



CEO Business Update

29 January 2016

Washington D.C.

To Our Valued Shareholders,

Firstly, I would like to wish everyone a happy, healthy and productive start to the New Year. It has certainly been a fast moving start to 2016 for the Covata team.

The fiscal second quarter of 2016 was an exceptionally busy quarter for the company and one that culminated in the signing of a major high profile contract with leading German Health Insurer, Barmer GEK. Already in the current quarter and consistent with our brisk start to 2016, the Barmer roll out planning has begun. The signing of this key customer, and the deep focus on quality of pipeline kept our sales and marketing teams very busy as compared to previous quarters. This impacted on Covata's growth rate in the fiscal second quarter however we are tracking well for management targets in the current and subsequent quarters. Our pipeline going into 2016 has never been stronger and we expect record deal closures in the fiscal third quarter as our sales momentum accelerates with new initiatives I will outline below.

Investors will recall the first fiscal quarter of FY16 representing a time of unprecedented change in Cisco – from CEO down to internal restructuring. During the following second quarter and now into the third quarter, our mission statement has evolved to gaining traction and building the business accordingly with our most synergistic partner in company history. Our event in Sydney on February 3rd with our guest Cisco Executive Pankaj Srivastava will shine more light on this partnership.

Our cash position remains strong with total cash and receivables sitting at \$10.1 million AUD or \$7.1 million USD.

Net operating cash flow increased over the second quarter from (\$2.9 million) AUD in Q1FY16 to (\$4.2 million) AUD in Q2FY16. This is in line with management expectations and is attributable to the increased focus on Europe (including UK Government and T-Systems), the San Francisco office (and Cisco program), and outsourced engineering resources in Sydney to bring forward features required in 3.0 to meet feedback from customers in the pipeline. I would also like to highlight that this spend on outsourced engineering contributed the majority of an approximately \$500,000 of non-recurring net operating cash flow incurred during the fiscal second quarter.

From an investor relations perspective, we also welcomed one of the world's largest funds, Fidelity, as a shareholder with 7% of ordinary shares. Fidelity International is a global asset manager with AUM of US\$258 billion for clients across Asia-Pacific, Europe, the Middle East and South America. Most recently in the current quarter, we retained MZ Group as our global investor relations advisor. The recent opening of our San Francisco office has generated significant interest from the U.S. institutional investment community to the Covata story and we expect MZ to strengthen those relationships and deploy a comprehensive investor relations program in all major markets.

Before I turn to general business and progress, I wish to emphasize the importance of the Barmer deal and our T Systems relationship. In the data security sector Barmer's agreement to buy 20,000 seats is a significant milestone. The announcement has already resulted in five requests for information from within the insurance and health insurance sectors. This contract illustrates that we are not only able to secure major deals with large enterprise customers, but it also solidifies the value proposition of Safe Share for corporations. Strategy meetings between Covata and T Systems in Bonn, Germany have yielded new T Systems Executive sponsorship; the result being the agreement of strong revenue targets for calendar 2016, focused on large enterprise deals with five year plus terms. This is a direct result of the groundwork and investment in our go-to-market strategy since listing on the ASX just over a year ago, and will deliver strong results for the Company and our shareholders this calendar year.

I have no doubt that those familiar with the global security landscape will be aware of the heated debates and major legislative reform underway across Europe. In our opinion this is just the tip of the iceberg as other countries around the world will also look to tighten data security and privacy controls that when breached result in expensive consequences for corporations. We have increased our focus and investment in Europe to take advantage of our strong market

position. Our team in Europe has increased to cover all aspects of the sales cycle, from business development, pre-sales engineering and deployment and this small, yet highly experienced team, are proving they can deliver strong results.

Today, we have more than 50 enterprise customers in our Safe Share pipeline across a range of key verticals including finance, technology, insurance and government. Since being accepted into the highly coveted UK Government marketplace G-Cloud, the Government sector is shaping up to be a key vertical for us. Within the first months of being live, there are five major government departments looking at Safe Share as their preferred file sharing application. Covata's security focus is distinctly unique to any potential competitors and is proving to be a major draw card for this particular sector. I expect the first result from the UK Government vertical to be delivered this quarter through tenders and submissions currently in progress.

It is important to note that in our discussions and negotiations with top tier enterprises and government agencies, a number of key learning's have come to light.

Firstly, contracts may increasingly shift from a per-user per-month subscription model to enterprise-wide/whole of department annual contracts; mostly for 3, 5 or 10 year terms.

