-month maintenance contracts which are exposed to risks of termination or non-renewal.

Market acceptance and customer retention depend on many factors, including identifying and obtaining access to relevant markets, convincing users of the attractiveness of the Company's products and its ability to enhance existing products and potentially develop new products to meet market demands and opportunities, customer service, competition and pricing.

The Content Services market in which the Company will operate is an emerging market category comprising many product offerings including in enterprise content management, collaboration, the digital workplace, digital transformation and data security. As such, it is difficult to ascertain the level of knowledge and confidence regarding content services applications and estimates of demand in the content service market may not be accurate.

Knowledge and informational barriers may prevent uptake of broad content services products in favour of licensing specific, isolated applications. The Company's products include data classification and archiving and enterprise content management functionality which are considered by the Company to be a more established market segment and may, therefore, assist to mitigate this risk.

#### *Integration Risk*

The operating results of the Company will depend on the success of management in integrating the business of dataglobal on, and following, completion of the Transaction. In particular, the relocation of the principal place of the Company's business to Heilbronn, Germany and the integration of the Company's security product, Eclipse, within the dataglobal product offering. The integration of the Eclipse product is expected to require a number of product enhancements and developments, there is no guarantee these will be achieved successfully or without significant cost.

The Company will also seek to leverage the dataglobal client base to facilitate direct sales of the Eclipse product. In addition, there is the risk that implementation of the integration of the businesses may cause interruptions or give rise to conflicts of culture and operations and/or lead to a loss of staff.

There is no guarantee that the Company will be able to integrate the business of dataglobal into the Company successfully, or that any of the perceived economic benefits of the merger of the businesses will be able to be realised (either in full or in part). There is a risk that the Company's future profitability and prospects could be adversely impacted if successful integration is not achieved in an orderly and timely fashion without undue disputation to staff, customers or contractors and/or without incurring undue cost.

The Company intends to engage appropriate advisers to assist with integration, however these engagements may not mitigate against integration in part or in full.

#### *Competition and New Technologies*

The markets for information technology, information security, data classification and archiving and Content Services are highly and increasingly competitive across a wide-range of industry segments and geographies with both platform and product offerings from companies of various sizes on a domestic and global scale. Although the Company will undertake all reasonable due diligence in making business and operational decisions, it will have no influence or control over the activities or actions of its competitors, which activities or actions may affect the industries and markets in which the Company operates and therefore, may positively or negatively affect the operating and financial performance of the products and business of the Company.

The size and financial strength of some of the Company's competitors may make it difficult for it to maintain a competitive position in the Content Services market. In particular, the Company's ability to develop and/or acquire additional technology could be adversely affected if it is unable to respond effectively and/or in a timely manner to the strategies and actions of competitors and potential competitors or the entry of new competitors into the market. This may in turn impede the financial condition and rate of growth of the Company.

Key to the Company's ability to mitigate this competition risk is in achieving appreciable market share and differentiation from its key competitors. The Company has sought and will continue to seek to mitigate competition risk by maintaining a research and development schedule to be prioritised based on feedback from current and prospective customers and ongoing monitoring of existing and emerging competitors.

#### *Product Development and Platform Risk*

The Company may not be able to maintain or upgrade its existing technology to meet identified market needs and/or achieve market acceptance. The development and/or enhancement of technology is potentially time consuming and costly. There is no guarantee the Company will be able to enhance the existing dataglobal technology, or develop new technology, in a timely and/or cost-effective manner, if at all. This could lead to the Company failing to capitalise on identified market opportunities. Furthermore, developing software and technology is expensive and often time consuming and inherently risky. There can be no guarantee that the Company will achieve a return on its investment in product development.

The Company's products are, and will continue to be, reliant on the ability to integrate with third-party software applications (which currently include SAP, SharePoint, Office 365). The Company's ability to maintain these integrations and expand integrations with software applications to meet market demands will be important to its ability to successfully market and sell its products.

There is also a risk that product integrators will not be able to use any individual products or any Content Services platform in conjunction with other software application as a result of the core engines on which the platform is based becoming redundant or no longer being supported. dataglobal has mitigated this risk by ensuring that its current technology choices and architecture use industry standard development frameworks. This creates a low risk of redundancy as changes to these frameworks are monitored internally. In addition, the modular architecture of its platform and products also allows for substitution of redundant or deprecated technologies and scale performance testing in

the development process mitigates the risk associated with product integrators being unable to integrate the technology in their products.

The Company and dataglobal further manage this risk by ensuring that there is only one version of their respective software in use by the customer base.

While the Company has an ability to sell individual products directly to end-users, its focus includes creating a Content Services platform allowing for integration by existing software applications providers and also the exchange of data between different data repositories in order to extend its relative attractiveness. This platform strategy may or may not be successful.

The risk in this strategy is maintaining the integrations and APIs necessary to offer platform services. The company will seek to mitigate this risk by 'productising' individual services under the Content Services platform – for sale directly or indirectly. These products are to be sold or licensed via partners/distributors and to direct clients. This allows the client to experience the Company's technology through the products whilst encouraging adoption of the platform for further integration in core systems and business processes.

#### *Reliance on Key Personnel and Staff*

The Company relies heavily on the core competencies and expertise of its key employees in management, technical development and sales and marketing.

The responsibility of overseeing the day-to-day operations and the strategic management of the Company will depend substantially on its senior management and directors. Specifically, there is risk associated with the retention of both the Company's current CEO and proposed Executive Chairman, Mr Ted Pretty, and also the and the proposed incoming CEO, Mr Wolfgang Munz - the founder of dataglobal. The Company has sought to mitigate these risks by entering into contracts with Mr Munz and Mr Pretty which it considers will provide appropriate short-term and long-term incentives if approved by shareholders. Further Mr Munz, post completion of the Transaction, will be a major shareholder of the Company whose shareholding is to be voluntarily escrowed for 18 months.

In addition to risks associated with retention of key management, there is a risk associated with turnover in key sales and development staff who have knowledge of the existing technology, business plans and/or customers and customer relationships of the Company and/or dataglobal. There can be no assurance that there will be no detrimental impact on the performance of the Company, or its growth potential, if one or more of these employees cease their employment and suitable replacements are not identified and engaged in a timely manner and/or on suitable terms. There are also risks associated with protection of intellectual property which are addressed below. Further, growth may not eventuate if the Company is unable to secure the quality and quantity of new employees or contractors it requires on suitable terms to facilitate its growth due to factors which include industry competition for these skills. dataglobal has historically had low levels of staff turnover in the development teams and have employee remuneration and benefits policies in place in order to seek to maintain low staff turnover.

#### *Intellectual Property*

The ability of the Company to protect its intellectual property, including business processes, trade secrets and know-how, is an important part of ensuring the value of its products. The Company will be largely reliant on know-how and trade secrets which are not the subject of formal intellectual property registrations. There is a risk that, while measures are in place to protect the Company's intellectual property (which include requiring all staff and contractors to sign contracts with provisions which relate to ownership of intellectual property and restraints of trade), those measures may not be adequate to protect against third parties obtaining intellectual property (or parts of it). More generally, actions which the Company takes to protect its intellectual property may not be adequate or enforceable and may not prevent misappropriation of intellectual property or proprietary information. Further, any enforcement actions could be costly, time consuming and potentially difficult to enforce in certain jurisdictions or may ultimately prove unfavourable.

There is also a risk that the Company's products could infringe, or be alleged to infringe, the intellectual property rights of third parties. The Company may be the subject of claims which could result in disputes or litigation which could result in the payment of monetary damages, be time consuming and/or result in the Company incurring significant costs. Any such claims could have an adverse impact on the Company's operations, reputation or financial performance.

#### *Third Party Reliance Risk*

There is a risk that any third-party technology used by the Company or dataglobal in their current products and or used in the development of their platforms or products may subsequently require payment to upgrade or the payment of royalties to the proprietors of that technology.

The Company's current strategy seeks to avoid the risk of dependence on proprietary third-party technology by using technology with standardised open source or royalty free tools and libraries. The Company is of the view that if the technology it currently uses becomes proprietary in the future, there are existing open source technologies which are available. However, the Company cannot guarantee that such alternatives will remain available at all times.

By using third party tools in the development of its technology, the Company and dataglobal face a risk that those tools contain imperfections such as bugs or errors which may adversely affect the operation of its platform and products. This problem can occur with any third-party tools or technologies in use by the Company or dataglobal.

The Company and dataglobal seek to mitigate this risk by ensuring that they maintain an agile development process involved with patching and updates where these problems are publicly identified. In addition, internal processes for testing and quality assurance reduce potential risks caused via the incorporation of updates to third party libraries and development tools.

#### *Data Security Risks and Impact of Related Legislation/Regulation*

The Company may collect, store, process and analyse the data generated by its customers. Such data can be highly sensitive, highly regulated and confidential in nature. The provision of secure and reliable information storage and processing services is integral to the businesses and operations of the Company.

The Company could suffer unauthorised infiltration of its system by hackers to obtain data or insert a cyber-virus or bug or may be the subject of unauthorised disclosure of confidential customer information or loss of information due, for example, to system failures. This may disrupt the dataglobal technology or otherwise impact customers using the Company's technology. Such action could compromise client data and cause service shutdowns, leading to customer dissatisfaction and loss of goodwill and reputation damages and potentially result in claims being made against the Company. The Company employs practices, including periodic penetration testing, automatic and manual encryption systems and staff screening, to protect its system from being compromised and to reduce the prospects of a cyber-virus or bug being introduced into its platform or products. These practices are reviewed and updated periodically however there is no guarantee they will be adequate to protect against the risks outlined in this Section.

Furthermore, as the Company's products can be used to collect and store sensitive information, it will likely be subject to various privacy laws and regulations in the countries in which it operates. Privacy and data security legislation and regulation could result in additional costs associated with compliance, reporting and potentially product development and potentially liabilities in the case of enquiries and/or breaches. By way of example, the recent changes in Europe arising from the GDPR, may have an ongoing impact on the way in which the Company stores, collects, discloses and otherwise deals with information that is subject to those rules.

#### *Potential Acquisitions*

As part of its business strategy, the Company may make acquisitions of, or significant investments in, companies, products and/or technologies that are complementary to the Company's business –

although it has no present or short-term intention to do so. Any such future transactions are accompanied by the risks inherently associated with acquisitions, such as the inability to effectively integrate systems of operation, risks associated with relocation of operations, short term strain on working capital requirements, achieving the sales and margins anticipated and retaining key staff and customer and supplier relationships. Accordingly, there is a risk that any future acquisitions (should they occur) may fail to meet the Company's strategic and financial objectives, generate the synergies and benefits expected or produce an adequate return on the purchase price and resources invested in them.

#### *Currency Risk*

The Company expects to derive a majority of its revenue from Europe and the United States, in Euro and US dollars. Accordingly, changes in the exchange rate between these currencies and the Australian dollar would be expected to have a direct effect on the performance of the Company.

#### *Management of Growth*

There is a risk the Company will not be able to manage growth of its business, the dataglobal business and the use of its technology. The capacity of the Company to properly implement and manage business growth, and to continue to maintain and develop its technology to meet such growth, may affect the Company's financial performance and ability to attract revenues and achieve profitability.

#### *German and other Laws*

The Company is acquiring dataglobal a German company subject to German law, European law and where applicable law in other jurisdictions where it may trade or conduct business. The Company in conducting its existing business and the business of dataglobal may become subject to such additional laws and regulations. There are risks that these laws and regulations may impose on or constrain its operations, expose the Company to new risks of non-compliance, liabilities, claims, taxes, imposts or costs and or affect its ability to operate and grow and or have an impact on its financial position.

Generally speaking the corporate veil of a German 'GmbH' company gives shareholders full protection against claims of the company's creditors. The piercing of the corporate veil is in dispute among German legal scholars however it has been recognised for exceptional individual cases by German courts. These cases were cases of fraudulent misuse of the protection and at the same time stripping the company of its assets for which the courts ruled that under the principle of good faith the protection from the corporate veil must not prevail. Furthermore, a shareholder of a German 'GmbH' company will be liable if and to the extent the share capital has not been paid in or has been repaid to the shareholder or its predecessors. The shareholder is under no protection if by its own actions or omissions it has acted fraudulently against any party involved with the company or allowed the company to continue its operations in circumstances of insolvency.

#### *Insurance*

The Company seeks to maintain general liability, product liability, public liability, workers compensation and directors and officers insurances typical of a business of its nature and size. There is a risk that the Company may not be able to secure such insurance coverage on reasonable commercial terms, to an adequate level or at all and this may lead to financial impacts that may be borne directly by the company.

The Company does not maintain key man insurance nor does it have cover for claims relating to the issue of securities under the Prospectus.

#### *Taxation*

The Company may be exposed to direct and indirect income or other taxes or imposts of any kind in its home jurisdiction or any in country in which it conducts business. The Company intends to seek appropriate advice on such matters. However there are risks that such taxes or imposts may create

liabilities and or lead to disputes which may expose the company to assessments, imposts or fines and actions for recovery of such moneys or the recovery of prior liabilities or refunds of tax.

The Company is subject to regular audits of its research and development refunds and any denial of such claims or disputes arising from past or future claims may have a financial impact on the Company. Currently the Company is subject to one such review and is prudently consulting with its advisors and co-operating with the Australian Taxation Office. Based on advice to date the Company has not made any provision in its accounts for any dispute or refund.

There also is no guarantee that prior tax losses in any jurisdiction can or will be used on a go forward basis.

#### *Recent Divestments*

The Company is in the process of finalising the sale of its shares in CDH. CDH operates a business which licenses SafeShare - a secure file sharing product to third parties. The Company anticipates the sale of CDH will complete prior to the Meeting. Further details of the sale of CDH are set out in section 6.3.

The Company received advice on the sale and has taken all reasonable steps in undertaking the sale including seeking provisions relating to the limitation of liability and negotiating appropriate limitations on the scope of the warranties in general. However, the Company may be exposed to risks inherent in any such sale including liability for any claims arising out of or relating to the sale or any subsequent third party claims and these may or may not have a material financial impact. There is also a risk that Cocoon Data will default in the payment of the deferred component of the consideration of \$1 million, which is to form a loan owing to the Company and repayable within 90 days of completion of the sale of Cocoon Data. If this occurs the Company will need to take action to enforce repayment which involves the costs, delay and uncertainty associated with litigation and the uncertainties associated with the ability of the Company to ultimately recover the debt. The Company has the capacity to adjust its use of funds and budgets, if necessary to address the risk associated with delay or default in this payment.

Prior to and as a condition precedent to the acquisition of dataglobal, the Company required that dataglobal divest its managed infrastructure services business. Whilst considered reasonably unlikely, there is a risk of disruption to the remaining dataglobal software business as a result of the divestment of the managed infrastructure services business which may have a financial impact on the Company. It is a condition of the Transaction that the Company and the entity acquiring the managed infrastructure services business enter into sublease and service arrangements, on terms acceptable to the parties, which provide for the division and allocation of certain fixed costs of dataglobal to the acquirer of the managed infrastructure services business.

### 11.3 General Investment Risks

#### *Change in Strategy*

At the start of 2017 the Company underwent a management restructure. In connection with, and subsequent to this restructure, the operations and strategy of the Company were reviewed. In 2018 the Company undertook preliminary discussions with dataglobal which has resulted in the Company entering into the Transaction. Accordingly, the Company's plans and strategies have, and may continue to, evolve over time due to a review and assessment of, amongst other things, sales of its product, market trends, changes in policy and regulations, the level of market acceptance in particular jurisdictions or markets and the emergence of new technologies or improvements to existing technology. As a result, the current strategies, approaches and plans of the Company may not reflect the strategies, approaches, plans and products pursued at a later date. Any such changes have the potential to expose the Company to heightened or additional risks.

#### *Future Profitability and Sufficiency of Funding and Dilution*

The Company's ability to operate profitably in the future will depend on its ability to distribute its technology, sell to its current customer base and attract new customers. This will depend on the



ultimate demand for its products and solutions by consumers which cannot be guaranteed. Other factors that will determine the Company's profitability are its ability to manage its costs, to execute its development and growth strategies, economic conditions in the markets the Company operates, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability are uncertain. Moreover, the level of such profitability cannot be predicted. Accordingly, the Company may require further funding in addition to current cash reserves to fund future development activities or the acquisition of new intellectual property or technology. Additional equity financing, if available, may be dilutive to shareholders and/or occur at prices lower than the market price. Debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed it may be required to reduce the scope of its business and development operations.

In addition to dilution as a result of future fundraising initiatives, shareholders may also be diluted by other equity issues including shares issues made for the acquisition of assets or issues made upon the exercise of existing and future warrants or options.

#### *Geographic and Government Policy and Regulatory Risk*

As a result of the Transaction the Company will be conducting business and operations in multiple geographic markets and jurisdictions which may create new risks that may adversely affect the Company.

Changes in government, financial policy, taxation and other laws in any local and or international markets or regions cannot be predicted and may affect the Company's ability to carry on its proposed activities, restrict the Company in achieving its objectives or may result in increased compliance costs or complexities in managing the Company's proposed operations and activities.

The Company is also subject to various regulatory requirements, including technology and accounting requirements. Changes to standards, policies, guidelines, interpretations or principles may affect the Company's ability to carry out its activities and/or achieve its objectives. The Company cannot control or predict changes to regulatory requirements, which may adversely affect the Company.

#### *Trading Price of Shares*

The Company's operating results, economic and financial prospects and other factors will affect the trading price of the fully paid ordinary shares of the Company upon achievement of relisting on the ASX. In addition, the price of shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to, general economic conditions including the performance of the Australian dollar, the Euro and US dollars on world markets, inflation rates, foreign exchange rates and interest rates, variations in the general market for listed stocks in general, short-selling, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks, and hedging or arbitrage trading activity that may develop involving the shares.

In particular, the share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that the Company's market performance will not be adversely affected by any such market fluctuations or factors.

Lack of liquidity may also affect the value of the Company's securities. The trading price of securities is uncertain. Any securities of the Company carry no guarantee with respect to payment of dividends, return of capital or their market value or price. No guarantee can be given that the Company's share price will be greater than any exercise price.

#### *Litigation*

The Company may be involved in litigation disputes with third parties including customers, employees, former employees, suppliers, distributors and government or regulatory bodies in the ordinary course

of business. The occurrence of litigation may be costly and impact on the Company's reputation which may have a material adverse effect on the business, financial condition and results of the Company.

Since there is no general agreement in place between Australia and Germany, any judgement obtained against the Company in Australia will require to be recognised in order to be enforceable in Germany in accordance with German Law. As part of such procedure the German courts will check whether the local court was competent for the matter in accordance with German law, the defendant participated in the procedures or was given the chance to do so, the judgement is in opposition to any other judgement in the matter as ruled in Germany or as recognised in Germany, the recognition of such judgement is against the general German *ordre public*, and finally the reciprocity of the case if a German judgement was reviewed by the Australian courts.

#### *Unforeseen risks*

There may be other risks which the Directors and/or management of the Company are unaware of at the time of issuing the Notice which may impact upon the Company, its operations and/or the value and performance of its securities.

#### *Inability to pay dividends or make other distributions*

The Company has never declared or paid dividends on its share capital, and the Company does not expect to do so in the short to medium term. There is no guarantee that dividends will be paid on shares in the future. Any distribution is a matter to be determined by the Board in its discretion having regard to the financial performance and position of the Company and applicable laws.

#### *Transaction Risks*

Completion of the Transaction is also subject to risks which include the Company obtaining shareholder and regulatory approvals and satisfaction of the other conditions set out in Section 2.

## **12. Board following completion of the Transaction**

Upon completion of the Transaction:

- Mr Wolfgang Munz will join the Board as Managing Director and CEO;
- Mr Edward (Ted) Noel Pretty will transition from Managing Director to Executive Chair; and
- Mr Steven Richard Bliim will remain on the Board as an Executive Director; and
- Mr William (Bill) Albert McCluggage will remain on the Board as a Non-Executive Director.

Biographies for Wolfgang Munz, Edward (Ted) Noel Pretty, Steven Richard Bliim and William (Bill) Albert McCluggage are set out below:

#### Wolfgang Munz

Wolfgang is the Founder, CEO and sole Director of dataglobal GmbH. He oversees product strategy, development and administration of the dataglobal business.

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

Wolfgang holds a Diplom-Ingenieur (an advanced academic degree) in Telecommunications Engineering with a special focus on Precision Engineering from the University of Nürnberg.

Edward (Ted) Noel Pretty

Ted is a widely recognised senior technology and telecommunications executive with significant experience in complex networks, data hosting and security, as well as a deep knowledge of emerging trends in security and information technology.

Ted joined Covata as Managing Director and Chief Executive Officer in January 2017.

Most recently, Ted was a senior adviser at Macquarie Capital, supporting principal investments in emerging companies, covering information governance, big data and analytics, security and encryption.

His career has included roles such as Managing Director of Technology Innovation and Product at Telstra Group, Chairman of Fujitsu Limited, Chairman of ASX-listed NEXTDC and RP Data Limited, Advisory Chairman of Tech Mahindra and Managing Director and Chief Executive Officer of Hills Limited.

Steven Richard Bliim

Steven is the CFO and Joint Company Secretary at Covata. With over 12 years of experience in both Australia and the US, Steven is responsible for capital planning and forecasting, treasury management, global financial reporting and statutory compliance. Since joining Covata in 2012, he has played a key role in the group's expansion into the US, UK and Europe, along with the reverse acquisition of Prime Minerals Limited and subsequent relisting of Covata Limited on the ASX in November 2014. Steven led the due diligence and subsequent integration of the CipherPoint business following its acquisition in August 2017.

Prior to joining Covata, Steven worked in business services and tax advisory for over seven years, consulting primarily to small-to-medium enterprises and primary production businesses. Steven is a member of Chartered Accountants Australia & New Zealand and holds a Bachelor of Commerce – Accounting from the University of South Australia.

William (Bill) Albert McCluggage

With over 15 years of experience working as an IT Director, Chief Technology Officer and Chief Information Officer within central government and the private sector, Bill plays a critical role for Covata in sales and contract deployment within the UK.

Bill's current roles include the Head of Information Security and Assurance with the UK's Open Banking Implementation Entity, he is a NED with the Foreign and Commonwealth Office, a member of the governing body of the Northern Regional College, and Entrepreneur-in-Residence at Catalyst Inc (formerly the Northern Ireland Science Park).

Previously, Bill served as Chief Information Officer for the Irish Government, was Chief Technologist of Dell EMC's UK public sector business, he held the post of Deputy Government Chief Information Officer at the UK Cabinet Office, and was CIO, Senior Information Risk Owner and Director of eGovernment in Northern Ireland.

Bill began his career as an engineering officer with the Royal Air Force, where he worked for 24 years and finished his military career as Technical Director of the Joint Air Reconnaissance Intelligence Centre, an agency supporting the MOD and joint operations.

The security interests (direct and indirect) of the post-Transaction Board are set out in the table below. These security interests are expressed on a pre-Consolidation basis:

Name	Pre-Transaction		Post-Transaction		Options
	Number	%	Number	%	
Wolfgang Munz	Nil	Nil	693,333,333	29.00%**	Nil
Edward (Ted) Noel Pretty	36,893,751*	4.71%	36,893,751*	1.54%	754,604
Steven Richard Bliim	7,750,236*	0.99%	7,750,236*	0.32%	311,905
William (Bill) Albert McCluggage	1,334,148	0.17%	1,334,148	0.06%	1,000,000

\*The above holdings include Loan Plan Shares as follows:

- Edward (Ted) Noel Pretty, 28,030,798 Loan Plan Shares; and
- Steven Richard Bliim, 6,535,608 Loan Plan Shares.

The Company also proposes issuing an aggregate of 6,000,000 Performance Rights (on a post-Consolidation basis) to the existing and proposed Director(s) under the Covata Performance Rights Plan.

Adoption of the Covata Performance Rights Plan is the subject of Resolution 13C of the Notice and the approval for the issue to Director(s) are Resolutions 14A – 14D respectively. Resolution 14B (being the issue of Performance Rights to Wolfgang Munz) is subject to and conditional upon the Acquisition Resolutions being passed and completion of the Transaction.

Further details are set out in sections 7 and 16.

### 13. Acquisition of a relevant interest by the dataglobal Vendors

#### 13.1 Corporations Act – relevant interest provisions

Section 606 of the Act prohibits a person from acquiring a relevant interest in the issued voting shares of a listed company if the acquisition would result in that person or someone else's voting power increasing from 20% or below to more than 20% or increasing from a starting point that is above 20% and below 90%.

The prohibition in section 606 is subject to the exceptions contained in section 611 of the Act.

Shareholder approval may be sought under item 7 of section 611 of the Act for the acquisition of a relevant interest in securities which would otherwise contravene section 606 of the Act.

WM Holding will acquire a relevant interest in more than 20% of the issued voting shares of the Company following issue of the Consideration Shares. Wolfgang Munz is the controller of WM Holding as a result of his position as sole shareholder and sole director of WM Holding. Accordingly, Mr Munz is deemed to have a relevant interest in all shares in which WM Holding has a relevant interest.

The Company is therefore seeking shareholder approval for acquisition of a relevant interest by the dataglobal Vendors in greater than 20% of the voting shares of the Company.

The actual issue of the Consideration Shares and payment of the Consideration Cash to the dataglobal Vendors is subject to specific shareholder approval which is sought under Resolution 3 of the Notice.

### 13.2 Current and maximum voting power of the dataglobal Vendors

As at the date of this Notice, the dataglobal Vendors do not jointly or severally hold shares or convertible securities in the Company. The dataglobal Vendors have informed the Company that, other than Consideration Shares, they have no current plans as at the date of the Notice to acquire shares or convertible securities in future. This is consistent with the Statement of Intentions provided by the dataglobal Vendors to the Company (refer to section 9.12 and Annexure B).

Accordingly, the dataglobal Vendors have no current relevant interest or voting power (0%) in the voting shares of the Company. Following completion of the Transaction (and assuming no convertible securities are converted to fully paid ordinary shares) the relevant interest of the dataglobal Vendors will increase from zero to a maximum of 29% (rounding up to the next whole number).

Details of the relevant interest to be acquired by the dataglobal Vendors are set out in the table below:

**Table 5 – Completion of the Transaction**

	<b>PRE-CONSOLIDATION</b>	<b>POST-CONSOLIDATION</b>
Existing CVT Shares	782,935,601	39,146,780 (32.74%)
<b>Consideration Shares (Resolutions 2 and 3)</b>	<b>693,333,333</b>	<b>34,666,667 (29.00%)</b>
Capital Raising Shares (Resolution 6)	913,333,334	45,666,667 (38.20%)
Advisor Shares (Resolution 10)	1,333,333	66,667 (0.06%)
<b>TOTAL SHARES FOLLOWING TRANSACTION</b>	<b>2,390,935,601</b>	<b>119,546,781 (100%)</b>

The relevant interest of the dataglobal Vendors will be reduced upon the issue of any further fully paid ordinary shares and/or the conversion of any existing and/or future convertible securities to fully paid ordinary shares.

## 14. **Giving of a financial benefit to a related party**

### 14.1 Overview of Corporations Act provisions

Section 208 of the Corporations Act provides that a public company must not, subject to certain exceptions, give a financial benefit to a related party without the approval of the members of the company. Section 228 of the Corporations Act defines a “related party” for the purposes of Chapter 2E of the Corporations Act to include:

- (a) directors of the public company (section 228(2)(a)); and
- (b) an entity controlled by directors of the public company (section 228(4)).

Section 228(6) provides that an entity is a related party of a public company at a particular time if the entity believes or has reasonable grounds to believe that it is likely to become a related party of the public company of a kind referred to in subsection (1), (2), (3) or (4) at any time in the future.

Mr Wolfgang Munz, who is personally one of the dataglobal Vendors and is the sole shareholder and director of Wolfgang Munz Holding GmbH, the other dataglobal Vendor, is proposed to be appointed as a director of the Company on and subject to completion of the Transaction and is therefore a related party of the Company under section 228(6) and for the purposes of Chapter 2E of the Corporations Act.

