

## 1. Company details

Name of entity:	Covata Limited
ABN:	61 120 658 497
Reporting period:	For the six-month period ended 30 September 2019
Previous period:	For the six-month period ended 31 December 2018

## 2. Results for announcement to the market

The Group has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 30 September 2019 using the modified retrospective approach and as such the comparatives have not been restated.

The Group changed its financial year from 30 June to 31 March. The financial statements have been prepared for the 6 months ended 30 September 2019. The comparative accounting period is for the 6 months ended 31 December 2018 for the statement of profit & loss, statement of changes in equity and statement of cash flows and 9 months ended 31 March 2019 for the statement of financial position. Therefore, the results are not directly comparable.

On 16 July 2019, the Company completed the disposal of its SafeShare business through the sale of its shares in Cocoon Data Holdings Pty Limited ('Cocoon') to Cybr5 Pty Ltd ('Cybr5'). In accordance with AASB 5, the disposal group comprising Cocoon and its subsidiaries has been classified as 'held for sale'.

The comparative period (6 months ended 31 December 2018) for the statement of profit & loss has therefore been restated with the same classification applied.

			\$
Revenues from ordinary activities	up	44.6% to	842,530
Revenues from continuing operations	up	291.4% to	529,002
Loss from ordinary activities after tax attributable to the owners of Covata Limited	down	54.2% to	(2,230,862)
Profit for the period attributable to the owners of Covata Limited	up	148.9% to	2,380,819
		<b>6 months ended 30 Sep 2019</b>	<b>6 months ended 31 Dec 2018</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		6.89	(14.32)
Diluted earnings per share		6.89	(14.32)

### Dividends

There were no dividends paid, recommended or declared during the current financial period.

### Comments

The profit for the Group after providing for income tax amounted to \$2,380,819 (31 December 2018: loss of \$4,869,954).

Refer to the 'Review of operations' section of the Directors' report accompanying this Appendix 4D for further commentary.

### 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>6.27</u>	<u>(1.88)</u>

### 4. Control gained over entities

Not applicable.

### 5. Loss of control over entities

Refer to Notes 6, 8 and 11 - Discontinued operations and assets and liabilities of disposal group classified as held for sale for further details.

### 6. Dividends

#### *Current period*

There were no dividends paid, recommended or declared during the current financial period.

#### *Previous period*

There were no dividends paid, recommended or declared during the previous financial period.

### 7. Audit qualification or review

#### *Details of audit/review dispute or qualification (if any):*

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

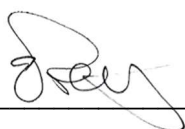
### 8. Attachments

#### *Details of attachments (if any):*

The Interim Report of Covata Limited for the period ended 30 September 2019 is attached.

### 9. Signed

Signed \_\_\_\_\_



Ted Pretty  
Chairman  
Sydney

Date: 28 November 2019

**Covata Limited**

**ABN 61 120 658 497**

**Interim Report - 30 September 2019**

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Covata Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 30 September 2019.

### Directors

The following persons were directors of the Company during the whole of the financial period and up to the date of this report, unless otherwise stated:

- Edward (Ted) Pretty - Managing Director, CEO and Chairman
- Steven Bliim - Executive Director and CFO
- Graham Mirabito - Non-Executive Director (appointed 1 November 2019)
- William McCluggage - Former Non-Executive Chairman (resigned 31 October 2019)

### Principal activities

The principal activity of the Group is the development and commercialisation of intellectual property primarily in the field of data security technology.

### Review of operations

The profit for the Group after providing for income tax amounted to \$2,380,819 (31 December 2018: loss of \$4,869,954).

The Group changed its financial year from 30 June to 31 March. The financial statements have been prepared for the 6 months ended 30 September 2019. The comparative accounting period is for the 6 months ended 31 December 2018 for the statement of profit & loss, statement of changes in equity and statement of cash flows and 9 months ended 31 March 2019 for the statement of financial position. Therefore, the results are not directly comparable.

### Highlights

- In May 2019, the Company announced that it had signed a master Supply and Services agreement with DHL Information Services (Europe) s.r.o. (DHL). The initial order was to the value of €244,360.
- Cash receipts for June 2019 were a record \$882K, the highest of any quarter, resulting in receipts of \$1.87M for the 12 months to June 2019. Revenue by product were:
  - SafeShare \$1.18 million
  - Eclipse \$639,000
  - Discover & Classify \$53,000
- The Company completed the disposal of the SafeShare business in July 2019 for \$5 million.
- The Company consolidated its issued capital on the basis that every 20 fully paid ordinary shares be consolidated into 1 fully paid ordinary share. The purpose of the consolidation is to implement a more appropriate capital structure for the Company.