Secondly, our two people working directly in UK Government and our Pre-Sales professional in Germany have shown that direct contact with the customer provides us full visibility of the 'deal' in hand. With government and in enterprise-wide deals, the customer typically demands to be working directly with the vendor. This direct interaction, coupled with shorter procurement processes underpinned by G-Cloud for UK Government, provides quantitative and qualitative inputs in our planning and pipeline that we haven't had in previous periods.

Thirdly, in evolving the pricing model to enterprise wide three-year plus contracts, we have seen first-hand that these large customers are primarily focused on security when seeking file sharing capabilities; not file sharing with security as a 'nice to have'. Consequently, our ability to optimize the value (price) of security features and certifications over 'just' file sharing is vastly different to the sea of consumer originated apps trying to sell in this vertical. We are leveraging our

'roots' when we market Safe Share as being a software security company, with a strong history in Defence and Government.

Running in parallel to our Safe Share operations in Europe is our focus on expanding into new Telco's in our identified key regions of Europe, LATAM and Asia. There are currently six trials at various stages underway with Telco's in these regions and we are targeting one to close in each of LATAM and Asia this quarter.

I'd now like to cover software service and delivery. This quarter will complete the implementation of global delivery and service desk capabilities in place with NSC Global. The outcome will be the ability to take and service calls in Europe (or anywhere globally) and deliver 24/7 level 1 and 2 support through NSC teams in the Netherlands, South Africa and the US. Winning big government and enterprise deals is our objective this quarter and it's not just the software features that ensure a win. The Customer must have confidence that Covata can run tens of thousands of end-users around the world 24/7; after all, we are not selling fun consumer apps, it's enterprise and government encrypted data and it absolutely must be available 99.9% of the time. We have spent substantial time and effort on this in Q2FY16, and I'm pleased to see this work coming to finalization in Q3FY16.

Lastly, I would like to quickly touch on the Covata Platform. Next week we will be hosting an exciting event alongside our partner Cisco in Sydney. This event will provide key insights into how both Covata and Cisco view the world of IoE (Internet of Everything) and security and will be the global launch of Covata Key-as-a-Service (KaaS). New product information will be released to the market on the day of the event.

In addition to this event, Q3FY16 will see Covata KaaS and Safe Share make a splash at RSA, the world's largest security conference, held in San Francisco at the beginning of March. It will also include the official opening of the Covata San Francisco office, with Cisco and other security community influencers present.

In summary I would say this; Q3FY16 is about delivering Barmer, it's about signing new substantial deals, both Government and Enterprise, and it's about progressing our pipeline to close further deals in Q4FY16.

The following slides provide more detail on some of the aspects touched on here.

Thank you again for your continued support of the company.

Regards,

A handwritten signature in black ink, appearing to read "Trent Telford". The signature is written in a cursive style with a prominent loop at the end.

Trent Telford

CEO & Founder

Legal and Regulatory note: The above statistics and facts do not represent a forecast and as such should not be relied upon for future success. Any statement which expresses or involves discussions with respect to objectives, targets, goals, assumptions or future events or performance are not statements of fact. Any forward looking statements are based on expectations and estimates at the time the statement is made and involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated.

Covata Limited Q2 FY16 Investor Update

29 January 2016



Global IR Strategy Aligned with Business Growth

- ▶ Covata has appointed global Investor Relations firm MZ Group to enhance the Company's profile in key global markets.
- ▶ The Company will focus in the short term on augmenting its current relationships in the United States and building a presence in Asia amongst Institutional and Sophisticated Investors.
- ▶ MZ has 7 offices globally including 5 in North America, Hong Kong, Taipei and São Paulo and has extensive networks across Europe.
- ▶ In Q3FY16 Management will be taking the Covata story to investors on non deal roadshows across the US and Asia.
- ▶ The Company remains committed to providing as much visibility as possible to the market.

Half Yearly Investor Call

SPEAKER

Trent Telford,
Founder & CEO Covata Limited

LOCAL AUSTRALIA DIAL IN: +61 (0) 2-9038-0409

INTERNATIONAL TOLL FREE: 1-800-635-889

U.S. TOLL FREE: 1-888-778-8884

DATE

Tuesday, 2 February, 2016

TIME

10:30am AEDT

CONFERENCE ID: 7958504

WEBCAST: <http://public.viaavid.com/index.php?id=118122>

REGISTRATION DETAILS

Please email questions for response to Nikki Parker - nichola.parker@covata.com by COB Monday.

Please call the conference telephone number 5-10 minutes prior to the start time.
An operator will register your name and organization.

