

Covata Business Update

September 1, 2015



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Covata Limited Company Snap Shot

Market Statistics

ASX Code	CVT
Listing Price (10 Nov, 2014)	A \$0.20
Share Price (28 August, 2015)	A \$0.36
Market Capitalization (28 August, 2015)	A \$153m

Company Statistics

Business Founded	August, 2007
Options and Warrants Outstanding	71,864,170
Ordinary Shares on Issue	426,997,808

Channel Partners Signed (Date)

Macquarie Telecom	12 February, 2015
Deutsche Telekom T Systems	18 March, 2015
Cisco	24 April, 2015
Colt Technology Services	2 July, 2015



Investor Letter

1 September 2015

Dear Investors,

As high profile breaches continue to occur, data security has remained a hot topic for business leaders and the investment market alike. For many however, breaking through the hype and understanding the security sector and the nuances of a high growth data security company can be difficult. We have made a conscious decision to provide ongoing education to help investors understand the foundations of how our business operates and why we believe we will continue to achieve the level of international success we have experienced to date.

Before we look forward it is important for us to ground our business update by acknowledging that the Company has had some substantial achievements since listing in November last year. In less than 12 months we have signed three well known Telcos, one of which sits within the top 10 telecommunication providers in the world, and partnered with technology giant Cisco in a 10 year revenue share partnership.

Throughout the second half of FY15, management has streamlined the business so that we can remain focused on rapidly executing within our two business arms; Platform OEM and Telco Channel Partners.

Illustrating our commitment to the success of our Platform OEM channel is the announcement that we will be opening up a San Francisco Bay Area office this year to work alongside our current OEM partner Cisco. We not only anticipate a multiple return on our investment this financial year, but we expect the location of this office will also raise the profile of Covata in the United States.

Within the Telco arm, Macquarie Telecom's government clientele has provided us with a strong endorsement for the Safe Share product, and T-Systems and Colt Technology Services will open doors to some of Europe's largest enterprise businesses. Our Telco pipeline in our target markets of Asia, Latin America and Europe is strong and continues to grow rapidly. We have engaged experienced industry professionals to further open up these markets on a partner basis and we are in active discussions with Telco's in 8 countries. This strategy means we are sacrificing some speed to initial revenue in the short term but we're certain that it will lead to much larger, rapid growth in the medium term

Covata is focused on driving two key operating metrics to lay a strong foundation for the future revenue growth of its Telco business arm. These are Telco acquisition and end user growth.

In my opinion, Covata is a rare ASX technology stock for a number of reasons. Firstly, it is a small cap, listed, data security company and not tightly held by VCs in Silicon Valley. Secondly, it is a truly global business that has multiple channel partners in key regions, selling across a diverse range of verticals to globally recognized enterprise customers. This diversity means the company is well set to weather geographically isolated or vertical specific downturns.

Finally, whilst the Telco model and Safe Share product is a real and exciting business arm for the Company, the underlying Platform has substantial pent-up value. The patented 'Secure Objects' technology is expected to be highly sought-after by partners, and consequently the unlocking of this value begins in Q2FY16 in conjunction with the Bay Area office being operational.

I believe it's important to highlight some of the key points I would like our investors to think about when looking to understand Covata over the medium term.

1. The focus is on building a high run rate subscription business and we are opening up new markets around the world to achieve this.
2. The quality of revenue in technology companies matters as much as the quantum of revenue when valuing it. Long term, recurring revenue from global enterprises is typically highly valued by global tech giants. Many of our target enterprise customers are listed on a range of international stock exchanges - DAX, LSE, NASDAQ, NYSE, and ASX.
3. The real value in the company will be unlocked over the next 2 years - starting this quarter. The Covata Platform is a unified service tying Identity to Key Management to Access Control; and it's patented in the US and other countries.
4. This patented technology has a range of revolutionary applications we have yet to detail in terms of how applications exchange data over the internet - for example IoT and IoE. PKI/ current security frameworks simply don't scale to 10's of millions let alone billions of newly connected devices and end points. The Covata Platform delivered through transaction based pricing is what OEM partners are excited by. Covata does data/object level encryption - one-file-one-key tied to access and identity. Most other security companies are focused on network or environment protection, not the data itself, wherever it resides.
5. The ability to secure a 'blob' (piece of encrypted data), tie it to the originating end point for trust (identity of the machine/device/person that created the blob), have it sent of over open internet/mobile/any network without PKI or SSL tunnels and then have it decrypted centrally knowing its a trusted packet of data with access protocols tied to it, is revolutionary - and patented.