A “financial benefit” is defined in section 229 of the Corporations Act and includes purchasing an asset from a related party and an issue or issues of securities to a related party. The payment of the Consideration Cash and issue of the Consideration Shares to the dataglobal Vendors each respectively constitute the giving of a financial benefit for the purposes of Chapter 2E of the Corporations Act.

#### 14.2 Requirement for shareholder approval

Section 210 of the Corporations Act provides an exception to the requirement to obtain shareholder approval for giving a financial benefit to a related party, where the financial benefit is on terms that would be reasonable in the circumstances if the public company and the related party were dealing at arm’s length.

The Board considers that the terms of the Transaction, including the consideration payable, are and were negotiated on arms-length terms. The Board has formed this view having regard to the Transaction having been extensively and robustly negotiated prior to Mr Wolfgang Munz being proposed to become a Director of the Company (and therefore prior to the dataglobal Vendors becoming related parties of the Company) and each party having received substantial professional advice.

Notwithstanding this position, the Board has determined to seek shareholder approval for the giving of the financial benefits to the dataglobal Vendors. The Board has determined to seek shareholder approval in the interest of providing shareholders with the opportunity to cast their votes in respect of all relevant aspects of the Transaction, with the benefit of the view of the Expert and the content of the Independent Expert’s Report.

#### 14.3 Other opportunities

The Company negotiated and explored multiple opportunities prior to determining to undertaken the Transaction. These opportunities were ultimately not pursued by the Company and it was determined by the Board to pursue the Transaction having regard to the matters set out in this Memorandum.

### **15. Acquisition of relevant interests by the Company**

#### 15.1 Basis of acquisition of relevant interests

The Consideration Shares will be subject to voluntary disposal restrictions (escrow) for 18 months from issue.

A consequence of imposition of disposal restrictions is that the Company, as the party who can enforce the restrictions, will be deemed to have a relevant interest in its own shares. Shareholder approval is therefore required for the Company to obtain a relevant interest in more than 20% of its issued shares.

The relevant interest of the Company in the Consideration Shares is in respect of disposal restrictions only and all other rights and benefits remain with the holder.

Further detail is provided below in this section 15.

#### 15.2 Voluntary escrow

##### *Agreement to voluntary escrow*

The Company and the dataglobal Vendors have agreed to the voluntary escrow of the Consideration Shares for a period of 18 months from issue. A holding lock preventing disposal of the Consideration Shares will be applied at the time of issue. A summary of the terms of the voluntary escrow deed entered into by the Company and the dataglobal Vendors is set out in section 15.4.

##### *Release of holding lock*

Except as set out in section 15.4, the voluntary escrow on Consideration Shares will end and the holding lock will be removed upon lapse of the relevant escrow period (subject to receipt of all required approvals for release of the holding lock).

#### *Terms of voluntary escrow*

The terms of the disposal restrictions imposed by voluntary escrow(s) are set out in section 15.4.

### 15.3 Corporations Act – deemed relevant interest

The Act provides that:

- (a) a person is taken to have a relevant interest in securities if the person, amongst other things, has power to dispose of, or control the exercise of power to dispose of, those securities;
- (b) a person's voting power is based on the number of voting shares that person (or their associates) has a relevant interest in, even if the person's relevant interest in voting shares is based on control over disposal of the shares (rather than control over voting rights attached to the shares; and
- (c) a body corporate may have a relevant interest in its own securities.

The voluntary escrow of Consideration Shares will impose disposal restrictions. The Company will therefore be deemed to have acquired a relevant interest in shares that will be, or are, subject to voluntary escrow.

The voluntary escrow of the Consideration Shares will result in the Company having a relevant interest in more than 20% of the then issued voting shares of the Company and therefore shareholder approval is required for the Company to obtain a relevant interest in its own securities.

The relevant interests arise in respect of direct or indirect disposal restrictions only, and while the holder is in compliance with the terms of the voluntary escrow all other benefits, including voting and dividend rights, remain with the holder.

No associate of the Company will acquire any relevant interest in issued voting shares of the Company as a result of the voluntary escrow. As a holder of a relevant interest in 20% or more of the then issued voting shares of the Company, the dataglobal Vendors will have a deemed relevant interest in all the voting shares in which the Company has a relevant interest, which comprise the Consideration Shares that are already held by, and for which shareholder approval is already sought for, the dataglobal Vendors.

Following expiration of the escrow on the Consideration Shares, only the dataglobal Vendors will retain a relevant interest in the Consideration Shares.

### 15.4 Terms of restriction on disposal

The disposal restrictions imposed on those shares subject to voluntary escrow are set out below:

- (a) Consideration Shares will be subject to the holding lock until the earlier of 18 months from the issue of the Consideration Shares or the occurrence of one of the circumstances set out in (b) below; and
- (b) the holding lock on the Consideration Shares will be released if one of the following occurs prior to the expiration of the applicable voluntary escrow period applicable:
  - (i) acceptance of a bona fide takeover bid made under Chapter 6 of the Act in respect of the shares subject to voluntary escrow; or
  - (ii) the transfer or cancellation of the shares subject to voluntary escrow as part of a scheme

relating to the Company under part 5.1 of the Act; or

- (iii) the transfer is required by applicable law, including a court order.

The disposal restrictions only affect disposal and all other rights and benefits remain with the holder.

#### 15.5 Calculation of relevant interests

The table below sets out the maximum possible relevant interest that may be acquired, and maintained, by the Company as a result of the voluntary escrow of the Consideration Shares.

The Company will have no relevant interest in its own shares as at the date of the Meeting. The relevant interest of the Company in its own voting shares (and as a consequence of the deemed relevant interests of the dataglobal Vendors as a holder of more than 20% of the then issued voting shares of the Company) will increase from 0% to 29% (rounded up to the nearest whole number) as a result of the voluntary escrow of the Consideration Shares upon completion of the Transaction.

The relevant interest held by the Company will reduce to zero upon expiration of the voluntary escrow period in respect of the Consideration Shares, subject to the escrow of any further shares.

As at the date of this Notice, the Company is not aware of any proposed future escrow arrangements other than those in respect of the Consideration Shares.

**Table 6 – Completion of the Transaction**

	PRE-CONSOLIDATION	POST-CONSOLIDATION
Consideration Shares to dataglobal Vendors (subject to voluntary escrow)	693,333,333	37,333,334 (29.00%)
Total shares in which the Company has a relevant interest at completion of the Transaction	693,333,333	37,333,334 (29.00%)
<b>TOTAL SHARES</b>	<b>2,350,935,605</b>	<b>117,546,780 (100%)</b>

As noted above, following expiration of the escrow on the Consideration Shares, only the dataglobal Vendors will retain a relevant interest in the Consideration Shares.

The relevant interest of the Company will be reduced upon the issue of any further fully paid ordinary shares and/or the conversion of any existing and/or future convertible securities to fully paid ordinary shares (unless such shares are subject to escrow).

#### 15.6 Purpose of voluntary escrow

The purposes of the voluntary escrow of the Consideration Shares is to align the interests of the dataglobal Vendors with all shareholders of the Company and to demonstrate a commitment on behalf of the dataglobal Vendors to the business and operations of the Company following completion of the Transaction.

#### 15.7 Mandatory ASX escrow

The Company does not expect that ASX will impose any mandatory escrow on the Consideration Shares. Accordingly, the only escrow expected to be in effect as at completion of the Transaction in relation to the Consideration Shares is the voluntary escrow described in this section 15.

This position is subject to the discretion of ASX to impose mandatory escrow on shares of the Company (including the Consideration Shares). The Company will not have a relevant interest in any shares upon



which ASX imposes mandatory escrow due to the operation of ASIC Class Order 13/520 and, accordingly, its relevant interest in its own shares will not increase as a result of any escrow imposed by ASX.

## **16. Resolutions**

### Resolution 1: Approval for change of activities

Resolution 1 seeks approval from the Company's shareholders for a change in the nature and scale of the activities of the Company which results from the acquisition of dataglobal.

Details of the dataglobal business are set out in Sections 9, 10 and 11 of this Memorandum.

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and/or scale of its activities it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list of ASX.

ASX has indicated it required the Company to:

- (a) obtain the approval of shareholders for the proposed change of activities pursuant to ASX Listing Rule 11.1.2; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules (in accordance with ASX Listing Rule 11.1.3).

Accordingly, the Company seeks shareholder approval for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2 and pursuant to ASX Listing Rule 11.1.3 in order for the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Details of the proposed acquisition by the Company of dataglobal and the proposed changes to the structure and operations of the Company are described throughout this Memorandum.

### Resolution 2: Approval for acquisition of a relevant interest - dataglobal Vendors

Resolution 2 seeks approval pursuant to item 7 of section 611 of the Corporations Act for the acquisition by the dataglobal Vendors of a relevant interest of 29% (rounded up to the nearest whole number) of the voting shares of the Company by way of the acquisition 693,333,333 fully paid ordinary shares (being the Consideration Shares) by WM Holding as part-consideration for the acquisition by the Company of dataglobal. Wolfgang Munz, as controller of WM Holding, has a relevant interest in all of the shares in which WM Holding has a relevant interest.

Further details of the Consideration Shares and the calculation of the relevant interest proposed to be acquired by the dataglobal Vendors are set out in sections 3 and 13.

### Resolution 3: Approval for giving of a financial benefit to related parties

Resolution 3 seeks shareholder approval for the giving of a financial benefit to the dataglobal Vendors, who are related parties of the Company in accordance with section 228(6) of the Corporations Act.

The financial benefit being given to the dataglobal Vendors is the consideration payable by the

Company at completion of the Transaction, comprising an aggregate of 693,333,333 Consideration Shares and €6.5 million (indicatively AUD\$10,400,000 at an indicative exchange rate of €1 to AUD\$1.6, which may materially vary at completion) in cash which forms the Cash Consideration.

As the dataglobal Vendors are only deemed to be related parties of the Company by operation of section 228(6) of the Corporations Act then, in accordance with ASX Listing Rule 10.12 Exception 6, shareholder approval for the giving of a financial benefit to a related party is not required under Chapter 10 of the ASX Listing Rules.

As noted in sections 3 and 14, the Board considers that the Transaction terms are and were negotiated on arms' length terms. Notwithstanding this position, the Directors have determined to seek shareholder approval for the purposes of Chapter 2E of the Corporations Act to provide shareholders with the opportunity to cast their vote on all aspects of the Transaction with the benefit of the view of the Expert and the content of the Independent Expert's Report.

Further details of the Transaction (including the Consideration Shares and Consideration Cash) and the rationale for the Company seeking shareholder approval for the purposes of Chapter 2E of the Corporations Act (including an overview of the Corporations Act regime) are set out in sections 3 and 14.

#### Resolution 4: Approval for acquisition of a relevant interest – the Company

Resolution 4 seeks approval pursuant to item 7 of section 611 of the Corporations Act for the acquisition by the Company of a relevant interest of 29% (rounded up to the nearest whole number) of the voting shares of the Company arising from voluntary escrow.

Further details of the shares proposed to be subject to voluntary escrow and the reason why the voluntary escrow gives rise to the acquisition of a relevant interest is set out in section 3 and 15.

#### Resolutions 5: Appointment of Director – Wolfgang Munz

The Constitution of the Company provides that the Company may elect a person as a Director by resolution passed in general meeting. A Director elected at a general meeting is taken to have been elected with effect immediately after that general meeting unless the resolution by which the Director was appointed or elected specifies a different time.

The Company proposes Mr Wolfgang Munz be elected as a Director of the Company, on and from the date of the successful completion by the Company of the acquisition of dataglobal.

Details of the qualifications and relevant professional and commercial experience of Wolfgang Munz are set out in section 12.

#### Resolution 6: Approval for Transaction Capital Raising

Resolution 6 seeks approval from the purposes of ASX Listing Rule 7.1 for the issue of 913,333,334 fully paid ordinary shares at an issue price of \$0.015 (1.5 cents) per Capital Raising Share to raise approximately \$13.7 million (before costs) pursuant to the Transaction Capital Raising.

No Capital Raising Shares will be issued to any related parties of the Company.

Further details of the Transaction Capital Raising are set out in section 5.2 of this Memorandum.

ASX Listing Rule 7.1 provides that a company must not, subject to specific exceptions, issue or agree to issue during any twelve month period any equity securities, or other securities with rights to conversion to equity, if the number of those securities exceeds 15% of the company's issued share capital at the commencement of the twelve month period. One circumstance where an action or an issue is not taken into account in calculating the 15% threshold is where the issue has the prior approval of shareholders at a general meeting.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.3:

- The maximum number of securities is 913,333,334 fully paid ordinary shares.
- The fully paid ordinary shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- The issue price will be \$0.15 (1.5 cents) per Capital Raising Share.
- The Capital Raising Shares are proposed to be issued to the applicants under the Transaction Capital Raising made pursuant to a prospectus. No Capital Raising Shares will be issued to any related parties of the Company.
- The Capital Raising Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing ordinary fully paid shares.
- The Company intends to use the funds raised from the Capital Raising Shares issued under the Transaction Capital Raising (after costs) to fund the development and commercialisation of the dataglobal business. A detailed use of funds budget will be set out in the prospectus to be issued by the Company.
- A voting exclusion statement as set out in the Notice applies to this Resolution 6.

#### Resolution 7: Consolidation of shares

Resolution 7 seeks approval from the Company's shareholders to consolidate the number of ordinary fully paid shares on issue on a 20 to 1 basis (**Consolidation**). Fractional entitlements to shares arising from the Consolidation are proposed to be rounded up.

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company having regard to the proposed acquisition by the Company of dataglobal and the Company seeking to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

The convertible securities on issue will be consolidated in the same ratio as the fully paid ordinary shares of the Company and the relevant exercise prices amended in inverse proportion to that ratio.

The tables in section 8 set out the Company's current and proposed issued shares and convertible securities, and the effect of the Consolidation on those shares and convertible securities (assuming no convertible securities are converted to fully paid ordinary shares and disregarding rounding).

Not all security holders will hold a number of ordinary fully paid shares which can be evenly divided. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole security.

Security holders are advised to seek their own tax advice on the effect of the Consolidation and the Company, the existing directors and the proposed director and their advisers do not accept any responsibility for the individual taxation implications arising from the Consolidation.

From the date of the Consolidation, all holding statements for previously quoted shares and options will cease to have any effect, except as evidence of entitlement to a certain number of shares or options to be calculated on a post-Consolidation basis. After the Consolidation becomes effective, the Company will arrange for new holding statements to be issued to holders of those shares and convertible securities. It is the responsibility of each security holder to check the number of shares or convertible securities held prior to disposal.

The Consolidation is proposed to take effect as soon as practicable after this Resolution 7 is passed. It is proposed that Share and convertible security holders will be sent updated statements of their holdings within 10 business days after the consolidation takes effect.

**As stated elsewhere in the Notice and this Memorandum (notably on pages 1 and 11), all figures are included on a pre-Consolidation basis unless otherwise stated.**

Resolution 8:– Approval for issue of warrants

Resolution 8 seeks approval from the purposes of ASX Listing Rule 7.1 for the issue of an aggregate of 147,844,594 Second Tranche Warrants to Note holders as consideration for those holders agreeing to vary the conversion conditions of the Notes they hold. Note holders are not related parties of the Company. The number, exercise price and expiry date of Second Tranche Warrants are set out in the table below:

<b>Warrants</b>		<b>Expiry Date</b>
Number: Exercise price: <b>(Second Tranche Warrants)</b>	25,000,000 1.5 cents (\$0.015)	120 days from issue
Number: Exercise price: <b>(Second Tranche Warrants)</b>	25,000,000 1.5 cents (\$0.015)	180 days from issue
Number: Exercise price: <b>(Second Tranche Warrants)</b>	72,644,594 1.5 cents (\$0.015)	18 months from issue
Number: Exercise price: <b>(Second Tranche Warrants)</b>	25,200,000 2.8 cents (\$0.028)	18 months from issue
<b>Total warrants</b>	<b>147,844,594</b>	

Further details of the proposed issue of Second Tranche Warrants, including terms of Second Tranche Warrants, are set out in detail in section 6.3 and Annexure D.

ASX Listing Rule 7.1 provides that a company must not, subject to specific exceptions, issue or agree to issue during any twelve month period any equity securities, or other securities with rights to conversion to equity, if the number of those securities exceeds 15% of the company's issued share capital at the commencement of the twelve month period. One circumstance where an action or an issue is not taken into account in calculating the 15% threshold is where the issue has the prior approval of shareholders at a general meeting.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.3:

- The maximum number of securities is 147,844,594 Second Tranche Warrants.
- Second Tranche Warrants will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- There will be no issue price for the Second Tranche Warrants.

- The Second Tranche Warrants are to be issued to Note holders as consideration for those holders agreeing to vary the conversion conditions of the Notes they hold.
- The Second Tranche Warrants are exercisable at price per share and expire on dates as set out in the above table and otherwise have terms as summarised in Annexure D.
- No funds will be raised from the issue of Second Tranche Warrants. Any funds raised upon exercise of Second Tranche Warrants will be applied to meeting the working capital requirements of the Company at the time of exercise.
- A voting exclusion statement as set out in the Notice applies to this Resolution 8.

#### Resolution 9: Change of company name

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 9 seeks the approval of shareholders for the Company to change its name to “dataglobal Limited”. The Board proposes this change of name on the basis that it more accurately reflects the proposed operations of the Company upon the successful completion of the Transaction.

If Resolution 9 is passed the change of name will take effect after the successful completion of the Transaction and when ASIC alters the details of the Company’s registration.

The proposed name has been reserved by the Company and, if Resolution 9 is passed, the Company will lodge a copy of the special resolution with ASIC on successful completion of the Transaction in order to effect the change.

Resolution 9 is a special resolution. For a special resolution to be passed, at least 75% of the votes validly cast on the Resolution by shareholders (by number of shares) must be in favour of the resolution.

Resolution 9 will be withdrawn if any of the Acquisition Resolutions are not passed.

#### Resolution 10 – Approval for issue of shares – Alphastation Group Pty Ltd

Resolution 10 seeks approval from the purposes of ASX Listing Rule 7.1 for the issue of 1,333,333 Advisor Shares to Alphastation and/or its nominee(s). Advisor Shares are proposed to be issued for services provided by Alphastation to the Company in connection with the compilation and drafting of the prospectus for the Transaction Capital Raising. Alphastation is not a related party of the Company. The issue of the Advisor Shares is subject to and conditional upon completion of the Transaction.

ASX Listing Rule 7.1 provides that a company must not, subject to specific exceptions, issue or agree to issue during any twelve month period any equity securities, or other securities with rights to conversion to equity, if the number of those securities exceeds 15% of the company’s issued share capital at the commencement of the twelve month period. One circumstance where an action or an issue is not taken into account in calculating the 15% threshold is where the issue has the prior approval of shareholders at a general meeting.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.3:

- The maximum number of securities is 1,333,333 Advisor Shares.
- Advisor Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- There will be no issue price for the Advisor Shares.

- The Advisor Shares are proposed to be issued to the Alphastation (and/or its nominee(s)), who is not a related party of the Company, for advisory services provided to the Company in connection with the compilation and drafting of the prospectus.
- Advisor Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing ordinary fully paid shares.
- No funds will be raised from the issue of the Advisor Shares. The shares are proposed to be issued for advisory services provided by Alphastation to the Company in connection with the compilation and drafting of the prospectus.
- A voting exclusion statement as set out in the Notice applies to this Resolution 10.
- Resolution 10 will be withdrawn if any of the Acquisition Resolutions are not passed.

#### Resolution 11A – Ratification of prior issue of convertible notes

Resolution 11A seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 77,777,781 Notes on 25 February 2019 under the Interim Capital Raising. Further details of the prior issue of Notes are set out in detail in section 6.3 of this Memorandum.

Notes are proposed to be extinguished in connection with the Transaction. Refer to section 6.3 for further details.

The Notes the subject of Resolution 11A were issued without shareholder approval under ASX Listing Rule 7.1 however the capacity of the Notes to convert to ordinary shares was, and remains, subject to shareholder approval. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as the Notes), if the number of those securities exceeds 15% of the share capital of the Company at the commencement of that twelve (12) month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1. The Company seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1. The ratification is intended to facilitate conversion of the Notes, although the intention of the Company is that the Notes will be extinguished in the circumstances set out in section 6.3.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The number of securities issued was 77,777,781 Notes, which are to be extinguished in connection with the Transaction.
- The Notes had a face value of \$0.018 (1.8 cents) each and, assuming the Capital Raising is conducted as proposed, will be convertible at \$0.015 (1.5 cents) per share (aggregate 93,333,337 fully paid ordinary shares). Details regarding the conversion price and conditions of Note are set out in section 6.3 of this Memorandum. As noted above, the Notes are intended to be extinguished in connection with the Transaction. Refer to section 6.3 for further details.
- The Notes were issued to unrelated professional, sophisticated and other investors who are exempt from the disclosure requirements of Chapter 6D of the Corporations Act. The recipients of Notes were existing, long-standing shareholders of the Company.
- Funds raised from the issue of Notes have been, or will be, used to bridge fund the Company to the Transaction Capital Raising, including meeting the costs of seeking to implement the Transaction.

- A voting exclusion statement as set out in the Notice applies to this Resolution 11A.

#### Resolution 11B – Ratification of prior issue of warrants

Resolution 11B seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 58,620,689 First Tranche Warrants on 25 February 2019. First Tranche Warrants were issued as free-attaching to Notes issued under the Interim Capital Raising. Further details of the prior issue of First Tranche Warrants, including a summary of the terms of First Tranche Warrants, are set out in detail in section 6.3 and Annexure D.

The First Tranche Warrants the subject of Resolution 11B were issued without shareholder approval under ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as the First Tranche Warrants), if the number of those securities exceeds 15% of the share capital of the Company at the commencement of that twelve (12) month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1. The Company seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The number of securities issued was 58,620,689 First Tranche Warrants.
- First Tranche Warrants were issued as free-attaching to Notes and therefore did not have an issue price.
- First Tranche Warrants are exercisable at \$0.028 (2.8 cents) per share and expiring 22 August 2020, being 18 months from the end of the issue date and otherwise have terms as summarised in section 6.3 and Annexure D.
- The First Tranche Warrants were issued as free-attaching to unrelated professional, sophisticated and other investors who are exempt from the disclosure requirements of Chapter 6D of the Corporations Act who subscribed for and were issued Notes. The recipients of First Tranche Warrants were existing, long-standing shareholders of the Company.
- First Tranche Warrants were free-attaching and therefore no funds were raised at the time of issue. Any funds raised upon exercise of First Tranche Warrants will be applied to meeting the working capital requirements of the Company at the time of exercise.
- A voting exclusion statement as set out in the Notice applies to this Resolution 11B.

#### Resolution 11C: Approval for amendment of warrant terms

Resolution 11C seeks shareholder approval, for the purposes of ASX Listing Rule 6.23.4 and for all other purposes, to amend the terms of First Tranche Warrants by removing provisions that provide for the cashless exercise of First Tranche Warrants.

The amendment is proposed as consideration for the Company agreeing to issue the Second Tranche Warrants and forms part of the variation agreement entered into between the Company and holders of Notes with respect to variation of conversion conditions of Notes. Accordingly, the Company has already received conditional approval from holders of First Tranche Warrants to the amendment.

The amendment is subject to and conditional upon shareholder approval (which is sought under Resolution 11C) and completion of the Transaction.

If shareholders approve the amendment, First Tranche Warrants will only be able to be converted to fully paid ordinary shares upon valid exercise including payment of the exercise price in full.

A summary of the terms of First Tranche Warrants that incorporate the amendment proposed under Resolution 11C is set out in Annexure D.

ASX Listing Rule 6.23.4 provides that a company must obtain shareholder approval to make a change to the terms of options which is not prohibited under ASX Listing Rule 6.23.3.

The Company acknowledges that the First Tranche Warrants are sufficiently similar to options that ASX Listing Rules 6.23.3 and 6.23.4 apply. The amendment is not prohibited under ASX Listing Rule 6.23.3.

The effect of Resolution 11C will be to amend the terms of the First Tranche Warrants by removing provisions that provide for cashless exercise of First Tranche Warrants. Accordingly, if Resolution 11C is approved then First Tranche Warrants will only be able to be converted to fully paid ordinary shares upon valid exercise including payment of the exercise price in full.

A voting exclusion statement as set out in the Notice applies to this Resolution 11C.

#### Resolution 11D – Ratification of prior issue of convertible notes

Resolution 11D seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 27,777,778 Notes on 28 June 2019 under the Interim Capital Raising. Further details of the prior issue of Notes are set out in detail in section 6.3 of this Memorandum.

The Notes the subject of Resolution 11D were issued without shareholder approval under ASX Listing Rule 7.1 however the capacity of the Notes to convert to ordinary shares was, and remains, subject to shareholder approval. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period any equity securities, or other securities with rights to conversion to equity (such as the Notes), if the number of those securities exceeds 15% of the share capital of the Company at the commencement of that twelve (12) month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the prior issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1. The Company seeks approval under Listing Rule 7.4 to refresh its capacity to make further issues without shareholder approval under Listing Rule 7.1. The ratification is intended to facilitate conversion of the Notes, although the intention of the Company is that the Notes will be extinguished in the circumstances set out in section 6.3.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The number of securities issued was 27,777,778 Notes, which are to be extinguished in connection with the Transaction.
- The Notes had a face value of \$0.018 (1.8 cents) each and, assuming the Capital Raising is conducted as proposed, will be convertible at \$0.015 (1.5 cents) per share (aggregate 33,333,334 fully paid ordinary shares). Details regarding the conversion price and conditions of Note are set out in section 6.3 of this Memorandum. As noted above, the Notes are to be extinguished in connection with the Transaction. Refer to section 6.3 for further details.
- The Notes were issued to unrelated professional, sophisticated and other investors who are exempt from the disclosure requirements of Chapter 6D of the Corporations Act. The recipients of Notes were existing, long-standing shareholders of the Company.



- Funds raised from the issue of Notes have been, or will be, used to bridge fund the Company to the Transaction Capital Raising, including meeting the costs of seeking to implement the Transaction.
- A voting exclusion statement as set out in the Notice applies to this Resolution 11D.

#### Resolution 12: Increase of non-executive Director remuneration pool

In accordance with clause 13.7 and 13.8 of the Constitution of the Company and ASX Listing Rule 10.17, shareholder approval is sought to increase the maximum aggregate amount that may be paid by the Company to its non-executive Directors (**Fee Pool**) by \$80,000, from \$400,000 per annum to \$480,000 per annum.

Under the ASX Listing Rules, the term “directors’ fees” includes committee fees, superannuation contributions and fees for which a director sacrifices for other benefits, but does not include reimbursement of genuine out-of-pocket expenses, genuine “special exertion” fees or securities issued to non-executive directors with the approval of shareholders in accordance with the ASX Listing Rules.

The Directors are seeking shareholder approval to increase the Fee Pool for the following reasons:

- As a result of the growth of the Company, the Directors continue to review the size and composition of the Board. The increase in the Fee Pool will provide the Board with the ability to attract and appoint additional directors with the requisite skill and experience as appropriate; and
- The increase will ensure the Company maintains the ability to pay non-executive directors’ remuneration commensurate with market rates and as necessary to attract and retain non-executive directors of the highest calibre.

The level of non-executive directors’ remuneration of the Company is reviewed annually to ensure alignment with market rates. The directors are satisfied the proposed Fee Pool will be within the average bands applying to companies within the Company’s industry of a similar size and profitability and have similar growth and risk profiles (including following completion of the Transaction) and that the proposed increase to the Fee Pool is appropriate for the reasons set out above. This does not imply that the full amount of the Fee Pool will be used.

