

**COVATA LIMITED**  
**ACN 120 658 497**

**NOTICE OF 2015 ANNUAL GENERAL MEETING**

Notice is given that the 2015 Annual General Meeting of Covata Limited ("the **Company**" or "**Covata**") will be held at the Grace Hotel, 77 York Street, Sydney, New South Wales, 2000 on 18 November 2015 at 9.00 am (AEDT).

Further details in respect of each of the resolutions proposed in this Notice of Annual General Meeting are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting. The details of the resolutions contained in the Explanatory Memorandum should be read together with, and form part of, this Notice of Annual General Meeting.

**GENERAL BUSINESS**

**2015 Annual Financial Statements**

To lay before the meeting and consider the 2015 Annual Financial Statements of the Company in respect of the year ended 30 June 2015 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 Director's Report, for the year ended 30 June 2015."***

***Voting Prohibition 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 (the voter) described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and the voter is appointed as a proxy by 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 and the proxy appointment expressly authorises the Chairman to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.*

***Voting Note:***

*Directors of the Company who are key management personnel whose remuneration details are included in the 2015 remuneration report, any other key management personnel whose remuneration details are included in the 2015 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 Joseph Miller as a Director**

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

***"THAT Joseph Miller 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 Philip King as a Director**

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

***"THAT Philip King 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 3: Appointment of Michael Quinert as a Director**

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

***"THAT Michael Quinert, a director appointed to fill a casual vacancy on 17 February 2015 and being eligible for election, be elected as a Director of the Company."***

#### **Resolution 4: Ratification of prior issue of share warrants to Sumatics International FZC**

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

***"THAT for the purpose of ASX Listing Rule 7.4, shareholders ratify the prior issue of 38,240,979 share warrants to Sumatics International FZC under the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of General Meeting."***

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

*The Company will disregard any votes cast on this Resolution 4 by:*

- *persons who participated in the issue; or*
- *any associates of those persons.*

*However, the Company need not disregard a vote on Resolution 4 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;*
- *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.*

#### **Resolution 5: Ratification of prior issue of shares to Asia Principal Capital Group**

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

***"THAT for the purpose of ASX Listing Rule 7.4, shareholders ratify the prior issue of 2,373,129 ordinary fully paid shares to Asia Principal Capital Group pursuant to the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of General Meeting."***

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

*The Company will disregard any votes cast on this Resolution 5 by:*

- *persons who participated in the issue; or*
- *any associates of those persons.*

However, the Company need not disregard a vote on Resolution 5 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;
- 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.

#### **Resolution 6A: Approval for issue of options to Joseph Miller**

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

***“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 132,167 options (having an exercise price of \$0.33 and an expiry date which is 5 years from the issue date) to Joseph Miller (or his nominee) on the terms and conditions set out in the Explanatory Statement.”***

#### **Resolution 6B: Approval for issue of shares to Philip King**

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

***“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 132,167 ordinary fully paid shares to Philip King (or his nominee) on the terms and conditions set out in the Explanatory Statement.”***

#### **Resolution 6C: Approval for issue of options to Charles Archer**

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

***“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 258,502 options (having an exercise price of \$0.33 and an expiry date which is 5 years from the issue date) to Charles Archer (or his nominee) on the terms and conditions set out in the Explanatory Statement.”***

#### **Resolution 6D: Approval for issue of options to Trent Telford**

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

***“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 416,325 options (having an exercise price of \$0.33 and an expiry date which is 5 years from the issue date) to Trent Telford (or his nominee) on the terms and conditions set out in the Explanatory Statement.”***

#### ***Voting Exclusion Statements Resolution 6A-6D***

*The Company will disregard any votes cast on these resolutions cast by:*

- a person who is to receive securities under the proposed issue or any of their associates; or
- it is cast as a proxy by a Restricted Voter.

