31 July 2018

ASX Announcement

QUARTERLY ACTIVITIES REPORT
FOR THE PERIOD ENDED 30 JUNE 2018

Highlights:

- **Cirralto's PoolBox solution continues to gain traction across Australia and NZ**
- **The Company signals changes to the Telstra engagement together with a partnering agreement with Classic Funding Group**
- **New product offerings now include hardware, services and finance**
- **Operational guidance updated**
- **FY19 Outlook and customer engagement plan**

Corporate:

- **$569k cash position at 30 June 2018.**

Operations Overview

Cirralto Limited (**Cirralto** or the **Company**) is pleased to report that, following a strong operating performance in the 3rd quarter, the Company's operational performance has continued to be strong across all sectors in the June quarter, with excellent customer engagement, especially in the Poolbox sector.

As announced on 27 July 2018, the Company's financial performance has been adversely impacted by a major restructure within Telstra, resulting in the Company no longer participating in the Telstra Digital Commerce Programme. The direct impact to Cirralto is a reversal of the majority of booked revenues, resulting in some of the forecast cash-flow from FY18 now expected to be realised in early FY19. The Company expects that the overall effect of this change will be a net zero impact over the term of each customers' engagement.

In response, the Company has initiated a new "Go to Market" strategy and is currently in the process of engaging directly with its current customer base. The change in strategy will enable Cirralto to significantly broaden the solution offering to our customer base, supported by a more flexible financing solution provided in partnership with Classic Funding Group *(refer ASX release 27 July 2018)*.

The Company is now enabled to offer hardware solutions in addition to its core software, which is expected to significantly lift the contract value of each customer engagement. The structure of the agreement with Classic Funding will realise an upfront payment for each implementation, followed by a trailing income of 36 monthly payments over the 3-year term.

Customer Engagement

Cirralto's operations have been progressing positively, with customer engagement across channels growing significantly. Cirralto continues to grow its footprint into new vertical markets where the opportunity exists to deploy a vertical market solutions that is similar to PoolBox across a variety of new franchise groups.

The Company has demonstrated its solution capabilities to three substantial new customers, being:

- a national retail franchise group;
- a retail food distribution group; and
- a hardware and supplies distribution group.

The Company is undertaking pilot programs with each of these Customers and will provide the market with progress updates in due course.

Implementation Capabilities

Throughout the quarter the Company continued to ramp up its capabilities across implementation, project management, support and training in its Perth and Sydney offices. This has lifted the Company's implementation capability ahead of the anticipated strong upturn in customer demand over the coming quarters.

Cirralto's Board is confident that the impact to the Company's financial performance will recover quickly and that the Company remains positioned to realise the growth trajectory signalled by the strong customer engagement in the back half of FY18 across the major franchise groups in the Australian and New Zealand pool services sector.

The Company is presently focussed on broadening its customer base across other sectors and is currently engaged in convenience retail, large buying groups, hospitality supply and eCommerce sectors. The Company will update the market when further contracts are concluded and implementations commence.

FY19 September Quarter Plans:

- Implement the new direct sales model including financing
- Add hardware and services elements to all PoolBox solutions
- Re-contract all currently contracted PoolBox implementations
- Finalise the development of new customer on-boarding and contract software to further optimise customer acquisition.
- Poolbox roll out continues across Australia and New Zealand.
- Continue to expand resources to accommodate the continuing growth in support and implementation.
- Continue to develop new industry verticals for the Company's solutions.

Mike Mulvey**,** Chief Executive Officer, commented:

"It has been a quarter of 2 halves, the first 6 weeks delivered continued strong growth and positivity around reaching our FY18 targets followed by the circumstances of the major changes with the Company's relationship with Telstra.

"It was extremely pleasing to see the way in which our staff reacted quickly to these events with a viable alternative actioned that allowed the Company to pivot quickly, adding value to each customer engagement in the process.

"We now see strong potential to grow the value of each customer engagement to Cirralto, backed by the financing capabilities of Classic Funding Group.

"As a whole, the business can now focus on completing the task that we have been presented with and get some strong runs on the board this quarter. We are all committed to achieving this and are extremely confident of achieving success."

For more information, please contact:
Mike Mulvey
Chief Executive Officer
mike.mulvey@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.