The following information is provided in accordance with ASX Listing Rule 10.17:

- The amount of the proposed increase is \$80,000.
- The maximum aggregate amount of directors fees that may be paid collectively to the non-executive Directors of the Company is currently \$400,000 and, if this Resolution 11 is approved, will increase to \$480,000.
- The Company has issued the following securities to non-executive Directors under ASX Listing Rule 10.11 or 10.14 over the last three (3) years:
  - On 4 May 2017, the Company issued 1,000,000 unlisted options to each of William (Bill) Albert McCluggage, David Irvine and Lindsay James Tanner (aggregate 3,000,000 unlisted options) who were each non-executive directors of the Company at the time of issue. Unlisted options had an exercise price of \$0.20 (20 cents) and expire 4 May 2022; and
  - On 8 December 2016, the Company issued 250,000 unlisted options to Michael James Quinert, a non-executive director of the Company at the time of issue. Unlisted options have an exercise price of \$0.195 (19.5 cents) and expire 20 July 2021.

In addition to the above, as described elsewhere in this Memorandum, 500,000 Performance Rights are proposed to be issued to William (Bill) Albert McCluggage who is a non-executive director of the Company. Issue of these Performance Rights is the subject of Resolution 14C.

- A voting exclusion statement as set out in the Notice applies to this Resolution 12.

Additional information regarding the remuneration paid to each non-executive director for the financial year ended 30 June 2018, and the approach of the Company to the remuneration of non-executive directors, is set out in the Company's 2018 Annual Report which can be viewed online at the Company's website, [www.covata.com](http://www.covata.com).

#### Resolution 13A to 13C: Adoption of Employee Incentive Scheme

Resolution 13A to 13C seek shareholder approval for the adoption of three separation employee incentive schemes (**Plans**), being the Covata Loan Share Plan (**LSP**), Covata Share Option Plan (**SOP**) and the Covata Performance Rights Plan (**PRP**). A summary of each of the Plans forms Annexures E to G inclusive and a copy of the Plans (or any one of them) can be provided upon request to the Company.

Each of the LSP and PRP are new schemes which have not been previously adopted by shareholders. The SOP has identical terms to the scheme adopted by shareholders on 16 October 2018, however for consistency the Company is seeking shareholders adopt the SOP at the same time as other Plans.

No directors or their associates will participate in any of the Plans or receive any securities under and of the Plans unless and until further shareholder approval of specific issues to them is obtained.

Issues of Performance Rights to Directors under the PRP are sought under Resolutions 14A to 14D. Resolution 14B (being the issue of Performance Rights to Wolfgang Munz) is subject to and conditional upon the Acquisition Resolutions being passed and completion of the Transaction.

#### *Regulation Requirements – ASX Listing Rules Chapter 7*

ASX Listing Rule 7.1 requires that shareholder approval is required for an issue of securities if the securities will, when aggregated with the securities issued by the entity during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12-month period.

ASX Listing Rule 7.2 Exception 9 provide an exception to ASX Listing Rule 7.1 for securities issued under an employee incentive scheme within 3 years of shareholder approval of the scheme. The Company therefore seeks approval of the Plan under ASX Listing Rule 7.2 Exception 9 so that issues of securities under the Plan does not impede the capacity of the Company to issue up to a further 15% of its capital without shareholder approval.

Details of any actual or proposed issues under the Plans are set out below:

- No issues of securities have been, or are proposed to be, made under the LSP.
- No issues of securities have been, or are proposed to be, made under the SOP since its last adoption at the Annual General Meeting of the Company on 16 October 2018.
- No issues of securities have been made under the PRP. An aggregate of 6,000,000 Performance Rights are proposed to be issued to Directors, which are the subject of Resolutions 14A – 14D, with a further 2,500,000 Performance Rights proposed to be issued to unrelated employees of the Company without shareholder approval.

The Company may in future issue additional securities pursuant to any of the Plans, however the issues for which approval is sought in this Notice are the only immediate issues proposed under the Plans.

Any issue or agreement to issue securities under any of the Plans will be announced to ASX.

*Regulatory Requirements – ASX Listing Rules Chapter 10*

ASX Listing Rule 10.14 provides an entity must not permit a director or an associate of a director to acquire securities under an employee incentive scheme, such as the Plan, without the approval of ordinary shareholders.

As noted above, Resolutions 14A to 14D of the Notice seek shareholder approval for the issue of securities under the Plan to existing directors of the Company. The total number of securities to be issued if these Resolutions are approved by shareholders is 6,000,000 Performance Rights. As noted above, the Company may in future issue further securities pursuant to the Plans, however the issues for which approval is sought in this Notice are the only immediately issues proposed under the Plans.

No further issues of securities under the Plans will be made to directors or their associates unless and until further shareholder approval for that specific issue is obtained. Any additional director (or a nominee or associate) who becomes entitled to participate in the Plan will not participate in the Plan until further shareholder approval is obtained under Listing Rule 10.14.

*Corporations Act - LSP*

Approval is also sought under Resolution 13A for the purposes of sections 259B and 260C of the Corporations Act 2001 (Cth) in connection with shares that may be issued under the LSP (**Loan Plan Shares**).

Under section 260C(4) of the Corporations Act, a company may financially assist a person to acquire its shares if the financial assistance is given under an employee share scheme that is approved by shareholders at a general meeting. The LSP provides that the Company may financial assist a person to acquire Loan Plan Shares by providing financial assistance in the form of a loan. This may be considered to be the Company providing financial the acquisition of its own shares or other securities. Accordingly Resolution 12A seeks approval of the Plan for the purposes of section 260C(4) of the Corporations Act.

The LSP provides for the Company to take security over Loan Plan Shares issued under the LSP, and to place restrictions on transfer and voting, as a means of security loan repayment obligations. This may also constitute taking security over its own shares. Section 259B(1) of the Corporations Act provides that a company must not take security over shares in itself except as permitted by the Corporations Act. Section 259B(2) provides that the Company may take security over shares in itself under an employee share scheme that has been approved by shareholders at a general meeting. Resolution 13A seeks approval of the LSP for the purposes of section 259B(2) of the Corporations Act.

*General*

A copy of each of the Plans is available for review by shareholders at the registered office of the Company until the date of the Meeting. A copy of each of the Plans can also be sent to shareholders upon request to the Company Secretary (02) 8412 8200.

A voting exclusion statement as set out in the Notice applies to Resolution 13A to 13C.

Resolution 14A to 14D – Approval to issue Performance Rights to Directors and proposed Director

**Note: all figures for Resolutions 13A to 13D inclusive are on a post-consolidation basis.**

Resolutions 14A, 14B, 14C and 14D seek shareholder approval for the issue under the Plan of an aggregate of 6,000,000 Performance Rights to existing and proposed Director(s) of the Company as set out in the table below:

RECIPIENT	NUMBER	MILESTONES	EXPIRY DATE
Edward (Ted) Pretty	2,500,000	(a) 50% convert upon and subject to shares of the Company trading on	5 years from issue

		<p>the ASX at not less than \$0.50 (50 cents) per share; and</p> <p>(b) Remaining 50% convert upon and subject to shares of the Company trading on the ASX at not less than \$0.90 (90 cents) per share.</p>	
Wolfgang Munz	2,500,000	<p>(a) 50% convert upon and subject to shares of the Company trading on the ASX at not less than \$0.50 (50 cents) per share; and</p> <p>(b) Remaining 50% convert upon and subject to shares of the Company trading on the ASX at not less than \$0.90 (90 cents) per share.</p>	5 years from issue
William (Bill) McCluggage	500,000	<p>(a) 50% convert upon and subject to shares of the Company trading on the ASX at not less than \$0.50 (50 cents) per share; and</p> <p>(b) Remaining 50% convert upon and subject to shares of the Company trading on the ASX at not less than \$0.90 (90 cents) per share.</p>	5 years from issue
Steven Bliim	500,000	<p>(a) 50% convert upon and subject to shares of the Company trading on the ASX at not less than \$0.50 (50 cents) per share; and</p> <p>(b) Remaining 50% convert upon and subject to shares of the Company trading on the ASX at not less than \$0.90 (90 cents) per share.</p>	5 years from issue

Performance Rights automatically convert to fully paid ordinary shares upon achievement of the Milestone(s) without the requirement for payment of any additional consideration. Applicable Milestones must be satisfied prior to the Expiry Date. Any Performance Rights for which the applicable Milestone(s) are not satisfied prior to the Expiry Date will automatically lapse.

Grant of the Performance Rights are subject to continued service with the Company. The continued service condition automatically lapses upon the recipient having been a director or employee of the Company for a period of 18 months from the grant of the Performance Rights. The Board may waive the service condition in its absolute discretion as provided for under the PRP.

If a recipient dies or becomes otherwise incapacitated then the Performance Rights granted to them shall remain in full force and shall inure for the benefit of their estate.

No loan has or will be made for the proposed issue or conversion of Performance Rights.

Resolution 14B (being the issue of Performance Rights to Wolfgang Munz) is subject to and conditional upon the Acquisition Resolutions being passed and completion of the Transaction.

A summary of the terms of Performance Rights is set out in Annexure H to this Memorandum.

A summary of the Plan is annexed to the Notice as Annexure G and a copy can be provided upon request to the Company.

#### **ASX Listing Rules**

ASX Listing Rule 10.14 provides that an entity must not permit a director or an associate of a director to acquire securities under an employee incentive scheme without the approval of ordinary shareholders. Each of the proposed recipients under Resolutions 14A to 14D inclusive are Directors, or a proposed Director, of the Company and therefore approval is sought for the proposed issue of Performance Rights to them (or their nominee(s)) under ASX Listing Rule 10.14.

Shareholder approval is being sought under Listing Rule 10.14 for the issue of Performance Rights and as such approval is not required under ASX Listing Rule 7.1.

ASX Listing Rule 10.15 requires that a notice of meeting seeking approval under clause ASX Listing Rule 10.14 contain the information set out below.

- Edward (Ted) Pretty, William (Bill) McCluggage and Steven Bliim are each Directors of the Company. Wolfgang Munz is proposed to be appointed as a Director upon and subject to completion of the Transaction. Shareholder approval for the appointment of Wolfgang Munz is sought under Resolution 5 of the Notice.
- The maximum number of securities that may be acquired by persons for whom approval under ASX Listing Rule 10.14 is required under Resolutions 14A to 14D is an aggregate of 6,000,000 Performance Rights, comprising 2,500,000 Performance Rights to each of Ted Pretty and Wolfgang Munz and 500,000 Performance Rights to each of Bill McCluggage and Steven Bliim. Any future proposed issues to Directors (or their associates) under the PRP would require a further shareholder approval at that time.
- Unless the committee established under the PRP determines otherwise, no payment of money is required for the issue of a performance right or the vesting or conversion of a performance right issued under the PRP. Each security issued under the PRP will be issued for no consideration upon achievement of the Milestone to that security which are set out above.
- No prior issues of securities have been made under the PRP. In addition to the issues for which approval is sought under Resolutions 14A to 14D inclusive, the Company proposes issuing 500,000 Performance Rights under the PRP to the CCO of the Company. The Company may also issue additional Performance Rights the PRP may be issued to unrelated employees and/or key management personnel of the Company, however there is no present intention for any such issue(s) to be made by the Company.
- No other persons referred to in ASX Listing Rule 10.14 are entitled to participate the PRP without further shareholder approvals.
- Each of the Directors of the Company and their associates are entitled to participate in the PRP, subject to receipt of required shareholder approvals under the Listing Rules.
- Voting exclusions for Resolutions 14A, 14B, 14C and 14D are contained in the Notice.
- No loan has or will be made in respect of the issue or conversion of the Performance Rights.
- The Performance Rights will be issued and allotted no later than twelve (12) months after the date of the Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules, the Corporations Act 2001 and/or the Australian Securities and Investments Commission).
- If Resolution 13C is not passed then all of Resolutions 14A to 14D inclusive will be withdrawn. Resolution 14B will also be withdrawn if any of the Acquisition Resolutions are not passed.

#### **Corporations Act**

Under Chapter 2E of the Corporations Act, a public company cannot give a “financial benefit” to a “related party” unless one of the exceptions to the section apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

Each of the proposed recipients of Performance Rights under Resolutions 14A to 14D inclusive are related parties of the Company as defined under the Corporations Act.

Section 211 of the Corporations Act provides that one of the exceptions to the requirement to obtain shareholder approval for giving a financial benefit to a related party is where the benefit is given to the related party as an officer of the Company and to give the remuneration would be reasonable given:

- (a) the circumstances of the Company; and
- (b) the related party's circumstances (including the responsibilities involved in the office or employment).

The Company considers the proposed issue is reasonable remuneration and, as such, fall within the exception set out in section 211 of the Corporations Act.

In reaching this view, the Company has considered the respective positions and responsibilities of each of the Directors, the Company's reliance on a limited number of personnel, the need for the Company to effectively incentivise each of the Directors (and proposed Director) while aligning the incentive with increasing shareholder value, the desirability of preserving cash resources within the Company, and the terms of the Performance Rights. The Company considers that the issue of Performance Rights is an effective tool which preserves the cash reserves of the Company and its group entities whilst providing valuable consideration for the Directors (and the proposed Director). Each Director or proposed Director was not present during any discussions and/or determination of the proposed issue of their respective Performance Rights.

If the Performance Rights are approved and issued, each of Ted Pretty and Wolfgang Munz (including direct and indirect interests) will have a relevant interest in 2,500,000 Performance Rights and each of Bill McCluggage and Steven Bliim would have a relevant interest (including direct and indirect interests) in 500,000 performance rights in the Company.

#### **17. Director recommendations – Acquisition Resolutions**

**Each of the Company's Directors has approved the issue of the Notice and this Memorandum.**

**As the Company is acquiring a relevant interest arising from voluntary escrow if Resolution 4, the Directors abstain from making any recommendation to shareholders in respect of Resolution 4.**

**Other than Resolution 4, the Directors do not have any personal interest in the outcome of any of the other Acquisition Resolutions except in their capacity as existing shareholders.**

**Each of the Directors recommend that shareholders vote in favour of Resolutions 1, 2, 3, 5, 6, 7 and 8 (being all the Acquisition Resolutions other than Resolution 4) as they are of the view that the acquisition of dataglobal is in the best interests of the Company.**

**The Directors' recommendations are based on the strategy of expanding the focus of the Company into data discovery, classification, protection, control (encryption) and archiving. The Directors believe that the Transaction is in the best interest of, and has the potential to transform, the Company.**

**All Directors recommend that shareholders read the Notice and this Memorandum (including its Annexures which include the Independent Expert's Report) prior to determining how to vote on the Acquisition Resolutions set out in the Notice.**

#### **18. Director recommendations – other Resolutions**

**The Directors unanimously recommend shareholders vote in favour of Resolutions 9 to 11D inclusive.**

**As Resolutions 12 to 13C are connected directly or indirectly with the remuneration of all the Directors, all of the Directors abstain from making any recommendation in respect of Resolutions 12 to 13C.**

**Resolutions 14A to 14D are connected with the remuneration of each of the existing and proposed Director(s) of the Company. Accordingly, each Director and proposed Director abstains from making any recommendations with respect to the Resolution relating to the issue of securities to them. All other non-interested Directors recommend shareholders vote in favour of those Resolutions of Resolution 14A to 14D inclusive that do not relate to an issue of securities to them.**

**All Directors recommend that shareholders read the Notice and this Memorandum (including its Annexures which include the Independent Expert's Report) prior to determining how to vote on the Resolutions set out in the Notice.**

**NOTE:**

Unless otherwise specified, all monetary amounts are expressed in Australian dollars.

**ANNEXURE A**

**IER**



# **Covata Limited**

## **Independent Expert's Report**

2 July 2019

2 July 2019

The Directors  
Covata Limited  
Level 4, 81 York Street  
Sydney, NSW 2000

Dear Directors,

## INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE PART ONE – INDEPENDENT EXPERT'S REPORT

### Introduction

Covata Limited (“**Covata**” or the “**Company**”) is an Australian data security company that offers end to end encryption of enterprise data to its clients. The Company is listed on the Australian Securities Exchange (“**ASX**”) and had a market capitalisation of \$11.6m before its securities listed on the ASX were placed into a trading halt on 30 Jan 2019.

dataglobal GmbH is a German company that provides enterprise level data classification and archiving solutions.

Covata proposes to acquire dataglobal GmbH excluding its managed services assets (“**dataglobal**” or the “**Target**”) for a total consideration of €13m settled approximately 50% in cash and approximately 50% through the issue of ordinary Covata shares to the current owners of the Target being Mr Wolfgang Munz and Wolfgang Munz Holdings GmbH (the “**Vendors**”) (“**Proposed Transaction**”).

### Background

On 30 Jan 2019, Covata announced it had entered into a sale and transfer of shares agreement (“**Share Sale Agreement**”) with the Vendors for the Proposed Transaction. The Share Sale Agreement was subsequently amended on 24 June 2019 (“**Amended Share Sale Agreement**”). The key terms of the Amended Share Sale Agreement, including the key conditions precedent, are summarised below:

- Covata will pay the Vendors cash consideration of €6.5 million (\$10.6 million at an EUR:AUD exchange rate of 1.6231) in addition to the issue of 693,333,333 fully paid ordinary shares of Covata to the Vendor (“**Consideration**”). The shares will be escrowed for up to 18 months from the date of issue.
- the Proposed Transaction is conditional on Covata divesting its SafeShare business for net proceeds of at least \$4 million. We note that Covata has entered into a binding agreement with a third party, Cybr5 Pty Limited, to divest SafeShare from the core business for \$5 million. The divestment was approved by the Covata shareholders on 10 May 2019 and is due to be completed before the Proposed Transaction. The SafeShare business accounts for most of Covata's historical revenue.
- To facilitate both the payment of the cash consideration and the further expansion of the combined entity, post completion of the Proposed Transaction, Covata will issue a maximum of 913,333,333 ordinary shares at an issue price of 1.5 cents per share (“**Transaction Capital Raising**”).
- The Company will consolidate the number of shares outstanding by a ratio of 20:1 (“**Share Consolidation**”).
- For the transaction to proceed, the Company requires shareholder approval for all of the above items and also obtain other relevant regulatory and shareholder approvals.

Further information on the Proposed Transaction is set out in the notice of meeting (“**Notice of Meeting**”) issued by Covata to which this report is attached.

PKF Corporate Finance (NSW) Pty Limited  
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AFSL 295 872

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## Requirement for an IER

The directors of Covata (“**Directors**”) have requested that PKF Corporate Finance (NSW) Pty Ltd (“**PKFCF**”) prepare an Independent Expert Report (“**IER**” or the “**Report**”) pursuant to item 7 of section 611 and Chapter 2E of the *Corporations Act 2001 (Cth)* (“**Corporations Act**”) for the benefit of shareholders not associated with the Vendors (“**Non-Associated Shareholders**”).

### **Section 611 of the Corporations Act**

The Proposed Transaction will result in the Vendors acquiring at least 20% of ordinary share capital in Covata.

Section 606 under Chapter 6 of the Corporations Act prohibits a person or entity acquiring a relevant interest in the voting securities of a listed entity if the acquisition would increase their voting power in the entity:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

However, Section 611(7) of the Corporations Act provides for a transaction prohibited by Section 606 to be approved by shareholders not having an interest in the transaction (i.e. non-associated shareholders). Further, the Corporations Act requires that shareholders of a company voting on a resolution pursuant to Section 611(7) be provided with all material information to assess the proposed transaction. Whilst not compulsory, the Company may commission an IER to discharge the requirement to disclose all material information on how to vote on the transaction.

### **Chapter 2E of the Corporations Act**

Section 208 under Chapter 2E of the Corporations Act provides that a public company must not, subject to certain exceptions, give a financial benefit to a related party without the approval of the members of the company. Section 228 of the Corporations Act defines a “related party” for the purposes of Chapter 2E of the Corporations Act to include:

- directors of the public company (Section 228(2)(a)); and
- an entity controlled by directors of the public company (Section 228(4)).

Section 228(6) provides that an entity is a related party of a public company at a particular time if the entity believes or has reasonable grounds to believe that it is likely to become a related party of the public company of a kind referred to in subsection (1), (2), (3) or (4) at any time in the future.

Due to Mr Wolfgang Munz, a Vendor, being proposed to be appointed as a Director, the Company has a reasonable basis for believing the Vendors will become related parties of the Company in future.

A “financial benefit” is defined in Section 229 of the Corporations Act and includes purchasing an asset from a related party and an issue or issues of securities to a related party. Accordingly, the payment of the Consideration to the Vendors constitutes the giving of a financial benefit for the purposes of Chapter 2E of the Corporations Act.

Section 210 of the Corporations Act provides an exception to the requirement to obtain shareholder approval for giving a financial benefit to a related party, where the financial benefit is on terms that would be reasonable in the circumstances if the public company and the related party were dealing at arm’s length.

The board of directors of Covata (“**Board**”) considers that the Proposed Transaction, including the consideration payable, is on arms-length terms. The Board has formed this view with regards to the Proposed Transaction having been extensively and robustly negotiated prior to Mr Wolfgang Munz being proposed to become a Director of the Company (and therefore prior to the Vendors becoming related parties of the Company) and each party having received substantial professional advice.

Notwithstanding this position, the Board has determined to seek shareholder approval for the giving of the financial benefits to the Vendors.

Whilst not compulsory, the Company may commission an IER to ensure that members are provided with sufficient information to assess a proposed related party transaction and decide how to vote.

## ASIC Regulatory Guides

In preparing this IER we have referred to guidance provided by the Australian Securities and Investments Commission (“ASIC”). In particular, we refer to the Regulatory Guide 111 ‘Content of Expert Reports’ (“RG 111”) which outlines the principles and matters it expects a person preparing an IER to consider when providing an opinion on whether a transaction is fair and reasonable.

## Summary of Conclusions

In our opinion the Proposed Transaction is **fair and reasonable** having regard to the interests of the Non-Associated Shareholders.

### Fairness

In our opinion the Proposed Transaction is **fair**. We have formed this opinion based on our assessment of the value of shares of Covata:

- after the Proposed Transaction of \$0.20 to \$0.30 per share (post Share Consolidation on a minority interest basis); and
- before the Proposed Transaction of \$0.19 to \$0.33 per share (post Share Consolidation on a controlling interest basis).

As our assessed value of Covata shares after the Proposed Transaction is within the range of our assessed value of Covata shares before the Proposed Transaction on a per share basis, we have concluded that the Proposed Transaction is **fair**.

Basis of our assessment is discussed in **Section 3** and our valuation approaches and calculations are discussed in **Section 7** of the Report.

### Reasonableness

In our opinion the Proposed Transaction is **reasonable**. RG 111 establishes that an offer is reasonable if it is fair. However, we also note the advantages and disadvantages of the Proposed Transaction to the Non-Associated Shareholders in the table below:

**Table 1: Advantages & Disadvantages of the Proposed Transaction**

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• <b>Acquisition of a profitable business</b> dataglobal has a track record of operating profitably while Covata has been loss making since its listing on the ASX. Further, Covata has also entered into an agreement to sell its primary business, SafeShare. This divestment is due to be completed prior to the Proposed Transaction.</li> <li>• <b>Increased liquidity for Covata Shares</b> As part of Transaction Capital Raising to fund the Proposed Transaction, new investors will be introduced to the Company, thus potentially enhancing the liquidity of Covata’s shares and also providing capital to fund future growth.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Greater shareholder concentration</b> The Proposed Transaction will lead to the Vendors having a significant level of control over the Company with a shareholding of 29.0% on completion.</li> <li>• <b>Dilution of existing shareholders</b> The Proposed Transaction will lead to a dilution of ownership of existing shareholder in Covata to ~33% on completion, as a result of the additional shares being issued to the Vendors and pursuant to the Transaction Capital Raising.</li> <li>• <b>Change in nature and scale of business</b> Covata will change its focus from a data security software provider to an enterprise data management software provider. Covata also plans to move most of its operations to Europe from Australia. This may not be consistent with the investment strategy of the existing shareholders.</li> </ul>

**Source:** PKFCF analysis

A more detailed analysis of the above advantages and disadvantages is set out in **Section 7.7** of this report.

## Other Matters

In forming our opinion, we have considered the interests of the Non-Associated Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual non-associated shareholders. It is not practical or possible to assess the implications of the Proposed Transaction for individual non-associated shareholders as their financial circumstances are not known. The decision of the non-associated shareholders as to whether or not to approve the Proposed Transaction is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual non-associated shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the Proposed Transaction may be influenced by his or her particular circumstances, we recommend that individual non-associated shareholders, including residents of foreign jurisdictions, seek their own independent professional financial advice.

This IER has been prepared at the request, of and for the benefit, of the independent directors of Covata to:

- assist the independent directors in fulfilling their obligation to provide Covata's shareholders with full and proper disclosure to enable them to assess the merits of the Proposed Transaction; and
- decide whether to recommend to Covata's shareholders to accept or reject the Proposed Transaction.

This IER is also for the benefit of Non-Associated Shareholders and will accompany the Notice of Meeting to be provided to Covata's shareholders.

We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Notice of Meeting to be sent to Covata shareholders in relation to the Proposed Transaction, without the prior written consent of PKFCF as to the form and context in which it appears. PKFCF consents to the inclusion of this report in the form and context in which it appears in the Notice of Meeting.

Our opinion is based solely on information available as at the date of this Report as set out in **Appendix 2** of this Report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this Report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in **Section 2** of this report.

Throughout this report, Australian dollars and the Euro have been referred to as \$ and € respectively. References to Covata's financial reporting year have been abbreviated to FY, and references to calendar years have been abbreviated to CY.

The Report was prepared in accordance with APES 225 *Valuation Services* issued by the Accounting Professional and Ethical Standards Board Limited.

This section sets out a summary of our Report and its conclusions. You should read our complete Report, which sets out in full the purpose, scope, sources of information, basis of evaluation, limitations, analysis and our findings.

Yours Faithfully



**Andrew Jones**  
Director



**Vikas Nahar**  
Principal

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## 1. Overview of the Proposed Transaction

### 1.1. Background

On 30 Jan 2019, Covata announced it had entered into a Share Sale Agreement with the Vendors for the Proposed Transaction. The Share Sale Agreement was subsequently amended on 24 June 2019. The key terms of the Amended Share Sale Agreement, including the key conditions precedent, are summarised below:

- Covata will pay the Vendors a cash consideration of €6.5 million (\$10.6 million at an EUR:AUD exchange rate of 1.6231) in addition to the issue of 693,333,333 fully paid ordinary shares of Covata to the Vendors. The shares will be escrowed for up to 18 months from the date of issue.
- the Proposed Transaction is conditional on Covata divesting its SafeShare business for net proceeds of at least \$4 million. We note that Covata has entered into a binding agreement with a third party, Cybr5 Pty Limited, to divest SafeShare from the core business for \$5 million. The divestment was approved by the Covata shareholders on 10 May 2019 and is due to be completed before the Proposed Transaction. The SafeShare business accounts for most of Covata's historical revenue.
- To facilitate further expansion of the combined entity, post completion, Covata will issue a maximum of 913,333,333 ordinary shares at an issue price of 1.5 cents per share
- The Company will consolidate the number of shares outstanding by a ratio of 20:1.
- For the transaction to proceed, the Company requires shareholder approval for all of the above items and also obtain other relevant regulatory and shareholder approvals.

Further information on the Proposed Transaction is set out in the Notice of Meeting to which this report is attached.

### 1.2. Regulatory Requirements

The Directors have requested that PKFCF prepare an IER pursuant to item 7 of Section 611 and Chapter 2E of the Corporations Act for the benefit of Non-Associated Shareholders.

#### ***Section 611 of the Corporations Act***

The Proposed Transaction will result in the Vendors acquiring at least 20% of ordinary share capital in Covata.

Section 606 under Chapter 6 of the Corporations Act, prohibits a person or entity acquiring a relevant interest in the voting securities of a listed entity if the acquisition would increase their voting power in the entity:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

However, Section 611(7) of the Corporations Act provides for a transaction prohibited by Section 606 to be approved by shareholders not having an interest in the transaction (i.e. non-associated shareholders). Further, the Corporations Act requires that shareholders of a company voting a resolution pursuant to Section 611(7) be provided with all material information to assess the proposed transaction. Whilst not compulsory, the Company may commission an IER to discharge the requirement to disclose all material information on how to vote on the transaction.

