

CORPORATE DIRECTORY

Chairman

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Managing Director

Adrian Floate

Non-Exec Directors

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ASX Code

CRO

Issued Capital

Shares: 823,360,099
Options: 84,500,000

ACTIVITIES REPORT FOR THE QUARTER ENDED 31 MARCH 2020

Highlights

Product Rollout

- Spenda App Platform launched in the Apple App Store and Xero App Marketplace and SpendaPay platform launched to first customers in March.
- Significant reduction in onboarding and implementation time for customers paves the way for large scale adoption of the Spenda + payments bundled services.
- Commenced low-cost customer acquisition model through product marketing campaigns to acquire customers via online mediums.
- Introductory offer to customers of a 30-day full featured implementation, with access to support.

Marketing and Business Development

- Solutions marketed to a merchant base of over 20,000 business customers from industry verticals represents a significant growth opportunity.

Corporate

- Reduction in operating overheads continues in light of adverse market and economic conditions.
- Core business activity continues whilst incorporating COVID-19 response.
- Revised transaction timetable has been agreed.
- A\$800,000 Convertible Security Funding Agreement entered in to with Obsidian Global GP, LLC.

Cash Position

- Cash receipts \$68k recorded in the quarter.
- Cash balance of \$17k as at March 31, 2020.
- Working Capital Facility of up to A\$1.9m available.

Cirralto Limited (ASX:CRO) ("CRO" or the "Company") is pleased to provide an update on the Company's activities for the quarter ending 31st of March 2020.

Operational Update

1. Impact of COVID-19

The onset and impact from COVID-19 on the sectors the Company engages with is difficult to assess at this time. The Company's core business functions continue to operate as normal, and existing resources were repurposed to meet customer needs to rapidly digitise. The Company is confident in its ability to adapt its operating business models to suit customers' needs during these challenging times.

The Company has introduced a subscription fee holiday for its customers. In line with the subsequent reduction of subscription fee income the Company has cut head office costs to ensure the operating business model remains sustainable in the face of the adverse business conditions.

Considering the volatile and uncertain global economic and investment outlook, the Company undertook the following actions across its Perth and Sydney locations:

- With a commitment to safeguarding the health and safety of our employees, contractors and the community, the Company commenced work-from-home protocols on the 12th of March and expanded online customer sales, support and collaboration services to comply with both State and Federal regulations; and
- Implemented cost-saving measures and reduction in segment budgets to reduce monthly operating expenditure.

Fortunately, the Company's technology suite and capabilities are well placed to cater to current customer needs and more importantly, provide cost savings for customers when they acquire the Company's merchant service payment product, SpendaPay.

Further, the Company has qualified for the Government stimulus incentive packages including the cash boost and the Job Keeper scheme. Coupled with State Government stimulus incentives and financial support from merger partner Appstablishment, the Company is poised to navigate these uncertain times with sufficient financial capabilities to continue operations into 2021.

2. Spenda PoS

The Company and Appstablishment released the Spenda App Platform in both the Apple App Store and the Xero App Marketplace.

This commercial release was intended to allow the Company to market the Spenda platform to a much broader audience via the App Marketplaces and allow the marketing team to adopt a customer sales "freemium" model of try, with a transition to buy, and upgrade subscription to unlock additional features.

The Apple App Store listing is mission critical in delivering the pathway for a streamlined onboarding process so that customers can easily adopt and implement Spenda into their operations.

The integration of Spenda with Xero and other small business accounting platforms such as QuickBooks and MYOB, will help businesses become more productive in carrying out their daily operations by reducing resource heavy administrative tasks associated with manual data entry and reconciliations, thereby reducing the scope for errors across data sets.

Feature Benefits Include:

- User-friendly system with minimal training requirements
- Integrated multisite support
- Integrated inventory management
- Integrated procurement and goods ordering
- Integrated goods inwards
- Integrated supplier invoice reconciliation
- e-Commerce integration
- Real-time accounts receivable support for Xero, MYOB ARL and QuickBooks
- Integrated payment services – EFTPOS

3. SpendaPay

The Company and Appstablishment completed the integration of the payments product offering, SpendaPay, with the Spenda platform. The first customers were expected to be onboarded and live by the end of March, early April 2020, but as a result of the adverse impact of COVID-19 on economic activity, first onboarding of customers has been delayed.

Notwithstanding the above, the certification and approval was a significant accomplishment for the development team as they overcame numerous technical and security requirements to ensure the final product complied with extremely high banking and regulatory security standards.

