

**COVATA LIMITED**

**ACN 120 658 497**

**NOTICE OF 2019 ANNUAL GENERAL MEETING**

Notice is given that the 2019 Annual General Meeting ("**Meeting**") of Covata Limited ("the **Company**" or "**Covata**") will be held at the offices of Nexia Australia, Level 16, 1 Market Street, Sydney New South Wales 2000 on Monday, 30 September 2019 at 10:00am (Sydney, NSW time).

Further details in respect of each of the resolutions proposed in this Notice of Annual 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.

**GENERAL BUSINESS**

**2019 Annual Financial Statements**

To lay before the meeting and consider the Annual Financial Statements of the Company for the year ended 31 March 2019 and comprising the Annual Financial Report, the Directors' Report and the Auditor's Report.

**RESOLUTION 1: NON-BINDING RESOLUTION TO ADOPT REMUNERATION REPORT**

To consider and, if thought fit, pass the following resolution as a non-binding ordinary resolution:

***"That the Company approve the adoption of the Remuneration Report, included in the Directors' Report, for the year ended 31 March 2019."***

***Voting Exclusion Statement:***

*A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons:*

- (a) a member of the key management personnel, details of whose remuneration are included in the Remuneration Report; or*
- (b) a closely related party of such a member (referred to herein as "**Restricted Voters**").*

*However, a person ("**voter**") may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a Restricted Voter and the voter is appointed as a proxy in writing that specifies the way the proxy is to vote on Resolution 1. The Chair may also exercise undirected proxies if the vote is cast on behalf of a person entitled to vote on Resolution 1 and the proxy appointment expressly authorises the Chair to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of members of the key management personnel of the Company.*

***Voting Note:***

*Directors of the Company who are key management personnel whose remuneration details are included in the 2019 Remuneration Report, any other key management personnel whose remuneration details are included in the 2019 Remuneration Report, or any of their closely related parties, will not be able to vote on Resolution 1 or to vote undirected proxies held by them on Resolution 1.*

**RESOLUTION 2A: RE-ELECTION OF MR EDWARD PRETTY AS A DIRECTOR**

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

***"That Mr Edward Pretty, who retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."***

#### **RESOLUTION 2B: RE-ELECTION OF MR WILLIAM MCCLUGGAGE AS A DIRECTOR**

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

***"That Mr William McCluggage, who retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."***

#### **RESOLUTION 2C: ELECTION OF MR STEVEN BLIIM AS A DIRECTOR**

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

***"That Mr Steven Bliim, a Director appointed to fill a casual vacancy on 31 January 2019, who retires in accordance with the Company's Constitution and, being eligible, offers himself for election, be elected as a Director of the Company."***

#### **RESOLUTION 3: APPROVAL OF PLACEMENT FACILITY**

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

***"That for the purposes of ASX Listing Rule 7.1A, shareholders approve the Company having the capacity to issue fully paid ordinary shares in the capital of the Company up to the maximum number permitted under ASX Listing Rule 7.1A.2 at an issue price which is not less than 75% of the volume weighted average market (closing) price of the Company's ordinary shares calculated over the last fifteen (15) days on which trades of the Company's ordinary shares were recorded on ASX immediately before the date on which the issue price is agreed or the date the issue is made as described in the Memorandum which accompanied and formed part of this Notice."***

#### **Voting Note:**

If as at the time of the Meeting, the Company:

- is included in the S&P/ASX 300 Index; and/or
- has a market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of greater than AU\$300 million,

this Resolution will be withdrawn.

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

*The Company will disregard any votes cast in favour of this Resolution by:*

- *persons who are expected to participate in the proposed issue and persons who will obtain a material benefit as a result of the proposed issue except a benefit solely in the capacity of a holder of ordinary shares, if the resolution is passed; and*
- *an associate 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*
- *it is cast by 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.*

Dated: 23 August 2019

By the order of the Board

A handwritten signature in blue ink, appearing to read 'Patrick Gowans', with a stylized flourish at the end.

