

July 19th, 2022



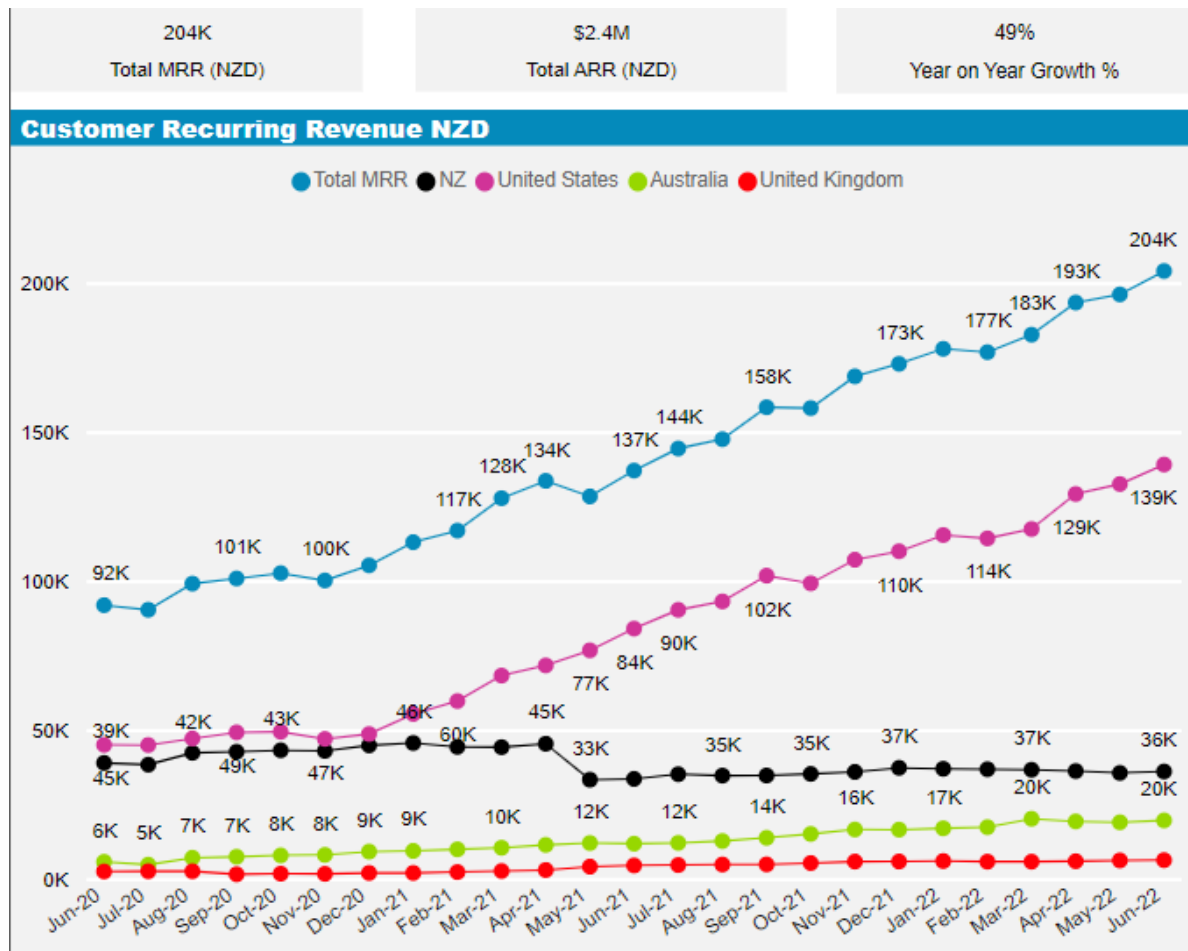
Dear Datagate Shareholders,

On behalf of the Datagate Board and the international Datagate team, I would like to thank you for your ongoing support of our business, and hope that you are faring well in these turbulent times.

I'm pleased to report that Datagate is continuing to grow and make good progress in the United States and other countries that we operate in.

Key factors that are working in Datagate's favour are:

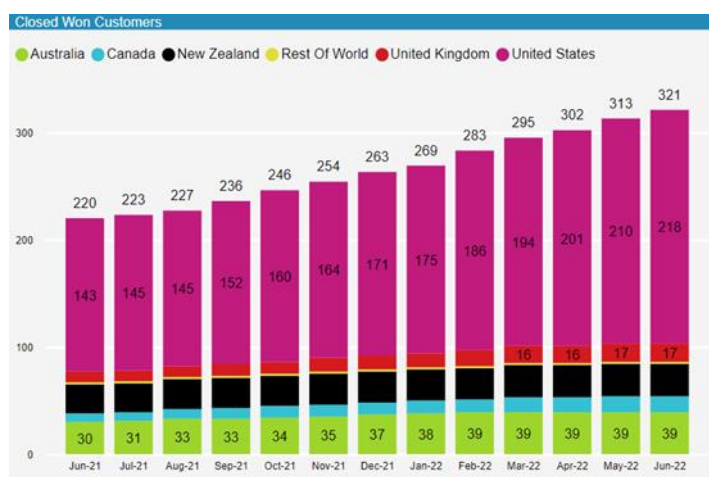
- We are now well-known and have a good reputation within the MSP-telecom industry. This is a result of our product's modern design and product fit for MSPs, our ongoing investment in digital marketing, industry conferences, and our expanding base of happy & loyal customers.
- We are a SaaS business, built on recurring revenue (ARR), and we have very low churn.
- Our product is mission-critical to our customers and therefore very sticky.
- We have a positive company culture with no staff churn.