Cash Update

▶ Cash balance as at 31 December 2015 - \$8.5mil
R&D receivable - \$1.6mil

\$10.1mil

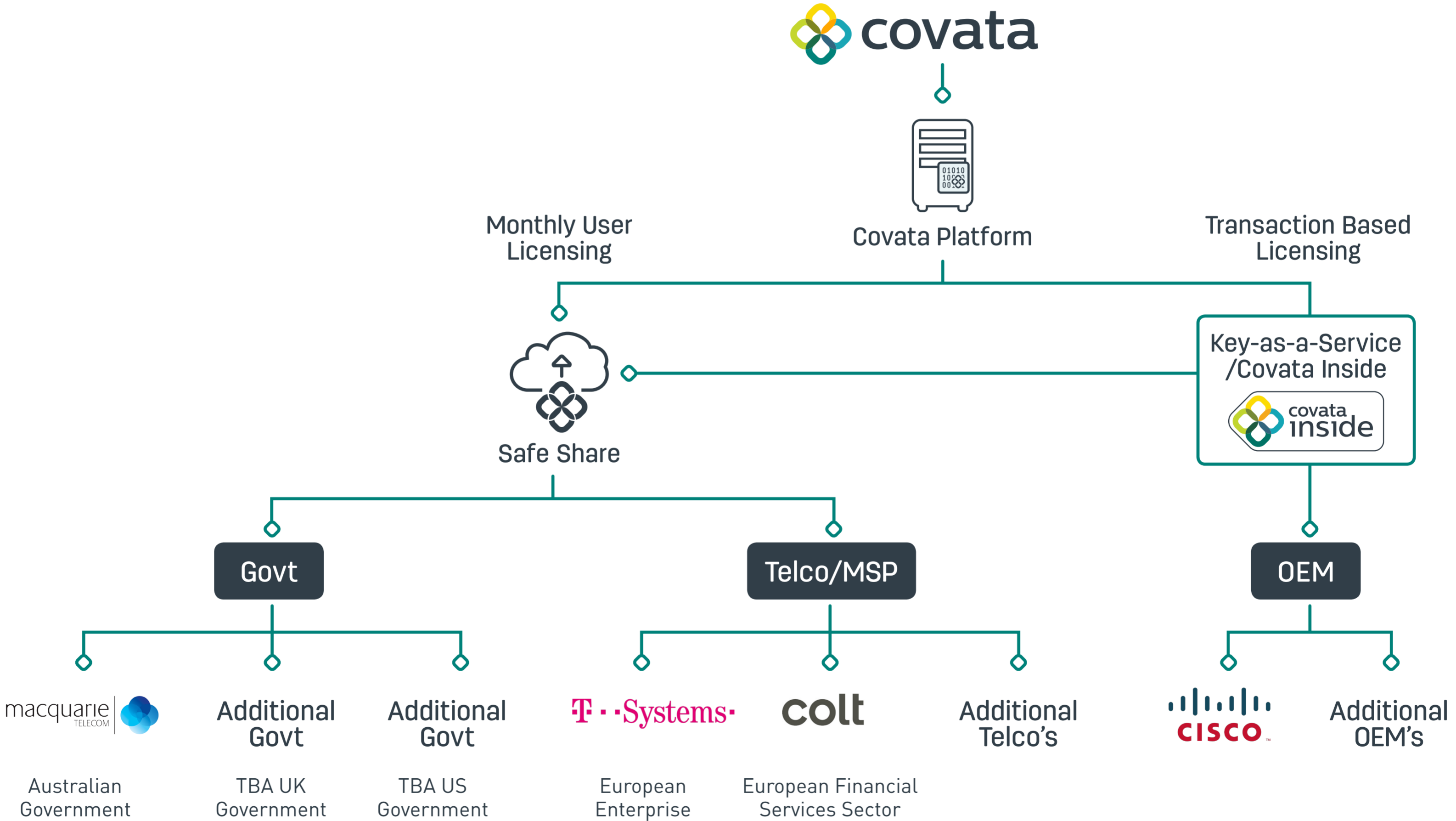
▶ Anticipated receipt of the R&D tax incentive receivable - early February 2016.

▶ The Group increased the monthly cash burn to allow for the rapid development of its global pipeline including regional support to fast track a number of key opportunities in Europe.

▶ The Group incurred non-recurring \$500k research and development expenditure related to Safe Share version 3.0 and the Covata Platform. The decision to invest heavily in research and development during the quarter is aligned to a number of high value sales opportunities currently in the pipeline.

▶ In November 2015 Fidelity invested AUD\$6.5m in CVT to take a 7% position in the Company. This capital is being used to support growth in Europe and the San Francisco expansion.