Specifically, the Company will launch its payments service with the following:

1. An integrated EFTPOS offering bundled with SpendaPOS;
2. An eCommerce payments service;
3. An integrated statements based payments service enabling customers to pay their outstanding invoices in Xero, MYOB and Quickbooks.

The payments services enable Cirralto to charge customers merchant fees on a sliding scale, with the base blended merchant fee being 1.5%.

Cirralto will offer customers acquiring and card processing for the following schemes:

- Mastercard
- Visa
- EFTPOS
- American Express
- UnionPay
- ApplePay
- SamsungPay
- GPay

4. Target Markets and demographics

Initially, the Spenda platform and the integrated payments offering is targeted at the small business sector¹. These are classified as businesses with between 1 and 20 employees and accounts for ~878,000 of ~2.26m registered businesses. The vast majority of small businesses have turnover between \$200,000 to \$2m, with the larger balance having an annual turnover of between \$2m to \$10m.

¹The data is based on the ABS definition of a small business: a business with an Australian Business Number (ABN) and having Goods and Services Tax (GST) activity with a turnover of less than \$2 million per annum (p.a.), or one that employs less than 20 people.

The Company intends to conduct targeted marketing campaigns to acquire Spenda customers from industry verticals that would readily adopt the Company's integrated Spenda capabilities, including payments. Initially Spenda will focus on the Pool Industry, and once normal business operations resume, Fast Moving Consumable Goods (FMCG's) and the Automotive Industry.

Pool Industry: SpendaPool

The Company launched its updated PoolBox platform, rebranding it as SpendaPool. The Company undertook a marketing campaign during February targeting retail pool businesses across Australia and New Zealand to try, buy, upgrade to SpendaPool with a discounted introductory offer.

The SpendaPool platform includes additional service management capabilities that provide new features and functionality for the pool industry, as well as catering for other service-related industries, such as the automotive sector. Spenda POS will replace all previous POS offerings in the overall platform.

Continued development has resulted in further reductions in implementation timeframes with the average customer capable of being implemented, trained and ready to go-live within 8 hours. The Company expects ongoing development will further reduce implementation timeframes.

Current Pool Industry Opportunity

- Number of businesses - ~2,000 (50/50 those that employ between 1 – 19 employees and sole operator businesses)
- Implementation Fees - \$1,500 - \$5,000
- Monthly SaaS fees: \$299 - \$649
- Merchant fees on payments: 0.3% - 1.5% merchant fee income on card transactions

The pool industry has had muted success to date in deploying previous iterations of PoolBox, however customer feedback, technical improvements to the platform, including integrated payments, and improvements to the customer onboarding process are expected to have an overall significant positive impact for customers.

Customer Case Study: SpendaPOS + SpendaPay

Analysis of an existing customer's total card sales transactions (EFTPOS, Visa, Mastercard and American Express) over an 8-month period (01 July 2019 to 17 February 2020) – total card transactional value \$1,121,914

Applying the base merchant fee rate of 1.5%, total revenue on merchant fee income is \$16,830 for the ~8-month period (or ~\$25,000 annualised).

In addition, the monthly Software as a Service (SaaS) revenue for this customer is \$499/month or roughly \$6,000 per annum.

The Company expects that with the addition of the merchant payment services, gross customer revenue will grow by ~85% (low case) to up to ~400% (high case) based on customers with total card transaction value between \$500,000 to \$2,000,000.

5. Product Development

In light of the recent and sudden economic uncertainty, the Company has been working on development initiatives aimed at business to consumer (B2C) enablement. Government imposed social distancing measures and closure of (almost) the entire retail sector has disrupted the traditional B2B supply chain. As a result of this disruption the opportunity arose for the Company to provide direct-to-consumer technology services, enabling businesses that were not eCommerce ready to transact with retail consumers direct.

The Company has fielded enquires from numerous businesses that are seeking to adopt direct-to-consumer services in light of the new operating and economic climate.

Further, ongoing work continues to improve the customer onboarding process, reduce implementation timeframes and provide a knowledge base that supports customer self-help, e-learning and general troubleshooting.

These initiatives are aimed at significantly reducing the overall one-on-one support and help-desk resourcing requirement for the Company as it focuses on a broad-based customer acquisition marketing campaign across the app marketplace.

This improvement in the onboarding process is a key milestone achievement for the Company in supporting large scale adoption of the Spenda platform.

6. Marketing and Business Development

The sudden impact of COVID-19 and the resultant market volatility and economic uncertainty forced the Company and Appstablishment to reassess its previously stated product launch campaigns associated with SpendaPOS and SpendaPay.