#### ***Chapter 2E of the Corporations Act***

Section 208 under Chapter 2E of the Corporations Act provides that a public company must not, subject to certain exceptions, give a financial benefit to a related party without the approval of the members of the company. Section 228 of the Corporations Act defines a "related party" for the purposes of Chapter 2E of the Corporations Act to include:

- directors of the public company (Section 228(2)(a)); and
- an entity controlled by directors of the public company (Section 228(4)).

Section 228(6) provides that an entity is a related party of a public company at a particular time if the entity believes or has reasonable grounds to believe that it is likely to become a related party of the public company of a kind referred to in subsection (1), (2), (3) or (4) at any time in the future.

Due to Mr Wolfgang Munz, a Vendor, being proposed to be appointed as a Director, the Company has a reasonable basis for believing the Vendors will become related parties of the Company in future.

A “financial benefit” is defined in Section 229 of the Corporations Act and includes purchasing an asset from a related party and an issue or issues of securities to a related party. Accordingly, the payment of the Consideration to the Vendors constitutes the giving of a financial benefit for the purposes of Chapter 2E of the Corporations Act.

Section 210 of the Corporations Act provides an exception to the requirement to obtain shareholder approval for giving a financial benefit to a related party, where the financial benefit is on terms that would be reasonable in the circumstances if the public company and the related party were dealing at arm’s length.

The Board considers that the Proposed Transaction, including the consideration payable, is on arms-length terms. The Board has formed this view having regard to the Proposed Transaction having been extensively and robustly negotiated prior to Mr Wolfgang Munz being proposed to become a Director of the Company (and therefore prior to the Vendors becoming related parties of the Company) and each party having received substantial professional advice.

Notwithstanding this position, the Board has determined to seek shareholder approval for the giving of the financial benefits to the Vendors.

Whilst not compulsory, the Company may commission an IER to ensure that members are provided with sufficient information to assess a proposed related party transaction and decide how to vote.

### ***ASIC Regulatory Guides***

In preparing this IER we have referred to guidance provided by ASIC. In particular, we refer to RG111 which outlines the principles and matters it expects a person preparing an IER to consider when providing an opinion on whether a transaction is fair and reasonable.

## **2. Purpose, Scope & Reliance on Information**

### **2.1. Purpose**

This IER has been prepared at the request, of and for the benefit, of the independent directors of Covata to:

- assist the independent directors in fulfilling their obligation to provide Covata shareholders with full and proper disclosure to enable them to assess the merits of the Proposed Transaction; and
- decide whether to recommend to Covata shareholders to accept or reject the Proposed Transaction.

This IER is also for the benefit of Non-Associated Shareholders and will accompany the Notice of Meeting to be provided to Covata shareholders.

This IER was not prepared for any other purpose or for use by any other person except as otherwise provided in this IER. PKFCF does not accept any responsibility to any person other than the Directors and Covata shareholders or for the use of the IER outside the stated purpose without the written consent of PKFCF. Except in accordance with the stated purpose, no extract, quote or copy of this IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

PKFCF has provided its consent for this IER to accompany the Notice of Meeting. Apart from the IER, PKFCF is not responsible for the contents of the Notice of Meeting, or any other document or announcement associated with the Proposed Transaction. PKFCF acknowledges that this IER may be lodged with regulatory bodies.



Acceptance or rejection of the Proposed Transaction is a matter for individual Covata shareholders based on their expectations as to various factors including the value and future prospects of Covata and dataglobal, the terms of the Proposed Transaction, market conditions and their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Covata shareholders should carefully consider the Notice of Meeting and this IER. Covata shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional financial adviser.

## 2.2. Scope

The scope of the procedures we undertook in forming our opinion was limited to those procedures we believe are required in order to form our opinion.

### 2.2.1. Sources of Information

**Appendix 2** identifies the information referred to, and relied upon, by PKFCF during the course of preparing this IER and forming our opinion.

### 2.2.2. Reliance on Information

The statements and opinions contained in this IER are given in good faith and are based upon PKFCF's consideration and assessment of information provided by Covata. PKFCF believes the information provided to be reliable, complete and not misleading, and we have no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, inquiry and review for the purpose of forming our opinion. The procedures adopted by PKFCF in forming our opinion may have involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards and consequently does not enable us to become aware of all significant matters that might be identified in an audit or review. Accordingly, we do not express an audit or review opinion.

It was not PKFCF's role to undertake, and PKFCF has not undertaken, any commercial, technical, financial, legal, taxation or other due diligence, or other similar investigative activities in respect of the Proposed Transaction. PKFCF understands that the Directors have been advised by legal, accounting and other appropriate advisors in relation to such matters, as necessary.

PKFCF does not provide any warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Directors and/or their advisors.

An opinion as to whether a corporate transaction is "fair" and/or "reasonable" is in the nature of an overall opinion, rather than an audit or detailed investigation and it is in this context that PKFCF advises that it is not in a position, nor is it practical for PKFCF, to undertake a detailed investigation or extensive verification exercise.

It is understood that, except where noted, the accounting information provided to PKFCF was prepared in accordance with generally accepted accounting principles (including adoption of Australian Equivalents to International Financial Reporting Standards) and prepared in a manner consistent with the method of accounting used by Covata in previous accounting periods.

In accordance with normal practice, prior to finalising the IER, we confirmed facts with Covata. This was undertaken by means of providing Covata with a draft report. PKFCF obtained a representation letter from directors of Covata confirming that, to the best knowledge of Covata, the information provided to, and relied upon by, PKFCF was complete and accurate, and that no significant information essential to the IER was withheld.

Covata has agreed to indemnify PKFCF and PKF and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided to PKFCF by Covata, which

is false and misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

### **2.2.3. Forward Looking Financial Information**

The information provided to PKFCF included forecasts and other statements and assumptions about future matters (“**forward looking financial information**”) prepared by the management of Covata. Whilst PKFCF has relied upon this forward looking financial information in preparing this IER, Covata remains responsible for all aspects of this forward looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, however we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, PKFCF cannot provide any assurance that the forward looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

### **2.2.4. Valuation or Assessment Date**

The opinions expressed in this Report are made as at the date of this Report, 2 July 2019 (“**Assessment Date**”).

### **2.2.5. Current Market Conditions**

Our opinions are based on economic, market and other conditions prevailing at the Assessment Date. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any opinion becoming quickly out dated and in need of revision. PKFCF reserves the right to revise any opinion in the light of material information existing at the Assessment Date that subsequently becomes known to PKFCF.

### **2.2.6. Definition of Value**

#### ***Fair market value***

The assessment of whether the Proposed Transaction is “fair” and “reasonable” necessarily involves determining the “fair market value” of various securities, assets and interests.

For the purposes of our opinion, the term “fair market value” is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser, and a knowledgeable, willing, but not anxious seller, acting at arm’s length.

By its very nature, the formulation of a valuation assessment necessarily contains significant uncertainties and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement. Therefore, there is no indisputable value and we normally express our valuation opinion as falling within a likely range.

#### ***Special value***

We have not considered special value in forming our opinion as to whether the Proposed Transaction is “fair”. Special value is the amount that a potential acquirer may be prepared to pay for an asset in excess of the fair market value. This premium represents the value to the particular potential acquirer of various factors that may include potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

### 2.2.7. Assumptions

In forming our opinions, we made certain assumptions, including the following:

- other than as publicly disclosed, all relevant parties have complied, and will continue to comply, with all applicable laws and regulations and existing contracts are in good standing, and will remain so and there is no alleged or actual material breach of the same or dispute in relation thereto (including, but not limited to, legal proceedings), and that there has been no formal or informal indication that any relevant party wishes to terminate or materially renegotiate any aspect of any existing contract, agreement or material understanding;
- that matters such as retention of key personnel and ownership of assets are in good standing, and will remain so;
- any public information used in relation to Covata and dataglobal and any other publicly available information relied on by us, is accurate and not misleading and up to date;
- information in relation to the Proposed Transaction that is distributed to Covata shareholders, or any information issued by a statutory body is complete, accurate and fairly presented in all material respects;
- the legal mechanisms proposed to implement the Proposed Transaction are valid and effective; and
- if the Proposed Transaction is approved, it will be implemented in accordance with the Notice of Meeting.

### 3. Basis of Assessment

RG 111 establishes guidelines in respect of IERs under the Corporations Act. RG 111 differentiates the analysis required for control transactions and other transactions.

#### 3.1. Control Transactions

A “control transaction”, when an entity or person acquires, or increases, a controlling stake in a company, can be achieved by way of a number of different legal mechanisms, including by approval of an issue of shares under item 7 of Section 611 of the Corporations Act.

RG 111 indicates that, in the context of a control transaction an expert is required to distinguish between “fair” and “reasonable”.

For transactions other than “control transactions”, the expert is to assess the advantages and disadvantages of the proposal to determine whether it is in the best interest of the shareholders.

#### 3.2. Related Party Transactions

Generally, ASIC expects an expert who is asked to analyse a related party transaction (including those pursuant to Chapter 2E) to express an opinion on whether the transaction is ‘fair and reasonable’ from the perspective of non-associated members.

Where an expert assesses whether a related party transaction is ‘fair and reasonable’, this should not be applied as a composite test — that is, there should be a separate assessment of whether the transaction is ‘fair’ and ‘reasonable’. An expert should not assess whether the transaction is ‘fair and reasonable’ based simply on a consideration of the advantages and disadvantages of the proposal, as this does not provide members with sufficient valuation information.

Generally, an expert need only conduct one analysis of whether the transaction is ‘fair and reasonable’, even if the report has been prepared for a reason other than the transaction being a related party transaction (e.g. if item 7 of Section 611 approval is also required).

#### 3.3. Summary

In arriving at our opinion, we have assessed the terms of the Proposed Transaction as summarised in this Report and detailed in the Notice of Meeting. We have considered:

- how the value of a Covata share prior to the Proposed Transaction compares to the value of a Covata share following the Proposed Transaction;
- other alternatives available to Covata;
- other factors which we consider to be relevant to the Covata shareholders in their assessment of the Proposed Transaction; and
- the position of Covata shareholders should the Proposed Transaction not proceed.

We have considered the guidance provided in RG 111 to establish:

- whether the Proposed Transaction is “fair”; and
- whether it is “reasonable”.

Under RG 111.31 we are required to assess the value of a Covata share prior to the Proposed Transaction on a controlling interest basis and the value of a Covata share following the Proposed Transaction incorporating a minority discount.

##### ***Fair***

The Proposed Transaction will be “fair” if:

- the value of a Covata share after the Proposed Transaction (on a minority interest basis); is greater than or equal to
- the value of a Covata share before the Proposed Transaction (on a controlling interest basis).

***Reasonable***

Under RG 111, the Proposed Transaction will be “reasonable” if it is “fair”. If the Proposed Transaction is “not fair”, it may still be “reasonable”, if the expert believes that there are sufficient reasons for Covata shareholders to approve the Proposed Transaction based on the advantages and disadvantages.

## 4. Profile of Covata

### 4.1. Business Overview

Covata is an Australian data security company that offers end to end encryption of enterprise data to its clients. The Company is listed on the ASX with a market capitalisation of \$11.6m as at 29 Jan 2019, the last trading date before the trading halt on 30 Jan 2019.

### 4.2. Overview of Products

#### *Discovery and Classification*

Covata Discovery and Classification services allow customers to locate critical data in local and remote file shares, Microsoft SharePoint and Office 365, and create custom sensitive data types to locate and classify intellectual property and other sensitive data types.

#### *Eclipse*

Eclipse provides integrated security and privacy compliance solutions across a suite of platforms, providing file and list inscription, centralised permissions management and granular activity logging for sensitive and regulated data in Microsoft unstructured data repositories.

#### *SafeShare*

SafeShare is a file sharing and collaboration solution that protects business information from breaches and enables governance and regulatory compliance requirements. SafeShare ensures that the storage, sharing, retrieval and collaboration of sensitive data remains accessible and secure.

We note that Covata has entered into a binding agreement to divest SafeShare from the core business for \$5 million. The divestment was approved by the Covata shareholders on 10 May 2019 and is due to be completed before the Proposed Transaction.

### 4.3. Acquisition of CipherPoint

On 25 August 2017, Covata announced the completion of the acquisition of 100% of the equity interest in the US based CipherPoint. The acquisition date fair values of the purchase consideration amounted to \$2.43 million. Founded in 2010, CipherPoint is a data-centric audit and protection solutions provider which enables companies to search and discover where sensitive information resides within their organisation and secures unstructured information in easily accessible platforms.

### 4.4. Divestment of SafeShare

On 30 January 2019, Covata announced that it had entered into an agreement whereby Gibraltar Holdings Pty Limited ("**Gibraltar**") had an option up until 15 March 2019 (unless extended by mutual agreement) to acquire the shares of Cocoon Data Holdings Pty Limited ("**Cocoon**") for \$5 million ("**Cocoon Divestment**"). We note that Cocoon holds the SafeShare intellectual property and 100% of the shares in Covata Australia Pty Limited ("**CVA**"), the company which licenses the SafeShare product and holds customer contracts.

On 21 March 2019, Covata announced that the option had been exercised by Gibraltar's newly incorporated nominee Cybr5 Pty Limited ("**Cybr5**") and therefore the Company had entered into a binding share purchase agreement to sell the shares in Cocoon to Cybr5. As such, on completion, Cybr5 will become the owner of Cocoon and therefore the ultimate parent of CVA.

On 26 June 2019, a deed of confirmation ("**Deed**") was signed with respect to the Cocoon Divestment. According to the Deed, the consideration of \$5 million will now comprise of:

- \$2 million in cash;
- \$2 million by way of assumption by Cybr5 of Covata's convertible note liabilities of \$1.9 million (including additional \$500k to be issued on or around 2 July 2019) and \$100k in accrued interest; and

- \$1 million in a priority vendor note from Covata to Cybr5, to be repaid within 90 days (“**Vendor Note**”)

The Cocoon Divestment was approved by the shareholders of Covata on 17 May 2019 and is due to be completed before the Proposed Transaction.

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 Intellectual Property (“**IP**”), all IP to Covata’s data security platform and console, all technical support and architecture materials. If the option is exercised, Covata will retain a global perpetual royalty-free licence to the core IP underpinning the existing SafeShare product.

#### 4.5. Board of Directors

The Directors of Covata as at the date of this Report are as follows:

##### ***Bill McCluggage (Chairman)***

Mr McCluggage has over 15 years’ experience working as an IT Director, Chief Technology Officer and Chief Information Officer within central government and the private sector. Prior to joining Covata, Mr McCluggage served as Chief Information Officer for the Irish Government, leading the development and implementation of an Information and Communications Technology strategy.

##### ***Ted Pretty (CEO and Managing Director)***

Mr Pretty joined Covata as Chief Executive Officer (“**CEO**”) and Managing Director in January 2017. Prior to joining Covata, Mr Pretty was a senior adviser at Macquarie Capital, supporting principal investments in emerging companies, covering information governance, big data and analytics, security and encryption.

##### ***Steven Bliim (Executive Director, CFO & Joint Company Secretary)***

Mr Bliim has over 12 years’ experience across Australia and the US, and is responsible for capital planning and forecasting, treasury management, global financial reporting and statutory compliance. Since joining Covata in 2012, Mr Bliim has played a key role in the Company’s expansion into the US, UK and Europe.

Prior to joining Covata, Mr Bliim worked in business services and tax advisory for over seven years, consulting primarily to small-to-medium enterprises and primary production businesses.

#### 4.6. Capital Structure

As at the date of this Report, Covata has 681,687,812 fully paid ordinary shares and 101,247,789 employee loan plan shares on issue, 23,361,798 listed options exercisable into fully paid ordinary shares and 93,725,947 unlisted options and warrants exercisable into fully paid ordinary shares. In addition, Covata has issued the convertible notes and warrants referred to in **Section 7.3.1**.

#### 4.7. Historical Income Statements

The historical consolidated income statements of Covata for the financial years ended 30 June 2017 and 2018, and the half-year ended 31 December 2018, are summarised in the table below:

**Table 2: Covata Historical Consolidated Income Statements**

\$'000	Note	12 Months ended 30 June		6 months
		2017 (Audited)	2018 (Audited)	31 Dec 2018 (Reviewed)
<b>Revenue and other income</b>	1	<b>1,892.1</b>	<b>2,617.2</b>	<b>1,127.7</b>
Employee benefit expense	2	(7,976.1)	(6,669.6)	(3,136.3)
Consultancy fees expense		(908.8)	(355.9)	(160.2)
Impairment expense	3	-	-	(896.6)
Legal and professional fees expense		(299.4)	(359.5)	(85.6)
Marketing and promotion expense		(616.8)	(376.1)	(213.0)
Travel and accommodation expense		(618.1)	(540.3)	(215.8)
Office and administration expense		(1,184.0)	(694.7)	(286.3)
Other direct research and development project expenses		(169.4)	(338.2)	(350.8)
Foreign currency exchange expense		(0.4)	4.6	-
Other expenses		(408.0)	(343.1)	(227.2)
<b>EBITDA</b>		<b>(10,289.0)</b>	<b>(7,055.5)</b>	<b>(4,444.1)</b>
Depreciation and amortisation expense		(75.9)	(444.8)	(431.3)
<b>EBIT</b>		<b>(10,364.9)</b>	<b>(7,500.3)</b>	<b>(4,875.4)</b>
Net finance income / (costs)		185.2	56.8	5.5
<b>Loss before income tax</b>		<b>(10,179.7)</b>	<b>(7,443.5)</b>	<b>(4,870.0)</b>
Income tax expense		-	-	-
<b>Loss for the year / period</b>		<b>(10,179.7)</b>	<b>(7,443.5)</b>	<b>(4,870.0)</b>
Exchange differences on translation of foreign operations		(103.0)	25.3	(6.9)
<b>Total comprehensive loss for the year / period</b>		<b>(10,283)</b>	<b>(7,418)</b>	<b>(4,877)</b>

**Source:** Covata Limited audited financial reports for the years ended 30 June 2017 and 2018; Covata Limited reviewed financial report for the period ended 31 December 2018; PKFCF Analysis

We note the following in relation to the table above:

##### **Note 1: Revenue**

Revenue consists primarily of the sale of technology related products and services, as well as research & development tax concessions. On an annualised basis, revenue was down 13.8% in the six months to 31 December 2018 when compared to FY18 primarily due to a significant decrease in revenues from the CipherPoint Eclipse product line.

##### **Note 2: Employee Benefit Expense**

Employee benefit expense consists primarily of salaries and wages, non-executive director fees, equity-settled share-based payments, bonuses, recruitment and resourcing, and termination benefits.



### Note 3: Impairment Expense

Intellectual property was acquired through the acquisition of CipherPoint Software Inc. (“CipherPoint”) which included the Eclipse product (“Eclipse”) and the acquisition of dataglobal’s intellectual property. Due to the Proposed Transaction, and uncertainties involving Covata’s ability to further utilise the CipherPoint business, management determined it is appropriate to record an impairment expense of \$896,618 on the balance of the acquired goodwill.

## 4.8. Historical Balance Sheet

The historical consolidated statements of financial position of Covata as at 30 June 2017 and 2018, 31 December 2018 and 31 March 2019 are summarised in the table below:

**Table 3: Covata Historical Consolidated Statements of Financial Position**

\$'000	Note	As at 30 June		31 Dec	31 Mar
		2017 (Audited)	2018 (Audited)	2018 (Reviewed)	2019 (Unaudited)
Cash and cash equivalents		1,325.3	4,471.6	1,282.4	1,503.4
Term deposits		5,000.0	-	-	-
Trade and other receivables		1,595.5	1,267.3	861.5	902.7
Prepayments		177.8	28.3	87.6	61.2
Other current assets	1	80.7	-	-	-
<b>Total current assets</b>		<b>8,179.2</b>	<b>5,767.3</b>	<b>2,231.5</b>	<b>2,467.2</b>
Property, plant and equipment		42.3	73.4	55.2	47.7
Intangible assets	2	-	3,706.7	2,403.4	2,220.5
Other non-current assets	1	119.3	157.5	197.5	197.4
<b>Total non-current assets</b>		<b>161.6</b>	<b>3,937.5</b>	<b>2,656.1</b>	<b>2,465.6</b>
<b>Total assets</b>		<b>8,340.8</b>	<b>9,704.8</b>	<b>4,887.6</b>	<b>4,932.9</b>
Trade and other payables		561.7	2,091.7	883.3	735.2
Contract liabilities		-	-	279.2	-
Deferred income		294.9	559.0	-	275.6
Employee benefits		72.5	180.8	149.5	158.4
Contingent consideration payable		-	318.5	-	-
Convertible notes		-	-	-	1,400.0
<b>Total current liabilities</b>		<b>929.1</b>	<b>3,150.0</b>	<b>1,312.0</b>	<b>2,569.2</b>
Deferred income		1,323.4	1,041.8	-	56.7
Contract liabilities		-	-	62.9	-
<b>Total non-current liabilities</b>		<b>1,323.4</b>	<b>1,041.8</b>	<b>62.9</b>	<b>56.7</b>
<b>Total liabilities</b>		<b>2,252.5</b>	<b>4,191.9</b>	<b>1,374.9</b>	<b>2,625.8</b>
<b>Net assets</b>		<b>6,088.2</b>	<b>5,512.9</b>	<b>3,512.7</b>	<b>2,307.1</b>

**Source:** Covata Limited audited financial reports for the years ended 30 June 2017 and 2018; Covata Limited reviewed financial report for the period ended 31 December 2018; Covata management accounts for the period ended 31 March 2019; Management; PKFCF Analysis

In relation to the financial position of Covata we note the following:

### Note 1: Other Assets

Other current assets include security deposits, while other non-current assets include rental bonds, security deposits and domain names.

## Note 2: Intangible Assets

The carrying amounts for the intangible assets as at 31 March 2019 are summarised as follows:

**Table 4: Covata Intangible Assets**

\$'000	
Patents and Trademarks	1,287.7
Intellectual Property	932.9
<b>Total</b>	<b>2,220.5</b>

*Source:* Covata management accounts for the period ended 31 March 2019

## 4.9. Pro-forma Balance Sheet

Covata has prepared a pro-forma balance sheet to illustrate the impacts of the disposal of SafeShare on the 31 March 2019 balance sheet. The balance sheets and pro-forma adjustments are summarised in the table below:

**Table 5: Covata Pro-Forma Consolidated Statements of Financial Position**

\$'000	Note	31 Mar		31 Mar
		2019 (Unaudited)	Pro-forma Adjustments	2019 (Pro- forma)
Cash and cash equivalents	1	1,503.4	2,500.0	4,003.4
Trade and other receivables	2	902.7	860.0	1,762.7
Prepayments	2	61.2	(15.0)	46.1
<b>Total current assets</b>		<b>2,467.2</b>	<b>3,345.0</b>	<b>5,812.2</b>
Property, plant and equipment	3	47.7	(41.7)	6.0
Intangible assets		2,220.5	-	2,220.5
Other non-current assets	4	197.4	(51.2)	146.2
<b>Total non-current assets</b>		<b>2,465.6</b>	<b>(92.9)</b>	<b>2,372.8</b>
<b>Total assets</b>		<b>4,932.9</b>	<b>3,252.1</b>	<b>8,185.0</b>
Trade and other payables	2	735.2	(216.4)	518.8
Deferred income	2	275.6	(58.2)	217.4
Employee benefits	2	158.4	(58.4)	99.9
Convertible notes	5	1,400.0	(1,400.0)	-
<b>Total current liabilities</b>		<b>2,569.2</b>	<b>(1,733.0)</b>	<b>836.1</b>
Deferred income		56.7	-	56.7
<b>Total non-current liabilities</b>		<b>56.7</b>	<b>-</b>	<b>56.7</b>
<b>Total liabilities</b>		<b>2,625.8</b>	<b>(1,733.0)</b>	<b>892.8</b>
<b>Net assets</b>		<b>2,307.1</b>	<b>4,985.1</b>	<b>7,292.2</b>

*Source:* Covata management accounts for the period ended 31 March 2019; Management; PKFCF Analysis

In relation to the pro-forma financial position of Covata we note the following:

### Note 1: Cash

Cash has been adjusted to account for the \$2 million in cash proceeds and additional \$500k in relation to proceeds from convertible notes to be issued on or around 2 July 2019.

### Note 2: Working Capital Adjustments

Trade and other receivables have been adjusted to account for the Vendor Note (Refer **Section 4.4**). In addition, working capital has been adjusted to account for the Cocoon Divestment. Only working capital attributable to CipherPoint will remain in the business.

### Note 3: Fixed Assets Adjustments

Fixed assets have been adjusted to account for the Cocoon Divestment. Only fixed assets attributable to CipherPoint will remain in the business.

### Note 4: Other Non-Current Asset Adjustments

Adjustments to other non-current assets include domain name and lease deposits which will no longer be part of the remaining business.

### Note 5: Convertible Notes Adjustments

Convertible notes liability has been adjusted to account for an assumption of \$1.4m redemption liability by the acquirer of SafeShare as part of the Cocoon Divestment. We note that the additional liability of \$500k for the convertible notes to be issued on or around 2 July 2019 and \$100k in accrued interest will also be assumed by the acquirer of SafeShare.

## 4.10. Ownership and Trading History

### 4.10.1. Ownership

As at the date of this Report, Covata has 782,935,601 shares on issue, including shares issued under the employee loan share plan "ELSP". Set out below are the top ten (10) shareholders of Covata as at the date of this Report.

**Table 6: Top Ten (10) Shareholders of Covata**

Shareholder	Number of Ordinary Shares	%
TPG Telecom Limited (ASX:TPM)	76,043,498	9.82%
FIL Limited	75,700,785	9.78%
Pretty, Edward Noel (CEO, MD & Director)	36,893,751	4.77%
Illwella Pty Limited	23,794,324	3.07%
Raven Technology Fund	23,494,538	3.03%
Duncan Dip E, Eng. (Civil), Travers William	21,666,665	2.80%
Raven Ventures Pty Ltd	10,809,902	1.40%
Sunlora Pty Ltd	10,090,910	1.30%
Excalibur Partners Xvi Lp	9,763,159	1.26%
Bliim, Steven (CFO)	7,750,236	1.00%
<b>Total Top 10 Shareholders</b>	<b>296,007,768</b>	<b>38.23%</b>
Other Shareholders	486,927,833	62.19%
<b>Total Shareholders</b>	<b>782,935,601</b>	<b>100.42%</b>

*Source* : S&P Capital IQ

In relation to the above we note the following:

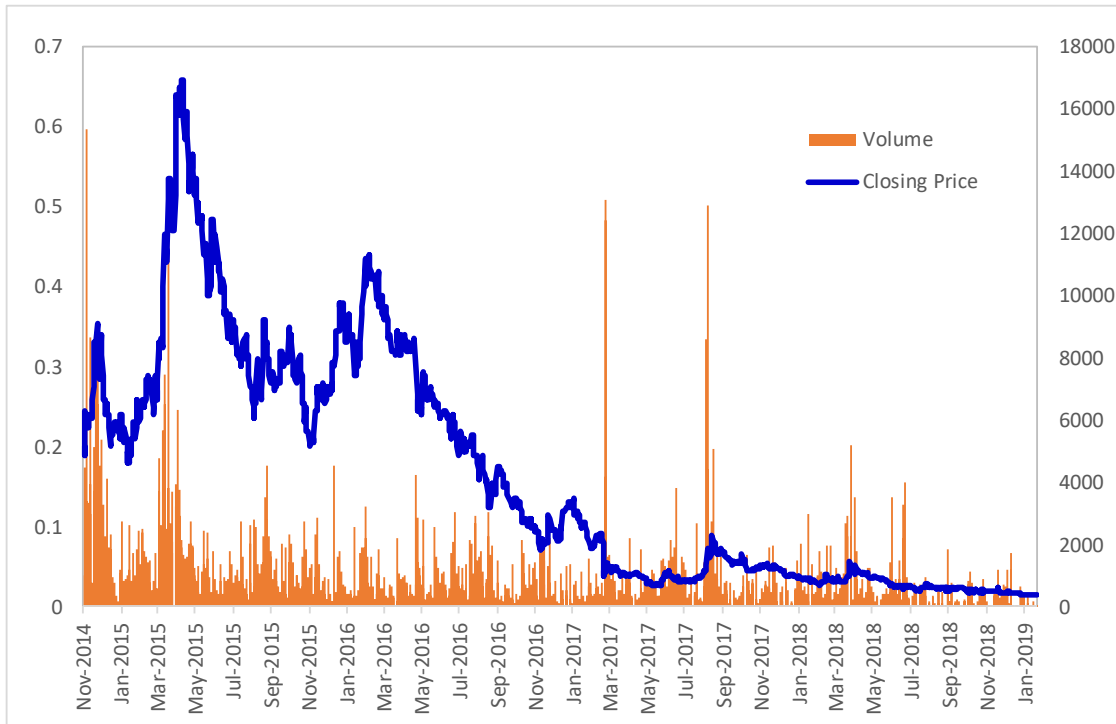
- Covata shareholding is moderately concentrated with the top 10 shareholders holding 38.23% as at the date of the report;
- No single shareholder holds more than 10% interest in the company.