Continued Development of Two Pronged Scalable Business Model



Covata Safe Share Update



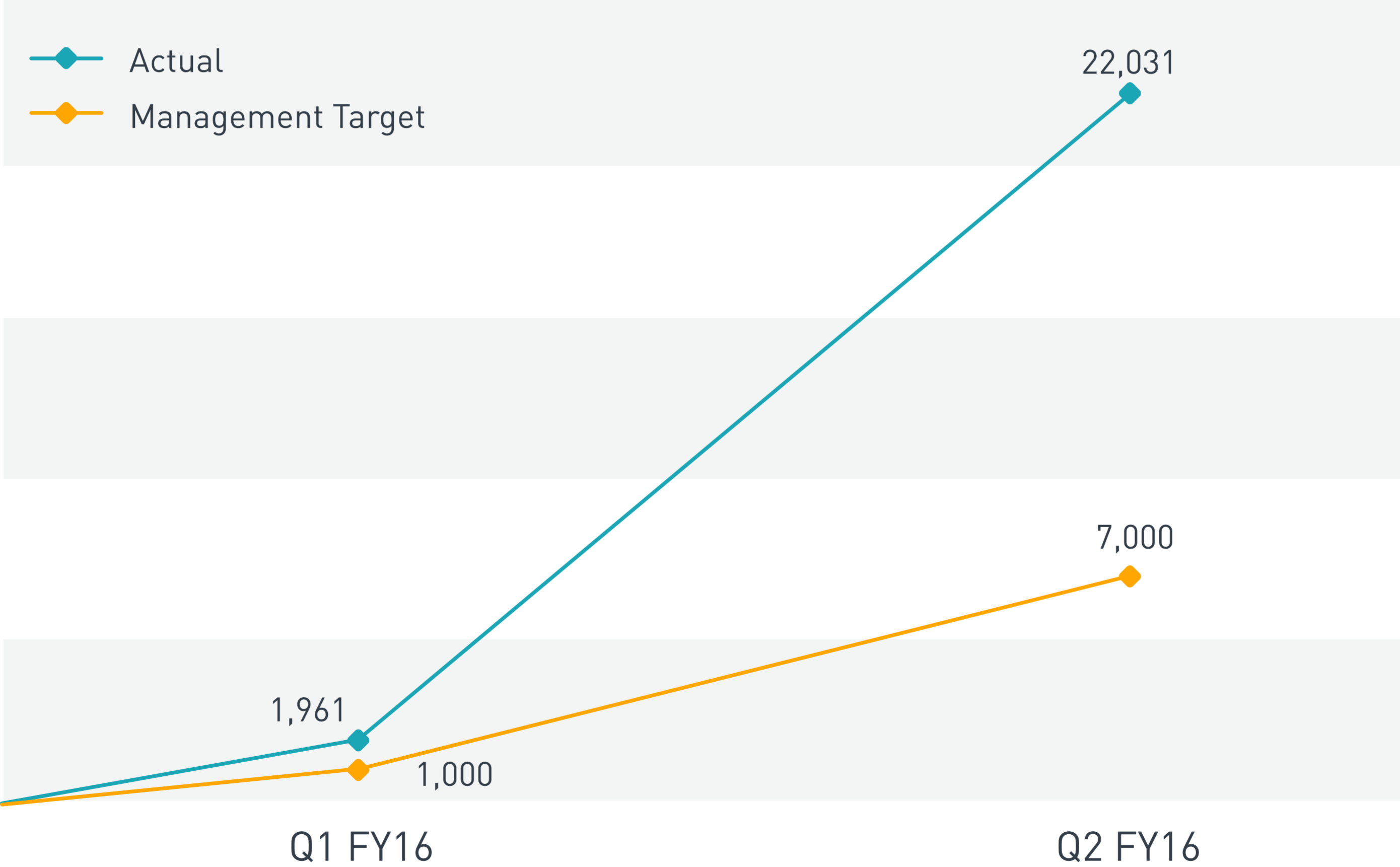
Telco Channel Update - Q2 FY16

- As at 31 December 2015 Covata had three Telco Partners and 22,031 Signed End Users of Safe Share.
- Strongest near term interest and growth potential in the UK particularly in the government sectors.
- 20,000 seats signed through T-Systems with German Health Insurance company Barmer. Revenue for these seats will begin to be recognised in March/April 2016.