*However, the Company need not disregard a vote if:*

- *it is cast by a person as a 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 or with the express authorisation to exercise the undirected proxy even if Resolution 6A-6D are connected directly or indirectly with the remuneration of a member of the key management personnel for the Company's consolidated group.*

#### **Resolution 7: Approval to Increase Non-Executive Director Fee Pool**

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

***"That, for the purposes of ASX Listing Rule 10.17 and for all other purposes the maximum aggregate directors fees payable to non-executive Directors be increased from \$250,000 per annum to \$400,000 per annum."***

#### **Voting Exclusion Statement Resolution 7**

*The Company will disregard any votes cast on the proposed resolution to increase the maximum aggregate amount of Directors' fees payable to non-executive Directors (Resolution 7) by a Director of the Company and any associate of a Director. 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.*

*The Company will also disregard any votes cast on the proposed resolution to increase the maximum aggregate amount of Directors' fees payable to non-executive Directors (Resolution 7) by a member of the key management personnel of the Company's consolidated group or a closely related party of any such member, as a proxy where the proxy appointment does not specify the way the proxy is to vote on Resolution 7, unless:*

- *the proxy is the Chairman of the meeting at which Resolution 7 is voted on; and*
- *the proxy appointment expressly authorises the Chairman to exercise the proxy even if Resolution 7 is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company's consolidated group.*

#### **Resolution 8: Approval for Adoption of Amended Share Option Plan**

***"That for the purposes of ASX Listing Rule 7.2 Exception 9 approval is given for the adoption of an amended Share Option Plan on the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting."***

#### **Voting Exclusion Statement Resolution 8**

*The Company will disregard any votes cast on the proposed resolution to adopt an amended Share Option Plan (Resolution 8) by a Director of the Company and any associate of a Director. 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.*

*The Company will also disregard any votes cast on the proposed resolution to adopt an amended Share Option Plan (Resolution 8) by a member of the key management personnel of the Company's consolidated group or a closely related party of any such member, as a proxy where the proxy appointment does not specify the way the proxy is to vote on Resolution 8, unless:*

- *the proxy is the Chairman of the meeting at which Resolution 8 is voted on; and*
- *the proxy appointment expressly authorises the Chairman to exercise the proxy even if Resolution 8 is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company's consolidated group.*

Dated: 13 October 2015

By the order of the Board

A handwritten signature in blue ink, appearing to read "Patrick Gowans", is written over a light blue rectangular background.

Patrick Gowans  
Joint Company Secretary

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

## PROXY AND VOTING INSTRUCTIONS

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### 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 the Company's Share Registrar on + 61 (2) 9290 9655 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.

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.

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

A proxy form is attached to this Notice.

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

### Corporate Representatives

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.

### Voting Entitlement

For the purposes of the Corporations Act and Corporations Regulations shareholders entered on the Company's Register of Members as at 7pm on 16 November 2015 (Sydney, NSW time) 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.

### How the Chair Will Vote Undirected Proxies

Subject to the restrictions set out below, The Chair of the meeting will vote undirected proxies in favour of all of the proposed resolutions.

### Proxies that are Undirected on Resolution 1 (Remuneration Report) and Resolution 6A-6D (Director Share and Option Issues), Resolution 7 (Approval to Increase Non-Executive Director Fee Pool) and Resolution 8 (Adoption of Amended ESOP)

The Remuneration Report identifies key management personnel for the year ending 30 June 2015. Their closely related parties are defined in the Corporations Act 2001 (Cth) and include specified family members, dependents and companies they control.

Directors of the Company who are key management personnel whose remuneration details are included in the 2015 remuneration report, any other key management personnel whose remuneration details are included in the 2015 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 Resolutions 1 or Resolutions 6A-6D, Resolution 7 or Resolution 8 unless specifically authorised to do so on the Proxy Form.

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

**2015 ANNUAL GENERAL MEETING**

**EXPLANATORY MEMORANDUM**

**PURPOSE OF INFORMATION**

This Explanatory Memorandum ("**this Memorandum**") accompanies and forms part of the Company's Notice of the 2015 Annual General Meeting to be held at the Grace Hotel, 77 York Street, Sydney, New South Wales, 2000 on 18 November 2015 at 9.00am (AEDT). The Notice of the 2015 Annual General Meeting incorporates, and should be read together with, this Memorandum.

**BUSINESS**

**2015 Annual Financial Statements**

The 2015 Annual Financial Statements, comprising the Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2015 will be laid before the meeting. Shareholders will have the opportunity to ask questions about or make comments on the 2015 Annual Financial Statements and the management of the Company. A representative of the auditor will be invited to attend to answer questions about the audit of the Company's 2015 Annual Financial Statements.