### 4.10.2. Trading Analysis

Set out below are charts setting out movements in the share price and trading volumes pertaining to the shares of Covata:

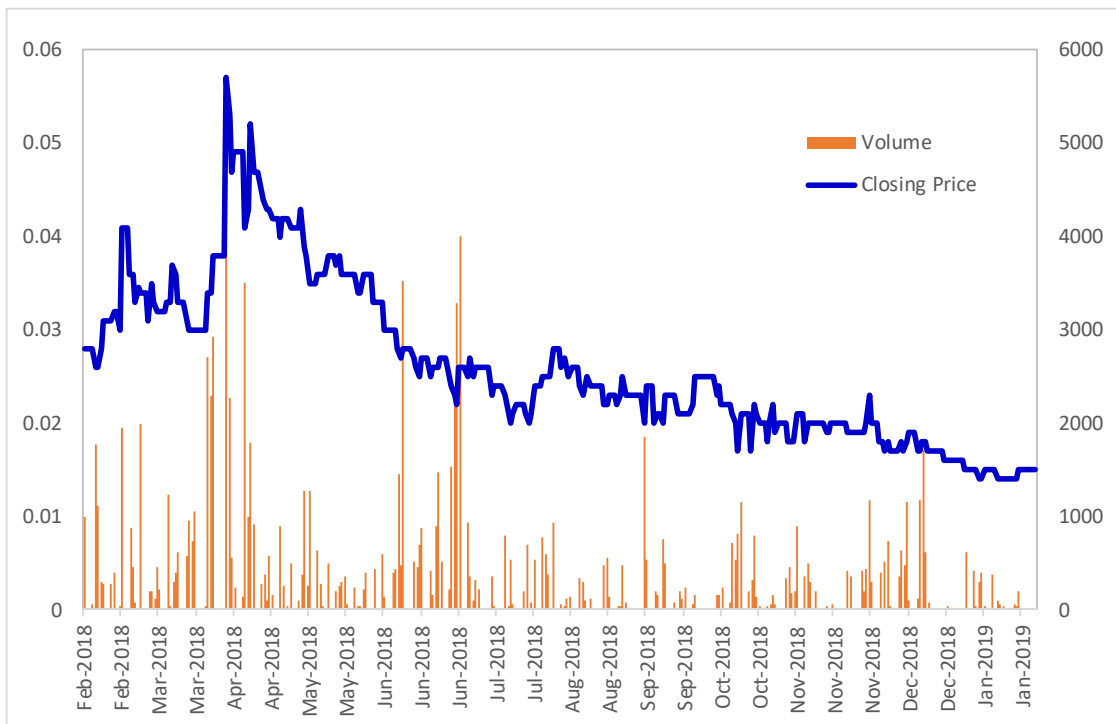
- during an extended period to 30 January 2019 ("**Last Trading Date**"); and
- during a 12 months period to the Last Trading Date.

**Figure 1: Covata Share Price and Trading Volumes – Jan 2015 to Jan 2019**



**Source:** S&P Capital IQ

**Figure 2: Recent Covata Share Price and Trading Volumes**



**Source:** S&P Capital IQ

Set out below is a summary of Covata's volume weighted average share price ("VWAP") and liquidity for the 12-month period to 30 January 2019:

**Table 7: Covata Share VWAP and Liquidity**

Period	Price (Low) AUD	Price (High) AUD	Price VWAP AUD	Cumulative Value AUD'000	Cumulative Volume '000	% of Issued Capital
1 week	0.0150	0.0150	0.0137	2.8	205.4	0.03%
1 month	0.0140	0.0160	0.0148	39.8	2,686.2	0.35%
3 months	0.0140	0.0230	0.0178	292.1	16,425.5	2.12%
6 months	0.0140	0.0280	0.0195	604.8	31,055.2	4.01%
12 months	0.0140	0.0570	0.0301	3578.3	118,705.9	15.33%

**Source:** S&P Capital IQ

In relation to the above we note the following:

- Covata's share price was \$0.015 (1.5 cents) as at the Last Trading Date;
- Covata's share price declined significantly from a peak of \$0.66 in the months after the IPO in January 2015;
- Over last 12 months, Covata has traded within the range of \$0.057 and \$0.014 with a VWAP of \$0.0301;
- The shares have been relatively illiquid, with 15.33% turnover in the 12 months to 29 Jan 2019.

Since the announcement of the Proposed Transaction on 30 January 2019, and up until the date of this Report, Covata shares have been suspended from trading.

## 5. Profile of dataglobal

### 5.1. Business Overview

dataglobal is a provider of enterprise information management and enterprise information archiving solutions. dataglobal supports its customers in the establishment of digital business processes as well as in the areas of governance, risk management, compliance and eDiscovery.

dataglobal's head office is in Heilbronn, Germany (between Frankfurt and Stuttgart). dataglobal also operates a development team in Hamburg, Germany and development resources in Cluj, Romania.

dataglobal software is used by over 450 enterprise and government customers mainly headquartered in Germany, Australia and Switzerland, with deployments in over 40 countries worldwide. The enterprise customers include Europe-based Global Fortune 500 companies, as well as large companies operating in financial services, manufacturing, logistics and sensitive industries, such as aerospace.

dataglobal provides these customers with dataglobal CS, a proprietary Content Services platform, together with a suite of complementary software products.

Valuable company data is integrated, linked and prepared through dataglobal CS for improved workflows, digitisation of processes, as well as made available to increase efficiency, productivity and competitiveness. dataglobal CS integrates information from multiple applications (e.g. SAP and SharePoint), email, cloud applications as well as Office 365 and paper document archives.

### 5.2. Service Offerings

dataglobal provides the following key service offerings to organisations with deployments in over 40 countries:

- Access: Secure and simple access to an enterprise's information.
- Applications: Email and file management across common platforms (e.g. SAP and Microsoft).
- Digitisation: Quick, reliable import, storage and archiving of any document to support business processes.
- Integration: APIs to integrate data sources from any enterprise application or business process.

### 5.3. Key Professionals

As at the date of this Report, dataglobal management team comprised the following people:

#### ***Wolfgang Munz (Chief Executive Officer)***

Mr Munz is the CEO, Director and Founder of dataglobal, and oversees the product strategy, development and administration of the business. Subject to the completion of the Proposed Transaction, Wolfgang Munz is proposed to be appointed as the Managing Director of the combined business of Covata and dataglobal ("**Merged Business**").

#### ***Stephan Unser (Chief Customer Officer)***

Mr Unser is the CCO of dataglobal and is responsible for the marketing and sales team. He has over 20 years' experience in senior management roles at notable, international enterprises, and has been especially focused in the areas of marketing, sales and business development.

## 5.4. Historical Income Statements

The historical income statements of dataglobal, including the managed services business which is not part of the Proposed Transaction, for the financial reporting periods ended 31 March 2017 and 2018 and 31 December 2018, are summarised in the table below:

**Table 8: dataglobal Historical Income Statements (EUR)**

€'000	Note	12 months ended 31 March		9 months
		2017 (Audited)	2018 (Audited)	31 Dec 2018 (Audited)
Revenue		5,922.0	6,126.1	5,224.5
<b>Expenses</b>				
Changes in inventories		(4.6)	-	-
Raw materials and consumables used		(916.7)	(814.5)	(588.5)
Employee benefits expense		(3,382.9)	(3,174.4)	(2,495.3)
Other expenses	2	(1,019.2)	(944.4)	(731.1)
<b>EBITDA</b>		<b>598.8</b>	<b>1,192.9</b>	<b>1,409.6</b>
Depreciation and amortisation expense		(31.2)	(36.2)	(31.6)
<b>EBIT</b>		<b>567.6</b>	<b>1,156.7</b>	<b>1,378.1</b>
Other income	1	1,331.6	110.9	70.8
Finance costs		(26.5)	(14.4)	(10.8)
Other financial income	3	7.3	7.4	4.5
<b>Profit before income tax</b>		<b>1,880.1</b>	<b>1,260.5</b>	<b>1,442.6</b>
Income tax expense		(672.7)	(453.8)	(441.4)
<b>Total comprehensive profit for the year / period</b>		<b>1,207.4</b>	<b>806.7</b>	<b>1,001.1</b>

**Source:** dataglobal GmbH audited financial reports for the years ended 31 March 2017 and 2018; dataglobal GmbH financial report for the period ended 31 December 2018; PKFCF Analysis

We note the following in relation to the table above:

### **Note 1: Other Income**

Other income comprises of fringe benefits income, public funding, value adjustment on receivables and other one-off items. The 2017 spike was caused by one-off gains in the cancellation of liabilities relating to provisions recorded relating to two legal proceedings. In both cases dataglobal's directors have noted that the risks of liability and claims have reduced significantly by the reporting date.

### **Note 2: Other Expenses**

Other expenses comprise of foreign exchange gains and losses, bad debt expenses and losses from disposals of property, plant and equipment.

### **Note 3: Other Financial Income**

Other financial income includes financial interest received on cash holdings.

#### Note 4: Managed Services

As noted above, the financials presented include the managed services business which is not part of the Proposed Transaction. The following table shows the pro-forma impact on dataglobal's historical financials if the managed services business is excluded:

**Table 9: dataglobal Historical Income Statements Pro-Forma Impact of Excluding the Managed Services Business (EUR)**

€'000	Note	12 months ended 31 March		9 months
		2017 (Audited)	2018 (Audited)	31 Dec 2018 (Audited)
<b>Revenue</b>				
Statutory		5,917.5	6,126.1	5,224.5
Managed Services		(1,824.9)	(1,642.7)	(977.6)
Pro-forma		4,092.6	4,483.4	4,246.9
<b>EBITDA</b>				
Statutory		598.8	1,192.9	1,409.6
Managed Services		(1,167.3)	(857.6)	(452.0)
Pro-forma		(568.5)	335.3	957.7
<b>EBIT</b>				
Statutory		567.6	1,156.7	1,378.1
Managed Services		(1,167.3)	(857.6)	(452.0)
Pro-forma		(599.7)	299.1	926.1
<b>Net Profit</b>				
Statutory		1,207.4	806.7	1,001.1
Managed Services		(749.6)	(548.8)	(313.7)
Pro-forma		457.7	257.9	687.4

**Source:** Management; PKFCF Analysis

We further note that dataglobal's revenue for 9 months-ended 31 December 2018 included €1.2 million of sales to Covata.



## 5.5. Historical Balance Sheet

The historical statements of financial position of dataglobal, including the managed services business which is not part of the Proposed Transaction, as at 31 March 2017 and 2018, and 31 December 2018 are summarised in the table below:

**Table 10: dataglobal Historical Statements of Financial Position (EUR)**

€'000	Note	As at 31 March		31 Dec
		2017 (Audited)	2018 (Audited)	2018 (Audited)
Cash and cash equivalents		2,353.6	3,744.6	2,434.7
Trade and other receivables		755.4	409.3	1,117.8
Inventories		-	-	-
Current tax assets		0.9	-	-
Other	1	286.9	371.4	267.3
<b>Total current assets</b>		<b>3,396.8</b>	<b>4,525.2</b>	<b>3,819.8</b>
Property, plant & equipment		42.9	75.9	83.3
Intangibles		0.0	0.0	0.0
Deferred tax		211.0	-	-
<b>Total non-current assets</b>		<b>253.9</b>	<b>75.9</b>	<b>83.4</b>
<b>Total assets</b>		<b>3,650.7</b>	<b>4,601.1</b>	<b>3,903.1</b>
Trade and other payables		168.0	139.8	250.1
Income tax		144.7	387.5	219.4
Employee benefits	2	414.0	303.3	424.2
Provisions	3	5.0	2.0	5.0
Other	4	1,586.2	1,628.9	863.7
<b>Total current liabilities</b>		<b>2,317.8</b>	<b>2,461.6</b>	<b>1,762.5</b>
Borrowings	5	120.0	120.0	120.0
<b>Total non-current liabilities</b>		<b>120.0</b>	<b>120.0</b>	<b>120.0</b>
<b>Total liabilities</b>		<b>2,437.8</b>	<b>2,581.6</b>	<b>1,882.5</b>
<b>Net assets</b>		<b>1,212.9</b>	<b>2,019.6</b>	<b>2,020.7</b>

**Source:** dataglobal GmbH audited financial reports for the years ended 31 March 2017 and 2018; dataglobal GmbH financial report for the period ended 31 December 2018; PKFCF Analysis

In relation to the financial position of dataglobal we note the following:

### **Note 1: Other Current Assets**

Other current assets include loans to associates / shareholders, security deposits, GST refunds and claims.

### **Note 2: Employee Benefits**

Employment benefits include social security and payroll liabilities and other employee related settlement amounts such as long service leave, pending bonuses and CEO profit share.

### **Note 3: Provisions**

Provisions contain pending invoices for consulting fees payable and other outstanding bills.

### **Note 4: Other Current Liabilities**

These include tax debts, social debts, profit share and other current liabilities.

**Note 5: Borrowings**

Three persons hold a silent participation in the company with deposits of respectively €50,000, €40,000 and €30,000. They receive a profit-independent interest rate of 8% per annum as well as a profit-dependent interest rate of 1% of the EBIT per €50,000 deposit, limited to a maximum of 4% of the deposit. These loans are to be repaid at, or prior to completion of the Proposed Transaction.

## 6. Enterprise Data Solutions Industry

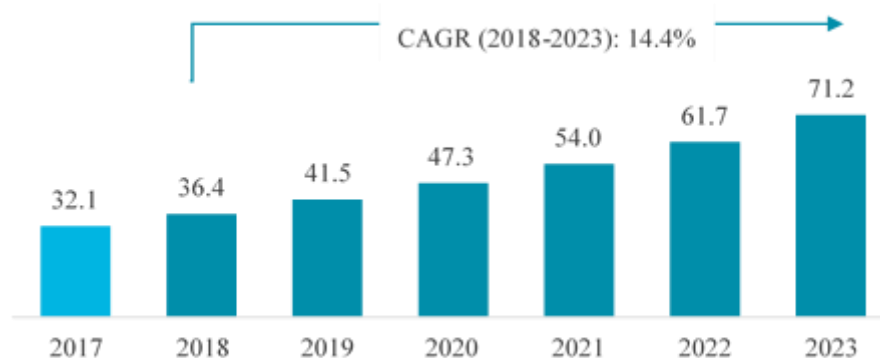
### 6.1. Industry Overview

Enterprise content management (“ECM”) is an integrated system that captures, stores, activates, analyses and automates business content and improves efficiency and cost effectiveness. Solutions such as document management, web content management, records management, document collaboration, and digital rights management enable enterprises to store, manage, and share data across the organization. Key segments include:

- **Document Management** – Enables organisations to effectively manage the creation, approval, revision and consumption of electronic documents. Key features include library services, document profiling, searching, check-in, check-out, revision history, version control and document security;
- **Case (Client) Management** – A case can be any transaction, project, service or response, which continues over a period to resolve the problem, proposal, deployment or other complex activity. It enables organisations to track all the necessary data involved in meeting constituent needs and providing them with programs and services;
- **Workflow Management** – Integration of workflow systems and applications to ensure the integration of programs and people in the framework of a defined business process;
- **Record Management** – The goal of record management is compliance. A record is any information produced or received in the initiation, conduct, or completion of the institutional or individual activity and that comprises content, context, and structure sufficient to provide evidence of the activity;
- **Digital Asset Management** – Enables organisations to improve the impact of their digital content; and
- **Others** – Includes mobile content management (“MCM”) and e-discovery technologies. MCM enables content to be easily and securely shared from any device in a specific enterprise.

The global ECM market was valued at US\$32.1 billion in 2017 and is expected to reach US\$71.2 billion by 2023, growing at a CAGR of 14.4% over the forecast period (2018 – 2023)<sup>1</sup>.

**Figure 3: ECM Market Size (USD’b)**



**Source:** Mordor Intelligence

Growing demand for risk management, rising regulatory compliance and regulations, improved adoption rate of massive parallel processing architectures & columnar databases and enhanced streamline business operations are some key factors triggering the market growth.

<sup>1</sup> Mordor Intelligence - Enterprise Content Management Market - Growth, Trends and Forecasts (2018 - 2023)

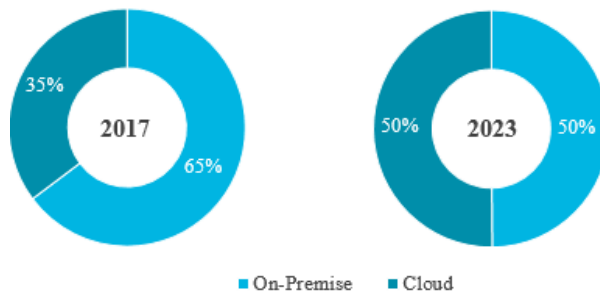
While content is doubling every 90 days, around 80% of the content utilised for core revenue generation is unstructured which leads to inefficiency and higher handling cost. ECM solutions enable enterprises to reduce the data storage costs and enhance operational productivity.

## 6.2. Key Trends

Key trends within the ECM market are summarised below:

- The number of enterprises that leverage the power of content management software and services is on the rise to fill the gap of content management capabilities.
- A shift from legacy ECM to cloud-based ECM solutions as it improves collaboration and maximises the investment in internal and external communications. Cloud-based ECM is expected to grow at a CAGR of 21% during the forecast period of 2018 – 2023, to reach a value of US\$35.7 billion.

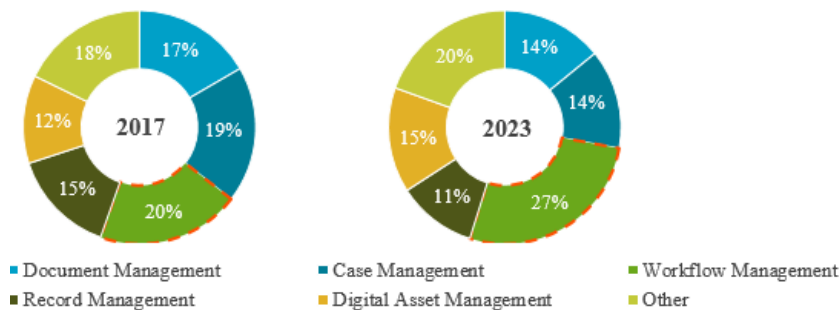
**Figure 4: Global ECM Market by Deployment Model**



Source: Mordor Intelligence

- By type, workflow management is expected to have the highest growth rate of 20.1% over the forecast period and expected to reach US\$19.2 billion by 2023.

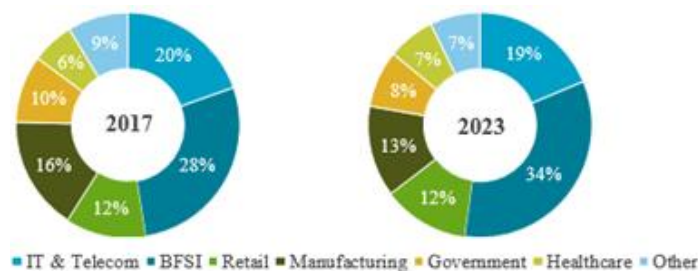
**Figure 5: Global ECM Market by Type**



Source: Mordor Intelligence

- By end-users, banking, financial services & insurance (“**BFSI**”) occupied the highest share of 27.9% in 2017 and is expected to register a CAGR of 17.9% over the forecast period (2018 – 2023).

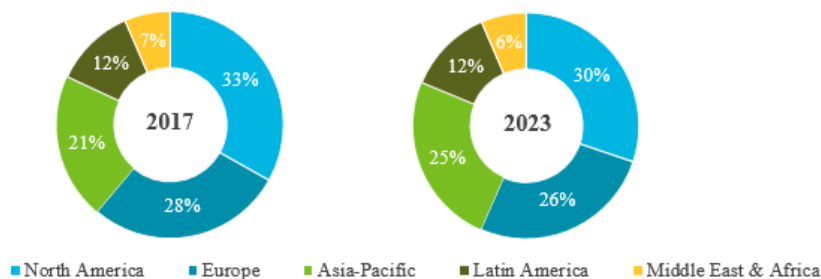
**Figure 6: Global ECM Market by End-User**



Source: Mordor Intelligence

- By region, Asia-Pacific is anticipated to have the highest growth rate of 17.6% and is expected to reach US\$17.6 billion by 2023

**Figure 7: Global ECM Market by Region**



Source: Mordor Intelligence

### 6.3. Australia Data Security Market

According to Gartner, spending on information systems in Australia is expected to reach US\$ 3.9 billion in 2019, 9.8% growth year-on-year. Security services, which include consulting, hardware support, implementation and IT outsourcing services, will represent the majority of spending, exceeding US\$2.15 billion in 2018.

As per Australian Security Market Review 2017, the increasing threat and high-profile publicity around hacking, data breaches and privacy concerns has helped boost demand for Cyber & Information Security solutions. 73% of the respondents to its survey were of the opinion that IP and the Cloud will have significant impact in the next 3 years.

Data security concerns are increasing with growing trend of Internet of Things (“IoT”) and Bring Your Own Device (“BYOD”), among enterprises. This has led to increase in cyberattacks, data breaches, theft and losses in enterprises, which makes the need to protect sensitive data inevitable.

## 7. Assessment of the Proposed Transaction

### 7.1. Approach

#### 7.1.1. Fair

The Proposed Transaction will be “fair” if:

- the value of a Covata share after the Proposed Transaction (on a minority interest basis); is greater than or equal to
- the value of a Covata share before the Proposed Transaction (on a controlling interest basis).

#### 7.1.2. Reasonable

Under RG 111, the Proposed Transaction will be “reasonable” if it is “fair”. If the Proposed Transaction is “not fair”, it may still be “reasonable”, if there are sufficient reasons for Covata shareholders to approve the Proposed Transaction based on the advantages and disadvantages.

## 7.2. Selection of Valuation Methodology

### 7.2.1. Value of Covata Shares Before the Proposed Transaction

In selecting an appropriate methodology to estimate the fair market value of a share in the issued capital of Covata before the Proposed Transaction, we have considered common market practice and the widely accepted valuation methodologies which are summarised in **Appendix 3**.

Our estimate of the fair market value of a share in the issued capital of Covata has been undertaken using the Net Asset Value (“NAV”) method.

We are of the view that the NAV method is the most appropriate valuation method to apply due to the following reasons:

- The business has not been profitable since it’s been admitted to the ASX and is not projected to be profitable going forward in the current state;
- The main income generating business of SafeShare in Covata will be sold in the Cocoon Divestment as discussed in **Section 4.4**; and
- The key remaining assets in the business as at the date of the report are:
  - Cash holdings;
  - Intellectual property, patents and trademarks relating to CipherPoint and dataglobal IP; and
  - Value of being a listed entity.

In addition, we have considered share price implied by recent capital raising transactions and the trading history of Covata.

### 7.2.2. Value of Covata Shares After the Proposed Transaction

In selecting an appropriate methodology to estimate the fair market value of a share in the issued capital of Covata after the Proposed Transaction or the Merged Business, we have considered common market practice and the widely accepted valuation methodologies which are summarised in **Appendix 3**.

Our estimate of the fair market value of a share in the Merged Business has been undertaken using the following approaches:

- the sum-of-parts; and
- price of recent investment.

### **Sum-of-parts**

In the sum-of-parts valuation, we have valued the Merged Business based on:

- the value of Covata before the Proposed Transaction; plus
- the value of dataglobal (without the managed services division) (refer **Section 7.2.3**); plus
- Transaction Capital Raising proceeds; less
- the cash consideration to the Vendor and contingent transaction costs for the Transaction Capital Raising.

The value is then divided by the number of shares outstanding after Proposed Transaction to calculate a per share value.

### **Price of recent investment**

We have also had regard to the valuation of Covata implied by the Transaction Capital Raising as the Transaction Capital Raising at a subscription price of \$0.015 per share is a condition precedent to the Proposed Transaction. As such, it provides an objective benchmark of value for the Merged Business should the Proposed Transaction be completed.

### **Cross-check**

As a cross-check to our primary approach, we have considered the capitalisation of maintainable earnings approach. Covata has prepared high level pro-forma financials for the Merged Business which we used in the cross-check. We have compared the Enterprise Value (“EV”) / revenue multiples of comparable trading companies and the implied EV / revenue of comparable recent merger and acquisition transactions to the implied EV / revenue multiple of the Merged Business.

We have not selected a profit multiple such as EV / EBITDA<sup>2</sup> or EV / EBIT<sup>3</sup> as management of Covata expects substantial investments in overheads in the next couple of years to capture market opportunities resulting in a low profitability.

## **7.2.3. Value of dataglobal**

In selecting an appropriate methodology to estimate the fair market value of dataglobal (without the managed services division), we have considered common market practice and the widely accepted valuation methodologies which are summarised in **Appendix 3**.

Our valuation assessment has been undertaken using the market approach with EBITDA as the measure of earnings. We note the following in relation to the selection of our valuation methodology:

- dataglobal has been profitable at the EBITDA level on a pro forma basis excluding its managed services business (refer **Table 9** in **Section 5.4**); and
- while Covata has prepared high level forecasts for the Merged Business (including forecast for dataglobal), we note the assumptions contain significant elements of subjective judgement and do not satisfy the requirements for presentation in a disclosure document.

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<sup>2</sup> Earnings before interest, taxes, depreciation and amortisation

<sup>3</sup> Earnings before interest and taxes

### 7.3. Valuation Assessment before the Proposed Transaction

#### 7.3.1. Net Asset Based Approach

To assess the market value of Covata shares before the Proposed Transaction, we have considered Covata's net assets position before the Proposed Transaction. We have adopted the balance sheet of Covata as at 31 March 2019 which has been adjusted to reflect the Cocoon Divestment. Further, the net assets have been adjusted for the additional value of Covata being a listed entity ("**Listed Shell**"), value of outstanding warrants, options, convertible securities, employee loan shares, payment of non-contingent transaction fees and the following instruments issued or to be issued in March and July 2019:

- Redeemable convertible notes issued by Covata and secured over the shares of Cocoon, having a face value of \$1.9 million (including additional \$500k to be issued on or around 2 July 2019) ("**Convertible Notes**"). We note that as part of the variation in terms of the Cocoon Divestment, Covata's liability of the Convertible Notes would effectively be extinguished. An additional 50,000,000 warrants in Covata, in consideration for the variation of terms for the noteholders would be issued, each exercisable at 1.5 cents, expiring 3 months from issue.
- 83,820,688 warrants, attached to the Convertible Notes, to subscribe for ordinary Covata shares at a subscription price of 2.8 cents per warrant exercisable within 18 months of the issue date, and an additional 72,644,594 warrants, attached to the Convertible Notes, in consideration for the holders of the Convertible Notes agreeing to variation to the terms of the Convertible Notes, each exercisable at 1.5 cents, expiring 6 months from issue.