Results	Q2 FY16*
Number of Active Reseller Partners	3
Signed Number of Seats	22,031
Management Target	6,000 – 8,000

* Covata operates a July 1 – June 30 Financial Year

The Company is on Track to Continue to Exceed Management Targets for End User Seat Growth

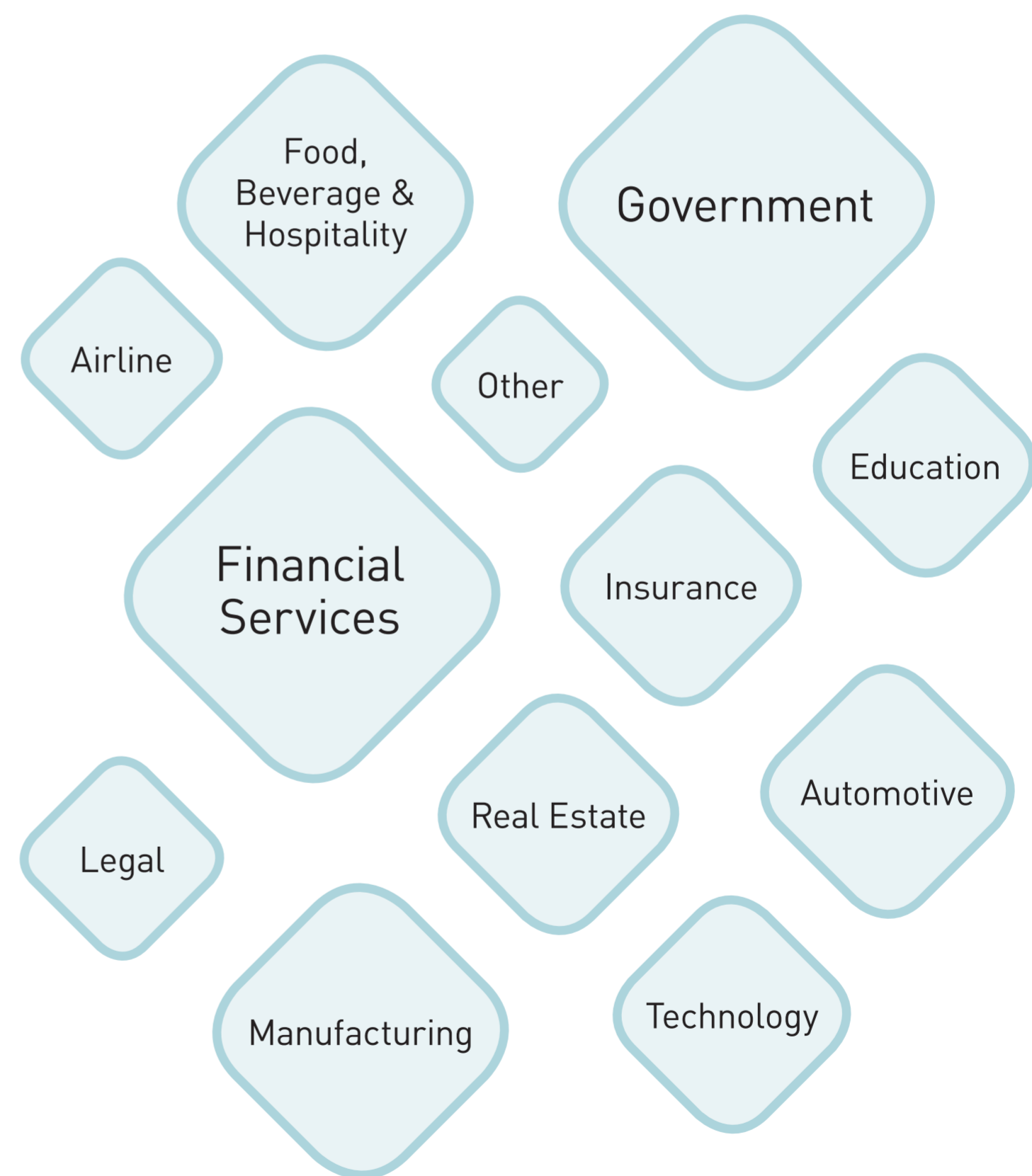


Growth Supported by a Strong Vertical Pipeline

The UK team has grown in line with opportunities in the region to include sales, pre-sales engineering, delivery and deployment.

Covata has more than 50 opportunities within its pipeline across a range of industry verticals including Financial Services, Government, Insurance, Technology and Automotive.

