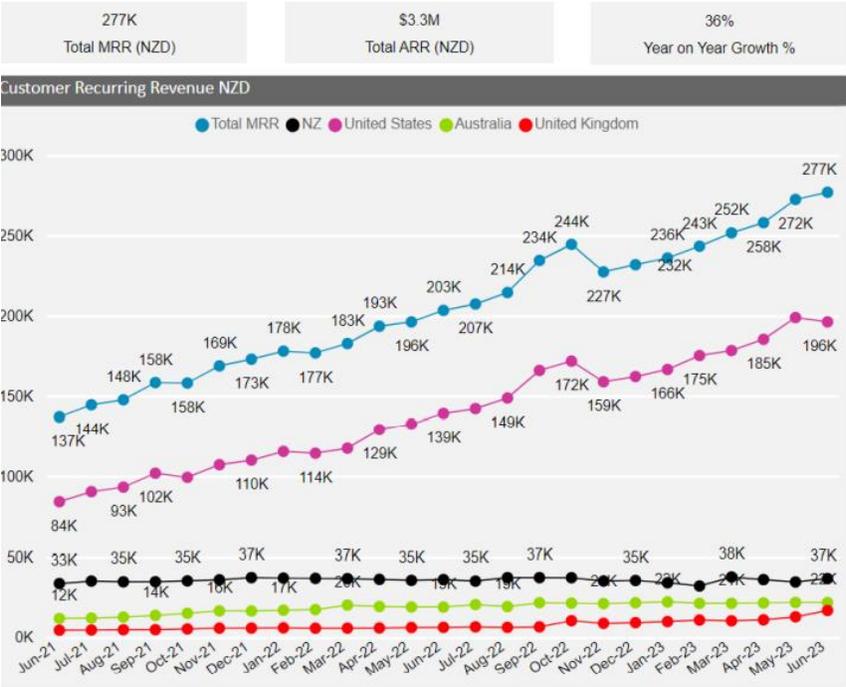


July 28th, 2023

Dear Datagate Shareholders,

Datagate has just completed another successful quarter, and I'm pleased to report that our plan to break even and transition to profitability this year is on track.

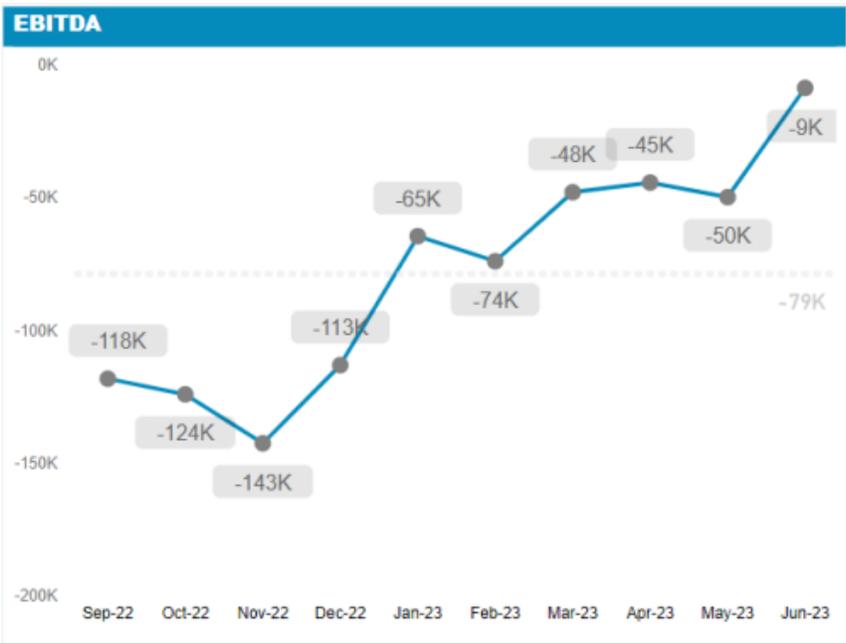
At the end of the quarter, ending June 30th, 2023, we reached **\$3.3M ARR**, and our EBITDA loss for June was only \$9K, which is our best bottom-line result so far. We are achieving this ongoing improvement



by holding our costs down as much as we can, while continuing to grow our recurring revenue at a rate that is currently 36% year on year.

A further positive sign we saw this quarter, in terms of how close we are to break even, was that we achieved our first cashflow-positive month in May.

We have around \$600K in the bank and we expect this to be sufficient to get us through to being fully cash-flow positive and self-funding.