Patrick Gowans  
Joint Company Secretary

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

## PROXY AND VOTING INSTRUCTIONS

Proxy Instructions	Voting Entitlement
<p>A member who is entitled to vote at a meeting may appoint:</p> <ul style="list-style-type: none"><li>• one proxy if the member is only entitled to one vote; and</li><li>• one or two proxies if the member is entitled to more than one vote.</li></ul> <p>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.</p> <p>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 with the Company's share registry not 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.</p> <p>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. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.</p> <p>The proxy may, but need not, be a member of the Company.</p> <p>A proxy form is attached to this Notice.</p> <p>If you sign the proxy form and do not appoint a proxy, you will have appointed the Chair of the meeting as your proxy.</p> <p><b>Corporate Representatives</b></p> <p>Any corporation which is a member of the Company may 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.</p>	<p>For the purposes of the Corporations Act and Corporations Regulations shareholders entered on the Company's Register of Members as at 7:00pm (Sydney, NSW time) on Saturday, 28 September 2019 are entitled to attend and vote at the meeting.</p> <p>On a poll, members have one vote for every fully paid ordinary share held. Holders of options are not entitled to vote.</p> <p><b>How the Chair Will Vote Undirected Proxies</b></p> <p>Subject to the restrictions set out below and in the Notice, The Chair of the meeting will vote undirected proxies in favour of all of the proposed resolutions.</p> <p><b>Voting Restrictions on Resolution 1 (Remuneration Report)</b></p> <p>The Remuneration Report identifies key management personnel for the year ended 31 March 2019. Their closely related parties are defined in the Corporations Act 2001 (Cth) and include specified family members, dependents and companies they control.</p> <p>Directors of the Company who are key management personnel whose remuneration details are included in the 2019 Remuneration Report, any other key management personnel whose remuneration details are included in the 2019 Remuneration Report, or any of their closely related parties, will not be able to vote on Resolution 1 or to vote undirected proxies held by them on Resolution 1 provided however that the Chair may vote undirected proxies on behalf of persons eligible to vote where expressly authorised to do so on the proxy form.</p> <p><b>Special Resolution</b></p> <p>Resolution 3 is proposed as 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.</p>

**COVATA LIMITED**  
**ACN 120 658 497**  
**("the Company")**

**2019 ANNUAL GENERAL MEETING**  
**EXPLANATORY MEMORANDUM**

**PURPOSE OF INFORMATION**

This Explanatory Memorandum ("**Memorandum**") accompanies and forms part of the Company's Notice of Annual General Meeting ("**Notice**") for the 2019 Annual General Meeting ("**Meeting**") to be held at the offices of Nexia Australia, Level 16, 1 Market Street, Sydney New South Wales 2000 on Monday, 30 September 2019 at 10:00am (Sydney, NSW time).

The Notice incorporates, and should be read together, with this Memorandum.

**IMPORTANT INFORMATION – DATAGLOBAL ACQUISITION**

As at the date of the Notice, the Company is continuing to progress its proposed acquisition of all the equity interests of dataglobal GmbH (**dataglobal**), a German content services company.

The proposed acquisition by the Company of all the equity interests of dataglobal is referred to in this Memorandum as the **Transaction**. Further details regarding the Transaction can be found in:

- the prospectus of the Company lodged with ASIC and released as an announcement to ASX on 26 June 2019 (**Prospectus**), which includes an offer of shares to raise \$13.7 million;
- the notice of general meeting containing various resolutions proposed for shareholder approval (including in connection with the Transaction) released as an announcement to ASX on 9 July 2019 (**Transaction NoM**). An Independent Expert's Report prepared by PKF Corporate Finance (NSW) Pty Limited formed Annexure A to the Transaction NoM. The meeting that the Transaction NoM relates to is scheduled to be held on 7 August 2019; and
- various other announcements released by the Company to ASX, including without limitation the initial transaction announcement on 30 January 2019 and update announcements released to ASX on 21 March 2019, 11 April 2019, 17 May 2019, 26 June 2019, 10 July 2019, 17 July 2019, 1 August 2019, 7 August 2019, 8 August 2019 and 15 August 2019.

The Transaction is conditional upon, amongst other matters, the capital of the Company being consolidated on a 20 for 1 basis (i.e. every 20 shares become 1 share) and the issue of various shares and other securities as set out in the Prospectus. The proposed capital structure of the Company following completion of the Transaction is set out in section 10.9 of the Prospectus.

The Board of the Company will also be varied upon completion of the Transaction, with Wolfgang Munz (the founder, sole director and sole shareholder of dataglobal) to be appointed as Managing Director and CEO and Edward Pretty to transition from Managing Director to Executive Chair.