As per the above graph, we exceeded \$2.4M ARR in June, with a year-on-year growth rate of 49%, and this growth has been predominantly driven from the United States.

In line with our growing reputation in the marketplace, we are experiencing the following noticeable trends:

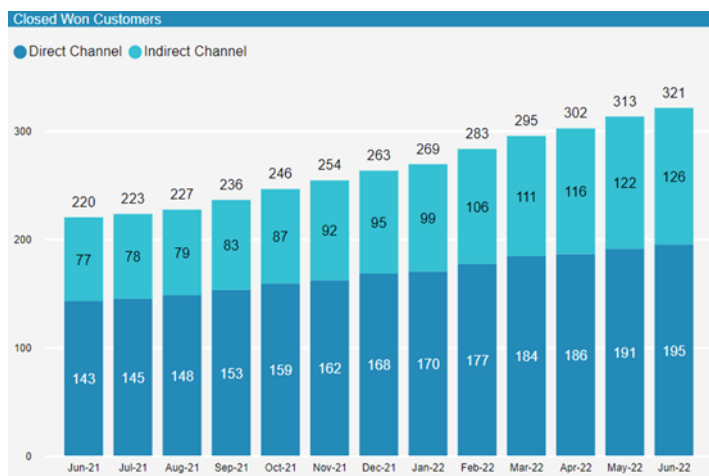
1. We are now attracting larger customers that bring in larger recurring revenues but take longer to sell and implement. We currently have several large deals at various stages of the sales process and implementation process. In other words, we've put a lot of work and investment into deals that are not yet showing up in our recurring revenue.
2. We are attracting more wholesale telecom partners who want to resell Datagate to their reseller channels. We are currently in talks with several potential new distribution partners.
3. We are attracting the attention of our larger competitors, who are now copying our unique MSP-focused marketing strategies and in one case, expressing their interest in acquiring the Datagate business.



On June 30th, 2022, Datagate had 321 signed-up clients, of which 218 (68%) were in the United States. Of those clients, 195 (61%) were sold directly by Datagate and 126 (39%) were sold indirectly through our distribution partner channel.

Typically, our indirect sales are smaller clients, and our direct sales are larger clients.

Indirect sales are sold, implemented, and supported by our distributor partners, whereas our direct sales are fully served directly by Datagate.



Our distributor partners are typically “White Label” telecom providers, who sell their services through MSP resellers, and offer Datagate as the billing part of their offering.

We currently have 2 distributors in the US, 1 in Canada, 1 in the UK and 3 in Australia & New Zealand.

Product Update

We continue to add functionality, scalability, and new product integrations to our core Datagate product. Since our last update, we've made significant improvements to the speed, efficiency, and scalability of our system. We've also completed the AutoTask integration and added new integrations to Kaseya BMS and QuickBooks Desktop Edition. We are in the early stages of developing the integration to a new and fast-growing PSA system called Halo, which is very popular with our target market MSPs in the UK and the US. Each integration to software packages that are used by large numbers of MSPs extends the addressable market of Datagate.

Staff Relocation

Part of our strategy is to have key staff located in the regions and time-zones that are closest to our largest concentrations of clients and prospects.

Late last year we successfully transferred two sales & marketing staff from Vancouver to the Tampa Florida region, and we are now in the process of transferring our CTO from New Zealand to Florida also. Additionally, we already have a sales contractor and one of our directors (Eric Hernaez) based in Florida. Our logical US base is in Florida, with a high concentration of our US partners and clients there.

Furthermore, we are about to transfer one of our regional sales managers to Dubai, where the time zone will allow him to more effectively cover the regions outside North America, namely the UK, Europe, Australia, and New Zealand.

Convertible Note Update

You will recall that Datagate issued a convertible note round in December 2021. Here are the parameters of that successful convertible note round:

Convertible Note, Total Raised	NZD \$1,550,000
Drawdown Date	December 22 nd , 2021
Term	15 months
Interest Rate	7%
Conversion Share Price if no capital raise	NZD \$2.20
Discount to share price if a capital raise	20%

Capital Raising Update

We are currently assessing and re-calibrating our US-centric capital raising strategy due to the changing investor landscape. Current economic conditions have led to a decrease in technology business valuation multiples, but at the same time, investors are increasingly looking for businesses that continue to grow, with contracted revenues and a mission-critical offering – such as Datagate.

So, the messages from the investor community are mixed for Datagate. Meanwhile, we are focusing our efforts on maximizing ARR and increasing our growth rate.

We will update you further on our capital raising process in our next investor update this year.

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 large loop at the end.

Mark Loveys, CEO
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