Planned marketing activities for the launch of the Spenda platform across the various App marketplaces such as the Apple App Store and the Xero Apps Marketplace have been postponed, with the Company moving to content marketing in industry-specific publications for businesses. The marketing campaigns are aimed at acquiring customers who are seeking cost-saving business options.

The Company and Appstablishment continue to offer the “freemium” model which allows new customers to try Spenda for free. To unlock additional features and functionality that will provide improved workflows that increase productivity and sales, and features that reduce administration overheads, users will be invited to upgrade to a paid subscription via upgrade offers.

In light of the recent travel ban to contain the spread of COVID-19, planned attendance at retail industry conferences across Australia during the coming months have been cancelled.

All articles and product showcases will be published on the Company’s product websites and social media platforms at #getSpenda.

Corporate Update

A\$800,000 Funding Facility

On March 17, 2020 the Company announced that it has entered into a \$800,000 Convertible Security Funding Agreement (Funding Agreement) with Obsidian Global GP, LLC (Obsidian).

Under the Funding Agreement, the Company is to receive a net amount of \$800,000 as an advance from Obsidian against the proposed issue secured convertible notes with a face value of 1 US\$ per note. Funds received under the Funding Agreement will be applied towards continued development of the Company’s projects in addition to general working capital purposes.

Details on the Funding Facility can be found on the ASX Company Announcements section or on the Company’s website.

Branding Changes

In line with the proposed merger with Appstablishment, the Company is realigning all customer facing vertical market branding and ceasing to use PoolBox as a brand. In the future the Company will license

software to the pool industry under Appstablishment's Spenda brand. The Company will follow suit with other verticals including hospitality and automotive.

Acquisition Update

The Company and Appstablishment continue to work together to complete key compliance items necessary to finalise the acquisition of Appstablishment by the Company.

At this time given the complexity of the transaction and recent disruption to professional services, the completion of the relevant documentation has been delayed. The Company expects to complete the acquisition according to the revised timetable below.

As previously stated the merger will deliver ~\$1m in Research and Development grants in FY2020 in addition to approximately \$500k in annual sales and a reduction in dual overhead operating costs to the business.

Proposed Timetable*

| Event | Indicative Date |
|-----------------------------------------------------------------------------|----------------------|
| Announcement of Appstablishment acquisition | 5 December 2019 |
| Dispatch of Notice of Meeting and Independent Expert Report to Shareholders | By 31 July 2020 |
| Date of Shareholders Meeting to approve acquisition | By 30 August 2020 |
| Completion of acquisition | By 30 September 2020 |

*This timetable is indicative only and may be subject to change.

Clark Rubber

On 24 January, 2020 the Company announced a Contracts Update and updated the market on the executed software licence and service agreement with a national retail franchise group, Clark Rubber, to supply the PoolBox standard operating environment (SOE) to Clark Rubber owned and franchised stores.

The Company delivered a number of services under the agreement, however a number of necessary changes to the scope lead to differing views between the parties. At this time the Company does not foresee this project will continue.

Issue of New Securities

On November 6, 2019 the Company announced that it had entered into a finance facility with Canary Capital (Lender) to provide access to funding for working capital purposes.

On January 31, 2020 an amount of A\$440,000 (plus accrued interest) was converted to shares at a conversion price of A\$0.0056.

The Company issued a total of 79,830,967 ordinary shares in the Company at \$0.0056 per share.

Details on the Canary Capital Finance Facility can be found on the ASX Company Announcements section or on the Company's website.

Cash Position

Cash receipts for the quarter totalled A\$68,000 and total cash at the end of the quarter was A\$17,000.

Available funds at the end of the quarter via undrawn facilities total ~\$1,900,000.

The deferment of Board fees continued during the quarter and will be reviewed by year end. The Board elected to reinstate the Managing Directors salary during the quarter with funds paid stated in item 6.1 for the Company's Appendix 4C.

Authorised by the Board of the Company on 30 April, 2020.

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For Shareholder contact:

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About Cirralto:

Cirralto Limited (ASX: CRO) is an ASX listed company that owns and licenses technology assets and services that enable modernisation of business IT systems via the conversion, migration and management of server based legacy data and systems to the Cloud.

Cirralto supplies its customers a recipe of integrated software to create a vertical market standard operating environment (SOE) that enable the effective and seamless transfer of data from multiple, disparate software systems in one standardised technology solution, such as SpendaPool. Cirralto has licensing agreements with third party software vendors that enable it to provide integrated SOE solutions to its customers.

For investors seeking information on the Company's activities that relate to marketing, customer events and other acknowledgement of customer activities, this information will be posted to the Company's news section of the website and on social media channels with the handle #getSpenda, active on Twitter, LinkedIn, Instagram and the Facebook.