### Product update

With the sale of SafeShare, the focus is now on the remaining products which will be sold under the Cipherpoint brand and will be boosted via resale of dataglobal's Content Services products (cp.Content). As part of the Company rebranding, products have been renamed and all associated collateral updated.

Development work has continued including:

- A new version of cp.Protect (Eclipse) was released to market (10.1.2): This incremental update included improvements to Agentless Eclipse (for SharePoint Online/Onedrive protection), permission enforcement, security and usability. Customers have been advised the Company is no longer supporting versions older than version 10 and the support team is working with customers to assist in upgrading.
- Work on the next version of cp.Protect (10.1.3) is well progressed: This version will include support for SharePoint 2019, customer supplied encryption hardware (HSM), Active Directory integration, performance improvements and bug fixes.
- An update to cp.Discover (Discover & Classify) was released. This expanded the range of cloud repositories that can be scanned (e.g. AWS S3, Azure Blob, SharePoint Online), improved performance and introduced a number of UI enhancements.

Work engaging partners for the revised product set is in progress. Discussions have commenced with a number of partners in Europe and the Asia Pacific region. This work will be further boosted by additional local sales resources in the next 6 months.

#### **Dataglobal**

- In September 2019, the Company announced that it had withdrawn the prospectus dated 26 June 2019. Despite its best efforts, the Company was unable to reach the minimum subscription required to complete the proposed transaction with dataglobal GmbH ('dataglobal') under the terms of the offer.
- Whilst the proposed acquisition of dataglobal will not proceed at this time, the Board is of the view that the strategy underpinning the acquisition, being a vision to create a content services player, remains compelling. The Board notes it will be open to and will consider all options to pursue the same or alternative transaction(s) in content services going forward, whether in the short or medium term.
- The Company continues to enjoy a close relationship with dataglobal. Notwithstanding the merger transaction is no longer being pursued at this time, dataglobal has offered to support the Company with marketing, channel and direct customer introductions and office accommodation. Both parties have agreed to collaborate and will look for further ways to work together.

#### **ASX suspension review**

Subject to lodgement of Interim Report of Covata Limited for the period ended 30 September 2019 and ASX being satisfied that there are no outstanding concerns in relation to its financial condition, the Company understands that it will have met the ASX requirements for reinstatement of its quoted securities to trading. The Company anticipates being able to provide a further update on the reinstatement date in the coming days.

#### **Divestment of SafeShare**

The Company completed the disposal of the SafeShare business in July 2019 for \$5 million in respect of the Cocoon sale which was discharged as follows:

- \$2 million through the extinguishment of the Company's obligations under convertible notes;
- \$2 million in cash at completion of the sale; and
- \$1 million in the form of a vendor terms loan from Covata (on terms which would be customary for unsecured loans obtained from any major Australian bank, such as a business overdraft account, or such other terms as agreed between Cybr5 and Covata). At the date of this report, the final instalment of the \$1 million loan has been received. Interest of approximately \$50k remains outstanding, although is expected to be received in the coming weeks.

The sale is subject to a global, perpetual, royalty-free licence of the IP and platforms developed by Cocoon and Covata Australia Pty Limited ('CVA') back to Covata for use in its ongoing businesses, other than to be used for a development of a product not connected to the Company's core product range. Covata and Cybr5 have also entered into a mutual collaboration and reselling relationship.

Excluded from the sale are all assets in and shares of CipherPoint Software, Inc. and all customers of its Eclipse product, the rights to the dataglobal GmbH classification IP, all IP to Covata's data security console, and all other IP and/or associated technical support and architecture materials which are held outside of Cocoon or CVA.

The sale has freed up resources to allow management to focus on the Eclipse product along with the continued partnership with dataglobal.

#### **Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the Group during the financial period.

### Matters subsequent to the end of the financial period

The Group has experienced the following changes after the reporting period ended 30 September 2019:

- The Company's registered address has changed to Suite 4, Level 8, 171 Clarence Street, Sydney.
- Consistent with the renewed focus on the CipherPoint Eclipse product, the Board has resolved to seek shareholder approval for the change in company name to Cipherpoint Limited.
- In October 2019, the Company also changed the name of new subsidiary DG Operations Australia Pty Limited to Cipherpoint Australia Pty Limited.
- The Board resolved that the Company needs resources based in the DACH region of Europe. To that end, Steven Bliim will move to the role of COO and be based in Heilbronn, Germany from November along with one of our senior engineers.
- William McCluggage resigned as director on 31 October 2019.
- Following the resignation of Mr. McCluggage, Ted Pretty has assumed the role of Executive Chairman of the Company.
- Graham Mirabito was appointed to the board on 1 November 2019. Graham has over 35 years' experience in the information technology industry including 10 years in engineering and 25 years in sales, marketing, operations, mergers, acquisitions and general management. Graham has held senior roles at Telstra as MD Telstra Europe and EVP Telstra Asia. Graham's previous role for 12 years was as CEO of RP Data which he took public on the ASX in 2006 and was acquired by strategic shareholder CoreLogic in 2011. His last executive role was as CEO of CoreLogic international and was responsible for operations in Australia, Asia and UK.

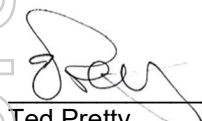
No other matter or circumstance has arisen since 30 September 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Ted Pretty  
Chairman

28 November 2019  
Sydney

To the Board of Directors of Covata Limited

**Auditor's Independence Declaration under section 307C of the *Corporations Act 2001***

As lead audit partner for the review of the interim financial statements of Covata Limited for the half-year ended 30 September 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

Yours sincerely



**Nexia Sydney Audit Pty Ltd**



**Lester Wills**

Director

Date: 28 November 2019



		Consolidated	
	Note	6 months ended 30 Sep 2019 \$	6 months ended 31 Dec 2018 \$
<b>Revenue from continuing operations</b>			
Revenue - technology related products and services	4	529,002	135,165
<b>Expenses</b>			
Employee benefit expense	5	(1,026,725)	(2,240,998)
Consultancy fees expense		(62,420)	(129,969)
Depreciation and amortisation expense	5	(170,408)	(419,200)
Impairment of assets	5	-	(892,599)
Impairment of receivables		(10,716)	-
Legal and professional fees expense		(520,402)	(67,192)
Marketing and promotion expense		(117,876)	(187,206)
Travel and accommodation expense		(111,234)	(151,032)
Office and administration expense		(32,150)	(47,700)
Other expenses		(274,731)	(413,554)
Total expenses		<u>(2,326,662)</u>	<u>(4,549,450)</u>
<b>Results from operating activities</b>		(1,797,660)	(4,414,285)
Finance income calculated using the effective interest method		25,941	7,815
Finance costs	5	<u>(459,143)</u>	<u>(2,605)</u>
<b>Loss before income tax expense from continuing operations</b>		(2,230,862)	(4,409,075)
Income tax expense		-	-
Loss after income tax expense from continuing operations		(2,230,862)	(4,409,075)
Profit/(loss) after income tax expense from discontinued operations	6	<u>4,611,681</u>	<u>(460,879)</u>
<b>Profit/(loss) after income tax expense for the period attributable to the owners of Covata Limited</b>		2,380,819	(4,869,954)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(208,535)</u>	<u>(6,931)</u>
Other comprehensive income for the period, net of tax		<u>(208,535)</u>	<u>(6,931)</u>
<b>Total comprehensive income for the period attributable to the owners of Covata Limited</b>		<u><u>2,172,284</u></u>	<u><u>(4,876,885)</u></u>
Total comprehensive income for the period is attributable to:			
Continuing operations		(2,439,397)	(4,416,006)
Discontinued operations		<u>4,611,681</u>	<u>(460,879)</u>
		<u><u>2,172,284</u></u>	<u><u>(4,876,885)</u></u>

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

Note	Consolidated	
	6 months ended 30 Sep 2019 \$	6 months ended 31 Dec 2018 \$
	Cents	Cents
<b>Earnings per share for loss from continuing operations attributable to the owners of Covata Limited</b>		
Basic earnings per share	17 (6.46)	(12.97)
Diluted earnings per share	17 (6.46)	(12.97)
<b>Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Covata Limited</b>		
Basic earnings per share	17 13.35	(1.36)
Diluted earnings per share	17 13.35	(1.36)
<b>Earnings per share for profit/(loss) attributable to the owners of Covata Limited</b>		
Basic earnings per share	17 6.89	(14.32)
Diluted earnings per share	17 6.89	(14.32)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