The Company's 2015 Annual Financial Statements are set out in the Company's 2015 Annual Report which can be obtained from the Company's website, [www.covata.com](http://www.covata.com) or upon request to Steven Bliim at the office of the Company, 154-156 Clarence Street, Sydney, New South Wales, 2000 (telephone (02) 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 2015 Remuneration Report, which forms part of the Director's Report in the 2015 Annual Financial Statements. The vote is advisory only and does not bind the Directors or the Company.

Shareholders attending the 2015 Annual General Meeting of the Company will have an opportunity to discuss and put questions in respect of the Remuneration Report.

The resolution is advisory only and does not bind the Company or its directors. 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 2014 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 that 25% or more of votes that are cast are against the adoption of the 2015 Remuneration Report. However, in the event that 25% or more of votes that are cast are against the adoption of the 2015 Remuneration Report, shareholders should be aware that if there is a 'no' vote of 25% or more at the same resolution at the 2016 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 of Meeting. 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 the key management personnel details of whose

remuneration are included in the Remuneration Report 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.

#### **Resolution 2A: Re-Election of Joseph Miller as a Director**

Resolution 2A is a resolution for the re-election of Joseph Miller as a Director of the Company.

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 Chief Executive Officer (Managing Director) and Directors appointed to fill casual vacancies, are required to retire by rotation at each AGM. The Company has six directors, one of whom is the CEO and one of whom was appointed during the 2014-2015 year to fill a casual vacancy. Accordingly, two directors other than the CEO are required to retire by rotation at the AGM.

Since 2003, Joseph has been a Managing Director at Europlay Capital Advisors, LLC ("ECA"). ECA is a Los Angeles based boutique merchant bank and financial advisory firm that services and invests in companies in the technology, media, telecom, life sciences and consumer sectors.

ECA's clients and investments include such notable companies as Skype, Vdio, Flashfunders, and Red Bull Global Rallycross. Joseph currently serves on the boards of several of these companies including Manalto Limited (ASX: MTL), TheraCell Inc, and Red Bull Global Rallycross. In the past, Joseph has also served on the Boards of Talon International, Multigig and has also served on both the Compensation and Audit Committees of Skype Global, prior to its sale to Microsoft.

From 1998 to 2003, Joseph was a Vice President and Senior Vice President at Houlihan Lokey Howard & Zukin ("HLHZ"), a leading middle-market investment bank, where he was focused on transactions in the Entertainment and Media group, and serviced such clients as Warner Bros, Chrysalis, EMI Group and Dreamworks amongst many others.

From 1994 to 1998, Joseph served as the Vice President of Corporate Development for Alliance Communications Corporation, Canada's leading independent producer and distributor of filmed entertainment where he was involved in several high profile transactions, including its US-based listing on NASDAQ and many acquisitions.

Joseph holds a Bachelor degree in Economics/ Business from University of California, Los Angeles (UCLA) and holds FINRA Series 7, Series 24 and Series 63 securities licenses.

Joseph, who was elected to the Board of the Company on 31 October 2014, retires by rotation and, being eligible, offers himself for re-election.

#### **Resolution 2B: Re-Election of Philip King as a Director**

Resolution 2B is a resolution for the re-election of Philip King as a Director of the Company.

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 Chief Executive Officer (Managing Director) and Directors appointed to fill casual vacancies, are required to retire by rotation at each AGM. The Company has six directors, one of whom is the CEO and one of whom was appointed during the 2014-2015 year to fill a casual vacancy. Accordingly, two directors other than the CEO are required to retire by rotation at the AGM.

Philip has been a senior executive in a diverse range of businesses for over 30 years, focusing principally on financial services, payments and IT and including consulting and project management, IT recruitment, data security and back office processing businesses.

He has been a private equity investor for 20 years and has been a founder, seed and early stage investor in a variety of successful IT and technology businesses. Philip has held senior management and consulting roles in



some of the world's leading financial services institutions in the UK, Europe and South Africa. Before co-founding Asia Principal Capital Limited in Brunei and Singapore, Philip was CEO of an electronic payments business providing clearing and settlement solutions globally in selected verticals, notably travel. This is now a multi-billion dollar payment processing company and is considered to be one of the world's largest aggregators of travel payments. In 2010 he co-founded Asia Principal Capital in Australia.