The NZD/USD cross rate has been volatile during the quarter and given that about 70% of our revenue comes from the US market, it causes our NZD revenue results to surge or decline somewhat, independent of what is happening within the Datagate business.

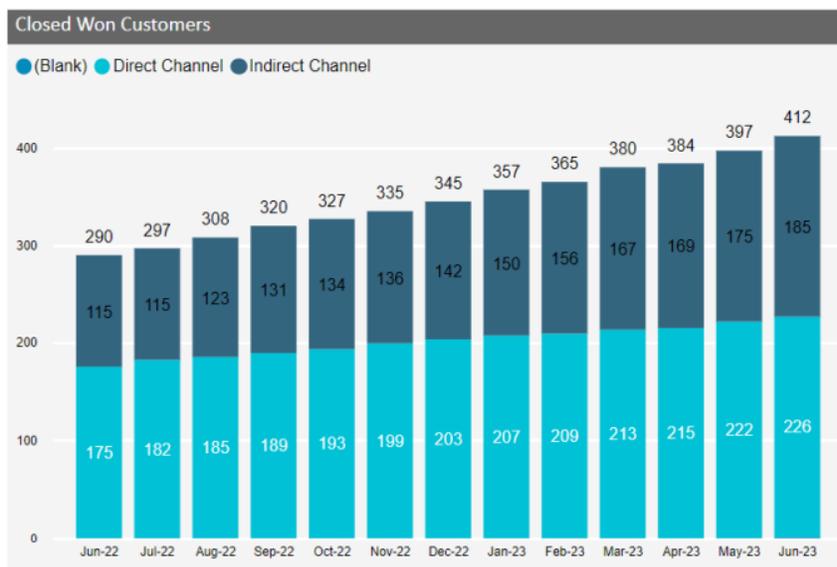
We have some particularly large clients that are currently in the implementation stage that we expect will give a significant boost to our



recurring revenue in the coming months when they go live on Datagate billing.

By the end of June, we had signed up a total of 412 clients, of which 226 (55%) were signed directly to Datagate and 185 (45%) were signed indirectly through our distribution partner channel.

In terms of geographic breakdown, 288 (70%) were in the US, 46 (11%) in Australia, 32 (8%) in New Zealand, 25 (6%) in the UK, 19 (5%) in Canada, and 2 in Continental Europe.



To date, we are tracking 4% ahead of our revenue budget and are still experiencing strong sales demand for our product, with no signs of any slow-down.

We have had no staff churn over the last 12 months and extremely low customer churn. I feel that this low churn of staff and customers, combined with a positive company culture, contributes to Datagate's efficiency and high performance.

Datagate Product Enhancements

We are constantly improving and enhancing the Datagate product to make it more competitive, more scalable, easier to use and implement, and more appealing & compelling for our target audience.

Over the last quarter, we've completed a major refactoring project to make Datagate fully accessible via public API, which in turn makes Datagate more attractive to large corporate clients and partners who want to build their own billing integrations to Datagate. This refactoring also enables us to better manage and migrate the data of customers or tenants to specific geographic data centre locations.

Overall, the new changes make Datagate easier to grow and manage as a truly global application that can be managed across multiple geographies, time zones, tax jurisdictions and languages.

Datagate is now proven to be successful in competing with the local telecom billing solution competitors in the United States, Canada, United Kingdom, Australia, and New Zealand (although it should be noted that we have no real competition in New Zealand!).

Audit Costs

In our drive to reach profitability as soon as possible, we have been reviewing all our costs, and have identified that we think we are spending too much money on auditing. We are currently paying for two sets of audits, one specifically to meet the requirements of our largest shareholder, Enprise Group - who are a public NZX listed company, and the other as a requirement of our shareholder agreement. We will be in contact with you shortly to request that you approve that we not have the second audit (which costs about \$25,000) and thereby rely on the audit by Enprise's auditor (which is not able to be waived). We require 100% shareholder approval to make this change, and I hope that you will agree with us that two audits are not necessary and approve the change.

Exit Strategies

As reported previously, we are in conversations with numerous potential acquirers and/or major investors. Given that we no longer need to raise capital each year to maintain our high growth rate, as we did previously, we are now in a position where we can take whatever time is necessary to seek the best deal possible for current Datagate shareholders.

Thank you for your ongoing support of Datagate. If you have any questions about Datagate, please contact me at mark.loveys@datagate-i.com

Thanks & Regards

A handwritten signature in black ink, appearing to read 'Mark Loveys', with a stylized flourish at the end.

Mark Loveys, CEO
Datagate Innovation Limited
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