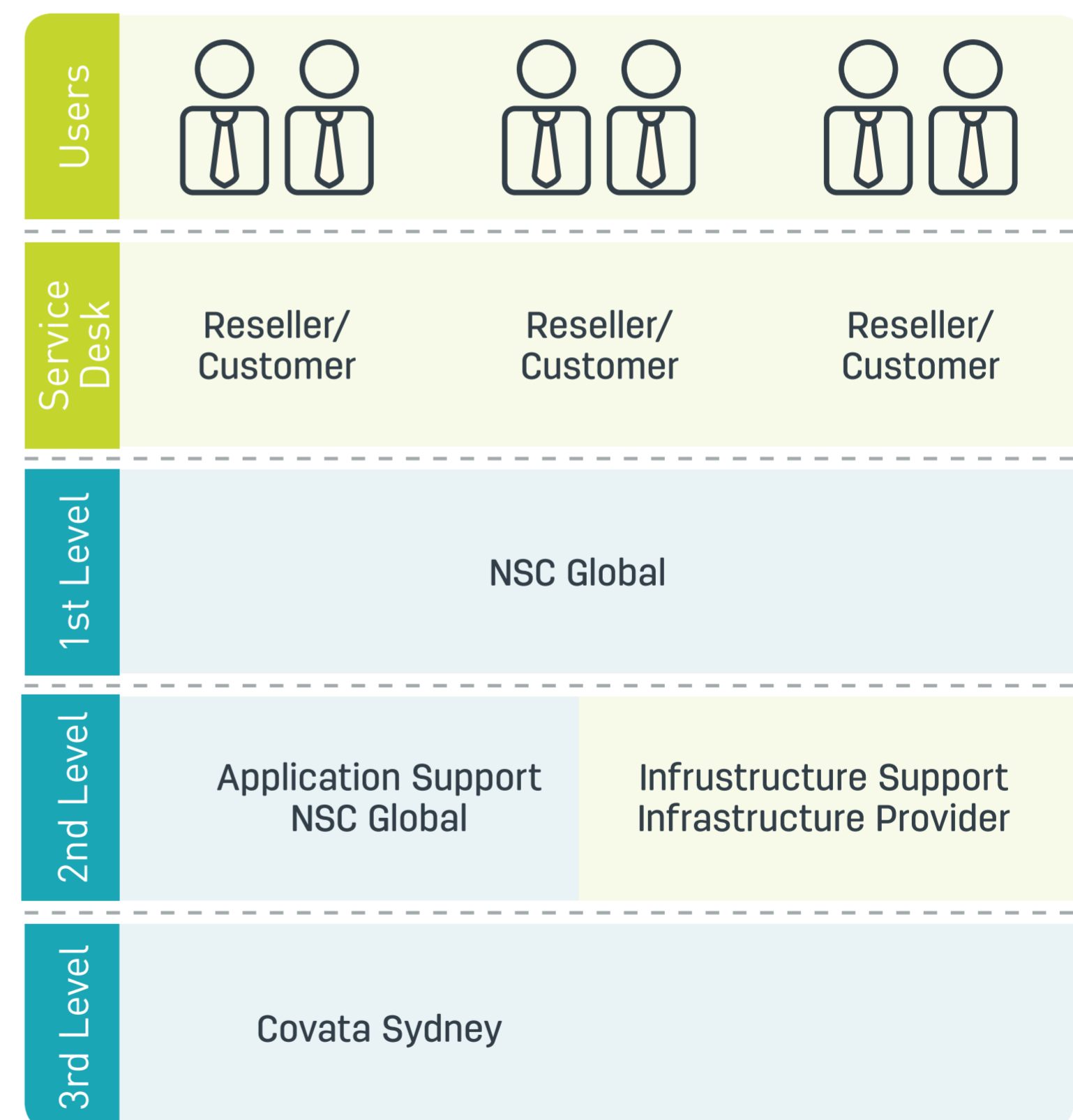
Initial negotiations indicate some of these opportunities may result in large scale and long term contracts with highly regarded enterprise customers.



Deployment Process and SLAs Established

The Company is continuing to develop the appropriate processes and protocols for the successful commercialisation of Safe Share alongside partners and customers

- The Company continues to define the rollout and deployment models in line with customer requirements
- Covata is defining the support process and SLAs for customer engagement
- The Company will move in time to only delivering Level 3 support
- Incident, Event and Problem Management processes are being developed



European Business Development is Unveiling Key Learning's

- The Company is gaining traction via a direct sales approach, leveraging relationships of the newly established and highly experienced European team. We are confident that direct sales will complement our efforts in the Telco distribution channel.
- Initial traction and positive response from our direct sales approach with the UK Government has encouraged us to increase our investment and focus in the sector.
- The company is remains flexible on pricing model discussions to better support the needs and billing preferences of potential high profile customers. Both 'per-user per-month' and 'multi-year enterprise deals' for on average 3-5 year terms are being tested within Government and channel partners.
- As more deals are signed we believe Covata will shift away from a pure subscription model and customer rollouts will vary. Current negotiations with "blue ribbon" enterprises indicate this type of customers may choose to have a large scale rollout occur over time with longer locked in contract periods.