Philip has extensive company director experience and is currently Chairman of Licentia Group Limited and MyPinPad Limited, UK based authentication software services businesses. He has extensive M&A, capital raising and strategic counsel experience. Philip holds a Bachelor (Honours) degree in Economics and Accounting and a Masters degree in Computing.

Philip has also acted as both the Chairman and CEO of Cocoon Data Holdings Limited (now Cocoon Data Holdings Pty Ltd) prior to its merger with the Company.

Philip, who was elected to the Board of the Company on 31 October 2014 retires by rotation and, being eligible, offers himself for re-election.

### **Resolution 3: Appointment of Mr Michael Quinert as a Director**

In accordance with clause 13.4 of the Company's Constitution a Director appointed to fill a casual vacancy will hold office until the next AGM of the Company when the Director may be re-elected by shareholders.

Michael was appointed fill a casual vacancy on 17 February 2015.

Michael Quinert graduated with degrees in economics and law from Monash University in 1984 and 1985 respectively and has 30 years' experience as a commercial lawyer, including three years with ASX Limited and over 20 years as a partner in a Melbourne law firm. He has extensive experience in assisting and advising public companies on capital raising and market compliance issues and has regularly advised publicly listed mining companies.

The non-candidate directors unanimously support the re-election of Michael Quinert.

### **Resolution 4: Ratification of prior issue of share warrants to Sumatics International FZC**

Resolution 4 seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 38,240,979 unlisted warrants to acquire ordinary fully paid shares to Sumatics International FZC. The warrants were issued on 26 March 2015. The warrants are subject to vesting conditions outlined below in the Company's announcement to ASX on 20 March 2015.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 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 following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The total number of securities issued was 38,240,979 unlisted warrants.
- The warrants were issue to Sumatics International FZC.

- There was no issue price for the warrants which were issued as consideration in connection with the Company's strategic partnership agreement with Sumatics International FZC. Each warrant has an exercise price of \$0.274 and expires on 25 March 2020. The warrants are subject to vesting conditions outlined in the Company's announcement to ASX on 20 March 2015.
- There were no funds raised as a result of the issue. Any funds raised upon exercise of the warrants will be applied to the working capital requirements of the Company at the time of exercise.
- A voting exclusion statement is contained in the Notice of General Meeting accompanying this Explanatory Memorandum.

#### **Resolution 5: Ratification of prior issue of shares to Asia Principal Capital Group**

Resolution 5 seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 2,373,129 ordinary fully paid shares to Asia Principal Capital Group Pte Ltd. The shares were issued on 14 April 2015.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve month period any equity securities, or other securities with rights to conversion to equity (such as options), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 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 following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- The total number of securities issued was 2,373,129 ordinary fully paid shares.
- There was no issue price. The shares were issued to Asia Principal Capital Group Pte Ltd as consideration pursuant to the terms of a strategic partnership agreement entered into with Asia Principal Capital Group which was the subject of an ASX announcement on 20 March 2015. The shares are subject to voluntary escrow as outlined in the Company's Appendix 3B lodged with ASX on 15 April 2015.
- The shares are ordinary fully paid shares having the same terms as the Company's existing ordinary shares.
- A voting exclusion statement is contained in the Notice of General Meeting accompanying this Explanatory Memorandum.

#### **Resolutions 6A-6D: Issue of shares and options to Directors**

Resolutions 6A-6D are proposed to seek shareholder approval for the issue of a total of 906,994 unlisted options and 132,167 ordinary fully paid shares to certain Directors of the Company following a review of achievements during the half-year ended 31 December 2014. The intended issue, subject to shareholder approval, was the subject of an ASX announcement by the Company on 12 March 2015.

ASX Listing Rule 10.11 requires a company to obtain shareholder approval by ordinary resolution prior to the issue of equity securities to a related party of the company. For the purposes of Listing Rule 10.11, a related party includes a Director of the Company.

ASX Listing Rule 7.2 states that approval pursuant to ASX Listing Rule 7.1 is not required if approval is being obtained pursuant to ASX Listing Rule 10.11. Accordingly, as shareholder approval is being sought under ASX Listing Rule 10.11, a further approval is not required under ASX Listing Rule 7.1.

