

MTL | ASX ANNOUNCEMENT

APPENDIX 4C: CONSOLIDATED STATEMENT OF CASH FLOWS

31th October 2016

Manalto Limited (ASX: **MTL**) ("**Company**") has today released the Appendix 4C: Consolidated Statement of Cash Flows for the quarter ended 30 September 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 denoted.

Q1 FY2017 FINANCIAL RESULTS

The Company ended the quarter with a net operating cash outflow of \$887,000 compared to \$870,000 for the previous quarter ended 30 June 2016. Excluding GST refunds, net operating cash outflows have decreased 8% to \$906,000 (quarter ended 30 June 2016: \$985,000) – a direct result of the cost efficiencies driven by the strategic operational realignment to the technology and customer support functions, which were relocated to Cape Town, South Africa during Q3 FY2016. This reduction in operating cash outflows was accomplished whilst also achieving a 19% increase in operational capacity through headcount during the quarter as the Company continues to expand South African Technology operations.

Cash receipts totaled \$27,000, driven by revenue from Enterprise Solution direct clients and settlement of delayed Enterprise debtors. The commercialisation of Sôshlr via foundation resellers such as Telstra, Globe Telecom and Plesk occurred during September and thus did not materially impact operating cash flows for the quarter ended 30 September 2016.

CHAIRMAN APPOINTMENT

The Company has announced the appointment of Mr Jim McKerlie as non-executive Chairman, as a first step in a board renewal process to support the Company for its next stage of growth. Mr McKerlie is a highly regarded digital leader, entrepreneur, global business builder and experienced public company chairman with over 25 years transforming digital, media, technology, energy and professional services organisations.

Mr McKerlie joins Manalto at a pivotal growth point since the Company first launched in the U.S in 2014. During the past year, notably, the Company has significantly elevated its position in the social media and cloud technology industries. It has expanded its reach, entering Europe and Asia, in addition to North America, and has in just a short time, secured a number of global cloud technology leaders, including Ingram Micro, AppDirect, Microsoft and IBM, as part of the foundation build of its cloud distribution strategy.

Mr McKerlie's experience as Chair of public companies and in the commercial growth of digital and cloud solutions, offers the combined expertise Manalto needs to successfully steer the Company through its next phase of growth.

CAPITAL MANAGEMENT

Following the end of the quarter the Company has mandated its corporate adviser Henslow Pty Ltd (“Henslow”) to place up to 1,500,000 unsecured convertible loan notes (CLN) each with a face value of A\$1.00 to professional, sophisticated and other exempt investors to raise up to A\$1.50 million.

The CLNs are unsecured, have a coupon of 15% per annum and are to be convertible at the option of the holder in **Manalto** shares at 4c per share. However, the CLNs shall not become convertible unless and until Manalto obtains shareholder approval to refresh its placement capacity at the forthcoming AGM. The CLN will have a term of 12 months. Subject to shareholder approval, the subscribers of each \$1 of CLN will be issued with options over 25 Manalto shares exercisable at 7c per share. The Company intends to hold a general meeting before the end of the calendar year to seek this authorisation and approval for the issue of the options and any CLN's which are otherwise in excess of its issuance limits.

The proceeds of the CLNs will be used for ongoing working capital expenses and to expand its engineering and sales teams. Henslow have placed an initial tranche of A\$0.84 million of CLN and, subject to shareholder approvals, intend to place a further tranche of up to A\$0.66 million CLN.

BUSINESS UPDATE

The Company continues to focus on the growth of its cloud distribution channel, a strategic move launched during the year to capitalise on the dramatic shift occurring within the cloud technology industry where Software as a Service is being sold increasingly through Apps Stores provided by Telcos and others.

Today, Manalto offers the only certified cloud based social media management solution, integrated with global leading cloud platforms Odin, AppDirect, Plesk and WHMCS. These major companies provide the platforms that Telcos and hosting companies use in their Apps Store. The Company can now sell our SME product, Sóshlr, through Apps Stores provided by Telstra, Globe Telecom, Blacknight, ReadySpace, Sitedart and LuxCloud. Another positive development is that the Company is currently the only cloud social media solution integrating into major hardware and software provider, Ingram. Ingram has a Value Added Reseller Channel (VAR) that will be reselling Soshlr to their existing business client base. Sóshlr is being integrated with Microsoft Office 365 which will help to further the reach of Sóshlr as well as to significantly enhance the ease of use of this product.

The Company had a positive quarter which saw Sóshlr being able to be sold by a number of our reseller partners and the commencement of integrations with key cloud platform and third parties (as outlined above). The activities and achievements over the past year and the recent quarter have resulted in the Company holding a far stronger industry position today, and will remain as a key focus for management over the coming year. By partnering with leading cloud distribution channel partners, the Company has significantly extended its reach and footprint in this rapidly evolving market space. The strategic importance of capturing this distribution opportunity is a core business objective as it is seen as the pathway to revenue and the creation of sustainable shareholder value.

Q1 FY2017 HIGHLIGHTS

1. Launched and commenced commercialisation of Sóshlr via the following resellers

- **Telstra** commenced commercialisation of Sóshlr which is now available on the Telstra Apps Marketplace.
- **Globe Telecom**, a major provider of telecommunications services in the Philippines commenced selling Sóshlr licenses as part of a curated application portfolio to its customer base.

- **Plesk**, a U.S based WebOps platform with 2500+ hosting companies who sell web and hosting services to 8 million SME's has gone live and generated early revenue. Marketing campaigns scheduled to commence during November.
- **ReadySpace**, a Singapore based cloud infrastructure service has launched Sóshlr.
- **Sitedart** – a smaller U.S based hosting company is expected to launch Sóshlr during November 2016.
- **Dustin**, a large Swedish reseller has signed an agreement to distribute Sóshlr. Onboarding and training is underway and it is anticipated that commercialisation will commence during December 2016.
- **LuxCloud**, a Luxemburg-based Cloud Service Brokerage enablement company with 350+ partners distributing cloud applications to SME's has launched Sóshlr via its Suenos marketplace, which is a mid-tier Apps Store.