We summarise our assessment of Covata's adjusted net assets below:

**Table 11: Adjustment to Covata's Net Assets**

NAV Method Calculations (\$'000, unless otherwise stated)	Note	
Adjusted Net Assets	1	7,292.2
Add: Value of Listed Shell	2	1,000.0
Less: Value of Warrants	3	(667.4)
Less: Value of Other Convertible Securities	4	(328.2)
Less: Non-contingent Transaction Costs	5	(520.4)
Less: Value of Shares Outstanding under Employee Loan Share Plan	6	(643.8)
Less: Other Material Movements from 31 March 2019 to Assessment Date	7	nil
<b>Market value of Covata</b>		<b>6,132.4</b>
Number of Covata Shares on issue (000's)	8	681,688
<b>Market value per Share pre-consolidation</b>		<b>\$0.0090</b>
<b>Market value per Share post-consolidation</b>		<b>\$0.1799</b>

**Source:** Covata Limited adjusted pro forma balance sheet as at 31 March 2019; PKFCF Analysis

We note the following in relation to the table above:

#### **Note 1: Adjusted Net Assets**

The adjusted net assets of Covata as at 31 March 2019 are \$7.3 million based on the pro forma balance sheet information provided to us by Covata (refer **Section 4.9**).

#### **Note 2: Value of Listed Shell**

Covata being a listed entity on the ASX, provides shareholder value as a vehicle for a backdoor listing. Typically, the value of a listed shell ranges from \$0.5 million to \$1.0 million. We have assessed the value of Covata's shell to be \$1.0 million as Covata has only been suspended from trading since 30 January 2019.



### Note 3: Value of Warrants

Covata has two tranches of warrants outstanding, including those to be ratified in the upcoming shareholder meeting. The issue of additional warrants will require approval from shareholders as resolution 8 of the Notice of Meeting. We have adopted the Black-Scholes Method to assess the value of the Covata warrants. Our assessment is set out in the table below:

**Table 12: Covata Warrants**

Covata Warrants (\$)	Spot Price	Excercise Date	Exercise Price	No. Outstanding	Value	Value per Tranche
Tranche 1	0.015	25/03/2020	0.274	38,240,979	0.000	641
Tranche 2	0.015	22/02/2021	0.028	83,820,688	0.005	297,385
Tranche 3	0.015	17/11/2019	0.015	72,644,594	0.004	227,398
Tranche 4	0.015	30/09/2019	0.015	50,000,000	0.003	141,941
<b>Total</b>				<b>244,706,261</b>		<b>667,365</b>

Source: Management; PKFCF Analysis

Additionally, we have assumed a volatility of 95% based on our review of the weekly volatility of Covata of a corresponding term to the term to maturity of the warrants.

Based on the above assumptions and inputs, we estimate the value of the warrants to be \$667,365.

We note that even if the additional tranches of warrants are not approved and issued, our fairness opinion would not change.

### Note 4: Value of Other Convertible Securities

Covata has fourteen tranches of executive and employee share options outstanding. We have adopted the Black-Scholes Method to assess the value of the options. Our assessment is set out in the table below:

**Table 13: Covata Options**

Covata Options (\$)	Spot Price	Excercise Date	Exercise Price	No. Outstanding	Value	Value per Tranche
Tranche 1	0.015	31/10/2019	USD 0.147	6,828,816	0.000	3
Tranche 2	0.015	31/10/2019	0.200	5,000,000	0.000	9
Tranche 3	0.015	22/12/2019	0.200	1,237,500	0.000	10
Tranche 4	0.015	12/03/2020	0.330	231,400	0.000	2
Tranche 5	0.015	6/06/2020	0.055	23,361,798	0.001	32,713
Tranche 6	0.015	2/11/2020	0.240	300,000	0.000	70
Tranche 7	0.015	17/12/2020	0.330	490,669	0.000	82
Tranche 8	0.015	20/07/2021	0.195	400,000	0.001	407
Tranche 9	0.015	4/05/2022	0.200	3,000,000	0.002	5,858
Tranche 10	0.015	21/06/2022	0.050	840,000	0.006	4,683
Tranche 11	0.015	17/08/2022	0.050	1,000,000	0.006	5,822
Tranche 12	0.015	22/11/2022	0.050	11,064,000	0.006	68,887
Tranche 13	0.015	22/11/2022	0.045	5,569,583	0.007	36,399
Tranche 14	0.015	6/09/2023	0.028	19,523,000	0.009	173,216
<b>Total</b>				<b>78,846,766</b>		<b>328,161</b>

Source: Management; PKFCF Analysis

Additionally, we have assumed a volatility of 95% based on our review of the weekly volatility of Covata of a corresponding term to the term to maturity of the options.

Based on the above assumptions and inputs, we estimate the value of the Covata options to be \$328,158.

### Note 5: Non-contingent Transaction Costs

Covata has advised us that the estimated non-contingent transaction costs committed by the Company in relation to the Proposed Transaction are approximately \$520k. These consist mostly of legal, Investigating Accountant's Report, IER and ASX fees.

### Note 6: Employee Loan Share Plan

Covata has twelve tranches of shares issued under the ELSP. Given the recourse on the loans is limited to the underlying shares, these instruments have the same characteristics as call options. As such, we have adopted the Black-Scholes Method to assess the value of the loan shares.

Our assessment is set out in the table below:

**Table 14: Covata Employee Loan Shares**

Covata ELSP (\$)	Spot Price	Excercise Date	Exercise Price	No. Outstanding	Value	Value per Tranche
Tranche 1	0.015	30/11/2019	0.147	8,793,087	0.000	151
Tranche 2	0.015	30/11/2019	0.147	567,188	0.000	10
Tranche 3	0.015	31/03/2020	0.285	1,300,000	0.000	21
Tranche 4	0.015	31/03/2020	0.285	136,925	0.000	2
Tranche 5	0.015	31/01/2022	0.120	400,000	0.003	1,040
Tranche 6	0.015	31/05/2022	0.093	10,000,000	0.004	37,262
Tranche 7	0.015	30/06/2022	0.036	6,300,000	0.007	41,691
Tranche 8	0.015	31/08/2022	0.036	60,000	0.007	412
Tranche 9	0.015	30/11/2022	0.055	29,534,298	0.006	176,664
Tranche 10	0.015	31/03/2023	0.050	4,085,000	0.007	27,502
Tranche 11	0.015	30/09/2023	0.028	32,392,800	0.009	289,689
Tranche 12	0.015	31/10/2023	0.028	7,678,500	0.009	69,358
<b>Total</b>				<b>101,247,798</b>		<b>643,801</b>

*Source:* Management; PKFCF Analysis

Additionally, we have assumed a volatility of 95% based on our review of the weekly volatility of Covata of a corresponding term to the term to maturity of the ELSP.

Based on the above assumptions and inputs, we estimate the value of the Covata's ELSP liability to be \$643,801.

**Note 7: Other Material Movements from 31 March 2019 to the Assessment Date**

We have not been advised of any other material movements to the balance sheet of Covata between 31 March 2019 and the Assessment Date.

**Note 8: Covata Shares Outstanding**

To calculate the per share value of Covata before the Proposed Transaction, we have deducted the shares on issue from the ELSP.

In our view the value of Covata before the Proposed Transaction calculated using the NAV method represents a control value and no further control premium needs to be considered. This is based on the following:

- Our valuation of Covata using the NAV method (\$6.1 million) comprises primarily of cash (after adjusting for non-contingent transaction costs and including the Vendor Note);
- We have considered the value of listed shell in assessing the valuation based on the NAV method. This in our view is also reflective of the “control premium” that may be paid by a potential acquirer of Covata. The value of the listed shell implies a control premium of ~18.7%.

### 7.3.2. ASX Trading History

We have also considered the trading history of Covata in our analysis of Covata prior to the transaction. As discussed in Section 4.10.2, Covata's share price has declined significantly since its IPO to 1.5 cents or a weekly VWAP 1.37 cents as at the Last Trading Day.

**Table 15: Covata Trading History**

Period	Price (Low) AUD	Price (High) AUD	Price VWAP AUD	Cumulative Value AUD'000	Cumulative Volume '000	% of Issued Capital
1 week	0.0150	0.0150	0.0137	2.8	205.4	0.03%
1 month	0.0140	0.0160	0.0148	39.8	2,686.2	0.35%
3 months	0.0140	0.0230	0.0178	292.1	16,425.5	2.12%
6 months	0.0140	0.0280	0.0195	604.8	31,055.2	4.01%
12 months	0.0140	0.0570	0.0301	3578.3	118,705.9	15.33%

**Source:** S&P Capital IQ

We have considered the following in our assessment of Covata's market value prior to the Proposed Transaction:

- A trading halt was in place on the announcement of the Proposed Transaction in January. Major events and announcement subsequent to the trading halt such as the Cocoon Divestment would not be reflected in the share price;
- There has been historically low level of liquidity in Covata's shares with only 15.3% of the issued capital traded in the 12 months prior to the trading halt; and
- The reduced trading volume occurred concurrent with a sustained long-term trend of share price decline.

Taking the above into consideration, we believe it is appropriate to adopt the weekly VWAP of 1.37 cents prior to the trading halt as the high end of the market value of Covata prior to the Proposed Transaction.

In applying RG 111 to evaluating the Proposed Transaction, the appropriate valuation approach is to determine the value of a share of Covata pre-transaction on a controlling interest basis and compare it against the value of a share of Covata post-transaction on a minority basis. A premium for control is therefore applicable to the minority value represented by Covata's share price traded on the exchange.

Typical control premiums (opposite of minority interest discounts) paid over and above the trading price of shares in acquisition of listed companies in Australia range between 20% and 40%.

We have adopted a control premium of 20% given that Covata has disposed of its main business undertaking prior to the Proposed Transaction, with the majority of the remaining assets being cash, thus, synergies available to an acquirer who obtains control of the Company will be limited to commercialisation of the intellectual property of the Company.

### 7.3.3. Valuation Range of Covata Prior to the Proposed Transaction

Based on our analysis using the NAV and market-based approaches, we have assessed the valuation range of Covata prior to the Proposed Transaction to be the following:

**Table 16: Covata Valuation Range**

Market Value of Covata (\$, unless otherwise stated)	Low	High
Selected Value Range Pre-Consolidation	0.0090	0.0137
Selected Value Range Post-Consolidation	0.1799	0.2740
Control Premium	0%	20%
<b>Valuation Range (Control)</b>	<b>0.1799</b>	<b>0.3288</b>

*Source:* PKFCF Analysis

#### **Note 1: Value Range Pre-Consolidation**

Low end of the valuation range is based on our NAV method discussed in **Section 7.3.1**. High end of the valuation range is based on trading history discussed in **Section 7.3.2**.

#### **Note 2: Value Range Post-Consolidation**

We have applied a multiple of 20x in accordance with the ratio of the Share Consolidation.

#### **Note 3: Control Premium**

We have applied a 0% control premium for the low end as discussed in **Section 7.3.1**. We have applied a 20% control premium for the high end as discussed in **Section 7.3.2**.

### 7.3.4. Other Considerations

We note that prior to the announcement of the Proposed Transaction, Covata announced on 30 November 2018 a share purchase plan for the existing shareholders of Covata at an issue price of \$0.018. At closing, 42 applicants subscribed a total of \$156,000 in ordinary shares. We do not consider this share issue to be a reliable indicator of the market value of Covata due to the fact that:

- the share purchase plan was only offered to the existing shareholders of Covata;
- only a small number of shares were subscribed by a small number of existing investors;
- the nature of Covata's operation has changed significantly between the offering date and just prior to the Proposed Transaction, where the Cocoon Divestment is expected to occur.

## 7.4. Valuation of dataglobal

### 7.4.1. Assessment of EBITDA

In assessing the level of earnings to apply in our valuation of dataglobal, we have taken into consideration the following factors:

- Covata will acquire dataglobal without its managed services division. The division will be spun-off prior to completion of the Proposed Transaction. Pro-forma historical profit and loss statement for dataglobal was prepared by Covata for the financial years ended 31 March 2017 and 2018, and 9 months ended 31 December 2018 (refer **Section 5.4**);
- dataglobal, excluding its managed services division, has a history of fairly stable revenue growth which comprises of mainly new licensing agreements and servicing of existing contracts to more than 450 customers around the world;
- EBITDA has increased substantially in the most recent period to €958k for the 9 months period to 31 December 2019, driven by increase in revenue and reduction in employee expenses; and
- dataglobal has a predominantly recurring revenue base which increases as new customers are signed up.

Based on the factors discussed above, we have adopted annualised 9 months pro-forma EBITDA of dataglobal of €1.3 million (or \$2.1 million) for our valuation.

### 7.4.2. Earnings Multiples

In assessing an appropriate multiple to apply in valuing dataglobal, we have taken into consideration the trading multiples of companies that are broadly comparable. In addition, we analysed the multiples implied from recent acquisitions in the enterprise data management industry, as well as transactions in the wider enterprise software and security space.

We have applied an EBITDA multiple of between 12.0x – 14.0x for dataglobal. In assessing this range, we have had regard to:

- Trading multiples for comparable listed companies summarised in **Table 17** below. We note that median EBITDA multiples for listed companies is:
  - 21.3x last twelve months (“**LTM**”) EBITDA; and
  - 23.9x next twelve months (“**NTM**”) EBITDA.
- Transaction multiples implied by mergers and acquisition transactions for comparable companies summarised in **Table 18**. We note that the median implied LTM EBITDA multiple for transactions was 18.5x.
- Relatively small size of dataglobal compared to most of the listed comparables and transaction targets from which the multiples data is drawn. We note that smaller companies generally trade at a lower multiple due to higher operational risk.
- Strong revenue and earnings growth for dataglobal since 2017.

We summarise below the trading multiples of selected companies in the Enterprise Data Management industry:

**Table 17: Industry Trading Multiples**

Comparable Trading Companies (\$m)	Country	Equity Value Control	Net Debt	Enterprise Value Control	EV / LTM EBITDA	EV / NTM EBITDA
Elastic N.V.	United States	10,316	-423	9,893	NM	NM
Varonis Systems, Inc.	United States	3,444	-226	3,218	NM	NM
Talend S.A.	United States	2,156	-47	2,110	NM	NM
Ideagen plc	United Kingdom	775	-1	774	NM	26.4x
Fabasoftware AG	Austria	438	-52	385	21.0x	20.3x
Gresham Technologies plc	United Kingdom	174	-10	164	NM	31.0x
StatPro Group plc	United Kingdom	210	45	255	21.5x	13.8x
Rosslyn Data Technologies plc	United Kingdom	33	1	35	NM	NM
<b>Average</b>		<b>2,193</b>	<b>-89</b>	<b>2,104</b>	<b>21.2x</b>	<b>22.9x</b>
<b>Median</b>		<b>606</b>	<b>-28</b>	<b>580</b>	<b>21.2x</b>	<b>23.3x</b>

*Source:* S&P Capital IQ; PKFCF Analysis

We note the following with regards to the trading multiples:

- We have applied a 30% control premium to the share price of the trading comparable in our presentation above;
- The listed comparable companies trade in the range of 21.0x – 21.5x LTM EBITDA or 13.8x – 31.0x NTM EBITDA;
- Ideagen plc is a UK based enterprise software company which offers cloud-based data mining, document control, process monitoring, audit automation and other related software solutions to corporates around the world. Compared to dataglobal, it is much larger and offers a more diverse product range. Ideagen trades at 26.4x NTM EBITDA;
- Fabasoft AG is a software solutions company based in Austria. Fabasoft offers two key products, being Fabasoft Folio and Fabasoft eGov-suite. The former offers recording, management, and storage of digital documents and business files as well as workflow optimisation. The latter is an electronic records management solution for the administrative processes in the public sector. Fabasoft is a close match for the operations of dataglobal. It is however larger than dataglobal and has better geographic reach. Fabasoft trades at 21.5x LTM EBITDA and 20.3x NTM EBITDA;
- Gresham Technologies plc and StatPro Group plc are data solutions companies based in the UK. The products they offer are more focused on data integrity of business transactions and transaction matching and reconciliation. These companies are closer in size to dataglobal and have a narrower focus in products or industries compared to Ideagen and Fabasoft. Gresham Technologies plc trades at 31.0x NTM EBITDA and StatPro Group plc trades at 13.8x NTM EBITDA.
- Rosslyn Data Technologies plc engages in the development and provision of data analytics software, data capture, data mining, and workflow management in the UK and the US. It offers a cloud data automation platform that automates the collection, aggregation, and organization of data and documents. The company, with \$7m revenue in FY19 is similar in size to dataglobal in terms of revenue. The product range, customer diversity and geographical reach are inferior to dataglobal. Rosslyn Data has an enterprise value of \$33 million and is not expected to be profitable at the EBITDA level for the NTM period. Using longer term analyst estimates, Rosslyn Data trades at a forward EBITDA multiple of between 15.7x – 58.5x.

We summarise below the selected transaction multiples in the enterprise data management and enterprise data security industry:

**Table 18: Industry Transaction Multiples**

Comparable Transactions (\$m)	Target	Country	Buyer	Implied Enterprise Value	Implied EV / LTM EBITDA
<b>Enterprise Data Management</b>					
12/03/2019	Tax Systems plc	United Kingdom	Bowmark Capital LLP	109	17.0x
4/06/2019	EASY SOFTWARE AG	Germany	Deutsche Balaton AG	34	22.1x
5/11/2018	Datawatch Corporation	United States	Altair Engineering Inc.	174	NM
23/05/2018	A2IA S.A.	France	Mitek Systems, Inc.	43	NA
12/04/2018	Action Corporation	United States	HCL Technologies Limited; Sumeru Equity Partners, Inc.	330	8.6x
22/08/2017	Affecto Oyj	Finland	CGI Nordic Investments Limited	101	16.3x
28/04/2017	Guavus, Inc.	United States	Thales S.A.	215	NA
8/10/2015	Daegis Inc.	United States	Open Text Corporation	21	24.7x
7/04/2015	Informatica LLC	United States	Microsoft; Permira Advisers; CPPIB; Permira V; Salesforce Ventures	5,350	28.3x
<b>Average</b>				<b>708</b>	<b>19.5x</b>
<b>Median</b>				<b>109</b>	<b>19.5x</b>
<b>Enterprise Software Solutions</b>					
11/02/2019	IDology, Inc.	United States	GB Group plc	302	18.5x
7/02/2019	Webroot Inc.	United States	Carbonite, Inc.	619	NA
16/11/2018	Cylance Inc.	United States	BlackBerry Limited	1,500	NA
6/11/2018	ConvergeOne Holdings, Inc.	United States	CVC Capital Partners Limited; CVC Capital Partners VII, LP	1,640	14.7x
10/10/2018	Imperva, Inc.	United States	Thoma Bravo, LLC	1,815	NM
30/01/2018	Angoss Software Corp.	Canada	Datawatch Corporation	29	40.4x
3/03/2018	Spikes Inc.	United States	KPMG LLP	2,176	NA
<b>Average</b>				<b>1,154</b>	<b>24.5x</b>
<b>Median</b>				<b>1,500</b>	<b>18.5x</b>

Source: S&P Capital IQ; PKFCF Analysis

We note the following with regards to the transaction multiples:

- The transaction multiple data may have different levels of control premium associated as they reflect varying level of synergy between the buyers and the targets;
- Recent transactions in the enterprise data management industry were completed at a median LTM multiple of 18.6x, while recent transactions in the wider enterprise data solutions space were completed at a median LTM multiple of 18.5x;

- The implied enterprise values of transaction targets are generally much larger, and the businesses are also more mature than dataglobal;
- While no companies in recent transactions are directly comparable to dataglobal, Easy Software AG is similar in size and also based in Germany. The offer made by Deutsche Balaton AG was an on-market takeover bid for the remaining 84.9% stake at an implied EBITDA multiple of 20.3x.

### 7.4.3. Market Value of dataglobal

We summarise below our valuation of dataglobal:

**Table 19: Valuation of dataglobal**

(\$'000, unless otherwise stated)	Note	Low	High
Adopted EBITDA	1	2,072.5	2,072.5
Adopted EBITDA Multiple	2	12.0x	14.0x
<b>Enterprise Value of dataglobal</b>		<b>24,870.1</b>	<b>29,015.2</b>
Less: Net Debt	3	0.0	0.0
<b>Equity Value of dataglobal</b>		<b>24,870.1</b>	<b>29,015.2</b>

*Source:* PKFCF Analysis

#### **Note 1: Adopted EBITDA**

Refer to **Section 7.4.1**

#### **Note 2: Adopted EBITDA Multiple**

Refer to **Section 7.4.2**.

#### **Note 3: Net Debt**

We understand that the Proposed Transaction is to be completed on a debt-free, cash-free basis, subject to €800,000 in working capital on completion. Any surplus cash on the balance sheet of dataglobal would be distributed prior to the Proposed Transaction.

## 7.5. Valuation Assessment after the Proposed Transaction

### 7.5.1. Sum-of-Parts Valuation

We summarise our value of a Covata share after the Proposed Transaction using the sum-of-parts method in the table below:

**Table 20: Sum of Parts Valuation**

(\$'000, unless otherwise stated)	Note	Low	High
Per Share Value of Covata prior to Proposed Transaction (pre-consolidation)	1	0.0090	0.01370
Shares outstanding prior to Proposed Transaction ('000)	2	681,688	681,688
<b>Value of Covata prior to Proposed Transaction</b>		<b>6,132.4</b>	<b>9,339.1</b>
Add: Value of dataglobal	3	24,870.1	29,015.2
Add: Transaction Capital Raising Proceeds	4	13,700.0	13,700.0
Less: Cash Consideration to the Vendor	5	(10,550.2)	(10,550.2)
Less: Contingent Transaction Costs	6	(1,356.6)	(1,356.6)
<b>Value of Covata after the Proposed Transaction</b>		<b>32,795.8</b>	<b>40,147.5</b>
Ordinary Shares on Issue after the Proposed Transaction (post-consolidation)	7	114,484	114,484
<b>Per Share Value of Covata after the Proposed Transaction (Control)</b>		<b>0.29</b>	<b>0.35</b>
Less: Minority Discount	8	29%	17%
<b>Per Share Value of Covata after the Proposed Transaction (Minority)</b>		<b>0.20</b>	<b>0.29</b>

Source: PKFCF Analysis

#### **Note 1: Value of Covata prior to Proposed Transaction**

Refer to **Section 7.3.3**.

#### **Note 2: Shares Outstanding**

Refer to **Section 7.3.1**

#### **Note 3: Value of dataglobal**

Refer to **Section 7.2.2**.

#### **Note 4: Transaction Capital Raising Proceeds**

Refer to **Section 7.5.2**.

#### **Note 5: Cash Consideration to the Vendor**

Refer to **Section 1.1**.

#### **Note 6: Contingent Transaction Costs**

Covata has advised us that the estimated contingent transaction costs committed by the Company in relation to the Proposed Transaction are approximately \$1.36 million. These costs relate to the Transaction Capital Raising.

#### **Note 7: Ordinary Shares on Issue after the Proposed Transaction**

To calculate the post transaction shares on issue, we have deducted the post-consolidation shares on issue from the employee loan share plan. Refer to **Section 7.5.2** for details on the number of shares outstanding.

#### **Note 8: Minority Discount**

Typical control premiums (opposite of minority interest discounts) paid over and above the trading price of shares in acquisition of listed companies in Australia range between 20% and 40%. Back solved, a control premium in the range of 20% - 40% implies a minority interest discount for lack of control in the range of 17% - 29%.

### 7.5.2. Price of Recent Investments

In assessing the value of Covata post transaction, we have also had regard to the price of recent investments approach. In particular, we have considered the subscription price of Transaction Capital Raising of \$0.015 per share. The Transaction Capital Raising in which Covata will issue 913,333,333 ordinary shares pre-consolidation at an issue price of \$0.015 (1.5 cents) per share



for proceeds of \$13.7 million before costs is a condition precedent to the Proposed Transaction. We note that this implies a value of \$0.3 per share post Share Consolidation.

We understand that this will be a public offer and will not be underwritten. Covata has had initial discussions with prospective investors and thus formed a view on the pricing of the proposed capital raising. The Transaction Capital Raising will have a significant impact on Covata, as the number of shares to be issued will account for over 38% of the fully diluted shares outstanding after the Proposed Transaction.

**Table 21: Fully Diluted Shares Outstanding After the Proposed Transaction**

(000's)	Pre-Consolidation	Post-Consolidation	%
Existing Shareholders	782,936	39,147	32.7%
Vendor Shares	693,333	34,667	29.0%
Transaction Capital Raising Shares	913,333	45,667	38.2%
Advisor Shares	1,333	67	0.1%
<b>Fully Diluted Shares Outstanding</b>	<b>2,390,936</b>	<b>119,547</b>	<b>100.0%</b>

*Source:* Management

We note that the Transaction Capital Raising, as a condition precedent to the Proposed Transaction, is significant in size and will occur concurrent to the Proposed Transaction.

We note that the value of Merged Business implied by the Transaction Capital Raising on a per share basis is slightly higher than that the range of our sum-of-parts valuation discussed in **Section 7.5.1**. We do not believe that this is unreasonable, given a sum-of-parts valuation may not fully capture the value of synergies in merging two businesses. We note that Covata plans to relocate majority of its operations to Germany to focus on:

- increasing the sales for dataglobal and Covata's existing SharePoint security product (Eclipse) in European markets;
- expansion to Asian and later in North American Markets; and
- utilising the development capabilities of the Merged Business to commercialise its existing intellectual property assets.

### 7.5.3. Valuation of Covata after Proposed Transaction - Summary

We summarise our assessment of the value of Covata Post Transaction below based on our analysis in **Section 7.5.1** and **Section 7.5.2**:

**Table 22: Market Value of Covata Post Transaction (Per Share)**

Market Value of Covata after the Proposed Transaction (\$ / Share)	Low	High
Value of Covata after the Proposed Transaction (Minority) post-consolidation	0.2045	0.3000
Value of Covata after the Proposed Transaction (Minority) pre-consolidation	0.0102	0.0150

*Source:* PKFCF Analysis

We have adopted the low end of the sum-of-parts valuation as the low end of the market value of Covata after the Proposed Transaction and the value implied by the Transaction Capital Raising as the high end of the valuation.

## 7.5.4. Cross Check – Capitalisation of Revenue

We cross checked our valuation of the Merged Business by comparing the implied EV / revenue multiple with those of comparable trading companies and comparable recent transactions in the enterprise data security and management space.

**Table 23: Merged Business Implied Revenue Multiple (Control)**

Crosscheck (\$'000, unless otherwise stated)	Note	Low	High
Value of Covata after the Proposed Transaction (Minority) post-consolidation		\$0.2045	\$0.3000
Number of Shares Outstanding post-consolidation (000's)	1	114,484	114,484
<b>Equity Value (Minority)</b>		<b>23,416</b>	<b>34,345</b>
Control Premium	2	20%	40%
<b>Equity Value (Control)</b>		<b>28,099</b>	<b>48,083</b>
Less: Net Cash	3	(8,884)	(8,884)
<b>Enterprise Value (Control)</b>		<b>19,216</b>	<b>39,200</b>
Merged Business Annualised 9M 2019 Revenue	4	7,059	7,059
<b>Implied Revenue Multiple</b>		<b>2.7x</b>	<b>5.6x</b>

*Source:* Transaction Capital Raising Prospectus, PKFCF Analysis

### Note 1: Covata Shares Outstanding

To calculate the equity value of Covata after the Proposed Transaction, we have deducted the post-consolidation shares on issue from the employee loan share plan.

### Note 2: Control Premium

Typical control premiums (opposite of minority interest discounts) paid over and above the trading price of shares in acquisition of listed companies in Australia range between 20% and 40%.