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.

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:

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

The Directors’ current respective (direct and indirect) relevant interests in shares and options (assuming no other acquisitions or disposals of shares or options, whether by exercising options or otherwise) are as follows:

	Existing Shares	Existing Options (including key terms)
<b>Joseph Miller</b>	Nil	Nil
<b>Philip King</b>	2,360,226	Nil
<b>Charles Archer</b>	Nil	5,306,250 options exercisable at US\$0.1467 and expiring on 31 October 2019.
<b>Trent Telford</b>	6,645,175	10,000,000 options exercisable at \$0.20 expiring on 31 October 2019.  375,000 options exercisable at \$0.2933 and expiring on 9 March 2016.

The Company considers the proposed issues are 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 and their overall remuneration packages having regard to remuneration packages offered by similar ASX-listed companies. The Company has also considered the need for the Company to effectively incentivise each of the Directors while aligning the incentive with increasing shareholder value, the desirability of preserving cash resources within the Company.

**Resolution 6A: Issue of options to Joseph Miller**

ASX Listing Rule 10.13 requires that the meeting documents concerning a proposed resolution to approve an issue of securities in accordance with ASX Listing Rule 10.11 must include the following information:

- Joseph Miller (or his nominee/s) will receive the options the subject of Resolution 6A.

- The maximum number of securities to be issued will be 132,167 options to acquire ordinary shares.
- The Company will issue the options the subject of Resolution 6A within one (1) month of the date of the AGM.
- Joseph Miller is a Director of the Company and therefore a related party for the purposes of ASX Listing Rule 10.11.
- The options will have an exercise price of \$0.33 and an expiry date which is 5 years from the issue date. The options will vest immediately upon issue.
- No funds will be raised through the issue of the options. Any funds raised upon exercise of the options will be applied to the Company's working capital requirements at the time of issue.
- A voting exclusion statement applies to Resolution 6A on the terms set out in the Notice.

#### **Resolution 6B: Issue of shares to Philip King**

ASX Listing Rule 10.13 requires that the meeting documents concerning a proposed resolution to approve an issue of securities in accordance with ASX Listing Rule 10.11 must include the following information:

- Philip King (or his nominee/s) will receive the shares the subject of Resolution 6B.
- The maximum number of securities to be issued will be 132,167 ordinary fully paid shares which will be issued at a deemed issue price of \$0.33 per share. The terms of issue will provide that, the total issue price of \$43,615 is a loan which is repayable to the Company upon sale of the shares.
- The Company will issue shares the subject of Resolution 6B within one (1) month of the date of the AGM.
- Philip King is a Director of the Company and therefore a related party for the purposes of ASX Listing Rule 10.11.
- The ordinary shares issued under the approval sought through Resolution 6B will rank equally with the Company's existing listed fully paid ordinary shares.
- No funds will be raised through the issue of the shares. Funds raised on repayment of the loan will be applied to the working capital requires of the Company at the time.
- A voting exclusion statement applies to Resolution 6B on the terms set out in the Notice.

#### **Resolution 6C: Issue of options to Charles (Chuck) Archer**

ASX Listing Rule 10.13 requires that the meeting documents concerning a proposed resolution to approve an issue of securities in accordance with ASX Listing Rule 10.11 must include the following information:

- Charles Archer (or his nominee/s) will receive the shares and options the subject of Resolution 6C.
- The maximum number of securities to be issued will be 358,502 options to acquire ordinary shares.
- The Company will issue the options the subject of Resolution 6C within one (1) month of the date of the AGM.

- Other than as vendors who received shares as consideration under the takeover of Cocoon Data Holdings Limited (now Cocoon Data Holdings Pty Ltd), no persons referred to in Listing Rule 10.14 has received options under the Employee Incentive Plan since it was adopted.
- Chuck Archer is a Director of the Company and therefore a related party for the purposes of ASX Listing Rule 10.11.
- The options will have an exercise price of \$0.33 and an expiry date which is 5 years from the issue date. The options will vest immediately upon issue.
- No funds will be raised through the issue of the options. Any funds raised upon exercise of the options will be applied to the Company's working capital requirements at the time of issue.
- A voting exclusion statement applies to Resolution 6C on the terms set out in the Notice.