		Consolidated	
	Note	30 Sep 2019 \$	31 Mar 2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,276,823	1,605,067
Trade and other receivables	7	2,031,589	739,137
Prepayments		13,527	46,119
		<u>3,321,939</u>	<u>2,390,323</u>
Assets of disposal group classified as held for sale	8	-	203,517
Total current assets		<u>3,321,939</u>	<u>2,593,840</u>
<b>Non-current assets</b>			
Property, plant and equipment		12,675	11,745
Intangibles	9	1,196,016	1,287,680
Other non-current assets		86,588	95,752
Total non-current assets		<u>1,295,279</u>	<u>1,395,177</u>
<b>Total assets</b>		<u>4,617,218</u>	<u>3,989,017</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	949,806	1,477,487
Contract liabilities		192,075	163,882
Derivative liability		-	253,433
Borrowings		-	1,031,466
Employee benefits		100,847	56,162
		<u>1,242,728</u>	<u>2,982,430</u>
Liabilities directly associated with assets classified as held for sale	11	-	341,966
Total current liabilities		<u>1,242,728</u>	<u>3,324,396</u>
<b>Non-current liabilities</b>			
Contract liabilities		42,412	18,549
Total non-current liabilities		<u>42,412</u>	<u>18,549</u>
<b>Total liabilities</b>		<u>1,285,140</u>	<u>3,342,945</u>
<b>Net assets</b>		<u>3,332,078</u>	<u>646,072</u>
<b>Equity</b>			
Issued capital	12	93,120,766	93,120,766
Reserves	13	4,409,702	8,758,203
Accumulated losses		(94,198,390)	(101,232,897)
<b>Total equity</b>		<u>3,332,078</u>	<u>646,072</u>

<b>Consolidated</b>	<b>Share capital</b> \$	<b>Reserves</b> \$	<b>Accumulated losses</b> \$	<b>Total equity</b> \$
Balance at 1 July 2018	92,206,341	7,651,195	(94,344,633)	5,512,903
Adjustment for change in accounting policy	-	(377)	1,246,574	1,246,197
Balance at 1 July 2018 - restated	92,206,341	7,650,818	(93,098,059)	6,759,100
Loss after income tax expense for the period	-	-	(4,869,954)	(4,869,954)
Other comprehensive income for the period, net of tax	-	(6,931)	-	(6,931)
Total comprehensive income for the period	-	(6,931)	(4,869,954)	(4,876,885)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	758,352	-	-	758,352
Share based payments – share options	-	217,206	-	217,206
Share based payments – employee loan shares	-	654,961	-	654,961
Share options lapsed	-	(22,723)	22,723	-
Employee loan shares lapsed	-	(29,201)	29,201	-
Balance at 31 December 2018	<u>92,964,693</u>	<u>8,464,130</u>	<u>(97,916,089)</u>	<u>3,512,734</u>

<b>Consolidated</b>	<b>Share capital</b> \$	<b>Reserves</b> \$	<b>Accumulated losses</b> \$	<b>Total equity</b> \$
Balance at 1 April 2019	93,120,766	8,758,203	(101,232,897)	646,072
Profit after income tax expense for the period	-	-	2,380,819	2,380,819
Other comprehensive income for the period, net of tax	-	(208,535)	-	(208,535)
Total comprehensive income for the period	-	(208,535)	2,380,819	2,172,284
<i>Transactions with owners in their capacity as owners:</i>				
Share based payments – share options	-	54,961	-	54,961
Share based payments – employee loan shares	-	219,035	-	219,035
Share options lapsed	-	(46,438)	46,438	-
Warrants issued	-	239,726	-	239,726
Cancellation of Cisco warrants	-	(4,607,250)	4,607,250	-
Balance at 30 September 2019	<u>93,120,766</u>	<u>4,409,702</u>	<u>(94,198,390)</u>	<u>3,332,078</u>

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>6 months</b>	<b>6 months</b>
	<b>ended 30</b>	<b>ended 31</b>
	<b>Sep 2019</b>	<b>Dec 2018</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax expense for the period	2,380,819	(4,869,954)
Adjustments for:		
Depreciation and amortisation	170,408	431,309
Impairment of non-current assets	-	896,618
Net loss on disposal of property, plant and equipment	2,696	-
Share-based payments	271,159	1,186,053
Foreign exchange differences	(208,534)	(6,931)
Gain on sale of business	(5,240,594)	-
	<u>(2,624,046)</u>	<u>(2,362,905)</u>
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(3,203)	660,815
Decrease/(increase) in prepayments	47,633	(59,339)
Decrease/(increase) in other non-current assets	110,878	(40,019)
Decrease in trade and other payables	(615,140)	(1,208,449)
Decrease in contract liabilities including adjustments for adoption of AASB 15	(73,193)	(5,374)
Increase/(decrease) in employee benefits	(57,510)	(31,339)
	<u>(3,214,581)</u>	<u>(3,046,610)</u>
Net finance costs	430,806	5,472
Net cash used in operating activities	<u>(2,783,775)</u>	<u>(3,041,138)</u>
<b>Cash flows from investing activities</b>		
Refund of investments in term deposits	101,694	-
Refund of deposits	(6,734)	(40,019)
Payment for acquisition of intellectual property	-	(553,875)
Proceeds from disposal of business	3,850,000	-
Net cash from/(used in) investing activities	<u>3,944,960</u>	<u>(593,894)</u>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of shares	-	462,387
Payment of share issue costs	-	(22,500)
Payment of convertible notes	(2,000,000)	-
Proceeds from borrowings - convertible notes payable	500,000	-
Net cash used in financing activities	<u>(1,500,000)</u>	<u>439,887</u>
Net decrease in cash and cash equivalents	(338,815)	(3,195,145)
Cash and cash equivalents at the beginning of the financial period	1,605,067	4,471,616
Effects of exchange rate changes on cash and cash equivalents	10,571	5,881
Cash and cash equivalents at the end of the financial period	<u><u>1,276,823</u></u>	<u><u>1,282,352</u></u>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