In our cross-check, we have applied a control premium in the range of 20% - 40% to calculate the control value of the Merged Business after the Proposed Transaction

### Note 3: Net Cash

We have subtracted the net cash balance of \$7.9 million, as per the prospectus for the Transaction Capital Raising lodged with the ASX on 26 June 2019 (“**Prospectus**”), and the Vendor Note from the control equity value of the Merged Business to calculate the implied enterprise value.

### Note 4: Annualised Revenue

We have annualised the 9 months pro-forma revenue of the Merged Business (as per the Prospectus) to calculate the implied multiple.

We summarise below the trading multiples of selected companies in the Enterprise Data Management industry:

**Table 24: Industry Trading Multiples**

Comparable Trading Companies (\$m)	Country	Equity Value Control	Net Debt	Enterprise Value Control	EV / LTM Revenue	EV / NTM Revenue
Elastic N.V.	United States	10,316	-423	9,893	25.6x	17.2x
Varonis Systems, Inc.	United States	3,444	-226	3,218	8.4x	8.0x
Talend S.A.	United States	2,156	-47	2,110	7.0x	5.7x
Ideagen plc	United Kingdom	775	-1	774	10.8x	8.3x
Fabasoft AG	Austria	438	-52	385	6.1x	5.4x
Gresham Technologies plc	United Kingdom	174	-10	164	4.7x	3.6x
StatPro Group plc	United Kingdom	210	45	255	2.6x	2.4x
Roslyn Data Technologies plc	United Kingdom	33	1	35	2.8x	2.7x
<b>Average</b>		<b>2,193</b>	<b>-89</b>	<b>2,104</b>	<b>8.5x</b>	<b>6.7x</b>
<b>Median</b>		<b>606</b>	<b>-28</b>	<b>580</b>	<b>6.5x</b>	<b>5.5x</b>

*Source:* S&P Capital IQ; PKFCF Analysis

We note the following with regards to the trading multiples:

- We have applied a 30% control premium to the share price of the trading comparable in our presentation above;
- Revenue multiples do not capture the profitability profile of the business, the latter being closer to a cashflow measure and thus more relevant to the value of a company;

- We note that some of these listed comparable companies are much larger than the Merged Business and trade in the range of 7.0x – 25.6x LTM revenue;
- The smaller listed companies trade in the range of 2.6x – 6.1x LTM revenue; and
- Implied revenue multiples for the Merged Business are within the range revenue multiples of the smaller listed companies.

We summarise below the transaction multiples of selected companies in the enterprise data management and the wider enterprise software solutions industry:

**Table 25: Industry Transaction Multiples**

Comparable Transactions (\$m)				Implied	Implied EV /
Announcement Date	Target	Country	Buyer	Enterprise Value	LTM Revenue
<b>Enterprise Data Management</b>					
12/03/2019	Tax Systems plc	United Kingdom	Bowmark Capital LLP	109	6.8x
4/06/2019	EASY SOFTWARE AG	Germany	Deutsche Balaton AG	34	0.7x
5/11/2018	Datawatch Corporation	United States	Altair Engineering Inc.	174	4.2x
23/05/2018	A2iA S.A.	France	Mitek Systems, Inc.	43	3.3x
12/04/2018	Actian Corporation	United States	HCL Technologies Limited; Sumeru Equity Partners, Inc.	330	3.1x
22/08/2017	Affecto Oyj	Finland	CGI Nordic Investments Limited	101	0.8x
28/04/2017	Guavus, Inc.	United States	Thales S.A.	215	7.2x
8/10/2015	Daegis Inc.	United States	Open Text Corporation	21	0.9x
7/04/2015	Informatica LLC	United States	Microsoft; Permira Advisers; CPPIB; Permira V; Salesforce Ventures	5,350	5.1x
<b>Average</b>				<b>708</b>	<b>3.6x</b>
<b>Median</b>				<b>109</b>	<b>3.3x</b>
<b>Enterprise Software Solutions</b>					
11/02/2019	IDology, Inc.	United States	GB Group plc	302	7.9x
7/02/2019	Webroot Inc.	United States	Carbonite, Inc.	619	2.9x
16/11/2018	Cylance Inc.	United States	BlackBerry Limited	1,500	11.5x
6/11/2018	ConvergeOne Holdings, Inc.	United States	CVC Capital Partners Limited; CVC Capital Partners VII, LP	1,640	1.2x
10/10/2018	Imperva, Inc.	United States	Thoma Bravo, LLC	1,815	5.2x
30/01/2018	Angoss Software Corp.	Canada	Datawatch Corporation	29	2.8x
3/01/2018	Spikes Inc.	United States	KPMG LLP	2,176	1.3x
<b>Average</b>				<b>1,154</b>	<b>4.7x</b>
<b>Median</b>				<b>1,500</b>	<b>2.9x</b>

Source: S&P Capital IQ; PKFCF Analysis

We note the following with regards to the transaction multiples:

- The transaction multiple data may have different levels of control premium associated as they reflect varying level of synergy between the buyers and the targets;
- Revenue multiples do not capture the profitability profile of the business, the latter being closer to a cashflow measure and thus more relevant to the value of a company;
- Implied revenue multiples of the Merged Business are broadly in line with the range of multiples for recent transactions in the enterprise data management industry. We do not believe this is unreasonable given the expected growth profile of the Merged Business.

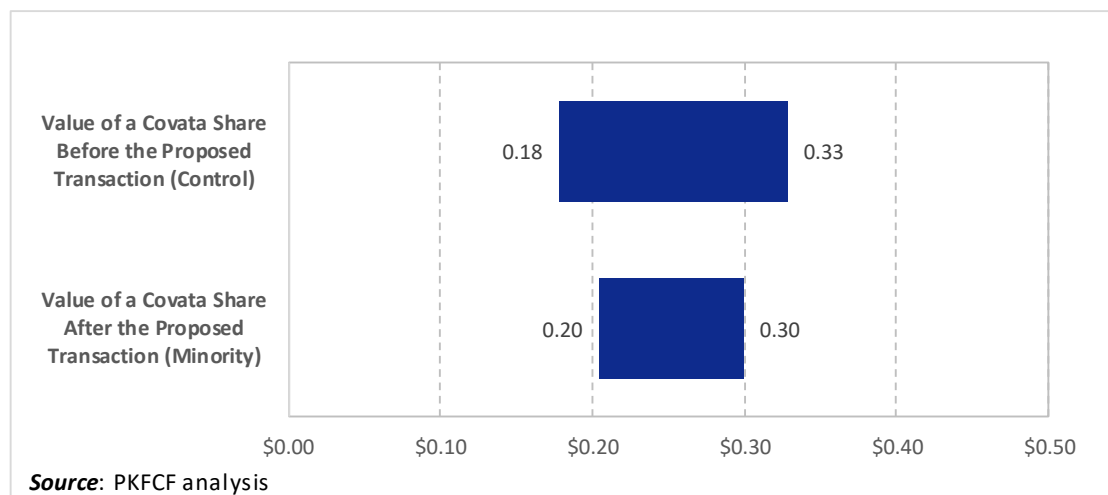
Based on the analysis above, we conclude that the implied revenue multiples of the Merged Business can be broadly supported by multiples observed in the industry.

## 7.6. Fairness of the Proposed Transaction

In our opinion the Proposed Transaction is **fair**. We have formed this opinion based on our assessment of the value of shares of Covata:

- after the Proposed Transaction of \$0.20 to \$0.30 per share (post Share Consolidation on a minority interest basis); and
- before the Proposed Transaction of \$0.18 to \$0.33 per share (post Share Consolidation on a controlling interest basis).

**Figure 8: Valuation of Covata Before and After the Proposed Transaction**



As our assessed value of Covata shares after the Proposed Transaction is within the range of our assessed value of Covata shares before the Proposed Transaction on a per share basis, we have concluded that the Proposed Transaction is **fair**.

We note that our valuation is based on the Transaction Capital Raising to occur at a price of \$0.015 pre-Consolidation or \$0.300 post-Consolidation, as per the terms indicated in the Amended Share Sale Agreement. If the Transaction Capital Raising were to occur below this price, we may need to reassess our fairness opinion.

## 7.7. Reasonableness of the Proposed Transaction

In our opinion the Proposed Transaction is reasonable. Pursuant to RG 111 if an offer is considered “fair” it is also “reasonable”. However, we also note the advantages and disadvantages of the Proposed Transaction to the Non-Associated Shareholders in **Section 7.7.1** and **Section 7.7.2** below.

### 7.7.1. Advantages of the Proposed Transaction

We note the following advantages of proceeding with the Proposed Transaction:

- If the Proposed Transaction is completed, Covata will acquire an enterprise data management business which has a track record of profit generation in Europe. Further, if future expansion plans are realised, there may be a potential for capital growth. We further note that Covata has been loss making since it listed on the ASX.
- The Proposed Transaction will provide Covata with a cash injection in the form of the Transaction Capital Raising.
  - The additional funds will provide funding for further business and product development opportunities for the Merged Business.
  - Over the 12 months before the trading halt, only 15.33% of the issued capital has been traded. With the Transaction Capital Raising, new investors will be introduced to the Company, thus potentially enhancing the liquidity of Covata’s shares.

### 7.7.2. Disadvantages of the Proposed Transaction

We also note the following disadvantages of proceeding with the Proposed Transaction

- The Proposed Transaction will lead to the Vendors having a significant level of control over the Company with a shareholding of 29.0% on completion.
- The Proposed Transaction will lead to a dilution of existing shareholder interest as a result of the additional issue of shares to the Vendors and shares issued pursuant to the Transaction Capital Raising.
- The Proposed Transaction will lead to a change to the nature and scale of operations of Covata. Covata will change its focus from a data security software provider to an enterprise data management software provider. Further, Covata plans to move most of its operations to Europe from Australia. Naturally, these changes will alter the risk profile of the business and may not be compatible with the investment preferences of the existing shareholders.

### 7.7.3. Implications of Covata Shareholders Rejecting the Proposed Transaction

If the Proposed Transaction is not approved, Covata will have no substantial business operations in the near term given the sale of the SafeShare business. The Company will require a new business plan and may need to consider other acquisitions. This may subject the share price to additional risks given uncertainties as to the future prospects of the Company. Based on discussions with Covata, we are not aware of any other possible alternatives to the Proposed Transaction at this stage. We also understand that further commercialisation and development of Covata's intellectual property may not be feasible in the absence of a substantial revenue generating business.

### 7.8. Overall Conclusion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Proposed Transaction is **fair and reasonable** to the Non-Associated Shareholders of Covata.

## 8. Qualifications, Independence and Disclaimer

### 8.1. Qualifications

PKFCF is the licensed corporate advisory arm of PKF (NS) Holding Pty Ltd (“PKF”). PKFCF provides advice in relation to all aspects of valuations and its personnel have extensive experience in the valuation of corporate entities.

**Mr Andrew Jones** B.EC, CA, is a Director of PKFCF. Mr Jones has been the project manager responsible for the delivery of this Report.

Mr Jones has over 30 years’ experience in accounting, audit and corporate advisory activities including business, company and intangible asset valuations, due diligence reviews, capital raisings, preparation of Independent Expert Reports in relation to corporate transactions, and the provision of advice in relation to merger, acquisition and divestment transactions.

**Mr Vikas Nahar** CFA, MBA, is a Principal of PKFCF. Mr Nahar was actively involved in the preparation of this Report.

Mr Nahar has over 12 years’ experience in provision of corporate advisory and valuation services including company, intangible asset, financial assets and derivative valuations, provision of advice in relation to merger, acquisition and divestment transactions, and preparation of Independent Expert Reports.

Based on their experience, Messrs Jones and Nahar are considered to have the appropriate experience and professional qualifications to provide the advice offered.

### 8.2. Independence

PKFCF is not aware of any matter or circumstance that would preclude it from preparing this Report on the grounds of independence, either under regulatory or professional requirements. In particular, we had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

PKFCF does not have any shareholding in, or other relationship with Covata (including any of their related parties or associates) that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the proposals.

PKFCF considers itself to be independent in terms of ASIC Regulatory Guide 112 *Independence of Experts* (“RG 112”), issued by ASIC.

PKFCF will receive a fee based on the time spent in the preparation of this Report. PKFCF will not receive any fee contingent upon the outcome of the Proposed Transaction.

Drafts of this Report were provided to the Directors of Covata for review of factual accuracy. Certain changes were made to the Report as a result of the circulation of the drafts of the Report. However, our approach and overall conclusions were not affected by the circulation of the draft reports to Covata.

### 8.3. Disclaimer

It is not intended that this report should be used or relied upon for any purpose other than as an expression of PKFCF’s opinion as to whether the Proposed Transaction Proposal is fair and reasonable to the Non-Associated Shareholders. PKFCF expressly disclaims any liability to any Covata shareholder who relies or purports to rely on the Report for any other purpose and to any other party who relies or purports to rely on the Report for any purpose whatsoever.

PKFCF has had no involvement in the preparation of the Notice of Meeting issued by Covata and has not verified or approved any of the contents of that Notice of Meeting. PKFCF does not accept any responsibility for the contents of the Notice of Meeting (except for this Report).

## Appendix 1 Glossary of terms

Set out below is a glossary of terms used in this report.

**Table 26: Glossary**

Term	Definition
\$	Australian Dollars
€	Euros
AFSL	Australian Financial Services Licence.
Amended Share Sale Agreement	The Share Sale Agreement which was subsequently amended on 24 June 2019
ASIC	Australian Securities & Investments Commission.
Assessment Date or Date of the Report	2 July 2019
ASX	Australian Securities Exchange.
BFSI	Banking, financial services and insurance
Board	The board of directors of Covata
CAGR	Compounded annual growth rate
CipherPoint	A data-centric audit and protection solutions provider acquired by Covata in August 2017
Cocoon	Cocoon Data Holdings Pty Limited
Cocoon Divestment	Covata disposing the shares of Cocoon, which holds the SafeShare business to Gibraltar for \$5 million
Company or Covata	Covata Limited
Company Filings	Filings with stock exchanges, regulatory bodies and management accounts
Consideration	€6.5 million in cash in addition to the issue of 693,333,333 fully paid ordinary shares of Covata at a deemed issue price of the higher of 1.5 cents per share or the VWAP for the 30 days prior to completion of the transaction, with a cap that is no higher than 33% of the share price as at the completion date
Convertible Notes	Redeemable convertible notes issued by Covata and secured over the shares of Cocoon, having a face value of \$1.9 million (including additional \$500k to be issued on or around 2 July 2019). The liabilities associated with these convertible notes will be extinguished as part of the Cocoon Divestment.
Corporations Act	The <i>Corporations Act 2001 (Cth)</i> .
Cybr5	A vehicle owned by Gibraltar which entered into a binding agreement with Covata for the acquisition of Cocoon
dataglobal or Target	dataglobal GmbH excluding its managed services assets
Directors	Directors of Covata
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECM	Enterprise content management
ELSP	Employee Loan Share Plan
EV	Enterprise Value
FY	Financial Year
Gibraltar	Gibraltar Holdings Pty Limited
IER	Independent Expert's Report
IP	Intellectual Property

<b>Term</b>	<b>Definition</b>
<b>Last Trading Date</b>	30 January 2019
<b>Merged Business</b>	The combined business of Covata and dataglobal following the Proposed Transaction
<b>MCM</b>	Mobile content management
<b>NAV</b>	Net-asset backing valuation methodology
<b>Non-Associated Shareholders</b>	Shareholders of Covata that are not associated with the Vendors
<b>Notice of Meeting</b>	The notice of meeting which this IER is attached to
<b>PKFCF, us, we or our</b>	PKF Corporate Finance (NSW) Pty Limited ACN 097 893 957 AFSL 295872
<b>Proposed Transaction</b>	Proposed acquisition of dataglobal by Covata
<b>Prospectus</b>	Prospectus for the Transaction Capital Raising lodged with the ASX on 26 June 2019
<b>Report</b>	This report dated 27 May 2019
<b>RG 111</b>	ASIC Regulatory Guide 111 <i>Content of Expert Reports</i> .
<b>RG 112</b>	ASIC Regulatory Guide 112 <i>Independence of Experts</i> .
<b>Share Consolidation</b>	Covata will consolidate the number of shares outstanding by a ratio of 20:1
<b>Share Sale Agreement</b>	Covata announced it had entered into a sale and transfer of shares agreement with the Vendors for the Proposed Transaction on 30 Jan 2019
<b>Transaction Capital Raising</b>	Covata will issue 913,333,333 ordinary shares at an issue price of 1.5 cents per share (pre-Share Consolidation) as part of the Proposed Transaction
<b>Vendors</b>	Mr Wolfgang Munz and Wolfgang Munz Holdings GmbH
<b>Vendor Note</b>	\$1 million in priority vendor note as part of the consideration for the Cocoon Divestment
<b>VWAP</b>	Volume Weighted Average Price



## Appendix 2 Sources of Information

In preparing this Report we have had access to and relied upon the following principal sources of information:

- Management accounts of Covata for the 9 months ended 31 March 2019;
- Management accounts of dataglobal and for the years ended 31 March 2019;
- Statutory accounts of Covata as at 30 June 2016, 2017 and 2018 and 31 December 2018;
- Statutory accounts of dataglobal as at 30 March 2016, 2017 and 2018, and 31 December 2018;
- Pro-forma accounts of Covata as at 31 March 2019
- Prospectus of Covata's 45,666,667 new share issue as part of the Transaction Capital Raising;
- Sale and transfer of share agreement between dataglobal, Covata, Wolfgang Munz and Wolfgang Munz Holding GmbH dated 29 Jan 2019 and subsequent amendments;
- Covata's outstanding options and warrants schedule;
- Covata's outstanding employee loan share plan share schedule;
- Covata share registry;
- Other information published by Covata and dataglobal on their website;
- Discussions with the management of Covata;
- Mordor Intelligence - Enterprise Content Management Market - Growth, Trends and Forecasts (2018 - 2023);
- S&P Capital IQ; and
- other publicly available information.

In addition to the above, PKFCF has also had various discussions with the management of Covata regarding the nature and prospects of the businesses and financial position.

## Appendix 3 Valuation methods

In conducting our assessment of the Proposed Transaction, the following commonly used valuation methods have been considered:

### Discounted Cash Flow Method

The discounted cash flow (“**DCF**”) method is based on the premise that the value of a business or asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business or asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value (“**NPV**”).

DCF is appropriate where:

- the businesses’ or assets’ earnings are capable of being forecast for a reasonable period (preferably five to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a 'start up' or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

### Capitalisation of Future Maintainable Earnings Method

This method involves the capitalisation of estimated future maintainable earnings by an appropriate multiple. Maintainable earnings are the assessed sustainable profits that can be derived by the seller’s business and excludes any one-off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

### Price of Recent Investment

Recent investments in the business could be used as an indication of the fair value of a business. This type of valuation is representative of the fair value if:

- the parties involved are not associated
- the investor can be regarded as informed, rational and self-interested market participant
- the transaction is significant enough to be representative of the value of the business

### Net Asset Value

Asset based valuations involve the determination of the fair market value of a business based on the net value of the assets used in the business.

Valuation of net assets involves:

- separating the business or entity into components which can be readily sold, such as individual business units or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The value of the net assets can be determined on the basis of:

- *orderly realisation*: this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an

orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;

- *liquidation*: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- *going concern*: the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The value of a trading company's net assets will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is usually attributable to intangible assets such as goodwill.

The value of net assets is relevant where a company is making sustained losses or profits at a level less than the required rate of return, where it is close to liquidation, where it is an asset holding company, or where all its assets are liquid. It is also relevant to businesses that are being segmented and divested and to value assets that are surplus to the core operating business. The net assets value methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the value of its net assets.

### **Security Market Trading History**

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares; and
- the market for the company's shares is active and liquid.

### **Constant Growth Dividend Discount Model**

The dividend discount model works best for:

- firms with stable growth rates;
- firms which pay out dividends that are high and approximate free cash flow to equity;
- firms with stable leverage; and
- firms where there are significant or unusual limitations to the rights of Investors.

### **Sum of Parts Valuation**

The sum-of-parts valuation is a methodology which examines the value of a company by determining the value of its divisions. The valuation of the division (or 'parts') is determined using one of the other valuation methods discussed in this appendix. The values of the divisions are then aggregated to arrive at the value of the company.

### **Special Value**

Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the potential acquirer of potential economies of scale, reduction in competition or other synergies arising from the acquisition of the asset not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchases.

## Appendix 4 Details of Comparable Listed Companies

Company	Business Descriptions
Elastic N.V.	Elastic N.V. develops and delivers technology that enables users to search structured and unstructured data for a range of consumer and enterprise applications.
Varonis Systems, Inc.	Varonis Systems, Inc. provides software products and services that allow enterprises to manage, analyse, and secure enterprise data.
Talend S.A.	Talend S.A. provides software platform to address IT integration needs in various industries in the Americas, Europe, the Middle East, Africa, and the Asia Pacific.
Ideagen plc	Ideagen plc develops and supplies information management software in the United Kingdom, the United States, Bulgaria, Malaysia, and the Middle East. Its governance, risk and compliance (GRC) management solutions comprise Q-Pulse QMS, an electronic quality management system; Q-Pulse PM, a product management software; Pentana Audit, an audit automation application; Pentana Disclose, a financial disclosure checklist software; Pentana Performance, a cloud-based performance and risk management software; Coruson, an enterprise cloud safety management software; and PleaseReview, a document review, co-authoring, and redaction software.
Fabasoft AG	Fabasoft AG, together with its subsidiaries, develops and distributes software, and provides cloud services to public and private sector organizations in Austria, Germany, Switzerland, the United States, and internationally.
Gresham Technologies plc	Gresham Technologies plc, a software and services company, provides real-time transaction control and enterprise data integrity solutions in the United Kingdom and internationally.
StatPro Group plc	StatPro Group plc develops, markets, and distributes software, data solutions, and related professional services to the asset management industry in the United Kingdom and internationally.
Rosslyn Data Technologies plc	Rosslyn Data Technologies plc engages in the development and provision of data analytics software, data capture, data mining, and workflow management in the United Kingdom and the United States.

**Source:** S&P Capital IQ

## Appendix 5 Details of Targets in Recent Comparable Transactions

Target Company	Business Descriptions
Tax Systems plc	Tax Systems plc develops corporation tax and associated software for corporate and accountancy firms in the United Kingdom and Ireland.
EASY SOFTWARE AG	EASY SOFTWARE AG develops and provides software solutions worldwide.
Datawatch Corporation	Datawatch Corporation designs, develops, markets, and distributes business computer software products to self-service data preparation, predictive analytics, and visual data discovery markets in the United States and internationally.
A2iA S.A.	A2iA S.A. develops handwritten and machine printed text recognition, information extraction, and intelligent document classification toolkits for mobile and desktop solutions.
Action Corporation	Action Corporation provides a data management, integration, and analytics infrastructure platform through commodity hardware, in the cloud, or both.
Affecto Oyj	Affecto Oyj provides business intelligence, enterprise information management, and data warehouse services in Finland, Norway, Sweden, Denmark, Estonia, Latvia, Lithuania, Poland, and South Africa.
Guavus, Inc.	Guavus, Inc. develops and provides big data analytics applications for planning, operations, customer experience management, and Internet of Things (IOT).
Daegis Inc.	Daegis Inc., an enterprise software company, delivers offerings for information governance, application migration, data management, and application development worldwide.
Informatica LLC	Informatica LLC, an enterprise cloud data management company, develops data integration software solutions.
IDology, Inc.	IDology, Inc. develops digital identity verification and authentication solutions.
Webroot Inc.	Webroot Inc. provides cloud-based Internet threat detection solutions for consumers, businesses, and enterprises.
Cylance Inc.	Cylance Inc. develops artificial intelligence based prevention-first and predictive security solutions.
ConvergeOne Holdings, Inc.	ConvergeOne Holdings, Inc. provides collaboration and technology solutions for large and medium enterprises in the United States.
Imperva, Inc.	Imperva, Inc. engages in the development, market, sale, and support of cyber security solutions that protect business critical data and applications in the cloud or on premises worldwide.
Angoss Software Corp.	Angoss Software Corporation provides predictive analytics software and solutions primarily to financial services, insurance, retail, health care, and information communication and technology organizations.
Spikes Inc.	Spikes Inc. operates as a cybersecurity company that protects enterprises against web malware attacks.

**Source:** S&P Capital IQ

## PART TWO – FINANCIAL SERVICES GUIDE

2 July 2019

### What is a Financial Services Guide?

This Financial Services Guide (“**FSG**”) is an important document the purpose of which is to assist you in deciding whether to use any of the general financial product advice provided in the form of an independent expert report by PKF Corporate Finance (NSW) Pty Limited (ABN 65 097 893 957) (“**PKFCF**”). The use of “we”, “us” or “our” is a reference to PKFCF as the holder of Australian Financial Services Licence (“**AFSL**”) No. 295872.

The contents of this FSG include:

- who we are and how we can be contacted;
- what services we are authorised to provide under our AFSL;
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide;
- details of any potential conflicts of interest; and
- details of our internal and external dispute resolution systems and how you can access them.

### Information about us

#### What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

Provide financial product advice for the following classes of financial products:

- securities;
- interests in managed investment schemes excluding investor directed portfolio services; and
- deposit and payment products limited to:
  - basic deposit products;
  - deposit products other than basic deposit products; and
  - debentures, stocks or bonds issued or proposed to be issued by a government.

#### Our responsibility to you

We have been engaged by Covata Limited (“**Client**”) to prepare an Independent Expert’s Report providing our opinion as to whether the Proposed Transaction is fair and reasonable for the Non-Associated Shareholders (the “**Report**”). Details of the Proposed Transaction are set out in the Notice of Meeting which this Report accompanies. You are not the party or parties who engaged us to prepare the Report. We are not acting for any person other than the party or parties who engaged us. We are required by law to give you an FSG because the Report is being provided to you.

The liability of PKFCF is limited to the contents of this FSG and the Report referred to in this FSG.

#### Information about the general financial product advice we provide

The financial product advice provided in the Report is known as “general advice” because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in the Report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant offer document provided by the issuer of the financial product. The purpose of the offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the offer document will include details such as the risks, benefits and costs of acquiring the particular financial product.

### Associations and relationships

PKFCF provides services primarily in the area of corporate finance and is controlled by the Directors of PKF (NS) Holdings Pty Ltd ("PKF"). PKF and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services. Our directors may be directors of PKF. The financial product advice in the Report is provided by PKFCF and not by PKF.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and PKF (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

### How are we and our employees remunerated?

We charge fees for providing Reports. Fees are agreed with the party or parties who actually engage us, and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us. Our fees are usually determined on an hourly basis, however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services. The estimated fee for the Report is \$60,000 (exclusive of GST and out-of-pocket expenses).

Neither PKFCF, nor its directors and officers, receive any commissions or other benefits arising directly from providing Reports to you. The remuneration paid to our directors and staff reflects their individual contribution to the company and covers all aspects of performance. We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

### What should you do if you have a complaint?

If you have any concerns regarding the Report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

AFS Compliance Manager  
PKF Corporate Finance (NSW) Pty Limited  
GPO Box 5446  
SYDNEY NSW 2001  
Telephone: +61 2 8346 6000 Fax: +61 2 8346 6099

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Ombudsman Service ("FOS"). FOS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FOS at:

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Telephone: (03) 9613 7366 Fax: (03) 9613 6399  
Internet: <http://www.fos.org.au>

The Australian Securities and Investments Commission ("ASIC") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630  
Email: [infoline@asic.gov.au](mailto:infoline@asic.gov.au)  
Internet: <http://www.asic.gov.au/asic/asic.nsf>

### Contact details

You may contact us using the details located below.