#### **Resolution 6D: Issue of options to Trent Telford**

ASX Listing Rule 10.13 requires that the meeting documents concerning a proposed resolution to approve an issue of securities in accordance with ASX Listing Rule 10.11 must include the following information:

- Trent Telford (or his nominee/s) will receive the shares and options the subject of Resolution 6D.
- The maximum number of securities to be issued will be 416,325 options to acquire ordinary shares.
- The Company will issue the options the subject of Resolution 6D within one (1) month of the date of the AGM.
- Trent Telford is a Director of the Company and therefore a related party for the purposes of ASX Listing Rule 10.11.
- The options will have an exercise price of \$0.33 and an expiry date which is 5 years from the issue date. The options will vest immediately upon issue.
- No funds will be raised through the issue of the options. Any funds raised upon exercise of the options will be applied to the Company's working capital requirements at the time of issue.
- A voting exclusion statement applies to Resolution 6D on the terms set out in the Notice.

#### **Resolution 7: Increase in Non-Executive Directors' Fee Pool**

Resolution 7 seeks Shareholder approval for the purposes of Listing Rule 10.17 and for all other purposes, for the Company to be authorised to increase the maximum aggregate amount of fees available to be paid to non-executive Directors under clause 13.8 of the Company's Constitution by \$150,000 from \$250,000 per annum to \$400,000 per annum.

The Board considers that it is reasonable and appropriate at this time to seek an increase in the remuneration pool for non-executive Directors for the following reasons:

- to give the Board strategic flexibility to appoint additional non-executive Directors, and to accommodate the recent change in position of the Company's Chairman Charles Archer from Executive Chairman to Non-Executive Chairman;
- the planned growth of the Company and increased responsibilities for non-executive Directors;

- non-executive Directors fees may in the future need to be increased to retain Directors;
- to attract new Directors of a calibre required to effectively guide and monitor the business of the Company; and
- to remunerate Directors appropriately for the expectations placed upon them.

The maximum aggregate amount of fees payable to Directors has not been increased since the Company adopted a replacement Constitution on 23 September 2014. It is not intended to fully utilise the increased aggregate amount of fees in the immediate future.

The total annual remuneration entitlement of the non-executive Directors for the financial year ended 30 June 2015 was \$40,000 per non-executive Director per annum as detailed on page 14 of the Company's 2015 Annual Financial Report.

The current non-executive Director fees are as follows:

- Chairman - USD\$100,000; and
- other non-executive Directors \$40,000 (plus statutory superannuation if applicable)

The following securities were issued to the non-executive Directors with the approval of shareholders under ASX Listing Rules 10.11 or 10.14 within the last three years:

- Philip Dunkelberger and Philip King (or entities associated with them) each received an issue of options in consideration of the cancellation of existing options held in Cocoon Data Holdings Limited (CDHL) as part of the terms of the Company's takeover of CDHL. Philip Dunkelberger received 5 million options exercisable at \$0.20 per options and expiring 5 years from the issue date. Entities associated with Philip King received 900,000 options exercisable at \$0.2933 and expiring 9 March 2016.
- Resolution 6A, 6B and 6C of the Notice to which this Memorandum relates are proposed to obtain shareholder approval for the issue of shares and options to Charles Archer, Philip King and Joseph Miller, all of whom are current non-executive directors of the Company.

#### **Resolution 8: Adoption of Amended ESOP**

Resolution 8 seeks shareholder approval in accordance with the ASX Listing Rule 7.2 for the adoption of an amended Employee Share Option Plan for the Company's non-Australian based employees and consultants (ESOP).

The ESOP is unchanged from the employee share option plan adopted on 23 September 2014, save for minor amendments for the purpose of compliance with certain US statutory regulations.

The Directors of the Company are not eligible to participate in the ESOP without further shareholder approval.

The two main purposes of the ESOP are to give an incentive to the eligible participants following completion of the Transaction to provide dedicated and ongoing commitment and effort to the Company aligning the interests of both employees and shareholders and for the Company to reward eligible participants for their efforts. The ESOP contemplates the issue to eligible participants of options to subscribe for ordinary fully paid shares.