In closing, I would like to thank our investors for their continued support. There has been a fair amount of volatility and uncertainty in the global markets, however our team remains confident in the foundation we have set and we are focused on execution that will lead to substantial revenues this year and beyond.

Regards,



Trent Telford
CEO & Founder

“The Covata Platform, that combines ‘Identity, Policy and Encryption,’ is a comprehensive suite that addresses several different attack surfaces being exploited for data theft. High profile breaches like Sony, Home Depot and JP Morgan have put security front of mind for C level executives across all industries. Covata and its solution partners provides a unique, holistic and in demand solution. I look forward to supporting Covata as they continue their global expansion.”

Phillip Dunkleberger,

CEO Nok Nok Labs

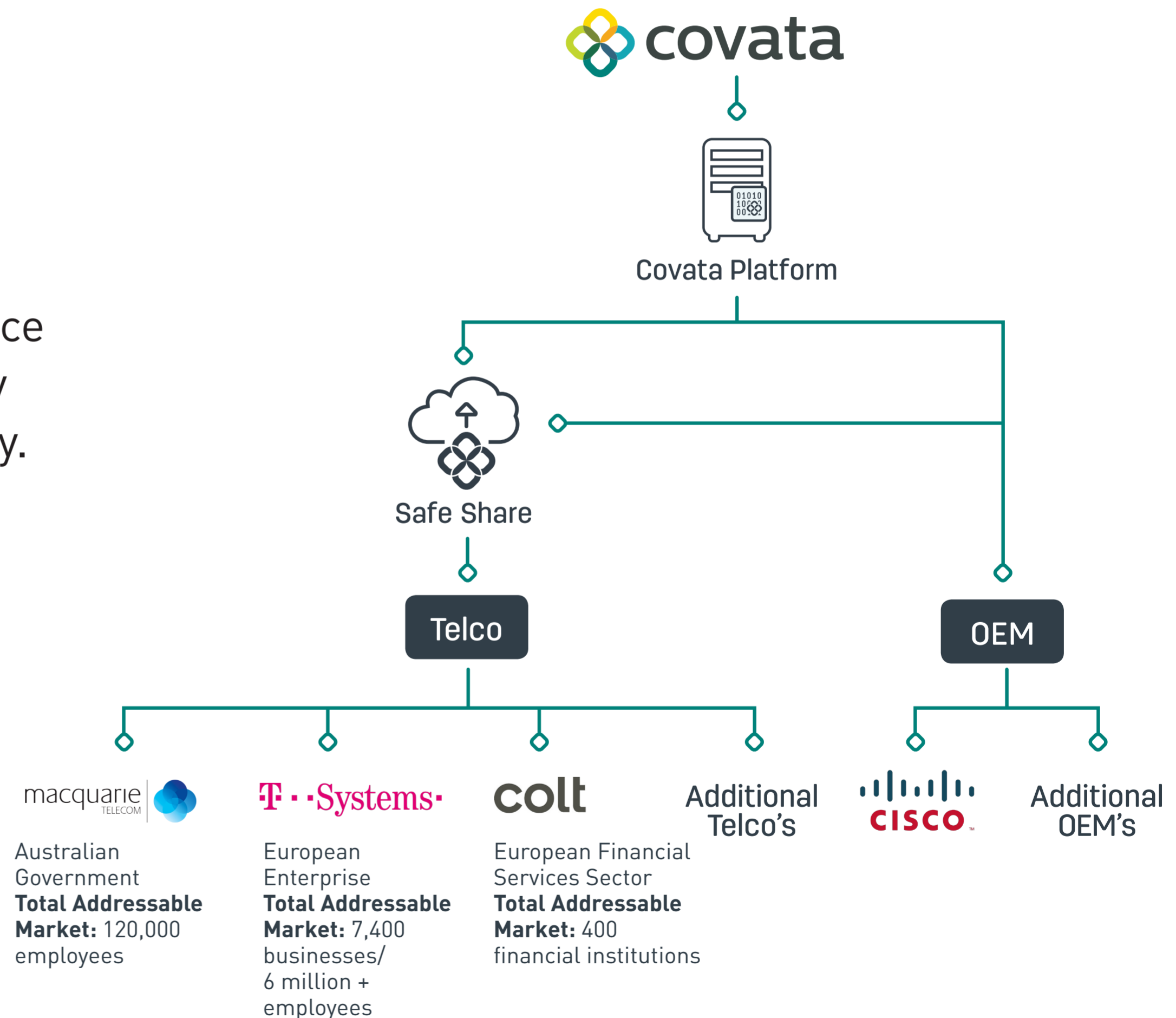
Covata Board Member

PGP Co-Founder and CEO

August, 2015

Covata's Global Business Structure: Two Business Arms

- The Company operates two distinct business arms;
 - OEM/Technology Provider
 - Telco Division
- The Covata Platform is a powerful piece of technology that allows the company to continue to grow, scale and diversify.
- Selling to end users through channel partners allows Covata to access a wide market while managing capital expenditure.
- The two business arms provide two distinct revenue streams, both with high earnings potential.



Covata's Global Business Structure: International Team

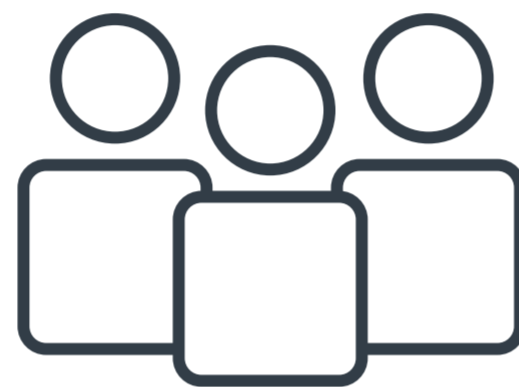


Regional Offices

Australia: Core Engineering & Safe Share DevOps

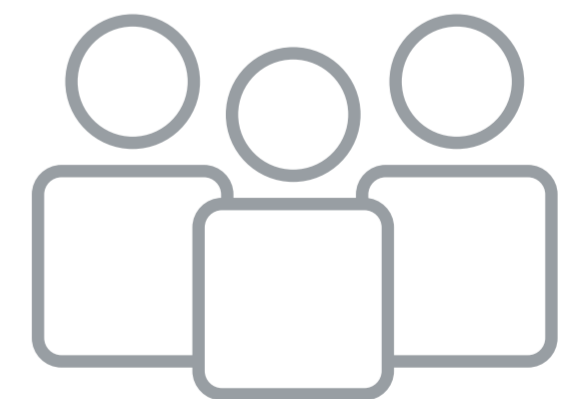
UK: Sales, Account Management & Deployment

USA: Management and **San Francisco Bay Area office to be operational by November, 2015** - Covata Platform Engineering Team & Cisco Support



International Workforce