The Board anticipates the Transaction will complete prior to, or shortly after, the date of the Meeting. The Board has therefore formed to view that information in the Notice and this Memorandum ought to be presented on a post-Transaction basis to give shareholders the most relevant information.

**Accordingly, all figures in this Memorandum (including Annexure A) are included on a post-Transaction basis, including following the 20 for 1 capital consolidation.** If the Transaction has not

completed by the date of the Meeting then the figures in this Memorandum (including Annexure A) will be materially different at the date of the Meeting.

## **BUSINESS**

### **2019 Annual Financial Statements**

On 2 April 2019, the Company announced it had changed its financial reporting year end from 30 June to 31 March to align its reporting period to that of dataglobal. Accordingly, the Company is required under the Corporations Act to prepare annual financial statements for the year ended 31 March each year and to subsequently hold its annual general meeting within five months of 31 March.

Accordingly, the Annual Financial Statements, comprising the Financial Report, Directors' Report and Auditor's Report for the year ended 31 March 2019 will be laid before the meeting. Shareholders will have the opportunity to ask questions about, or make comments on, the 2019 Annual Financial Statements and the management of the Company. A representative of the auditor will be invited to attend to Meeting to answer questions about the audit of the 2019 Annual Financial Statements.

The Company's 2019 Annual Financial Statements are set out in the Company's 2019 Annual Report which can be obtained from the Company's website, [www.covata.com](http://www.covata.com) or upon request to Steven Bliim, the CFO, Executive Director and Joint Company Secretary, by telephone on +61 2 8412 8200.

There is no requirement for these reports to be formally approved by shareholders. No resolution is required to be moved in respect of this item.

### **Resolution 1: Non-binding Resolution - Remuneration Report**

The Company is required pursuant to the Corporations Act 2001 (Cth) ("**the Corporations Act**"), to propose a non-binding resolution regarding the 2019 Remuneration Report, which forms part of the Director's Report in the 2019 Annual Financial Statements.

The vote under Resolution 1 is advisory only and does not bind the Directors or the Company.

Shareholders attending the 2019 Annual General Meeting of the Company will have an opportunity to discuss and put questions in respect of the Remuneration Report.

The Board will consider the outcome of the vote and comments made by shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies. Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings ("**AGM**") (treating this AGM as the first such meeting), shareholders will be required to vote at the second of those AGM's on a resolution (a "**spill resolution**") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director and CEO) must be put up for re-election. The vote on the Remuneration Report contained in the Company's 2018 Annual Financial Statements was passed with the support of more than 75% of votes thus a spill resolution will not be required in the event 25% or more of votes that are cast are against the adoption of the 2019 Remuneration Report. However, in the event that 25% or more of votes that are cast are against the adoption of the 2019 Remuneration Report, shareholders should be aware that if there is a 'no' vote of 25% or more for the same resolution at the 2020 AGM the consequences are that it may result in the re-election of the Board.

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice. In particular, Directors and other members of the key management personnel details of whose remuneration are included in the Remuneration Report or a closely related party of those persons must not vote on

Resolution 1 and must not cast a vote as proxy, unless the proxy appointment gives a direction on how to vote provided however that the Chair may vote undirected proxies on behalf of persons eligible to vote where expressly authorised to do so on the proxy form.

#### **Resolution 2A: Re-Election of Mr Edward Pretty as a Director**

Resolution 2A is a resolution for re-election of Mr Edward Pretty as a Director of the Company. Resolution 2A will be withdrawn if the Transaction has not completed as at the date of the Meeting.

Pursuant to the Constitution of the Company, one-third of the Directors or, if their number is not a multiple of three, the number nearest to one-third (rounded up), but disregarding the Managing Director and Directors appointed to fill casual vacancies, are required to retire by rotation at each AGM. Assuming completion of the Transaction has occurred as at the date of the Meeting, the Company will have four Directors, one of whom is the Managing Director. Accordingly, one Director (other than the Managing Director) is required to retire by rotation at the Meeting.

Mr Edward (Ted) Noel Pretty is the Managing Director of the Company as at the date of the Notice. As set out in the Prospectus, the Transaction NoM and in other announcements to ASX, Ted is proposing to transition from Managing Director to Executive Chair following completion of the Transaction and accordingly will be subject to the rotation requirements under the Constitution of the Company.