ASX Listing Rule 7.1 places restrictions on the number of equity securities, including options, which a listed company may issue in any 12 months. However, certain issues are exempt from ASX Listing Rule 7.1 and are effectively disregarded for the purposes of counting the number of securities which a company may issue.

Pursuant to ASX Listing Rule 7.2 Exception 9, issues exempt from ASX Listing Rule 7.1 include an issue of securities to persons participating in an employee option scheme where shareholders have approved the issue of securities under the terms of that scheme.

In order to take advantage of the exemption from ASX Listing Rule 7.1 and allow the Company greater flexibility to issue securities, shareholders are requested to approve the ESOP as an exemption from ASX Listing Rule 7.1.

This approval will be effective for a period of 3 years from the date of the passing by shareholders of Resolution 9. For the purpose of ASX Listing Rule 7.2 Exception 9 the terms of the ESOP are outlined in Schedule Two.

Since the ESOP was approved on 23 September 2014, other than options issued in connection with the Company's merger with CDHL, a total of 5,161,417 options have been issued to US-based employees of the Company.

A voting exclusion statement applies to Resolution 8.

**SCHEDULE TWO  
SUMMARY OF ESOP TERMS**

(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 US Share and Option Plan (**Eligible Employee**).

(b) **Offer of Options or Shares**

The US Share and Option Plan 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 US Share and Option Plan 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 US Share and Option Plan 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 US Share and Option Plan.

(g) **Exercise of Options**

A participant in the US Share and Option Plan 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 US Share and Option Plan), 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 US Share and Option Plan 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 US Share and Option Plan 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 US Share and Option Plan 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 US Share and Option Plan 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 US Share and Option Plan 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 US Share and Option Plan may not be transferred. Options under the US Share and Option Plan may be transferred with the consent of the Board.

- (n) The US Share and Option plan contains provisions which relate to compliance with various US taxation laws including section 409A and section 422 of the Internal Revenue Code of 1986.



#### All Correspondence to:

-  **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia
-  **By Fax:** +61 2 9290 9655
-  **Online:** www.boardroomlimited.com.au
-  **By Phone:** (within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

## YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 9:00am (AEDT) on Monday, 16 November 2015.**

### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders should sign.




**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

#### STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **9:00am (AEDT) on Monday, 16 November 2015.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

-  **By Fax** + 61 2 9290 9655
-  **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia
-  **In Person** Level 12, 225 George Street,  
Sydney NSW 2000 Australia

#### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

**Your Address**  
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

**PROXY FORM**

**STEP 1 APPOINT A PROXY**

I/We being a member/s of **Covata Limited** (Company) and entitled to attend and vote hereby appoint:

the **Chair of the Meeting (mark box)**

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at the **Grace Hotel, 77 York Street, Sydney NSW 2000 on Wednesday, 18 November 2015 at 9:00am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

**Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters:** If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 1, 6A to 8, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 1, 6A to 8 are connected with the remuneration of a member of the key management personnel for the Covata Limited.

**The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolutions 1, 6A to 8).** If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

**STEP 2 VOTING DIRECTIONS**  
\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

	FOR	AGAINST	ABSTAIN*		FOR	AGAINST	ABSTAIN*
<b>Res 1</b> Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 6A</b> Approval for issue of options to Mr Joseph Miller	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 2A</b> Re-election of Mr Joseph Miller as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 6B</b> Approval for issue of shares to Mr Philip King	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 2B</b> Re-election of Mr Philip King as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 6C</b> Approval for issue of options to Mr Charles Archer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 3</b> Appointment of Michael Quinert as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 6D</b> Approval for issue of options to Mr Trent Telford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 4</b> Ratification of a prior issue of share warrants to Sumatics International FZC	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 7</b> Approval to Increase Non-Executive Director Fee Pool	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 5</b> Ratification of a prior issue of shares to Asia Principal Capital Group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 8</b> Approval for Adoption of Amended Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**STEP 3 SIGNATURE OF SHAREHOLDERS**  
This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1 <div style="border: 1px solid black; height: 30px; margin: 5px 0;"></div> Sole Director and Sole Company Secretary	Securityholder 2 <div style="border: 1px solid black; height: 30px; margin: 5px 0;"></div> Director	Securityholder 3 <div style="border: 1px solid black; height: 30px; margin: 5px 0;"></div> Director / Company Secretary
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