## Note 1. General information

The financial statements cover Covata Limited (the 'Company' or 'parent entity') as a consolidated entity consisting of Covata Limited and the entities it controlled ('the Group') at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Covata Limited's functional and presentation currency.

The Group changed its financial year from 30 June to 31 March. The financial statements have been prepared for the 6 months ended 30 September 2019. The comparative accounting period is for the 6 months ended 31 December 2018 for the statement of profit & loss, statement of changes in equity and statement of cash flows and 9 months ended 31 March 2019 for the statement of financial position. Therefore, the results are not directly comparable.

Covata Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 4, Level 8, 171 Clarence Street  
Sydney, NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 November 2019.

## Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 September 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the 9 months ended 31 March 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

#### AASB 16 Leases

The Group has adopted AASB 16 from 1 April 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

**Note 2. Significant accounting policies (continued)**

*Impact of adoption*

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 April 2019 was nil as follows:

	1 April 2019 \$'000
Operating lease commitments as at 1 April 2019 (AASB 117)	202,881
Short term leases not recognised as a right-of-use asset	(82,851)
Operating lease extinguished through divestment	<u>(120,030)</u>
Reduction in opening retained profits as at 1 April 2019	<u><u>-</u></u>

In October 2019, the Group committed to another short-term lease of one year, that will continue to be accounted for as an expense as incurred and not capitalised as a right-of use asset and corresponding lease liability.

*Research and development tax concession*

Research and development tax incentives are recognised in the profit or loss when there is reasonable assurance that the Group will comply with the conditions attached to them.

**Note 3. Operating segments**

*Identification of reportable operating segments*

The Group operates in one segment, based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

As a result, the operating segment information is as disclosed in the statements and notes to the financial statements throughout the report.

No seasonality in the business segment has been identified that would have a significant impact on the results of the Group.

**Note 4. Revenue**

	<b>Consolidated</b>	
	<b>6 months ended 30 Sep 2019 \$</b>	<b>6 months ended 31 Dec 2018 \$</b>
<b>Revenue from contracts with customers:</b>		
Revenue - technology related products and services	<u>529,002</u>	<u>135,165</u>

**Note 4. Revenue (continued)**

*Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

	<b>Consolidated</b>	
	<b>6 months ended 30 Sep 2019 \$</b>	<b>6 months ended 31 Dec 2018 \$</b>
<i>Major product lines</i>		
License	336,502	28,558
Maintenance and Support	144,019	105,557
Services	48,481	1,050
	<u>529,002</u>	<u>135,165</u>
<i>Geographical regions</i>		
Australasia	48,408	9,897
United States of America	116,018	90,672
United Kingdom	5,797	3,735
Germany	344,131	24,386
Singapore	14,648	6,475
	<u>529,002</u>	<u>135,165</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	384,983	29,608
Services transferred over time	144,019	105,557
	<u>529,002</u>	<u>135,165</u>



**Note 5. Expenses**

	Consolidated	
	6 months ended 30 Sep 2019 \$	6 months ended 31 Dec 2018 \$
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	8,744	2,370
<i>Amortisation</i>		
Intellectual property	161,664	416,830
Total depreciation and amortisation	170,408	419,200
<i>Impairment of assets</i>		
Goodwill	-	892,599
<i>Employee benefit expense</i>		
Wages and salaries	694,020	1,309,675
Non-executive director fees	100,000	97,583
Other employee related expenses	64,962	42,644
Payroll taxes	47,677	75,818
Defined contribution superannuation expense	62,632	81,435
Bonus - cash component	(184,854)	56,046
Equity settled share-based payments	198,289	560,687
Commissions	43,999	17,110
Total employee benefits	1,026,725	2,240,998
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	719,453	2,605
Change in fair value of derivative liability	(260,310)	-
Total finance costs	459,143	2,605

