

CORPORATE DIRECTORY

Chairman

Peter Richards

Managing Director

Adrian Floate

Non-Exec Directors

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Marcus L'Estrange

Company Secretary

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ASX Code

CRO

Issued Capital

Shares: 387,844,223

Options: 54.8M

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2018

Operational Update

- Separation of PoolBox as a service within Telstra's Digital Commerce Programme
- Partnership with Classic Funding announced
- Formal agreement executed with Swedish Payments technology provider WestPay AB
- Operational restructure implemented to reduce overheads

PoolBox Rollout

- 13 implementations carried out in the quarter
- 26 stores were recontracted and implemented directly with the Company
- Monthly subscription revenue increased by 10%
- Average revenue per customer increased by 62%
- Year 1 average income increased by 80%
- Increased implementation productivity and supply capacity by 50%

Product Development

- New boxed modernisation solutions for different industry verticals in development
- New verticals are within the convenience retail and food distribution market segment

Corporate Update

- Adrian Floate appointed Managing Director
- Board and executive management agree to fee holiday
- New capital of \$1.5M raised via placement with Hartleys
- Chairman and Managing Director subscribe for placement and rights shares
- Rights issue (1:8) launched to existing shareholders to raise \$1.5M with closing date extended to October 29, 2018

Cash Position

- \$667k as at September 30, 2018
- Monthly cash burn reduced to \$285k per month
- Further reduction in cash burn expected due to the impact of recently announced austerity measures taking effect

Marketing and Business Development

- Participation at the US International Pool & Spa Show where the team will be demonstrating the PoolBox solution
- Acquiring and engaging with beta pilot customers for PoolBox delivery in late Q1 2019
- Establish relationships with major distributors and partners

Cirralto Limited (ASX:**CRO** or the Company) provides the following update on the Company's activities during the quarter ended 30 September 2018.

Operational Update

1. Changes to Cirralto relationship with Telstra

The Company is no longer a participant in the Telstra Digital Commerce programme. The impact of these changes resulted in the Company directly re-engaging and re-contracting its PoolBox customers. These changes adversely impacted FY18 revenues and cash flow and delayed the Company's ability to engage with customers to deploy its PoolBox solution.

Direct customer engagement resulted in the Company increasing its overall product and service offering with the ability to add hardware solutions to the core PoolBox solution. This is resulting in an increased value for each customer engagement.

2. Classic Funding Group

The Company engaged with Classic Funding Group to offer debtor and equipment finance to its customers. This partnership enables the Company to offer a tailored finance package that allows the customer to acquire a solution bundle incorporating software, hardware and services, amortized over a 36-month term and enables Cirralto to receive a greater percentage of contracted revenue upfront.

3. WestPay AB Partnership

The Company entered into a four-year agreement with a leading Swedish based provider of payment platforms, WestPay AB, to become a distributor of WestPay's merchant payment solutions in Australia.

WestPay will supply the Company with payment terminals and software to provide merchant payment solutions to the Company's customers as part of the PoolBox solution. This will provide an additional revenue stream to the Company.

Initial steps to gain full Australian certification of the WestPay solution is required prior to the launch of payments to customers. Subject to certification being granted, the Company expects to launch the payments component of the solution in 2019.

4. Operational Restructure

With the changes to the business model to adapt to shifting market conditions, the Board ratified changes to the Company's operating structure to reduce overheads and to streamline the roll out of its modernisation solution. These changes resulted in an overall reduction in annual overheads of approximately \$900,000 via a range of cost cutting measures including:

- the removal of dual leaderships roles and the consolidation of the Executive management function of the Company which resulted in the departure of Mr Mike Mulvey and the appointment of Mr Adrian Floate as Managing Director,
- the deferment of Board and executive management fees and salaries until the company moves into a cash flow positive position, and

- reducing non-essential overheads including Sydney rent costs, capping of travel costs, reduction in non-sales and product development head count, and lower legal, accounting and financial administrative fees.

5. Operational Summary

Notwithstanding the operational restructure, operations have been progressing positively with customer engagement across channels growing significantly. The Company continues to grow its footprint into new vertical markets with franchise groups to deploy similar vertical market solutions to PoolBox.

The direct engagement model has resulted in a restructure of the contracting process with a move to a more traditional implementation fee + software subscription model, in order to align revenue and expenditure. This resulted in a total redesign of the sales process and reengaging with customers whom the Company had previously invested a lot of time and energy.

