



ASX ANNOUNCEMENT (ASX: CVT)

22 October 2019

APPENDIX 4C FOR THE QUARTER ENDED 30 SEPTEMBER 2019

Covata Limited (**Covata** or the **Company**) (ASX: CVT) is pleased to provide the following quarterly business update and Appendix 4C.

Quarter Financial Highlights

Financial highlights for the quarter were:

- Receipts from customers were \$273K (including some revenues earned prior to the completion of the sale of the SafeShare business).
- Overall cash costs for the September quarter were \$1.85M (including \$428K of non-operating costs associated with the material transactions referred to below).
- The Company received net \$1.7M in cash arising from the sale of the SafeShare business to Cybr5.
- The Company held \$1.276K in cash as at 30 September 2019.

Appendix 4C

The Company's September 2019 Appendix 4C is attached. Following the change of the Company's financial year announced to the ASX on 2 April 2019, the attached Appendix 4C reflects the second quarter's activities of the Company's new financial year commencing 1 April 2019.

Material Transactions

The divestment of the SafeShare business (operated through its subsidiary Cocoon Data Holdings Pty Limited) was completed on 16 July 2019.

On 16 September 2019, the Company announced that it was unable to reach the minimum subscription required to complete the proposed transaction with dataglobal GmbH under the terms of the Offer. The Company subsequently withdrew the prospectus dated 26 June 2019.

Covata's continuing operations include the Eclipse SharePoint security product and our new Data Discovery and Classification solutions which we have built utilising the IP secured via licence from dataglobal GmbH.

December 2019 Quarter Outlook

- The Company has paid to dataglobal GmbH the final instalment of \$485K (€300K) for its licence of the dataglobal classification engine.
- The Company anticipates the receipt within the quarter of \$1M plus interest from Cybr5 being the deferred instalment of the SafeShare purchase price.
- The Company has lodged its application for the R&D tax incentive with AusIndustry, which is anticipated to be \$800K.
- Estimated cash outflows for next quarter will reduce significantly to an estimated \$1.07M. Management will continue to closely manage the Company's operations in line with available resources.

- Ends -

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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 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	273	1,155
1.2 Payments for		
(a) research and development	(59)	(219)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(64)	(95)
(d) leased assets	-	-
(e) staff costs	(942)	(1,835)
(f) administration and corporate costs	(786)	(1,524)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(1)	(2)
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	(1,578)	(2,518)

2. Cash flows from investing activities

2.1 Payments to acquire:

- (a) property, plant and equipment
- (b) businesses (see item 10)
- (c) investments

	-	-
	-	-
	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	(7)	(7)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	1	1
(b) businesses (see item 10)	1,700	1,850
(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	102	102
2.6 Net cash from / (used in) investing activities	1,796	1,946

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	205	500
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(71)	(71)
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	134	429

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	979	1,503
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,578)	(2,518)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	1,796	1,946
4.4 Net cash from / (used in) financing activities (item 3.10 above)	134	429

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(55)	(84)
4.6	Cash and cash equivalents at end of quarter	1,276	1,276

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	1,276	979
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term deposits callable with less than 3 months' notice)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,276	979

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**

(235)

-

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**

-

-

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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	(50)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(36)
9.4 Leased assets	-
9.5 Staff costs	(564)
9.6 Administration and corporate costs	(418)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(1,068)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		Cocoon Data Holdings Pty Limited
10.2 Place of incorporation or registration		Victoria
10.3 Consideration for acquisition or disposal (share-based consideration)		\$5 million
10.4 Total net assets		(\$141K)
10.5 Nature of business		Data Security (Software)

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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: 22 October 2019

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.

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