PKF Corporate Finance (NSW) Pty Limited  
Level 8  
1 O'Connell Street  
SYDNEY NSW 2000  
GPO Box 5446  
SYDNEY NSW 2001  
Telephone: +61 2 8346 6000 Fax: +61 2 8346 6099

## ANNEXURE B

### STATEMENT OF INTENTIONS

This Annexure B sets out the present intentions of the dataglobal Vendors in relation to the continuation of the Company's business, capital structure, employee arrangements, assets and financial policies. The dataglobal Vendors have given the information contained in this Annexure B to the Company to assist it to meet its responsibilities under section 611 item 7 of the Corporations Act and ASIC Regulatory Guide 74. The Company takes no responsibility for any omission from, or any error or false or misleading statement in, this Annexure B. The dataglobal Vendors jointly and severally make no statement or representation in relation to the Company, or its intentions in respect of the Company, which may change if it becomes aware of information that is not currently available to it.

- (a) Business of the Company: It is the dataglobal Vendors' present intention that, following the Transaction (if approved by Shareholders), the Company will continue to conduct its core business in accordance with its strategic objectives, including pursuing the dataglobal business following completion of the Transaction.

The dataglobal Vendors will also use their expertise to improve and further develop the Company and to drive further performance and sustainable growth.

- (b) Capital of the Company: The dataglobal Vendors have no present intention to inject further capital into the Company.
- (c) Present employees: The dataglobal Vendors have no present intention of making any changes regarding the future employment of the present employees of the Company. The dataglobal Vendors intend to support the election and re-election of Wolfgang Munz to the Board.
- (d) Transfer and deployment of assets: The dataglobal Vendors do not currently intend to make any major changes to the deployment of fixed assets of the Company, or to transfer any assets between the Company and the dataglobal Vendors or any person associated with either of them, other than as required to implement the strategic objectives of the Company following completion of the Transaction.
- (e) Financial or dividend policies: The dataglobal Vendors do not currently intend to significantly change the financial or dividend policies of the Company after completion of the Transaction, other than to ensure that the Company's policies are up to date and in compliance with the relevant accounting policies and processes from time to time.
- (f) After completion of the Transaction (if approved by Shareholders), the dataglobal Vendors may conduct a review of the Company (Strategic Review) in conjunction with the Board of the Company in order to:
- (i) evaluate the Company's performance and prospects;
  - (ii) identify areas where the dataglobal Vendors can add value to the Company through its technical expertise and financial resources and its experience in relevant assets; and
  - (iii) review the Company's assets to determine the optimal allocation of assets.

The statements set out in this Annexure B are statements of present intention only. The dataglobal Vendors intend to conduct a review of the Company's business and operations and the final decision of the dataglobal Vendors on these matters will only be reached in light of all relevant facts and circumstances at the appropriate time and after having had the opportunity to complete a Strategic Review. In addition, the dataglobal Vendors will only make a final decision on these matters following receipt of appropriate legal, taxation and financial advice. Accordingly, statements set out in this Annexure B may change as new information becomes available or as circumstances change, and the statements in this Annexure B should be read in that context. Any statement of intention is also subject to the Corporations Act, the ASX Listing Rules, the Company's constitution and the statutory and



fiduciary obligations of the Company's directors at the relevant time (including Wolfgang Munz) to act in the best interests of the Company and the Company's shareholders.

Any statement of intention is also subject to the extent of the dataglobal Vendors' shareholding at the relevant time. The extent of the dataglobal Vendors' shareholding in the Company will determine the regulatory requirements for, and other practical matters associated with, implementing the dataglobal Vendors' intentions.

On completion of the Transaction, the dataglobal Vendors will endeavour, to the extent possible through its non-controlling holding, to give effect to the intentions set out in this Annexure B.

The dataglobal Vendors may, at some future time, acquire further Shares in the Company in a manner consistent with the Corporations Act, the ASX Listing Rules and other applicable laws. The dataglobal Vendors have not yet decided whether it may seek to acquire further Shares in the Company.

## ANNEXURE C

## PRO-FORMA STATEMENT OF FINANCIAL POSITION

**EXCEPT WHERE OTHERWISE STATED, ALL FIGURES AND PRICES IN THIS ANNEXURE C ARE  
EXPRESSED ON A POST-CONSOLIDATION BASIS**

\$'000	31 December 2018 Statutory (Note 1)	Disposal of Cocoon (Note 2)	Acquisition of dataglobal (Note 3)	Pre-IPO fundraising (Note 4)	Completion of the Offer (Note 5)	31 December 2018 Pro forma
<b>Current assets</b>						
Cash & cash equivalents	1,282	1,850	(9,120)	2,056	11,823	7,891
Trade and other receivables	862	(160)	1,012	-	-	1,713
Prepayments	88	(58)	218	-	-	248
Other current assets	-	1,000	38	-	-	1,038
<b>Total current assets</b>	<b>2,232</b>	<b>2,632</b>	<b>(7,852)</b>	<b>2,056</b>	<b>11,823</b>	<b>10,891</b>
<b>Non-current assets</b>						
Property, plant & equipment	55	(49)	135	-	-	141
Intangible assets	2,403	-	19,282	-	-	21,686
Other non-current assets	197	(51)	178	-	-	324
<b>Total non-current assets</b>	<b>2,656</b>	<b>(100)</b>	<b>19,595</b>	<b>-</b>	<b>-</b>	<b>22,151</b>
<b>Total assets</b>	<b>4,888</b>	<b>2,531</b>	<b>11,743</b>	<b>2,056</b>	<b>11,823</b>	<b>33,041</b>
<b>Current liabilities</b>						
Trade & other payables	(883)	321	81	-	-	(482)
Deferred income	(279)	87	(1,210)	-	-	(1,402)
Employee benefits	(149)	116	(576)	-	-	(609)
Current tax liabilities	-	-	(260)	-	-	(260)
Other current liabilities	-	1,632	(311)	(1,632)	-	(311)
<b>Total current liabilities</b>	<b>(1,312)</b>	<b>2,156</b>	<b>(2,276)</b>	<b>(1,632)</b>	<b>-</b>	<b>(3,064)</b>
Deferred income (NCL)	(63)	(2)	-	-	-	(65)
<b>Total non-current liabilities</b>	<b>(63)</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(65)</b>
<b>Total liabilities</b>	<b>(1,375)</b>	<b>2,154</b>	<b>(2,276)</b>	<b>(1,632)</b>	<b>-</b>	<b>(3,129)</b>
<b>Net assets</b>	<b>3,513</b>	<b>4,685</b>	<b>9,467</b>	<b>424</b>	<b>11,823</b>	<b>29,912</b>
<b>Equity</b>						
Share capital	92,965	-	10,400	156	12,099	115,620
Reserves	8,464	612	-	268	-	9,345
Accumulated losses	(97,916)	4,073	(933)	-	(276)	(95,052)
<b>Total equity</b>	<b>3,513</b>	<b>4,685</b>	<b>9,467</b>	<b>424</b>	<b>11,823</b>	<b>29,912</b>

**Except where otherwise stated, all figures set out in the below notes are on a post-consolidation basis.  
The exchange rate used for conversion of EUR to AUD in this Annexure B is EUR€1 to AUD\$1.6.**

- 1. Statutory historical consolidated statement of financial position:** as presented in the financial statements of Covata for the six months to 31 December 2018.
- 2. Disposal of Cocoon:** as set out in Section 2.6, on 10 May 2019, shareholders voted in favour of selling 100% of the shares in subsidiary Cocoon Data Holdings Pty Limited (comprising the SafeShare product and associated business) to Cybr5 Pty Ltd.

The Company is in the process of finalising an agreement with the Noteholders whereby the consideration for the acquisition would be (a) \$2 million in cash (less \$150,000 working capital adjustment); (b) \$2 million through the extinguishment of the convertible notes, for which Cybr5 will issue replacement notes; and (c) a \$1 million loan which is due within 90 days of completion of the Cocoon Data sale.

The adjustment reflects the de-recognition of associated assets and liabilities of Cocoon and resulting gain on sale.

In addition, under the terms of the proposed revised sale agreement an agreed \$100,000 of interest will be capitalised as part of the extinguishment and replacement notes and the Company has agreed to issue 7,392,230 warrants to the Noteholders, which the Directors have determined have a fair value of \$612,000. 2,931,034 warrants, which the Directors determined had a fair value of \$268,000, issued with convertible notes raised in February 2019 will be expensed on extinguishment of the related convertible notes.

- 3. Acquisition of dataglobal:** as set out in Section 2.1, Covata will acquire the entire equity of dataglobal through the issue of 34,666,667 ordinary Covata shares (\$10.4 million based on the issue price of \$0.30) and cash of \$10.4 million (€6.5 million).

Under the terms of the agreement, Covata will acquire dataglobal on a debt-free basis and with a minimum level of \$1,280,000 (€800,000) in cash. dataglobal will also divest its Managed Infrastructure Services business immediately prior to the acquisition.

Following the acquisition of dataglobal, the Directors intend to roll Covata's Eclipse product across the dataglobal client base rather than focus on the existing markets. The rollout is subject to the completion of further product enhancements and integration development work. On this basis the Directors believe the carrying value of Eclipse's intellectual property will be impaired and an adjustment of \$933,000 has been made to reflect this impairment that will occur on the acquisition of dataglobal.

- 4. Pre-IPO fundraising:** as set out in Section 2.5 in February 2019, Covata received \$1.4 million from the issue of convertible notes. 2,931,034 warrants, which the Directors determined had a fair value of \$268,000, were issued with the notes. The Company is in the process of finalising agreements for the issue of an additional 1,388,889 Notes with a face value of \$500,000.

In February 2019 the Company closed its Share Purchase Plan (SPP) having received \$156,000 for 433,333 (post-consolidation) fully paid ordinary shares at an issue price of \$0.36 a share.

- 5. Completion of the Offer:** reflects the issue of 45,666,667 shares at \$0.30 a share to raise \$13.7 million. Transaction costs of \$1.877 million will be incurred of which \$276,000 will be expensed as transaction costs and \$1.601 million recognised against equity.

## ANNEXURE D

### SUMMARY OF WARRANT TERMS

The respective exercise price and expiry date of First Tranche Warrants and Second Tranche Warrants are as set out in sections 6.3 and 16 of the Memorandum. First Tranche Warrants and Second Tranche Warrants are collectively referred to as "**Warrants**" for the purposes of this Annexure D.

This Annexure D summarises the terms of Warrants other than the exercise price and expiry date.

Noting the above, terms of Warrants the are set out below:

- (a) Each Warrant entitles the holder to subscribe for one (1) unissued fully paid ordinary share in the capital of the Company (each a "**Share**") upon the exercise of each Warrant.
- (b) The Warrants are exercisable at any time on or prior to the applicable expiry date.
- (c) Warrants may be exercised by notice in writing to Company and payment of the applicable exercise price for each Warrant being exercised. Any notice of exercise of any Warrants received by Company will be deemed to be notice of the exercise of that Warrant as at the date of receipt.
- (d) Issue of a Share on exercise of a Warrant is conditional upon the Company having the capacity to lodge a cleansing notice pursuant to section 708(A)(6) of the Corporations Act ("**Cleansing Notice**") or the Company otherwise issuing a prospectus to qualify the Share issued for secondary trading. In the event that the Company is unable to issue a Cleansing Notice at the time of exercise of the Warrant, it will use reasonable endeavours to issue a prospectus as soon as practical. Subject to the above, the Company will issue a Share in response to the exercise of a Warrant within 10 business days of the receipt of a notice of exercise.
- (e) Shares issued on exercise of the Warrants will rank equally with other issued ordinary shares. If the Company is listed on ASX at the time of exercise, the Company will apply for Official Quotation of the Shares subject to any restriction obligations imposed by ASX.
- (f) There are no participation rights or entitlements inherent in the Warrants and the holder will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Warrant. However, Company will endeavour to ensure that, for the purposes of determining entitlements to any such issue, the record date will be at least three business days after the issue is announced to give Warrant holders the opportunity to exercise their Warrants prior to the date for determining entitlements to participate in any such issue.
- (g) If the Company makes a bonus issue of Shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment or any grant to employees under shareholder approved plans):
  - (i) the number of Shares which must be issued on the exercise of a Warrant will be increased by the number of Shares which the Warrant holder would have received if the Warrant holder had exercised the Warrant before the record date for the bonus issue; and
  - (ii) no change will be made to the applicable exercise price.
- (j) If there is any reconstruction of the issued share capital of the Company at any after the Company's admission to the Official List of ASX, the rights of the Warrant holders may be varied in accordance with the ASX Listing Rules.
- (k) Cheques shall be in Australian currency made payable to Company and crossed "Not Negotiable". The application for Shares on exercise of the Warrants with the appropriate remittance should be lodged at Company's registered office or as otherwise notified in writing by the Company.

- (l) Warrant holders acknowledge that the exercise of any Warrant is subject to compliance with applicable laws, including the Corporations Act 2001 (Cth).
- (m) Warrant holder acknowledge Warrants, and any Shares issued upon exercise of Warrants, may in the event that the Company is required to re-comply with Chapters 1 and 2 of the ASX Listing Rules be subject to mandatory escrow pursuant to the ASX Listing Rules. Warrant holders agree to execute, and procure that controllers of the Warrant holder (if any) execute, any document required by ASX Limited to record and confirm the terms of any mandatory escrow applied in the circumstances above.
- (n) Warrants are transferable subject to conditions including compliance with applicable law.

**ANNEXURE E**

**SUMMARY OF LOAN SHARE PLAN (LSP)**

- (a) **Eligibility:** Participants in the LSP may be salaried employees or executive directors of the Company or any of its subsidiaries (**Employee Participants**).
- (b) **Administration of Plan:** The Board, or a duly appointed committee of the Board, is responsible for the operation of the LSP.
- (c) **Invitations:** The Board of Directors may issue an invitation to the Employee Participant to participate in the LSP. The invitation will:
  - (i) invite applications for the number of shares (**Plan Shares**) specified in the invitation;
  - (ii) specify the date of issue of the Plan Shares;
  - (iii) specify the issue price for the Plan Shares;
  - (iv) invite applications for a loan up to the amount payable in respect of the Plan Shares accepted by the Employee Participant in accordance with the invitation;
  - (v) any vesting conditions applicable to the Plan Shares; and
  - (vi) specify any other terms and conditions attaching to the Plan Shares.

The number of Plan Shares will be determined at the absolute discretion of the Board.

- (d) **Employee Loan:** An Employee Participant who is invited to subscribe for Plan Shares may also be invited to apply for a loan up to the amount payable in respect of the Plan Shares accepted by the Employee Participant (**Employee Loan**), on the following terms:
  - (i) the Employee Loan must be made solely to the Employee Participant and in the name of that Employee Participant;
  - (ii) the Employee Loan will be interest free;
  - (iii) the Employee Loan will be limited recourse, the effect of which is that if all of the Shares issued in respect of the Employee Loan are sold by the Company on behalf of the Employee Participant, the Employee Participant's liability is discharged regardless of the sale price;
  - (iv) the Employee Loan made available to an Employee Participant shall be applied by the Company directly toward payment of the issue price of the Plan Shares;
  - (v) the Employee Loan must be repaid on the earlier to occur of:
    - (A) a Liquidity Event (defined below) occurring;
    - (B) the date on which the Plan Shares have been compulsorily divested in accordance with the Plan rules; and
    - (C) the date on which an Employee Participant disposes of, or attempts to dispose of, the Plan Shares;
  - (vi) an Employee Participant may elect to repay the Employee Loan amount in respect of any or all of the Plan Shares at any time prior to expiry of the term of the Employee Loan;

- (vii) any fees, charges and stamp duty payable in respect of an Employee Loan will be payable by the Employee Participant;
  - (viii) the Company shall have security over the Plan Shares in respect of which an Employee Loan is outstanding and the company shall be entitled to sell those Plan Shares in accordance with the terms of the LSP; and
  - (ix) Plan Shares will not be tradeable by an Employee Participant until the Employee Loan amount in respect of those Plan Shares has been repaid and the Company will retain the share certificate in respect of such Plan Shares until the Employee Loan has been repaid.
- (e) **Divestment of Plan Shares:** If, prior to repayment of an Employee Loan by an Employee Participant, the Employee Participant:
- (i) ceases employment with the Company as a result of the Employee Participant's termination without notice, resignation, gross negligence or serious and willful misconduct (**Bad Leaver**), does not satisfy any relevant vesting conditions, acts fraudulently or dishonestly, becomes insolvent or fails to repay the Employee Loan on the due date for repayment,
    - (A) the Employee Participant will retain all vested Plan Shares; and
    - (B) all of the unvested Plan Shares will be compulsorily divested on a date determined by the Board;
  - (ii) ceases employment with the Company and is not a Bad Leaver (or the Board considers that the Employee Participant should not be treated as a Bad Leaver):
    - (A) the Employee Participant will retain all vested Plan Shares; and
    - (B) all of the Employee Participant's Plan Shares will be compulsorily divested on a date determined by the Board, unless the Board provides express written consent that the Employee Participant may retain any or all of such unvested Plan Shares.
- (f) **Liquidity Event:** If a change of control occurs (**Liquidity Event**), or the Board determines such event is likely to occur:
- (i) the Board may in its absolute discretion determine the manner in which any or all of the Employee Participant's Plan Shares (whether vested or unvested) will be dealt with which may include, without limitation, in a manner that allows the Employee Participant to participate in and/or benefit from any transaction arising from or in connection with the Liquidity Event and/or the re-designation of any or all of the Employee Participant's Plan Shares; and
  - (ii) if required, the Employee Participant must do and procure all things the Board considers necessary or appropriate to facilitate the variation of the rights of their Plan Shares such that, following such variation, they are ordinary shares in the capital of the Company.
- (g) **Restriction on transfer:** Employee Participants may not sell or otherwise deal with a Plan Share until the Employee Loan amount in respect of that Plan Share has been repaid and until the expiry of the qualifying period in respect of the Plan Shares, if any, that may be imposed by the Board and set out in the invitation.
- (h) **Voting of Plan Shares:** Employee Participants grant to the Company an irrevocable power of attorney pursuant to which it appoints the Company Secretary as its proxy to vote the Plan Shares at its discretion; and

- (i) **Rights attaching to Plan Shares:** Plan Shares will rank equally in all respects (other than with respect to any restrictions on transfer specified above or otherwise imposed by the Board) with other Shares on issue.



## ANNEXURE F

### SUMMARY OF SHARE OPTION PLAN (SOP)

**(a) Eligibility**

The Board may invite full or part time employees and directors of the Company or a related body corporate of the Company who are resident in the United States of America (or other jurisdictions outside of Australia) to participate in the SOP (**Eligible Employee**).

**(b) Offer of Options or Shares**

The SOP will be administered by the Board which may, in its absolute discretion, offer Options or rights to subscribe for Shares (**Rights**) to any Eligible Employee from time to time as determined by the Board.

**(c) Number of Options**

The number of Options or Rights to be offered to an Eligible Employee will be determined by the Board in its discretion and in accordance with the rules of the SOP and applicable law.

**(d) Conversion**

Each Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company. The Rights will be convertible in accordance with their terms of grant.

**(e) Issue price**

The exercise price for Options offered, and for Rights granted, under the SOP will be determined by the Board but will not be less than 100% of the fair market value of Shares on the date of grant.

**(f) Issue conditions**

The Board may impose conditions on the right of a participant to exercise Options or Rights granted under the SOP.

**(g) Exercise of Options**

A participant in the SOP will be entitled to exercise their Options or Rights in respect of which the exercise conditions have been met provided the Options or Rights have not lapsed. A holder may exercise Options or Rights by delivering an exercise notice to the Company Secretary along with the Option certificate (if Options are issued under the SOP), and paying the applicable exercise price of the Options multiplied by the number of Options proposed to be exercised or the consideration for exercise of the Rights.

Within 20 Business Days of receipt of the required items, the Company will issue to the participant the relevant number of Shares.

**(h) Cessation of employment**

(i) For any reason (other than as a result of death or permanent disability, or for Cause)

If the participant in the SOP ceases to be an employee or director of, or render services to, the Company or a related body corporate for any reason (other than as a result of death or permanent disability, or for Cause) prior to the lapse of the Options, and the exercise conditions attaching to the Options have been met, the participant will be

entitled to exercise their Options within 3 months after the employment of such participant ceases.

(ii) Death or permanent disability

If the participant in the SOP ceases to be an employee or director of, or render services to, the Company or a related body corporate as a result of death or permanent disability prior to the lapse of the Options, and the exercise conditions attaching to the Options have been met, the participant (or its estate) will be entitled to exercise their Options within 12 months after the employment of such participant ceases.

(iii) For Cause

If the participant in the SOP ceases to be an employee or director of, or render services to, the Company or a related body corporate for Cause prior to the lapse of the Options, and the exercise conditions attaching to the Options have been met, their Options will lapse automatically.

In this clause, “Cause” means (i) failure by the participant to substantially perform his or her duties and obligations to the Company or a related body corporate (other than any such failure resulting from his or her incapacity due to physical or mental illness); (ii) engaging in misconduct or a fiduciary breach which is or potentially is materially injurious to the Company or its shareholders; (iii) commission of an indictable offence; (iv) the commission of a crime against the Company which is or potentially is materially injurious to the Company; (v) a material breach of any written agreement between the participant and the Company or a related body corporate; or (vi) as otherwise provided in any written employment agreement between the participant and the Company or a related body corporate.

**(i) Lapse of Options and Rights**

Options and Rights held by a participant in the SOP will lapse after the expiration of five (5) years after the date the Option is granted.

**(j) Participation in Rights Issues and Bonus Issues**

The Options and Rights granted under the SOP do not give the holder any right to participate in new issues unless Shares are allotted pursuant to the exercise of the relevant Options or Rights prior to the record date for determining entitlements to such issue.

If there is a bonus issue to holders of Options or Rights, the number of Shares that the holder may be issued upon exercise of the Options or Rights may be increased by the number of Shares that the holder would have received if the Options or Rights had been exercised prior to the record date of the bonus issue. No adjustment will be made to the exercise price per Share of the Option or Right.

**(k) Reorganisation**

If there is a reorganisation of the issued capital of the Company, the Options and Rights will be reorganised in the same proportion as the issued capital of the Company is reorganised.

**(l) Change in Control**

Subject to the terms upon which Options were issued or Rights were granted, where a change of control event has occurred, or in the opinion of the Board, will occur, the Board may determine the manner in which Options will be dealt with so that each Option holder remains in a financial position in respect of the Options which is as near as possible as to that which existed prior to the change of control event.

**(m) Transfer**

Rights under the SOP may not be transferred. Options under the SOP may be transferred with the consent of the Board.

The SOP contains provisions which relate to compliance with various US taxation laws including section 409A and section 422 of the Internal Revenue Code of 1986.

## ANNEXURE G

### SUMMARY OF PERFORMANCE RIGHTS PLAN (PRP)

The Company proposes adopting the PRP as a long-term incentive plan aimed at creating a strong link between Director and key management personnel performance and reward and increasing shareholder value by enabling current or prospective Directors and key management personnel (each an **Eligible Person**) to have greater involvement, and share in, future growth and profitability of the Company.

Shareholder approval for adoption of the PRP will be sought at the Shareholder Meeting. Relief for the issue of securities under the Plan is provided for by ASIC Class Order [CO 14/1000] and any future ASIC Class Order relating to ASIC Regulatory Guide 49.

Under the PRP, the Board may offer rights to acquire shares (**Performance Rights**) to Eligible Persons. An Eligible Person (or their nominee) who validly accepts an offer becomes a participant in the PRP. Performance Rights may only be transferred upon a Participant becoming deceased.

Any issues of Performance Rights or agreements to issue Performance Rights under the PRP will be announced to ASX.

The Board will determine what Applicable Milestones apply to Performance Rights, including the date by which such Applicable Milestones must be satisfied and any applicable vesting conditions. Satisfaction of Applicable Milestones (including vesting) is as determined by the Board.

Upon satisfaction of all Applicable Milestones, shares will automatically issue and be transferred to the Participant (unless prohibited by the Corporations Act or if the Company is in a blackout period as defined in the Company's Securities Trading Policy) in which case the shares shall be transferred as soon as reasonably practicable.

Performance Rights will lapse on the earlier of Applicable Milestones not being satisfied by the set date or if the Participant ceases to be an Eligible Person and has not been employed or otherwise engaged by the Company for a continuous period of 18 months from issue of the Performance Rights.

If an Eligible Person ceases their employment or office with the Company and/or its subsidiaries due to total and permanent disability or death, any Performance Rights inure for the benefit of the estate of the Participant.

The Board has discretion to administer the Plan (which may be delegated to a committee), including in the event of a variation to the Company's share capital to adjust the terms of Performance Rights, as well as determine to suspend, terminate or reinstate the Plan without notice. The Plan and any offers of Performance Rights under it are subject to the law, the ASX Listing Rules and the Constitution.

## ANNEXURE H

### SUMMARY OF TERMS OF PERFORMANCE RIGHTS

The terms of Performance Rights offered under the Employee and Advisor Offer are set out below:

- (a) A Performance Right is a right to receive a Share in the capital of the Company subject to satisfaction of an Applicable Milestone (refer to (l) below).
- (b) A Performance Right lapses five (5) years from issue (**Lapse Date**).
- (c) A Performance Right does not entitle the Holder to attend, or vote on any resolutions proposed at, a general meeting of shareholders of the Company.
- (d) A Performance Right does not entitle the Holder to any dividends.
- (e) Upon winding up of the Company, a Performance Right may not participate in the surplus profits or assets of Company.
- (f) A Performance Right is not transferable unless otherwise determined by the Board.
- (g) In the event that the issued capital of the Company is reconstructed, and the Company is listed on ASX at the relevant time, all rights of a Holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation provided that, subject to compliance with the ASX Listing Rules, following such reorganisation the economic and other rights of the Holders are not diminished or terminated.
- (h) This clause applies whilst the Company is listed on ASX. Performance Rights will not be quoted on ASX. Upon conversion of a Performance Right in an ordinary share in the Company (**Share**) in accordance with these terms, the Company must within seven (7) days from the date of conversion, apply for and use best endeavours to obtain official quotation on ASX of the Shares arising from conversion.
- (i) Holders of Performance Rights will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (j) This clause applies whilst the Company is listed on ASX. The terms of the Performance Rights may be amended as necessary by the Board to comply with the ASX Listing Rules, or any direction of ASX regarding the terms provided that, subject to compliance with the ASX listing rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.
- (k) A Performance Right gives the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
- (l) Subject to paragraph (m) below, a Performance Right will convert into one fully paid ordinary share in the Company (a **Share**) if upon the achievement of the milestone applicable to that Performance Right prior to the Lapse Date (the **Applicable Milestone**). The Applicable Milestone for a Performance Right will be specified in the terms of issue of or invitation to apply for the Performance Right.

The Applicable Milestones to the Performance Rights are as follows:

- (i) 50% of Performance Rights convert upon and subject to Shares trading on the ASX at not less than \$0.50 (50 cents) per Share; and
- (ii) 50% of Performance Rights convert upon and subject to Shares trading on the ASX at not less than \$0.90 (90 cents) per Share.

- (m) In the event the Applicable Milestone(s) is satisfied prior to the Lapse Date, Performance Rights held by a Holder will convert into an equal number of Shares. Only those Performance Rights to which the satisfied Applicable Milestone was the milestone will convert to Shares and all other Performance Rights will remain unconverted until the earlier of satisfaction of the Applicable Milestone applying to them or the Lapse Date. The conversion of Performance Rights is subject to applicable laws and, in particular, the conversion not resulting in a breach of section 606 of the Corporations Act 2001 (Cth).
- (n) If the Applicable Milestone for a Performance Right is not achieved by the Lapse Date, all Performance Rights for which that milestone is the Applicable Milestone will lapse and be deemed to have been cancelled without payment or other compensation to the Holder.
- (o) The Shares into which the Performance Rights will convert will rank pari passu in all respects with existing Shares and, if the Company is listed on ASX, an application will be made by the Company to ASX for official quotation of the Shares issued upon conversion.
- (p) The conversion of Performance Rights is subject to compliance at all times with the Corporations Act and the Listing Rules of ASX (if the Company is listed on ASX at the relevant time).