Further, the Company is focusing on building its implementation and training resource base to enable channel partners to sell the Company's technology solutions direct to customers. This is expected to have a positive impact to customer acquisition rates in 2019.

The Company's growth goals are now set on extending our direct engagement with existing customers and offering improved features that can be delivered more effectively.

PoolBox Rollout Update

After some initial challenges with the rollout of the PoolBox solution, the Company has been diligently incorporating customer feedback on the solution to improve the:

- implementation process;
- user experience; and
- reporting functions and capabilities required for customers to gain real-time business analytics.

The Company is happy to report that customer feedback on the solution and the resultant development work post modifications has been positive with the customer user experience now more tailored and fit for purpose within the pool and spa industry vertical.

This feedback highlights the high level of customer engagement between the Company and its customers and the overall drive of all to make the PoolBox solution the pre-eminent software solution within the pool and spa industry.

This collaborative engagement between the Company and customers has now generated interest for the Pool Box solution from US market participants.

New Customer Product Development

The Company has been busy creating several new boxed modernisation solutions for different industry verticals and are looking at starting pilot trials of these solutions over the next quarter.

Specifically, the Company has acquired a customer in the food production vertical with a focus on modernisation in the supply of paddock to plate technologies. We are completing four custom modernisation projects that involve conversion and integration with data to and from the MYOB Advanced cloud based accounting system.

These custom projects enable the Company to develop specific “box” type software solutions suitable for that specific vertical market.

Corporate Update

The Company completed a placement to institutional and sophisticated investors through the issue of approximately 48 million fully paid ordinary shares at an issue price of \$0.031 to raise \$1.5 million. Directors of Cirralto committed to subscribe for \$100,000 in the Placement, subject to receipt of shareholder approval at the Company’s annual general meeting in November.

Further to the placement, the Company undertook a non-renounceable 1:8 entitlements issue at an issue price of 3.1 cents to raise up to a further \$1.5 million. The rights issue is due to close on Monday 29 October. The Managing Director and the Chairman have given irrevocable undertakings to subscribe for the full value of their rights.

Cash Position

Cash Receipts totalling \$188,000 were recorded by the Company for the quarter. Total cash at the end of the quarter was \$667,000.

The Company forecasts monthly cash burn rate to continue to reduce after accounting for one off corporate restructuring costs.

Event Subsequent: Marketing and Business Development

Following interest from potential distribution partners for the PoolBox solution in the US market, the Company will be sending a small contingent to the US International Pool & Spa Show, one of the pool and spa industry’s largest expo’s with over 20,000 attendees. The Company aims to:

- Gain a better understanding of the feature requirements that will enable US market entry;
- Establish relationships with major distributors in the US to support a North American market sales launch in H2 2019; and
- Acquire and engage with US based pilot customers for testing, refinement and delivery of PoolBox to enable the Company to perfect its implementation and delivery approach.

The Company will be presenting to interested customers and potential partners at the expo and will be running demonstrations of PoolBox at its event booth and at a featured product showcase.

Managing Director Adrian Floate commented:

The Company has been working diligently to rebuild cashflows in light of the challenges thrust upon us. Whilst rebuilding has taken a few months, we have still managed to generate booked revenue in the September quarter which is a positive step in the right direction and we are confident we can continue to build upon the success.

I am happy to say that the Company's structure and operations are now on track and with our continued focus on our core "boxed" modernisation service solution for individual industry sectors, we are confident that we have a sustainable growth model that can scale into different industry sectors – with the first main industry application being is the pool and spa industry vertical with PoolBox.

The coming 6 months are critical in our development as a business with operational effectiveness and high levels of customer satisfaction. We remain focussed on:

- a) optimising and enhancing the PoolBox software bundle based on market feedback;
- b) adding new capabilities to expand our market potential;
- c) cementing new business processes that maximise our product delivery effectiveness for customers; and
- d) planning our sales strategy for 2019.

By effectively delivering on the objectives the Board remains confident in the Company's ability to achieve our key objective, being to:

Grow customer acquisition across a range of market sectors and grow average revenue per customer whilst focusing on rationalising and controlling delivery and implementation costs.

For Shareholder contact:

Please email: shareholders@cirralto.com.au

About Cirralto:

Cirralto Limited (ASX: CRO) listed company that owns and operates 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.