T-Systems Update

- ▶ Covata Europe have recruited a highly experienced Pre-Sales professional for the DACH region (Germany, Austria & Switzerland.)
- ▶ A management review with T-Systems revealed that whilst the pipeline was broad it was slow to progress towards deals signed. Through putting a Covata pre-sales engineer into the organisation, potential customers can now engage directly with a Covata expert and progress pipeline opportunities through to closing.
- ▶ The pipeline is building swiftly and there are currently more than 25 fully qualified opportunities with leading brands.
- ▶ Covata Safe Share has strong senior management sponsorship and buy in from T-Systems.
- ▶ The Barmer deal is a major endorsement for the product within T-Systems and will act as a catalyst for future success within the T-Systems sales channel.

20,000 Seat Contract Signed with **BARMER GEK**

ASX ANNOUNCEMENT

COVATA LIMITED

Sydney – 23 December 2015

The procurement process of the major contract awarded to Covata on the 18th of December for 20,000 end user seats over 3 years has been finalised between T-Systems and leading health insurance company Barmer GEK.

Barmer GEK is Germany's largest public (statutory) health insurer with 8.6m policyholders, over 20,000 employees in 950 locations, and a network of over 150,000 physicians, pharmacists and clinics

“The digitisation of our business processes is a core element for improving customer service and strengthening our competitiveness, Barmer GEK prides itself on its exceptional service, and this extends behind the scenes to how we protect the valuable personal data we receive from our community. Partnering with Covata and T-Systems will allow us to further strengthen our approach to data security.”

Mr. Frank Lohler,

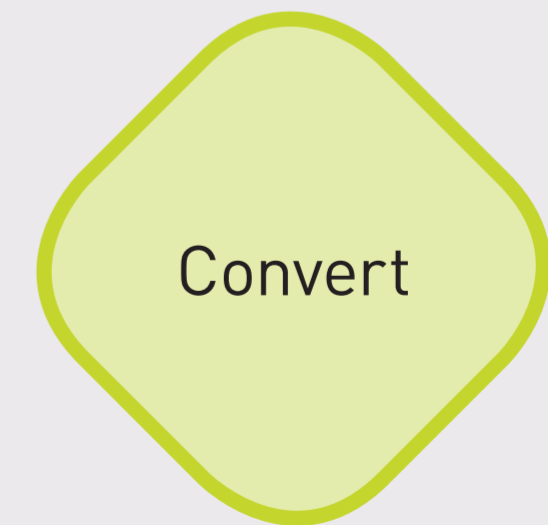
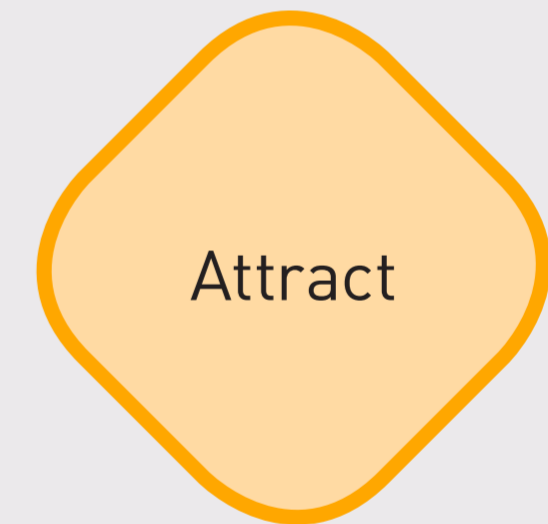
Team Leader

Mobility and Mobile Strategy Barmer GEK

Barmer: A Significant Case Study

Signing high quality, well respected corporate and government customers supports the Company's sales efforts

- ▶ Covata's history in Government and current Australian government clients was influential in the decision process for Barmer.
- ▶ Signing a respected German company the size of Barmer is a major milestone for Covata.
- ▶ The Public Relations efforts around signing Barmer resulted in several requests for information from health insurers in Europe.
- ▶ The ability to use Barmer as a public Case Study was negotiated at the time of signing. This will not always be the status quo due to individual customers privacy and security mandates.
- ▶ Each successful customer case study has a multiplier effect on progressing the Covata sales pipeline.