If the Transaction has not completed as at the date of the Meeting then Ted will still be the Managing Director of the Company and will continue to be subject to the Managing Director exception. Accordingly, if the Transaction has not completed as at the date of the Meeting this Resolution 2A for the re-election of Mr Edward Pretty will be withdrawn.

A biography for Ted is set out below:

*“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.”*

The Board (with Mr Edward Pretty abstaining) unanimously support the re-election of Mr Edward Pretty as a Director of the Company. **If the Transaction has not completed as at the date of the Meeting then this Resolution 2A will be withdrawn.**

#### **Resolution 2B: Re-Election of Mr William McCluggage as a Director**

Resolution 2B is a resolution for re-election of Mr William McCluggage as a Director of the Company. Resolution 2B will be withdrawn if the Transaction has completed as at the date of the Meeting.

Pursuant to the Constitution of the Company, one-third of the Directors or, if their number is not a multiple of three, the number nearest to one-third (rounded up), but disregarding the Managing

Director and Directors appointed to fill casual vacancies, are required to retire by rotation at each AGM. Assuming the Transaction has not completed as at the date of the Meeting, the Company will have three Directors, one of whom is the Managing Director. Accordingly, one Director (other than the Managing Director) is required to retire by rotation at the Meeting.

If the Transaction has not completed as at the date of the Meeting, William (Bill) Albert McCluggage will be the only Director of the Company who is subject to the rotation requirements under the Constitution of the Company.

If the Transaction has completed as at the date of the Meeting then Mr Edward Pretty will be required to retire by rotation in accordance with the rotation requirements under the Constitution of the Company. Accordingly, if the Transaction has completed as at the date of the Meeting this Resolution 2B for the re-election of Mr William McCluggage will be withdrawn.

A biography for Bill is set out below:

*“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 Board (with Mr William McCluggage abstaining) unanimously support the re-election of Mr William McCluggage as a Director of the Company. **If the Transaction has completed as at the date of the Meeting then this Resolution 2B will be withdrawn.**

#### **Resolution 2C: Election of Mr Steven Bliim as a Director**

Resolution 2C is a resolution for the election of Mr Steven Bliim as a Director of the Company.

Pursuant to the Constitution of the Company, a Director appointed to fill a casual vacancy holds office until the next annual general meeting and is then eligible for election but shall not be taken into account in determining the Directors who retire by rotation at that Meeting.

Mr Steven Bliim, who was appointed to fill a casual vacancy on 31 January 2019, retires in accordance with the Constitution of the Company and, being eligible, offers himself for election.



A biography for Steven is set out below:

*“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.”*

The Board (with Mr Steven Bliim abstaining) unanimously support the election of Mr Steven Bliim as a Director of the Company.

### **Resolution 3: Approval of placement facility**

ASX has introduced fund raising rules to provide more flexibility for smaller companies to raise additional capital in an easier and potentially less costly manner. ASX Listing Rule 7.1A enables eligible entities to issue equity securities (as that term is defined in the ASX Listing Rules) up to 10% of their issued share capital through placements over a 12-month period after an AGM (**10% Placement Facility**). The 10% Placement Facility is in addition to a company’s 15% placement capacity under ASX Listing Rule 7.1. An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalization of \$300 million or less. The Company is, at the date of the Notice, an eligible entity.

The Company is seeking shareholder approval by way of a special resolution to have the ability to issue equity securities under the 10% Placement Facility. The exact number of equity securities (if any) to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer below). The Company may use funds raised from any issue(s) under the 10% Placement Facility for funding of existing projects or new projects and/or general working capital. It may also use the 10% Placement Facility for non-cash consideration purposes such as in connection with joint venture agreements or arrangements, as payments to consultants or contractors or in connection with the acquisition of new projects (although the Company presently has no current proposal to do so).

The Company obtained shareholder approval to make issues under ASX Listing Rule 7.1A at its 2018 AGM. This Shareholder approval lapsed on 10 May 2019 when shareholder approval was obtained under ASX Listing Rule 11.2 for the Company to dispose of its then main undertaking.

The Company did not issue any securities under the capacity available to it under ASX Listing Rule 7.1A pursuant to approval obtained at the 2018 AGM prior to lapse of this capacity under ASX Listing Rule 7.1A on 10 May 2019.

