



ASX ANNOUNCEMENT

10 October 2017

Appendix 4C and Business Update for Quarter Ended 30 September 2017

Summary

The September Quarter was a positive and transformative period for Covata, with sales momentum across Australia and the US. We are pleased to report for the quarter:

- the first significant enterprise agreement for SafeShare with an Australian subsidiary of a global technology company;
- the restructure of the existing Macquarie Telecom agreement in order to maximise returns to Covata for increased user take-up by government customers;
- completion of the acquisition of CipherPoint Software, Inc. (CipherPoint) predominately for shares; and
- consistent renewals of existing licences in the quarter by CipherPoint.

Quarter One Financial Highlights

Financial highlights for the quarter were:

- the Company held \$4.486M in cash as at 30 September 2017 (30 June 2017: \$6.325M);
- receipts from customers were \$167K, a significant increase on the \$31K received in the June 2017 quarter and almost double the \$93K received in FY2017 overall;
- underlying operating costs for the September quarter were lower. Cash outflows from operating activities for the quarter were \$1.44M contrasted with outflows of \$1.71M in the June 2017 quarter, driven by lower staff costs and greater cash receipts;
- staff costs were \$1M (including staff costs of \$123K relating to the recently acquired CipherPoint subsidiary), compared to \$1.2M in the June quarter;
- total cash movement was \$(1.84M) this quarter compared to \$(1.39M) in the June quarter. The variation in cash movements is explained with reference to the following:
 - the June quarter included positive cash receipts from the CEO's share subscription in the amount of \$215K; and
 - the September quarter included \$165K cash costs for the working capital contribution to CipherPoint.



Quarter One Operating Highlights

Operating highlights for the quarter included:

- the launch of SafeShare on Microsoft Azure;
- enhancement of our core product development capability with the addition of our new US-based CTO, Woody Shea;
- further work on building out the Data Security Platform (DSP), which will include a range of new features and integrations with products such as Office 365;
- the development of a new standalone sensitive data discovery product, currently in the beta phase of testing, which will be integrated with the existing feature sets of SafeShare and CipherPoint Eclipse; and
- launch of marketing campaigns across Australian, US and European markets. These campaigns have focused primarily on the coming General Data Protection Regulation (GDPR) requirements and have initially been received well in their respective markets.

Next Quarter

- Estimated cash outflows for the December 2017 quarter are anticipated to be \$1.99M (exclusive of revenue and interest);
- staff costs for the next quarter are anticipated to be \$1.12M as this will include new hires; and
- the R&D tax incentive is also expected to be received during the December 2017 quarter.

- Ends -

About Covata

Covata Limited is a global technology brand, listed on the ASX, that provides data-level security solutions for enterprise, government and citizens. Our data-centric security platform discovers, protects, monitors and analyses sensitive information, however and wherever it's shared.

We ensure security is never an afterthought, protecting information at a data-level from the start, and at every point of its journey. Safe and efficient sharing of data across internal and external stakeholders, devices, networks and geographic regions is enabled and encouraged. You have total control, visibility and auditability of your sensitive information.

For further information, please visit covata.com.



Covata Investor Relations contact:

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Covata Limited

ABN

61 120 658 497

Quarter ended ("current quarter")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	167	167
1.2 Payments for		
(a) research and development	(48)	(48)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(143)	(143)
(d) leased assets	-	-
(e) staff costs	(1,008)	(1,008)
(f) administration and corporate costs	(474)	(474)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	67	67
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,440)	(1,440)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(19)	(19)
(b) businesses (see item 10)	(165)	(165)
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	2	2
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other – return of credit card facility deposit	-	-
2.6 Net cash from / (used in) investing activities	(182)	(182)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	6,325	6,325
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,440)	(1,440)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(182)	135
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(217)	(217)
4.6	Cash and cash equivalents at end of quarter	4,486	4,486

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,486	1,325
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term deposits callable with less than 3 months notice)	-	5,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,486	6,325

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
(166)
-

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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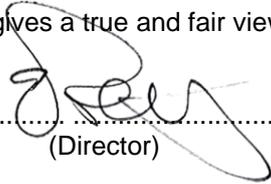
9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(294)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(403)
9.4 Leased assets	-
9.5 Staff costs	(1,116)
9.6 Administration and corporate costs	(174)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(1,987)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	CipherPoint Software, Inc.	-
10.2 Place of incorporation or registration	Delaware, United States	-
10.3 Consideration for acquisition or disposal (share-based consideration)	\$3,833,714	-
10.4 Total net assets	\$(95,805)	-
10.5 Nature of business	Cyber Security Software	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
(Director)



Date: 10 October 2017

Print name: Edward Pretty

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.