- The Company is focused on building up an international workforce whose language abilities enable us to fast track work currently underway in key regions.
- Currently working with key industry experts in Asia and Latin America to open up doors with strategic Telco's.



Covata's Global Business Structure + Multiple Customer Verticals = Diversified Global Revenue + Reduced Risk

Covata is an emerging ASX Listed technology company with the majority of its growth to occur offshore. Operating its Telco business arm in Europe, Asia and Latin America, exposes the product to large scale enterprise customers who operate in a variety of financial and capital markets. The diversity in its customer base, in both location and business category, allows for stability as the company begins its high growth trajectory.



Platform and OEM Business Update



“In a highly distributed digital world, security is the top concern for our customers.”

Chuck Robbins

Cisco CEO

August 12, 2015

OEM Partnership Overview

- ▶ As announced on the 6th of August, 2015, Covata has committed to invest in its OEM channel and the Cisco agreement by establishing a team of 6-8 full time employees in a Bay Area office.

- ▶ The creation of this team supports our commitment to the 10-year contract with the Fortune 100 technology company.

- ▶ The team will be focused on the Covata Platform to further enable initiatives in Cloud and Internet of Everything (IoE) security, supporting growth in Cisco and future partners. The “Covata Inside” strategy will see the Platform augmented to be able to underpin global tech initiatives.

- ▶ We will provide further information in Q2/Q3 FY16 around our IoE and Platform strategy.

- ▶ Covata expects that its investment in the Bay Area will generate a 4-5 times return on investment in the next 12 months, through quality deals with our current and future OEM partnerships.

- ▶ The office will be operational in November 2015.