What is G-Cloud or “Digital Marketplace”

The UK Government G-Cloud is an initiative targeted at easing procurement by public-sector bodies in departments of the United Kingdom Government of commodity information technology services that use cloud computing. The G-Cloud consists of:

- A series of framework agreements with suppliers, from which public sector organisations can call off services without needing to run a full tender or competition procurement process.
- An online store – the “Digital Marketplace” (previously “CloudStore”) that allows public sector bodies to search for services that are covered by the G-Cloud frameworks.



HM Government
G-Cloud
Supplier

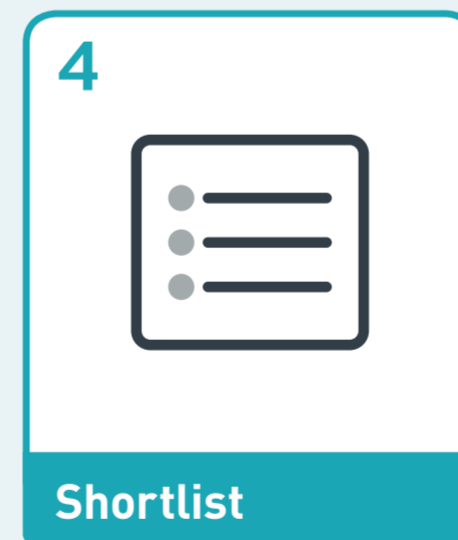
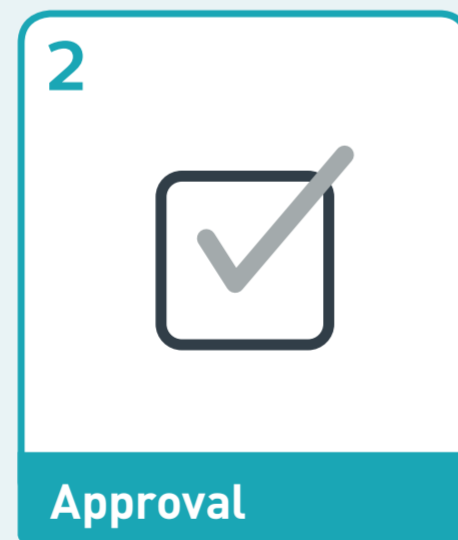
“Digital Marketplace”
AKA G-Cloud is a cloud
technology platform
used exclusively by the
UK Government

Covata on G-Cloud Available here - <https://www.digitalmarketplace.service.gov.uk/g-cloud/services/7427475545690211>

The Government Sector in Europe is Shaping up to be a Strong Vertical

Since Covata was accepted onto G-Cloud on the 19th of November 2015 there are more than five major Government departments looking at Safe Share for secure file sharing solution. This pipeline is growing rapidly.

Finding services on CloudStore
The buying process



Telco Business Development

On going business development outreach, trials and due diligence across three identified target regions – Asia, LatAm and Europe

There are currently six trials at various stages underway with Telco's in these regions and we anticipate many of these opportunities will progress this quarter.

Strategic Markets:

Europe

- Greatest Covata investment
- Strong demand for non US security software
- Changes to EU rules and regulations make data sovereignty and security a paramount concern for EU enterprises – regulations that Covata's software supports

Asia

- High growth potential
- Strong interest shown from the Telco market
- Due to social/political unrest in the region global corporations are focused on securing their Asian operations

LatAm

- Bourgeoning market
- Early mover advantage in the region

Strong Reception for 3.0 Technology Upgrade

Safe Share was developed in collaboration with current Telco partners, enterprise and government customers and large pipeline customers. Safe Share 3.0 is the beginning of a new product evolution path. Visit www.covata.com/solutions/safe-share for more information on 3.0.



Covata Platform Update



Covata Platform Update

- ▶ San Francisco Office lease signed in SoMa. The office will officially open with a launch party during the RSA conference on Tuesday the 1st of March.
- ▶ Covata and Cisco will host “The Future of IoE and Security” executive lunch on Wednesday the 3rd of February in Sydney. This event will discuss the partnership between Cisco and Covata, Cisco’s view on the Internet of Everything, Covata’s take on the security landscape and the future roadmap for the Covata Platform. New product information will be released to the market on the day of the event. This event will also act as a precursor to the Company’s planned marketing activities at RSA in March.



Contact

Covata

Nikki Parker

VP – Growth & IR

+1 571 353 4273

nichola.parker@covata.com

www.covata.com

MZ Group

Ted Haberfield

President – MZ North America

+1 760 255 2716

thaberfield@mzgroup.us

www.mzgroup.us