**Note 6. Discontinued operations**

*Description*

*Divestment of SafeShare*

The Company completed the disposal of the SafeShare business in July 2019 for \$5,000,000 in respect of the Cocoon sale which was discharged as follows:

- \$2,000,000 through the extinguishment of the Company's obligations under convertible notes;
- \$2,000,000 in cash at completion of the Cocoon sale; and
- \$1,000,000 in the form of a vendor terms loan from Covata (on terms which would be customary for unsecured loans obtained from any major Australian bank, such as a business overdraft account, or such other terms as agreed between Cybr5 and Covata). At the date of this report, the loan has been partly paid.

The sale is subject to a global, perpetual, royalty-free licence of the IP and platforms developed by Cocoon and Covata Australia Pty Limited ('CVA') back to Covata for use in its ongoing businesses, other than to be used for a development of a product not connected to the Company's core product range. Covata and Cybr5 have also entered into a mutual collaboration and reselling relationship.

**Note 6. Discontinued operations (continued)**

Excluded from the sale are all assets in and shares of CipherPoint Software, Inc. and all customers of its Eclipse product, the rights to the dataglobal GmbH classification IP, all IP to Covata's data security console, and all other IP and/or associated technical support and architecture materials which are held outside of Cocoon or CVA.

The sale has freed up resources to allow management to focus on the Eclipse product along with the continued partnership with dataglobal.

*Financial performance information*

	<b>Consolidated</b>	
	<b>6 months ended 30 Sep 2019</b>	<b>6 months ended 31 Dec 2018</b>
	<b>\$</b>	<b>\$</b>
Revenue - technology related products and services	313,528	447,452
Research and development tax concession	95,177	578,796
Other income - net gain on disposal of business	5,237,897	-
Total revenue	<u>5,646,602</u>	<u>1,026,248</u>
Employee benefit expense	(548,398)	(927,636)
Consultancy fees expense	(94,951)	(30,250)
Depreciation and amortisation expense	-	(12,109)
Impairment of receivables	-	(4,019)
Legal and professional fees expense	(75,255)	(18,425)
Marketing and promotion expense	(4,942)	(25,807)
Travel and accommodation expense	(47,671)	(64,728)
Office and administration expense	(161,310)	(238,588)
Other expenses	(101,624)	(164,405)
Finance costs	(770)	(1,160)
Total expenses	<u>(1,034,921)</u>	<u>(1,487,127)</u>
Profit/(loss) before income tax expense	4,611,681	(460,879)
Income tax expense	-	-
Profit/(loss) after income tax expense from discontinued operations	<u><u>4,611,681</u></u>	<u><u>(460,879)</u></u>

*Carrying amounts of assets and liabilities disposed*

	30 Sep 2019	31 Mar 2019
	\$	\$
Trade and other receivables	-	152,552
Prepayments	-	15,041
Property, plant and equipment	-	35,924
Total assets	<u>-</u>	<u>203,517</u>
Trade and other payables	-	(87,459)
Contract liabilities - current	-	(111,717)
Employee benefits	-	(102,196)
Contract liabilities - non-current	-	(40,594)
Total liabilities	<u>-</u>	<u>(341,966)</u>
Net assets / (liabilities)	<u><u>-</u></u>	<u><u>(138,449)</u></u>

**Note 7. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>30 Sep 2019</b>	<b>31 Mar 2019</b>
	\$	\$
Trade receivables	68,426	40,476
Less: Allowance for expected credit losses	(15,102)	(6,162)
	<u>53,324</u>	<u>34,314</u>
Research and development tax concession receivable	800,000	704,823
Other receivables *	1,136,696	-
GST/ VAT receivables	41,569	-
	<u>2,031,589</u>	<u>739,137</u>

\* Other receivables include \$1,023,205 from the sale of SafeShare which has a term of 90 days and \$113,491 of costs paid on behalf of the acquirer of SafeShare which is due immediately. Refer to note 6 for further details.

**Note 8. Current assets - assets of disposal group classified as held for sale**

Refer for further details in Note 6 - Discontinued operations.