The Company therefore seeks to refresh the shareholder approval so as to continue to be able to make issues under the 10% Placement Facility after the Meeting in accordance with ASX Listing Rule 7.1A.

The Directors of the Company believe that Resolution 3 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

## **DESCRIPTION OF LISTING RULE 7.1A**

- **Shareholder approval**

The ability to issue equity securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an AGM.

- **Equity securities**

Any equity securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of equity securities of the Company. The Company, as at the date of the Notice, has two classes of quoted equity securities, ordinary shares (**CVT**) and listed options with an exercise price of \$1.1 (1 dollar 10 cents) and expiry date of 6 June 2020 (**CVTO**).

- **Formula for calculating 10% Placement Facility**

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an AGM may, during the 10% Placement Period (defined in section 2(f) below), issue a number of equity securities calculated in accordance with the following formula:

$$(A \times D) - E$$

**where:**

*A is the number of shares on issue 12 months before the date of the issue or agreement to issue:*

*(i) plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;*

*(ii) plus the number of partly paid shares that became fully paid in the 12 months;*

*(iii) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under ASX Listing Rules 7.1 and 7.4;*

*(iv) less the number of fully paid shares cancelled in the 12 months.*

**Note:** *“A” has the same meaning in ASX Listing Rule 7.1 when calculating an entity’s 15% placement capacity.*

*D is 10%*

*E is the number of equity securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rules 7.1 or 7.4.*

- **ASX Listing Rule 7.1 and ASX Listing Rule 7.1A**

The ability of an entity to issue equity securities under ASX Listing Rule 7.1A is in addition to the entity’s 15% placement capacity under ASX Listing Rule 7.1.

Following completion of the Transaction, the Company will have 119,546,781 ordinary shares on issue and will therefore have capacity to issue:

- (i) 17,932,017 equity securities under Listing Rule 7.1 (15% capacity); and
- (ii) Subject to shareholders approving this Resolution 3, 11,954,678 equity securities (provided such equity securities are in a class of quoted equity securities) under Listing Rule 7.1A (10% capacity).

The actual number of equity securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the equity securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer above).

- Minimum Issue Price

The issue price of equity securities issued under ASX Listing Rule 7.1A must be not less than 75% of the VWAP of equity securities in the same class calculated over the 15 trading days immediately before:

- (i) the date on which the price at which the equity securities are to be issued is agreed; or
- (ii) if the equity securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the equity securities are issued.

- 10% Placement Period

Shareholder approval of the 10% Placement Facility under ASX Listing Rule 7.1A is valid from the date of the AGM at which the approval is obtained and expires (and ceases to be valid) on the earlier to occur of:

- (i) the date that is 12 months after the date of the AGM at which the approval is obtained; or
- (ii) the date of the approval by Shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking) (**10% Placement Period**).

- ASX Listing Rule 7.1A

The effect of Resolution 3 will be to allow the Directors of the Company to issue the equity securities under ASX Listing Rule 7.1A during the 10% Placement Period separate to the Company's 15% placement capacity under ASX Listing Rule 7.1. Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative).

**SPECIFIC INFORMATION REQUIRED BY ASX LISTING RULE 7.3A**

Pursuant to and in accordance with ASX Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- Any equity security issued will be issued at an issue price of not less than 75% of the VWAP for the Company's equity securities over the 15 trading days immediately before:
  - (i) The date on which the price at which the equity securities are to be issued is agreed; or
  - (ii) If the equity securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the equity securities are issued.
- If Resolution 3 is approved by the Shareholders and the Company issues equity securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company would be diluted as shown in the below table (in the case of options, only if the options are exercised). There is a risk that:
  - (i) the market price for the Company's equity securities may be significantly lower on the date of the issue of the equity securities than on the date of the Meeting; and
  - (ii) the equity securities may be issued at a price that is at a discount to the market price for the Company's equity securities on the issue date,

which may have an effect on the quantum of funds raised by the issue of the equity securities.