“If a partner makes a commitment to build out cloud or managed services off of our infrastructure, then we want our sales teams to then correspondingly help them accelerate the consumption of that in the marketplace.”

Chuck Robbins

Cisco CEO

May 6, 2015

Telco Business Update



Safe Share: Right Product, Right Time for the Telco Market

- ▶ Data Security is a hot industry, with ongoing high profile breaches bolstering interest.

- ▶ The global file sharing industry is valued at \$18.87 billion with SaaS companies Box and Dropbox valued at \$1.67 billion & \$10 billion respectively*. Due to their freemium-ware consumer structure, neither of these products necessarily provide material revenue for telecommunications providers.

- ▶ Safe Share is adopted by Telcos as a revenue share product providing a strong incentive for these businesses to sell Safe Share into their customer base. The Product also drives increased returns in core infrastructure.

- ▶ Covata has partnered with three leading Telecommunications providers, Macquarie Telecom, T-Systems and Colt Technology Services, to sell Safe Share.

* Valuations taken from Company data

Size of the Opportunity

Over The Top Services are In Demand

Telco

Spell

Syllables

Synonyms

Examples

Word Origin

noun

A 'Telco' is a telecommunications company that through owned and operated infrastructure delivers phone [fixed and mobile] and Internet services.

As broadband penetration and available speeds increase, the MSP and Telco industry are under pressure to seek out and sell over the top services to increase revenue and counter the proliferation of free SaaS applications such as Skype, Box and WhatsApp. These consumer applications are decreasing customer reliance on Telco's and MSPs for voice and data. The telecommunications industry will lose a combined \$386 billion between 2012 and 2018 from customers using over-the-top (OTT) applications, as reported in Fortune.com and stated by London-based research and analytics firm Ovum.

Global Opportunity

Collectively, the top 20 Telco's in the world reach more than 4.2 billion subscribers

Rank	Company	Total Revenue (US\$B)	Total Subscribers (M)	Headquarters
1	AT&T	128.7	300	United States
2	Verizon Communications	120.6	102.8	United States
3	Nippon Telegraph & Telephone	109.1	190.07	Japan
4	China Mobile Communications	107.6	816.34	China
5	Deutsche Telekom	79.8	197.7	Germany
6	Telefonica	75.7	317.3	Spain
7	Softbank	66.5	37.05	Japan
8	Vodafone Group	65.9	445.83	United Kingdom
9	Comcast	64.7	54.73	United States
10	China Telecommunications	62	461	China
11	America Movil	61.6	289.65	Mexico
12	Orange S.A.	55.9	248	France
13	China United Network	49.3	324.37	China
14	KDDI	43.3	43.48	Japan
15	Telecom Italia	36.5	118.5	Italy
16	Vivendi	35.9	6.8	France
17	DirecTV	31.8	37	United States
18	BT Group	29.1	7.59	United Kingdom
19	Telstra	26.3	16.4	Australia
20	VimpelCom Limited	23.1	222	Netherlands

Proven Strategy: Partnerships FY15

Covata has partnered, since listing in November 2014, with leading Telco's T-Systems, Macquarie Telecom and Colt Technology Services and will continue to expand its channel partner base throughout Europe, Latin America and Asia.



Target Market:

Australian Government

Partnership Announced:

12 February, 2015

Customer Acquisition:

Signed 8 departments and agencies



Target Market:

European Enterprise Customers

Partnership Announced:

18 March, 2015

Customer Acquisition:

Strong pipeline



Target Market:

European Financial Services Market

Partnership Announced:

2 July, 2015

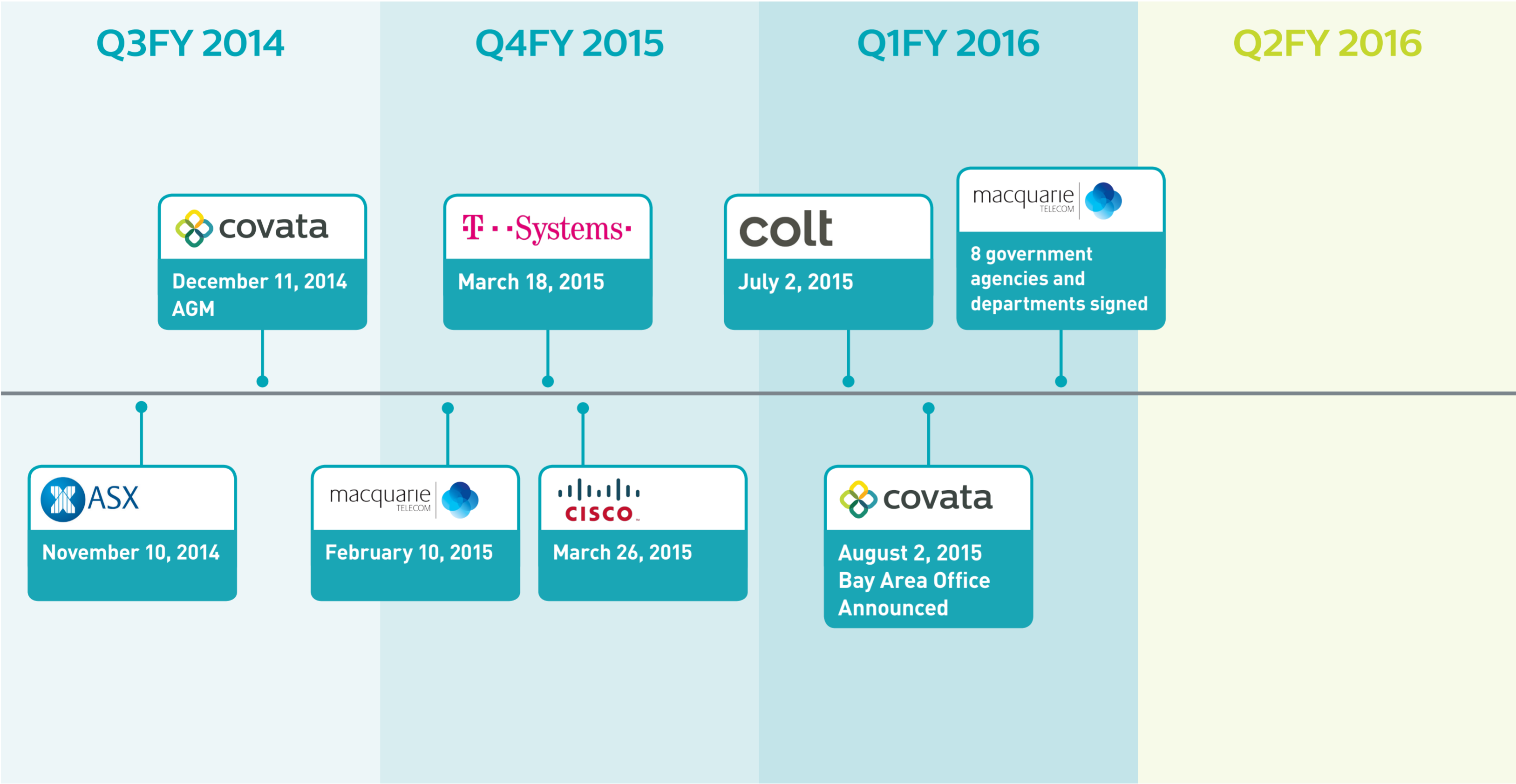
Customer Acquisition:

Business Development Underway

Growth



The Company has achieved a number of major milestones since listing on the ASX November, 2014 and has built a substantial pipeline of leading global Telco's and Enterprise customers throughout FYQ4 2015 and FYQ1 2016. The focus for FY16 will be to sign and activate channel partners whilst simultaneously enabling enterprise customers to achieve end user growth.



Covata Business Development, Activation and Sales Process

Once Covata has signed with a channel partner - Telco/OEM - it must activate the channel to allow it to sell through enterprise customers.

Signing a partner includes:

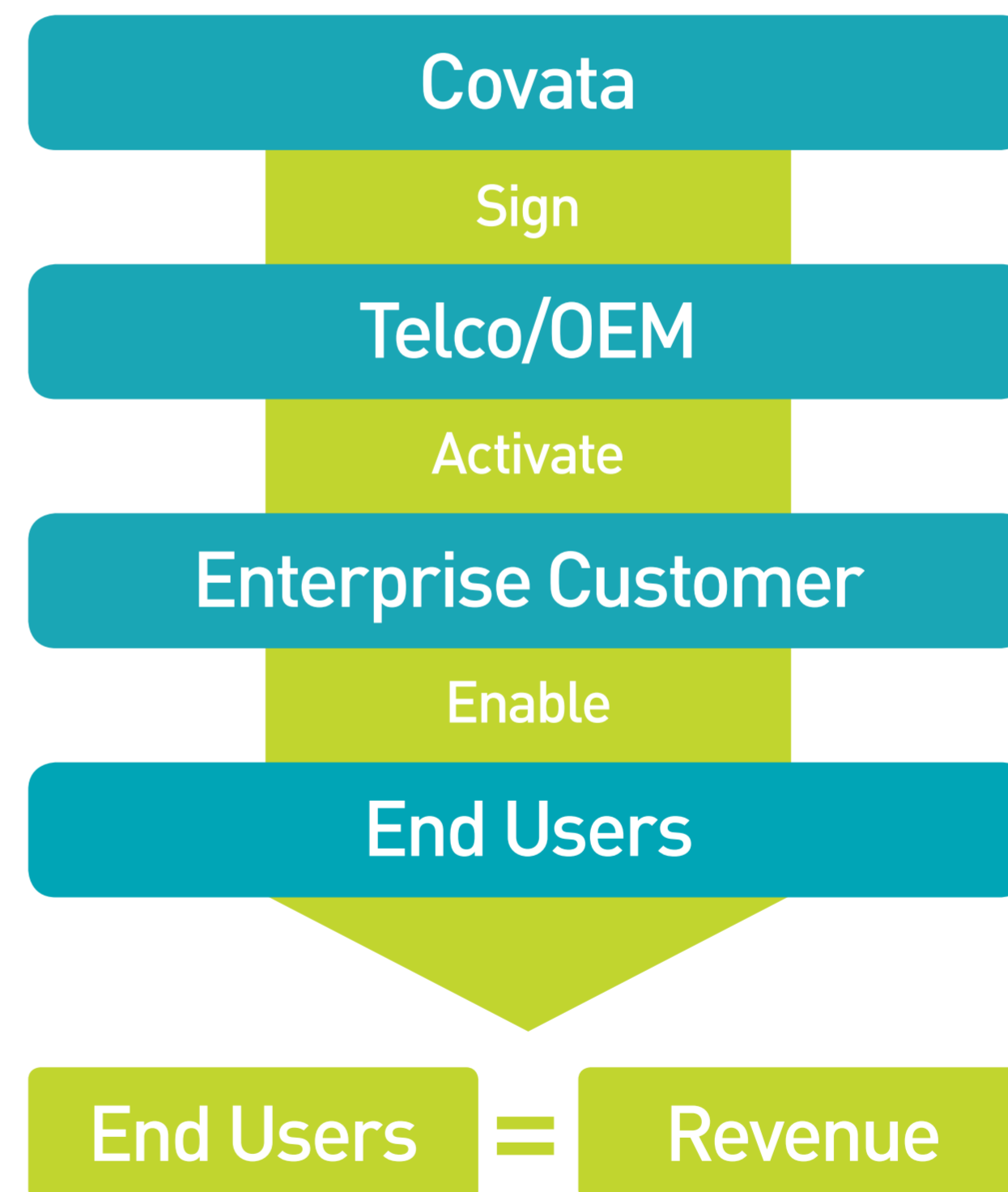
- Business development
- Security audit
- Trial Period where applicable
- Go to Market model
- Contract development

Activating a partner includes:

- Product deployment
- Collateral development
- Sales force training and support

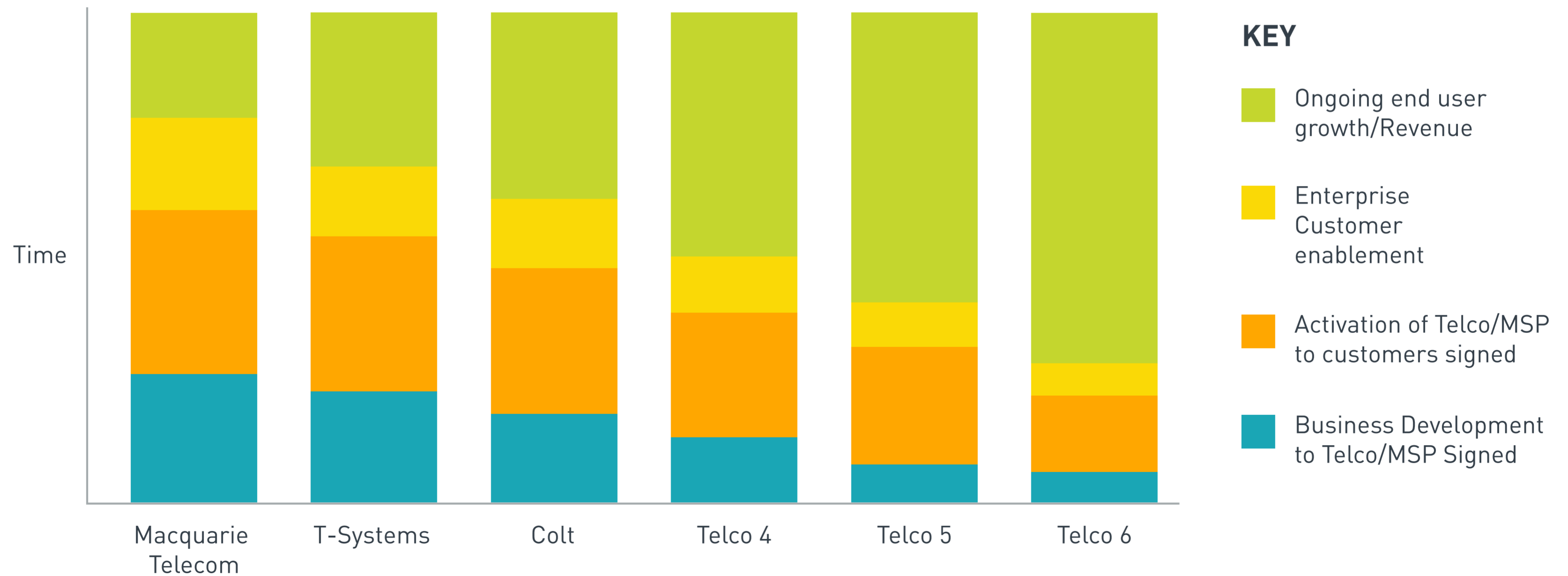
Enabling an enterprise customer includes:

- Provide enterprise marketing & educational material



Continued Learnings Increase Speed to Acquire End Users

As Covata continues to sign global channel partners, the time required to move through the business development, activation and sales process is expected to decrease, and in turn decrease time to revenue.



Covata Opportunity

Example Telco Business Model

Covata is focused on driving two key operating metrics to lay a strong foundation for the future growth of its Telco business arm:

1. Telco partner acquisition
2. End user growth

Covata will report end user seat growth quarterly.

	Illustration of Telco Model							
No of Active Telco/MSP	2-3	3-4	4-6	4-6	6-8	6-8	8-10	8-10
End User Seats	800-1,200	6,000-8,000	36,000-45,000	120,000-150,000	285,000+	600,000+	1,100,000+	1,700,000+
Annual Run Rate* \$AUD	\$25k - \$32k	\$214k - \$266k	\$1.3mil - \$1.6mil	\$4.1mil - \$5.2mil	\$10.1mil+	\$21.2mil+	\$36.6mil+	\$59.3mil+

*Annual Run Rate = (quarter revenue x nil growth) x 4 quarters

NB: This is an example of the Telco business model and is not to be taken as a forecast.
Net revenue per seat is based on an international average of current and historical license fees.

In Summary

- ▶ Covata is operating two distinct business arms.

- ▶ In FY16 the Company is focused on laying a strong foundation to underpin rapid global growth in FY17. The team are;
 - Building out a global team of industry experts
 - Focused on the internationalisation of the team to augment partnerships in foreign markets
 - Opening an office in the San Francisco area to engrain Covata alongside Cisco and raise the Company's profile among the tech sector and investor markets.
 - Executing on and further developing a strong Telco pipeline
 - Further developing marketing material to support partners in end user acquisition

- ▶ The company is expecting 120k+ Enterprise Seats by the end of FY16.

- ▶ Covata management are active within key regions, on target with pipeline development and focused on execution.

- ▶ The Company is focused on building the run rate revenues out of the Telco Business Arm with an eye on FY17 and FY18 through the land grab of Telco's in the key regions identified.

- ▶ Covata expects that its investment in the Bay Area will generate 4 - 5 times Return on Investment in the next 12 months, through quality deals with our current and future OEM partnerships, outside of Telco revenues.

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