	<b>Consolidated</b>	
	<b>30 Sep 2019</b>	<b>31 Mar 2019</b>
	\$	\$
Trade receivables	-	129,625
GST / VAT receivables	-	22,927
Prepayments	-	15,042
Property, plant and equipment	-	35,923
	<u>-</u>	<u>203,517</u>

**Note 9. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>30 Sep 2019</b>	<b>31 Mar 2019</b>
	\$	\$
Intellectual property - at cost	3,300,713	3,230,713
Less: Accumulated amortisation	(1,171,843)	(1,010,179)
Less: Impairment	(932,854)	(932,854)
	<u>1,196,016</u>	<u>1,287,680</u>

**Note 9. Non-current assets - intangibles (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

<b>Consolidated</b>	Intellectual property \$
Balance at 1 April 2019	1,287,680
Additions	70,000
Amortisation expense	<u>(161,664)</u>
Balance at 30 September 2019	<u><u>1,196,016</u></u>

Intellectual Property consists of dataglobal IP purchased for €1M and CipherPoint Eclipse IP that was recognised upon the acquisition of CipherPoint Software, Inc (CipherPoint). During the period under review, the Company acquired a perpetual licence of SafeShare as part of the divestment of the business.

**Note 10. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>30 Sep 2019</b>	<b>31 Mar 2019</b>
	\$	\$
Trade payables	121,731	37,384
Other payables and accrued expenses	<u>828,075</u>	<u>1,440,103</u>
	<u><u>949,806</u></u>	<u><u>1,477,487</u></u>

**Note 11. Current liabilities - liabilities directly associated with assets classified as held for sale**

Refer for further details in Note 6 - Discontinued operations.

	<b>Consolidated</b>	
	<b>30 Sep 2019</b>	<b>31 Mar 2019</b>
	\$	\$
Trade and other payables	-	87,460
Contract liabilities	-	152,310
Employee benefits	<u>-</u>	<u>102,196</u>
	<u><u>-</u></u>	<u><u>341,966</u></u>

**Note 12. Equity - issued capital**

	<b>Consolidated</b>			
	<b>30 Sep 2019</b>	<b>31 Mar 2019</b>	<b>30 Sep 2019</b>	<b>31 Mar 2019</b>
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>34,084,391</u>	<u>34,084,391</u>	<u>93,120,766</u>	<u>93,120,766</u>

**Note 12. Equity - issued capital (continued)**

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 April 2019	690,806,468		93,120,766
Share consolidation at 20:1	15 August 2019	(656,722,077)	\$0.000	-
Balance	30 September 2019	<u>34,084,391</u>		<u>93,120,766</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share consolidation*

On 7 August 2019, the shareholders at the annual general meeting approved the 20:1 share consolidation. The consolidation occurred on 15 August 2019.

*Share buy-back*

There is no current on-market share buy-back.

**Note 13. Equity - reserves**

	Consolidated	
	30 Sep 2019	31 Mar 2019
	\$	\$
Foreign currency reserve	(491,690)	(283,155)
Share-based payments reserve	4,393,647	4,166,089
Warrants reserve	507,745	4,875,269
	<u>4,409,702</u>	<u>8,758,203</u>

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

*Share-based payments reserve and warrants reserve*

These reserves are used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

**Note 13. Equity - reserves (continued)**

*Movements in reserves*

Movements in each class of reserve during the current financial period are set out below:

<b>Consolidated</b>	Foreign currency \$	Share-based payments \$	Warrants \$	Total \$
Balance at 1 April 2019	(283,155)	4,166,089	4,875,269	8,758,203
Foreign currency translation	(208,535)	-	-	(208,535)
Share-based payments - share options	-	54,961	-	54,961
Share-based payments - employee loan shares	-	219,035	-	219,035
Share options lapsed	-	(46,438)	-	(46,438)
Warrants issued	-	-	239,726	239,726
Cancellation of Cisco warrants	-	-	(4,607,250)	(4,607,250)
Balance at 30 September 2019	<u>(491,690)</u>	<u>4,393,647</u>	<u>507,745</u>	<u>4,409,702</u>

**Note 14. Fair value measurement**

*Fair value hierarchy*

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

There were no items recognized at fair value at 30 September 2019.

<b>Consolidated - 31 Mar 2019</b>	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Derivative liability on convertible note	-	253,433	-	253,433
Total liabilities	<u>-</u>	<u>253,433</u>	<u>-</u>	<u>253,433</u>

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial period.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*

Unquoted investments have been valued using a discounted cash flow model.

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

**Note 15. Contingent liabilities**

The Group had no contingent liabilities as at 30 September 2019 and 31 March 2019.

**Note 16. Related party transactions**

*Parent entity*

Covata Limited is the parent entity.

*Transactions with related parties*

There were no transactions with related parties during the current and previous financial period.