2. Integrated and launched Sóshlr via the following cloud platform

- **WHMCS** is one of the major global cloud marketplace providers with more than 10,000 partners. Sóshlr has been integrated with this platform.

3. Commenced new integrations of Sóshlr to increase distribution outlets and improve functionality

- **Commenced the integration of Sóshlr to Ingram Micro, Inc. (NYSE: IM) as the first step to make both Sóshlr and the Enterprise Solution available via the Ingram Micro Cloud Marketplace to its network of 200,000+ resellers.**
 - o This agreement marks the first time the Company's Enterprise Solution will be distributed via a third party channel, an important development in the channel strategy for this Enterprise product.
 - o Sales training and go-to-market planning underway. Likely go-live date is mid-January with a three-month launch to lead into the major Ingram Micro Cloud Summit in April 2017.
 - o 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.
- **Commenced the integration of its Sóshlr product into Microsoft Office 365.**
 - o Microsoft 365 is the largest selling cloud business application and is assuming a dominant role amongst users of Microsoft Office.
 - o This integration is part of a broader integration strategy to make Sóshlr available for sale via Microsoft's Cloud Office Store to an estimated addressable market of 60 million Office 365 commercial customers.
 - o The Company recently announced it has commenced its integration of Sóshlr into Microsoft Office 365 with plans to make Sóshlr available for sale to new and existing Microsoft Office 365 commercial customers.
 - o Once integrated, Sóshlr will be the first social media solution available for sale with Microsoft Office 365 applications.
 - o The Company also plans to integrate its Enterprise solution into Microsoft Office 365.

- **Manalto has commenced the integration process of IBM Watson™ to its core technology offering. IBM Watson™ is a world leading artificial intelligence software that is changing the way organisations access and use data for content development.**
 - o Manalto plans to offer IBM Watson™ across both of its products: Enterprise Solution and Sóshlr.
 - o The integration of IBM Watson™ will significantly uplift the Company's core offering and product value proposition for end users.

4. Signed first Microsoft Cloud Solution Provider

- Signed a reseller agreement with leading cloud solution provider, INFINIT Consulting (INFINIT), for the distribution of Sóshlr to INFINIT's customer base of more than 3,000 business customers.
 - o INFINIT is a San Jose based cloud solution provider (CSP) and digital transformation company, recognised by Microsoft as being in their top 1% of all partners worldwide.
 - o The reseller agreement with Manalto will see INFINIT offer Sóshlr to their customers as a standard offering in their Digital Foundation set of cloud services, next to products such as Microsoft Office 365.

5. AppDirect streamlined adoption of Sóshlr for resellers

- The Company advanced its agreement with AppDirect to include multi-tier distribution, which allows AppDirect to offer Sóshlr to channel partners directly, without requiring Sóshlr to enter into individual agreements with each channel partner.
 - o AppDirect will directly negotiate, integrate and support its channel partners to quickly start selling Sóshlr to their customers, bypassing the previous commercial model in which Manalto was wholly responsible for actively engaging AppDirect channel partners and resellers to promote Sóshlr. The agreement delivers an opportunity to accelerate the reach of Sóshlr to AppDirect's partner network that reaches more than 30 million businesses worldwide.
- **AppDirect accepted the Sóshlr product as part of its Developer Certification Program**, an initiative designed to streamline the adoption and distribution of products and enable AppDirect aligned resellers to quickly add and begin offering certified applications, including Sóshlr, to their business customers.

Manalto has made good progress this quarter - launching Sóshlr among the initial partners provides a channel for revenue growth. The Company will work with each partner during their early commercialisation and go-to-market activities to build upon and deliver the momentum required to generate sales. The integrations with global leaders, Ingram, Microsoft 365 and IBM Watson™, are important moves by the Company toward securing further reach and revenue. Importantly, successful execution and take-up moves us forward to becoming the dominant social media management provider in the cloud.

The Company's focus during this quarter will be on the continued execution of the integrations to ensure further distribution channels whilst this space is available. This will be coupled with some activity to stimulate early sales through the partners already in place. It is imperative that Manalto navigates this next stage of growth with a strong level of both rigor and agility, to maximize the opportunity that the cloud environment presents. We continue our strategy of building a global network of distributors and ongoing product innovation.

The Board is delighted to be working with its new Chairman, Mr Jim McKerlie, to achieve this growth, and to ready the Company for this next stage in its evolution to secure our position as the dominant social media provider in the cloud.

The Board thanks shareholders for their continued support and looks 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

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")

September 30, 2016

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	27	27
1.2	Payments for		
	(a) research and development ¹	(183)	(183)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing	(43)	(43)
	(d) leased assets		
	(e) staff costs	(345)	(345)
	(f) administration and corporate costs ²	(363)	(363)
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)	19	19
1.9	Net cash from / (used in) operating activities	(887)	(887)

- 1 The R&D expenditure represents the Technology staff salary allocation directly associated with R&D activities.
- 2 The administration expenses for the quarter reflect several one-off setup and recruitment costs for the Cape Town, South African operations, totalling \$30,000.

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(22)	(22)
	(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	(22)	(22)

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

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 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	1,309	1,309
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(887)	(887)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(22)	(22)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	400	400

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	400	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)	400	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

Current quarter \$US'000
92
-

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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	(195)
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	(45)
9.4 Leased assets	
9.5 Staff costs	(350)
9.6 Administration and corporate costs	(410)
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	(990)

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 October 2016

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.