ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2019

CORPORATE DIRECTORY

Chairman

Peter Richards

Managing Director

Adrian Floate

Non-Exec Directors

Stephen Dale
Howard Digby

Company Secretary

Justyn Stedwell

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ASX Code

CRO

Issued Capital

Shares: 823,360,099
Options: 91,621,274

Highlights

- Acquisition of Appstablishment Software Group Pty Ltd (Appstablishment).
  - Appstablishment's proprietary software enables small and large businesses to share data across B2B and B2C channels.
  - The acquisition gives Cirralto ownership of key IP.
  - Appstablishment's software is licensed to one of Australia's largest co-ops with over 20,000 businesses transacting through the platform.
  - The acquisition brings annual recurring revenue of plus ~$0.5m and an additional ~A$1m in annual R&D benefit.
- Implementation of standard operating environment in the food services industry commenced with distributor that has ~700 trading partners.
- Testing of the onboarding process for the Company's v1 Payments technology commenced. Launch is scheduled for Q1 2020 CY.
- The Company's "Marketplace" technology was beta tested, with commercial rollout expected in Q1 2020 CY.
- Development work and final testing for customer self-onboarding in the final stages of completion, expected launch in Q1 2020 CY.
- 4PL service solution launched with initial implementation in the commissioning phase.
- Planning for 2020 retail campaigns including tradeshows, expos and digital marketing campaigns locked in for 2020.
- Canary Capital mandated as corporate advisor to the Company.
- Working Capital Facility of minimum A$770k committed with up to an additional A$230k available to the Company.
- Capital raise of ~A$583k completed.
- Cash receipts $161k recorded in the quarter.
- Cash balance of ~$600k as at December 31.
- Working Capital Facility of up to A$1M available to supplement cashflows through the merger period.

Cirralto Limited (ASX:CRO) ("CRO" or the "Company") is pleased to provide an update on the Company's activities for the quarter ending 31 December 2019.

Operational Update

1. Product Rollout Update

The Company is now actively engaged with and delivering software solutions to customers in the following industry verticals:

- Food Service and Produce;
- 3PL / 4PL eCommerce logistics;
- Pool Retail and Service; and
- General Retail.

The Company is also gaining an understanding of Appstablishment's automotive customer base and when the merged company can leverage opportunities to grow revenue from this incumbent customer base.

Clark Rubber

On September 10, 2019 the Company announced the execution of a 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. Key terms of the agreement included:

- Cirralto digitising systems in the Clark Rubber franchise offer that extend the capabilities of Clark Rubber's current Standard Operating Environment; and
- Cirralto providing Clark Rubber head office with a dashboard and store reporting tools to enable better inventory and stock management.

The project comprised two parts; namely Clark Rubber head office system integration to enable dashboard and store reporting functionality with PoolBox, and PoolBox deployment across all owned and franchise stores.

To date, the Company has delivered a number of services under the agreement, however through the delivery process, a number of necessary changes to the scope have arisen, leading to differing views among the parties. The future of this project at this time is uncertain and until the substance of these differing views are resolved this project is currently on hold.

2. Product Development

The Company commenced with the rebranding of PoolBox to Spenda Pool to better align its marketing and branding of software solutions in line with the Appstablishment acquisition. Upgrades to the platform were in the final stages of completion during the quarter and customer onboarding is due to commence during Q1 2020 CY. The release of the upgraded platform is expected to reduce the overheads associated with customer support.

The Company released a beta version of the Spenda Marketplace to select customers. This software is expected to provide a framework for continued growth as it delivers a new brand of collaborative

commerce to buyers and sellers. Final testing and the commercial release of this product is expected during Q1 2020 CY.

Customer self-onboarding development is now in the final testing phase and will enable digital launch in Q1 2020 CY. This functionality will support the Company's rapid digital acquisition growth strategy as the Company focuses on effecting its try, buy, upgrade marketing campaign.

3. Payments Update

As reported in the previous quarter software launch of our payments services was completed in the quarter. After extensive works to complete development, testing compliance certification the Company's v1 Payments technology is nearing completion and a launch is scheduled for Q1 2020 CY.

4. Gross Transaction Value

Gross transaction revenue in the pool market vertical between October 1 2019 and December 31 2019 from the Company's current customer base was approximately $14m.

Appstablishment measures its customer base in terms of network effects - the amount of customers that interact with each other utilising Appstablishment's software. Appstablishment's network comprises over 20,000 businesses transacting with over 1,900 suppliers that utilise Appstablishment software. Gross transaction revenue between October 1 2019 and December 31 2019 from Appstablishment's current business to business customer network was over $500m.