The table below shows the dilution of existing shareholders on the basis of the current market price of the Company's ordinary shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A(2) as at the date of the Notice. The table also shows:

- Two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary shares the Company has on issue. The number of ordinary shares on issue may increase as a result of issues of ordinary shares that do not require shareholder approval (for example, a pro-rata entitlements issue or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future shareholders' meeting.
- Two examples of where the price of ordinary shares has decreased by 50% and increased by 50% as against the closing price of the Company's ordinary shares on 29 January 2019, being the last day on which shares of the Company traded on the ASX prior to the suspension of the Company from official quotation while it pursued the Transaction. The closing price of ordinary shares on 29 January 2019 is multiplied by 20 to take into account the consolidation.

Variable "A" in ASX Listing Rule 7.1A.2		Dilution		
		\$0.15 50% decrease in Deemed Price	\$0.30 Deemed Price	\$0.45 50% Increase in Deemed Price
<b>Current Variable A</b>  119,546,781 shares	<b>10% Voting Dilution</b>	11,954,678 shares	11,954,678 shares	11,954,678 shares
	<b>Funds raised</b>	\$1,793,201	\$3,586,403	\$5,379,605
<b>50% increase in current Variable A</b>  179,320,171 shares	<b>10% Voting Dilution</b>	17,932,017 shares	17,932,017 shares	17,932,017 shares
	<b>Funds raised</b>	\$2,689,802	\$5,379,605	\$8,069,407
<b>100% increase in current Variable A</b>  239,093,562 shares	<b>10% Voting Dilution</b>	23,909,356 shares	23,909,356 shares	23,909,356 shares
	<b>Funds raised</b>	\$3,586,403	\$7,172,806	\$10,759,210

***The table above has been prepared on the following assumptions:***

- *The Transaction has completed and all issued of securities set out in the Prospectus have been made by the Company.*
- *The Company issues the maximum securities available under the ASX Listing Rule 7.1A being 10% of the Company's shares on issue at the date of the Meeting.*
- *No options or warrants are exercised, or performance rights are converted, into fully paid ordinary securities before the date of the issue of securities under ASX Listing Rule 7.1A.*
- *The table does not demonstrate an example of dilution that may be caused to a particular Shareholder by reason of placements under ASX Listing Rule 7.1A, based on that shareholder's holding at the date of the Meeting.*
- *The table only demonstrates the effect of issues of securities under ASX Listing Rule 7.1A. It does not consider placements made under ASX Listing Rule 7.1, the "15% rule".*
- *The deemed price in the table is indicative only and does not consider the maximum 25% discount to market that the securities may be placed at under ASX Listing Rule 7.1A.*
- *The table does not demonstrate the effect of listed options being issued under ASX Listing Rule 7.1A, it only considers the issue of the fully paid ordinary securities.*

The Company may seek to issue the equity securities for the following purposes:

- Non-cash consideration including in connection with payment of contractors or consultants or in connection with the acquisition of new assets or businesses or other business development or licensing arrangements (although the Company presently has no proposal to

do so). In such circumstances, the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.

- Cash consideration. In such circumstances, the Company intends to use the funds raised towards advancing existing businesses, the acquisition of new assets or businesses or other business development or licensing arrangements and/or general working capital.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A(4) and 3.10.5A upon issue of any equity securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of equity securities will be determined on a case-by-case basis having regard to factors including but not limited to the following:

- the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- the effect of the issue of the equity securities on the control of the Company;
- the financial situation and solvency of the Company; and
- advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing substantial shareholders and/or new shareholders who are not related parties or associates of a related party of the Company. Further, if the Company were to pursue an acquisition and were it to be successful in acquiring new assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.

The Company has previously obtained shareholder approval under ASX Listing Rule 7.1A at its 2018 AGM. During the 12-month period preceding the proposed date of the Meeting, being on and from 30 September 2018, the Company issued (or proposes issuing in the case of securities to be issued in connection with the Transaction or otherwise as set out in the Prospectus (which are anticipated to be issued prior to, or shortly after, the Meeting)) a total of 103,318,301 equity securities (81,217,259 ordinary shares (which includes Loan Plan Shares)) which represents approximately 239% of the total number of equity securities on issue in the Company as at 30 September 2018 (assuming a pre-consolidation aggregate figure of 883,678,199 equity securities and a post-consolidation aggregate figure of 44,183,910 equity securities which is indicative only and subject to rounding).

The issues of securities in the Company since 30 September 2018 are set out in Annexure A.

