

MTL | ASX ANNOUNCEMENT

APPENDIX 4C: CONSOLIDATED STATEMENT OF CASH FLOWS

31 January 2017

Manalto Limited (ASX: **MTL**) (**Company**) has today released the Appendix 4C: Consolidated Statement of Cash Flows for the quarter ended 31 December 2016.

The operations of the Company are centered in the United States, including the majority of management, the majority of operating cash flows and the location of the primary business address. Accordingly, the Directors have elected to present financial information in US dollars. All financial figures in this document are therefore denominated in US dollars, except where explicitly stated otherwise.

BUSINESS UPDATE

During the quarter, the newly appointed Chairman and Board members led a review of strategy, structure and operations. This was completed and released to the market on 12th January 2017. In summary this review confirmed that a great deal of work had been accomplished by the Company in setting up the cloud platform integrations and now moving to signing distribution agreements with the partner networks these provide access to.

The Board acknowledges that there is a significant amount of work required to execute the strategic plan, however it is excited by both the size of the opportunity and the quality of customers, platform partners, resellers and integration partners now seeking to enter agreements with Company.

There are a number of significant reasons why the opportunity in front of Manalto remains so compelling including:

- The relevance of social media to business continues to gain significant recognition
- SaaS as a software platform continues to grow
- Public cloud platforms are becoming recognised as market places particularly for SaaS
- Key integration with cloud platform providers and cloud retailers are in place
- Manalto is currently the only cloud enabled (certified) social media management tool
- Manalto's core software remains differentiated for its ability to scale
- Sóshlr product is the first social media management tool integrated with Microsoft Office 365
- Manalto is the first social media management tool to be integrated with IBM Watson™, a leading global artificial intelligence program
- Larger organisations are continuing to adopt the Enterprise Solution

Q2 FY2017 FINANCIAL RESULTS

The Company experienced a net operating cash outflow of \$720,000 for the quarter (Q2 FY17) compared to \$887,000 for the previous quarter (Q1 FY17) representing a 20% reduction from the previous quarter in net operating cashflows.

Cash receipts for the quarter ended 31 December 2016 totaled \$41,000, an increase of 52% on the previous quarter, primarily driven by early revenues generated by the Enterprise Solution.

The Enterprise Solution is sold through direct sales channels and does have a longer sales cycle. The Company continues to build product awareness amongst target organisations and a strong pipeline of opportunities exists. A primary focus has been the transitioning of key clients from the Hearis acquisition onto the Enterprise Solution which is anticipated to begin over the coming quarter. Whilst current sales are modest, the budget over the next four quarters anticipates significant growth.

Sóshlr is to be sold through cloud distribution channels. Integration with several major cloud platform providers has been completed and the Company is now signing agreements with cloud retail stores who are partners of the cloud platform providers. Agreements with Telstra, Globe Telecom and Plesk were signed during September, and Sitedart Hosting and Dustin in December. These are the early retail sales outlets for Sóshlr.

Over the coming quarter push and pull marketing strategies will be deployed as well as an initial bundled offering targeting Soshlr to SME's. These strategies are designed to drive a dramatic increase in sales from the cloud retail stores.

CAPITAL MANAGEMENT

During the quarter, the Company's corporate adviser Henslow Pty Ltd commenced a capital raising programme with a view to raise \$1.84m. Following the Directors Review the board agreed to raise a further \$1m to provide the Company with adequate funds to meet its needs for at least the next six months.

During the quarter Henslow placed a total of 840,000 unsecured convertible loan notes (CLN) each with a face value of A\$1.00 to raise a total of A\$0.84 million (US\$0.50) under the Company's placement capacity. Following the end of the quarter, the Company has placed a further 202,000 unsecured CLN's to raise an additional A\$0.22 million (US\$0.15 million). The balance of the capital raising is being actively managed.

The CLNs issued to date are unsecured, have a coupon of 15% per annum, a term of 12 months and are convertible at the option of the holder in Manalto shares at 4c per share. The subscribers of each \$1 of CLN have been issued with options over 25 Manalto shares exercisable at 7c per share.

The Capital Management Strategy is to raise the amount announced which will allow the Company to complete major integration projects that are currently underway, continue to roll out agreements with retail cloud stores, develop the necessary marketing and sales programs and scale the customer support team to meet the expected demand as revenue comes on line.