This is a key marker, given Cirralto's payments products will be marketed to Appstablishment's customer base and attract merchant fees that are calculated as percentage of customers revenue through the service. Cirralto expects to earn an average 0.5% in merchant fee income.

The Company believes its offering to its customers is not only highly competitive on merchant rates, but also provides the added value of integrated financial and cash management capabilities that save the customer transaction fees and provides the Company with an additional revenue stream.

5. Marketing and Business Development

The Company has finalised its marketing plans for 2020 and commenced the process of restructuring its sales resources as it transitions to an inside sales model.

The inside sales model will focus on:

1. Marketing software via Distributor/wholesaler customers to their retail trading partners (B2B) to upgrade and transact more efficiently via the Distributor/wholesaler digital Marketplace.
2. Upgrading existing customers to new chargeable features.
3. Sales follow-up to automated digital marketing via industry publications and tradeshows.

Digital content will be posted to the Company's Twitter, Linkedin, Instagram and Facebook accounts - #GetSpenda.

6. Quarter in Review

Operations have continued to focus on and execute our business strategy, which has seen the Company's team purposed on several key work streams:

- Ongoing development work in payments to streamline customer self-onboarding;

- Market awareness strategies that promote the Company's solutions in various community marketplaces such as Xero;
- Continued support of new and existing customers;
- Funnelling and analysing business opportunities in new segments;
- Expanding technology partnerships; and
- Transitioning sales models from outbound sales, to digital acquisition strategies supported by inside sales and account management.

Corporate Update

Transformational Acquisition of Appstablishment Software as a Service (SaaS) Business

The Company executed a legally binding Share Sale Agreement with technology company Appstablishment Software Group Pty Ltd (Appstablishment) and its majority shareholders to acquire 100% of the issued capital of Appstablishment (Acquisition). Details of the acquisition including the product set, the customer application in vertical industries, the benefits of the merger and plans post-merger are available in the announcement made to the market on December 12 2019.

Appstablishment develops software products, some of which are currently under licence to the Company and the Acquisition brings all intellectual property (IP) and development functions in house providing the Company with complete control and ownership of key IP and all development activity both in Australia and globally.

The merger is expected to bring benefits to the Company including, ownership of commercial IP, high quality development resources, existing revenue-generating installed base of customers and annual R&D tax benefits.

Appstablishment Overview

Appstablishment is a software as a service (SaaS) company whose vision is to fundamentally change the way businesses transact by delivering software tools that simplify data sharing and collaboration.

Appstablishment's mission is to create software that exchanges data so simply and easily that the software is adopted across networks and marketplaces as businesses collaborate with each other, enabling true B2B eCommerce marketplaces.

Appstablishment has developed the SYNK'D integration as a service platform (SYNK'D) and a business management application (Spenda) (together the Software). The Software provides a complete point of sale, procurement, warehousing and inventory management solution that allows companies to transact efficiently with complete integration into accounting platforms to deliver substantial productivity gains and cost savings to customers.

Appstablishment's strategy is centred around tying together multiple applications in a solution that is implemented within vertical markets across the entire value chain; from manufacturers right down to the end consumer, allowing real time inventory / product visibility from the point of manufacture to the point of sale to the consumer.

The technology is designed in a way that once deployed for one vertical market, it can be deployed into other vertical markets with only minor reconfigurations, thereby rapidly expanding addressable markets which are available to Cirralto.

The Software offers value across the entire value chain from the producer to the consumer. Each layer within a value chain are targets with specific products to address their needs and improve their engagement with their trading partners.

- Manufacturers to Distributors
- Distributors to Wholesalers
- Wholesalers to Retailers
- Retailers to Consumers

The Company is the exclusive licensee of Appstablishment's IP in Australia and New Zealand and contracts Appstablishment's development team to meet the ongoing development requirements for the maintenance and enhancement of the PoolBox standard operating environment.

Strategic Rationale and benefits to the acquisition:

- Cirralto will benefit financially from the removal of license fees currently being paid to Appstablishment.
- Through the ownership of Appstablishment's IP, removing any strategic risk of the IP being acquired by a third party.
- The Company gains an established and experienced team of senior developers and a proven track record of developing, deploying and commercialising IP.
- Benefits from owning commercial IP.
- The addition of earnings and cash flow from existing Appstablishment customers.
- Immediate upgrade and cross selling opportunities to both Companies' customer base and sales channels.

Direct immediate financial benefits to the Company include:

- revenue of ~$0.5m (ex Cirralto license and contracting fees and R&D tax incentive rebates);
- recognition of software licence fees previously payable to Appstablishment will be recognised as revenue (previously recognised as cost of goods sold);
- cost synergies, including consolidated human resource, compliance and audit cost; and
- Australian Government research and development tax incentive.