A voting exclusion statement is included in the Notice to which this Memorandum relates. At the date of that Notice, the Company has not approached any particular existing shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the equity securities. No existing shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

The directors of the Company unanimously recommend shareholders vote in favour of Resolution 3.

**Note:** unless otherwise specified, all monetary amounts are in Australia dollars.

## ANNEXURE A

### **ALL FIGURES IN THIS ANNEXURE A ARE ON A POST-TRANSACTION BASIS. AMOUNTS SPENT AND AMOUNT REMAINING ARE AS AT THE DATE OF THE NOTICE**

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable)	Form of consideration (cash/non-cash)
19 October 2018	383,925	Loan Plan Shares <sup>1</sup>	Issued to Edward Pretty, a director of the Company (or nominee), pursuant to the Covata Limited Loan Share Plan	Issue price of \$0.56 (aggregate of \$214,998). Market price at date of issue was \$0.34. 64.71% premium.	Cash (\$214,998). The Company funded the acquisition price of the Loan Plan Shares pursuant to and in accordance with a loan provided under the Company's Loan Share Plan. Following repayment of the loan, the Company intends to use the funds to meeting working capital requirements of the Company at the time of repayment.
15 February 2019	433,333	CVT	Issued to existing shareholders under a share purchase plan	Issue price of \$0.36 (aggregate of \$156,000). Market price at date of issue was \$0.30 Percentage premium 20%	Cash (\$156,000). Funds raised have been allocated toward the Company pursuing the Transaction and otherwise for meeting general working capital requirements.
22 February 2019	3,888,889	Convertible Notes	Sophisticated investors identified by the Company	Issue price and face value of \$0.36 (aggregate of \$1,400,000). Market price at date of issue was \$.30 Percentage premium 20%	Cash (\$1,400,000). Funds raised have been allocated toward the Company pursuing the Transaction and otherwise for meeting general working capital requirements.  The obligations of the Company under the convertible notes have been extinguished as part of the Transaction.
22 February 2019	2,931,034	unlisted warrants	Issued as free-attaching to convertible notes issued to sophisticated investors	Not applicable. Issued as free-attaching unlisted warrants for convertible notes	Issued as free-attaching unlisted warrants for convertible notes. Warrants have an exercise price of \$0.56 and expire 22 August 2020.
16 July 2019	1,388,889	Convertible Notes	Sophisticated investors identified by the Company, including existing convertible note holders	Issue price and face value of \$0.36 (aggregate of \$500,000). Market price at date of issue was \$.30 Percentage premium 20%	Cash (\$500,000). The Company intends to use the funds raised as specified in section 10.8 of the Prospectus lodged with ASIC and released as an announcement to ASX on 26 June 2019.  The obligations of the Company under the convertible notes have been extinguished as part of the Transaction.
9 August 2019	1,250,000	Unlisted warrants	Holders of convertible notes	Not applicable. Issued as free-attaching unlisted warrants for convertible notes	Issued in consideration of the agreement of holders of convertible notes to vary the terms of, and extinguish the obligations of Covata under, their notes. Warrants have an exercise price of \$0.30 and expire 120 days from issue.
9 August 2019	1,250,000	Unlisted warrants	Holders of convertible notes	Not applicable. Issued as free-attaching unlisted warrants for convertible notes	Issued in consideration of the agreement of holders of convertible notes to vary the terms of, and extinguish the obligations of Covata under, their notes. Warrants have an exercise price of \$0.30 and expire 180 days from issue.