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

**Note 17. Earnings per share**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>6 months</b>	<b>6 months</b>
	<b>ended 30</b>	<b>ended 31</b>
	<b>Sep 2019</b>	<b>Dec 2018</b>
	<b>\$</b>	<b>\$</b>
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Covata Limited	<u>(2,230,862)</u>	<u>(4,409,075)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	34,540,323	34,001,015
Adjustments for calculation of diluted earnings per share	-	-
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>34,540,323</u>	<u>34,001,015</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(6.46)	(12.97)
Diluted earnings per share	(6.46)	(12.97)
	<b>Consolidated</b>	<b>Consolidated</b>
	<b>6 months</b>	<b>6 months</b>
	<b>ended 30</b>	<b>ended 31</b>
	<b>Sep 2019</b>	<b>Dec 2018</b>
	<b>\$</b>	<b>\$</b>
<i>Earnings per share for profit/(loss) from discontinued operations</i>		
Profit/(loss) after income tax attributable to the owners of Covata Limited	<u>4,611,681</u>	<u>(460,879)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	34,540,323	34,001,015
Adjustments for calculation of diluted earnings per share	-	-
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>34,540,323</u>	<u>34,001,015</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	13.35	(1.36)
Diluted earnings per share	13.35	(1.36)

Note 17. Earnings per share (continued)

	Consolidated	
	6 months ended 30 Sep 2019 \$	6 months ended 31 Dec 2018 \$
<i>Earnings per share for profit/(loss)</i>		
Profit/(loss) after income tax attributable to the owners of Covata Limited	2,380,819	(4,869,954)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	34,540,323	34,001,015
Adjustments for calculation of diluted earnings per share	-	-
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>34,540,323</u>	<u>34,001,015</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	6.89	(14.32)
Diluted earnings per share	6.89	(14.32)

9,004,728 post-consolidation options, employees loan shares, warrants and convertible notes at 30 September 2019 were excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they were anti-dilutive.

The weighted average number of ordinary shares for 2018 has been restated for the effect of the 20:1 consolidation completed in August 2019, in accordance with AASB 133 'Earnings per share'.

	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share (before restatement)	680,020,295
Adjustment required by AASB 133 'Earnings per share'	<u>(646,019,280)</u>
Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)	<u>34,001,015</u>

10,916,777 post-consolidation options, employees loan shares, warrants and convertible notes at 31 December 2018 were excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they were anti-dilutive.



#### Note 18. Events after the reporting period

The Group has experienced the following changes after the reporting period ended 30 September 2019:

- The Company's registered address has changed to Suite 4, Level 8, 171 Clarence Street, Sydney.
- Consistent with the renewed focus on the CipherPoint Eclipse product, the Board has resolved to seek shareholder approval for the change in company name to Cipherpoint Limited.
- In October 2019, the Company also changed the name of new subsidiary DG Operations Australia Pty Limited to Cipherpoint Australia Pty Limited.
- The Board resolved that the Company needs resources based in the DACH region of Europe. To that end, Steven Bliim will move to the role of COO and be based in Heilbronn, Germany from November along with one of our senior engineers.
- William McCluggage resigned as director on 31 October 2019.
- Following the resignation of Mr. McCluggage, Ted Pretty has assumed the role of Executive Chairman of the Company.
- Graham Mirabito was appointed to the board on 1 November 2019. Graham has over 35 years' experience in the information technology industry including 10 years in engineering and 25 years in sales, marketing, operations, mergers, acquisitions and general management. Graham has held senior roles at Telstra as MD Telstra Europe and EVP Telstra Asia. Graham's previous role for 12 years was as CEO of RP Data which he took public on the ASX in 2006 and was acquired by strategic shareholder CoreLogic in 2011. His last executive role was as CEO CoreLogic international responsible for operations in Australia, Asia and UK.

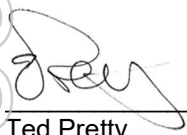
No other matter or circumstance has arisen since 30 September 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 September 2019 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Ted Pretty  
Chairman

28 November 2019  
Sydney

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF COVATA LIMITED

We have reviewed the accompanying half-year financial report of Covata Limited (the 'Company') and Consolidated Entities (the 'Group'), which comprises the consolidated statement of financial position as at 30 September 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half year's end or from time to time during the half year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 30 September 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Covata Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been given to the directors of Covata Limited.

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF COVATA LIMITED

### (CONT'D)

#### Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Covata Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2019 and of its performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**Nexia Sydney Audit Pty Ltd**



**Lester Wills**

Director

Dated: 28 November 2019

Sydney