Post Acquisition – Achieving Penetration and Scale

Upon completion of the Acquisition, the Company's strategy and focus to achieve market penetration and scale will be enhanced by:

- Continue the roll-out of the Company's SaaS solutions to the Company's existing customer base and the fast moving consumables goods vertical (FMCG). Under this deployment strategy, the franchisor or supplier (sponsor) may subsidise a basic version of the software for its franchisees or customers (the end user) to enable the end user to trade or connect better with the sponsor.
- Growth and scale occurs both by adding more end users within the network (network participants) and adding chargeable upgrade functionality to each end user within the network.
- The customer acquisition framework under development by Appstablishment will automate customer onboarding, making it easier to add more end users and offer "self-help" functionality to drive usage and ultimate contract renewal.
- Further growth can be gained by giving end users self-help SaaS tools and upselling new functional modules (with corresponding increases in monthly fees).
- Enabling "Network Effects": The system is designed so that the more users there are on a given network, the more potential there is for viral adoption of Cirralto's SaaS solutions.
- A practical example of network effect is seen when more users mandate the use of the system with other suppliers and customers in the extended network.

Key Acquisition terms

Key acquisition terms and further detail is outlined in the Company's ASX announcement to the market on 12 December 2019.

Proposed Timetable

Event	Indicative Date
Announcement of Appstablishment acquisition	5 December 2019
Dispatch of Notice of Meeting and Independent Expert Report to Shareholders	By 21 February 2020
Date of Shareholders Meeting to approve acquisition	By 31 March 2020
Completion of acquisition	By 14 April 2020

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

Appointment of Canary Capital as Advisor to the Company

The Company is pleased to announce it has appointed Canary Capital as an advisor to the Company. Canary Capital is a boutique investment management and corporate advisory firm based in Sydney and prides itself on creating value for clients by identifying outstanding investment opportunities in micro and small cap companies.

Canary adopts a long-term investment approach when partnering with companies and works closely with its corporate clients to help achieve their strategic goals as well as providing access to capital to fund future growth.

The Company and Canary will work closely to re-articulate the Company's value proposition and the understanding of the Company's service offering to Canary's investor base and the broader investment community.

Finance Facility Commitment

The Company has entered into a finance facility with Canary (Lender) to provide access to funding for working capital purposes. The facility is for a committed amount of A$770,000 and is repayable in 12 months from the drawdown date, unless mutually extended by both parties. Interest of 10.0% p.a. is payable on a monthly basis, capitalised to the outstanding principal amount.

The Lender may elect to receive repayment of the outstanding loan amount in cash or shares in the Company, subject to any shareholder approval. No early repayment penalties apply.

If the Company undertakes an equity or debt raising at any time prior to the repayment date, then the Company must repay any amount payable from such funds raised in priority to any other utilisation of those funds. The lender may elect to receive repayment in the form of either cash or through the issue of fully paid ordinary shares in the capital of the Company (or a combination of both). If an equity raising occurs funds payable may be converted at the deemed issue price per share of the prevailing placement price per placement share. Otherwise, funds may be converted at the deemed issue price per share of 80% of the lowest daily volume weighted average price (VWAP) in the 10 trading days prior.

Issue of New Securities

The Company completed a private placement to raise ~$582,900 ("Placement") via the issue of 83,271,427 ordinary shares in the Company at $0.007 per share. The Placement was supported by new sophisticated investors, as well as a number of existing shareholders. The Company incurred a brokerage

fee of 6% of funds raised by Canary Capital. In addition, the Company will issue Canary Capital up to 10,400,000 unlisted options with an exercise price of 2.5 cents per option expiring 3 years from the date of issue.

Company Directors Peter Richards, Adrian Floate and Howard Digby and proposed Director Francis Desouza have applied for a further 10,000,000 Shares at $0.007 per share which will be issued at a later date, subject to shareholder approval for the purposes of ASX Listing Rule 10.11, raising an additional $70,000.

Canary Capital Limited acted as Lead Broker to the Placement.

Cash Position

Cash receipts for the quarter totalled A$161,000 and total cash at the end of the quarter was A$600,000. Work in progress (WIP) continues to average between A$150,000 – A$200,000 with cash receipts from projects payable on completion / achievement of project completion.

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

The deferment of Board and executive management fees and salaries continued during the quarter and will be reviewed by year end.

Authorised by the Board of the Company.
3 February 2020

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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 “boxed” technology solution, such as PoolBox. Cirralto has licensing agreements with third party software vendors that enable it to provide integrated boxed style solutions to its customers.