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable)	Form of consideration (cash/non-cash)
9 August 2019	3,632,230	Unlisted warrants	Holders of convertible notes	Not applicable. Issued as free-attaching unlisted warrants for convertible notes	Issued in consideration of the agreement of holders of convertible notes to vary the terms of, and extinguish the obligations of Covata under, their notes. Warrants have an exercise price of \$0.30 and expire 18 months from issue.
9 August 2019	1,260,000	Unlisted warrants	Holders of convertible notes	Not applicable. Issued as free-attaching unlisted warrants for convertible notes	Issued in consideration of the agreement of holders of convertible notes to vary the terms of, and extinguish the obligations of Covata under, their notes. Warrants have an exercise price of \$0.56 and expire 18 months from issue.
Prior to, or shortly after, the Meeting	45,666,667	CVT	Public offer of shares	Issue price of \$0.30 (aggregate of \$13,700,000). Market price at date of issue was \$0.30. No discount.	Cash (\$13,700,000). The Company intends to use the funds raised as specified in section 10.8 of the Prospectus lodged with ASIC and released as an announcement to ASX on 26 June 2019.
Prior to, or shortly after, the Meeting	34,666,667	CVT	Vendors of dataglobal	Deemed issue price of \$0.30 (aggregate of \$10,400,000). Market price at date of issue was \$0.030. No discount.	Non-cash, issued as part of consideration for the acquisition of dataglobal GmbH. Further details are set out in the Prospectus lodged with ASIC and released as an announcement to ASX on 26 June 2019 and the Transaction NoM released as an announcement to ASX on 9 July 2019.
Prior to, or shortly after, the Meeting	66,667	CVT	Alphastation Group Pty Ltd (and/or its nominee(s))	Deemed issue price of \$0.30 (aggregate of \$20,000). Market price at date of issue was \$0.030. No discount.	Non-cash, issued to an advisor for services provided to the Company in connection with preparation of the Prospectus. Further details are set out in the Prospectus lodged with ASIC and released as an announcement to ASX on 26 June 2019 and the Transaction NoM released as an announcement to ASX on 9 July 2019.
Prior to, or shortly after, the Meeting	2,500,000	Performance Rights <sup>2</sup>	Edward Pretty, a director of the Company (or nominee)	Not applicable	Non-cash, to be issued pursuant to the Covata Performance Rights Plan proposed for adoption by shareholders at the general meeting to be held on 7 August 2019. Current value of performance rights upon conversion to CVT shares based on market price of \$0.30 on 29 January 2019 (being the last date on which the securities of the Company traded on the ASX prior to the date of the Notice) is \$750,000.
Prior to, or shortly after, the Meeting	2,500,000	Performance Rights <sup>2</sup>	Wolfgang Munz, a proposed director of the Company (or nominee)	Not applicable	Non-cash, to be issued pursuant to the Covata Performance Rights Plan proposed for adoption by shareholders at the general meeting to be held on 7 August 2019. Current value of performance rights upon conversion to CVT shares based on market price of \$0.30 on 29 January 2019 (being the last date on which the securities of the Company traded on the ASX prior to the date of the Notice) is \$750,000.



Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable)	Form of consideration (cash/non-cash)
Prior to, or shortly after, the Meeting	500,000	Performance Rights <sup>2</sup>	Steven Bliim, a director of the Company (or nominee)	Not applicable	Non-cash, to be issued pursuant to the Covata Performance Rights Plan proposed for adoption by shareholders at the general meeting to be held on 7 August 2019. Current value of performance rights upon conversion to CVT shares based on market price of \$0.30 on 29 January 2019 (being the last date on which the securities of the Company traded on the ASX prior to the date of the Notice) is \$150,000.
Prior to, or shortly after, the Meeting	500,000	Performance Rights <sup>2</sup>	William McCluggage, a director of the Company (or nominee)	Not applicable	Non-cash, to be issued pursuant to the Covata Performance Rights Plan proposed for adoption by shareholders at the general meeting to be held on 7 August 2019. Current value of performance rights upon conversion to CVT shares based on market price of \$0.30 on 29 January 2019 (being the last date on which the securities of the Company traded on the ASX prior to the date of the Notice) is \$150,000.
Prior to, or shortly after, the Meeting	500,000	Performance Rights <sup>2</sup>	Stephan Unser, a proposed member of the key management personnel of the Company (or nominee)	Not applicable	Non-cash, to be issued pursuant to the Covata Performance Rights Plan proposed for adoption by shareholders at the general meeting to be held on 7 August 2019. Current value of performance rights upon conversion to CVT shares based on market price of \$0.30 on 29 January 2019 (being the last date on which the securities of the Company traded on the ASX prior to the date of the Notice) is \$150,000.

- 1. Loan Plan Shares have the same terms as fully paid ordinary shares other than being the subject of a 10 year non-recourse loan which is provided in accordance with the Company's Loan Share Plan, a summary of which is contained on pages 91 and 92 of the Company's prospectus dated 26 June 2019.*
- 2. The terms of Performance Rights are as summarised on pages 90 and 91 of the Company's prospectus dated 26 June 2019.*