Q2 FY2017 PRODUCT HIGHLIGHTS

- **Secured position as first social media management tool integrated into Microsoft Office 365**
The Company launched selected Sóshlr functionality inside Outlook marking Sóshlr the first social media solution available within Microsoft Office 365. This is a key achievement for the business and represents the first step in a broader integration strategy to ultimately make Sóshlr available for sale via Microsoft's Cloud Office Store. The Company has been accepted into the Microsoft Partner Program extending to the Company a range of benefits to assist further development and commercial opportunities.
- **Commenced IBM Watson™ integration to its core software.**
IBM Watson™ is a world leading artificial intelligence software that is changing the way organisations access and use data for content development. It is planned that the Company will launch this functionality during March 2017.

- Commenced the integration of Sóshlr with Ingram Micro as the first step toward making available both Sóshlr and the Enterprise Solution via the Ingram Micro Cloud Marketplace to its 200k+ global network of resellers.**
 Ingram Micro is one of the world's leading global providers of cloud, mobility, supply chain services and technology solutions and this agreement is major strategic win for Manalto and has the potential to deliver significant additional global reach and revenue y accessing a substantial addressable market. Initial release will be to North America based resellers, followed by a planned global rollout. Planned go-live date is April 2017 to coincide with Ingram Micro's global cloud summit.
- Renewed Enterprise Solution contract with The Dwyer Group®**
 The Company completed the license renewal with leading U.S. franchise operator, The Dwyer Group® for the management of social media for seven brands within its group representing an addressable market of approximately 2,100 units. The Group is using the Enterprise Solution to manage the social media for seven of its brands, including: Aire Serv; Rainbow International; Mr. Rooters; Mr. Electric; Mr. Appliance; The Ground Guys; and, Glass Doctors.
- Signed two new Enterprise Solution Clients**
 The Company signed two new Enterprise agreements, an Australian based travel advisory company and a U.S based home service group, which have a combined approximate 500 licenses to onboard.

The Board thanks shareholders for their continued support and look forward to providing further updates on the strategic direction and successes.



Anthony Owen
CEO, Manalto Limited

About Manalto Limited

Manalto Limited (MTL.ASX) is a U.S. based global provider of cloud social media management solutions. Manalto's proprietary software delivers capability for the streamlined management of social media at scale – including controls to support organisational brand management, reputational risk management and efficiency in managing users, community engagement and analytics. An enterprise can centrally publish content and update brand assets across hundreds of its organisational social media pages spanning multiple platforms – in just one click. Manalto offers a direct-to-market Enterprise Solution and a Business Application for Channel Partners to offer to SME's – 'Sóshlr'. Manalto is headquartered in Washington, D.C. with offices in the Netherlands, Australia and South Africa, and supports channel partners and customers globally.
www.manalto.com

+Rule 4.7B

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

Manalto Limited

ABN

88 098 640 352

Quarter ended ("current quarter")

December 31, 2016

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	41	68
1.2 Payments for		
(a) research and development ¹	(257)	(440)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(51)	(94)
(d) leased assets		
(e) staff costs	(394)	(739)
(f) administration and corporate costs	(69)	(431)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other:		
(a) GST Refund / (Paid)	10	29
1.9 Net cash from / (used in) operating activities	(720)	(1,607)

- 1 The R&D expenditure represents the Technology staff salary allocation directly associated with R&D activities, as well as directly attributable software and web development costs.

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		(6)	(28)
(b) businesses (see item 10)			
(c) investments			
(d) intellectual property			
(e) other non-current assets			
2.2 Proceeds from disposal of:			
(a) property, plant and equipment			
(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 (provide details if material)			
2.6 Net cash from / (used in) investing activities		(6)	(28)

3. Cash flows from financing activities			
3.1 Proceeds from issues of shares			
3.2 Proceeds from issue of convertible notes ²		498	498
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		498	498

- 2 The Company placed a total of 677,000 unsecured convertible loan notes (CLN) each with a face value of A\$1.00 to raise a total of A\$0.68 million (US\$0.50 million).

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
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	400	1,309
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(720)	(1,607)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6)	(28)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	498	498
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	172	172

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 \$US'000	Previous quarter \$US'000
5.1	Bank balances	172	400
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	172	400

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 \$US'000
96
-

Includes compensation to Executive Director, Anthony Owen (CEO), and related Party, Megan Owen (CMO).

7. Payments to related entities of the entity and their associates	Current quarter \$US'000
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	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'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.		

9. Estimated cash outflows for next quarter	\$US'000
9.1 Research and development	(250)
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	(90)
9.4 Leased assets	
9.5 Staff costs	(350)
9.6 Administration and corporate costs	(505)
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	(1,195)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

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:


(Company Secretary)

Date: 31 January 2017

Print name: Lucy Rowe

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.