**ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020**

**Key Highlights**

- Quarterly revenue increase of 84% from $179,746 to $329,943 (unaudited) and Average Revenue Per User (ARPU) up 35.05%, from $33.40 to $45.11.
- Momentum towards the end of Q2 FY21 remained strong with key development milestones reached, including the launch of SpendaCollect V2 and the completion of MySpenda which will be launched in Q3 FY21.
- In December, Cirralto entered into key business payments agreements with global payments players Fiserv, Visa and Mastercard.

**Corporate**

- Appstablishment acquisition now planned for completion in Q3 FY21.
- Successful completion of capital raise of ~ $2.8 Million.

**Cash Position**

- Cash receipts from customers increased by 54% to $236,166 for the quarter.
- Cash balance of ~$3.95 million as at 31 December 2020.

Cirralto Limited (**ASX: CRO**, "**Cirralto" or "the Company"**) is pleased to provide an update on its activities and cash flows for the quarter ended 31 December 2020 (Q2 FY21).

**OPERATIONAL UPDATE**

The Company remains committed to the safety of its employees and continues to focus on COVID-safe practices in the workplace. To ensure the mental health and well-being of our staff the office was closed, but for support staff, for two weeks over the Christmas period. This planned closure meant our staff started fresh and mentally ready in 2021 for what we expect will be a busy year.

**Recruitment**

Our growth strategy has progressed with the appointment of senior management and executive talent to our Finance and Development Teams. Additionally, a recruitment video designed to attract top talent was created and rolled out on job adverts.

As announced on 27 October 2020, Richard Jarvis was appointed as Chief Financial Officer to bolster the executive leadership team who are focussed on driving the execution of our financial services,

SaaS and payments strategy. The Company continues to add capabilities to its team to support growth and a high quality customer experience.

**Key agreements with global payments providers**

As announced on 7 December 2020, Cirralto has entered into a strategic Business Payments Solutions Provider ("BPSP") agreement with Fiserv and Visa, in which Fiserv will serve as the exclusive merchant acquirer under Visa's BPSP merchant services agreement.

The signing of this agreement followed many months of mutual due diligence between all parties and is a significant milestone for the Company. Of notable significance is that the agreement allows Cirralto to further leverage its existing Spenda product suite with improved transactional profit margins. For example, where Cirralto is processing transactions between two businesses (which is part of the Company's overall strategy to create a Ledger to Ledger payments service between businesses), it has the opportunity to derive additional revenue streams by earning a percentage based fee on every transaction processed.

As announced on 14 December 2020 and building on the Fiserv/Visa BPSP agreement, Cirralto entered into a strategic Business Payment Aggregator ("BPA") agreement with Fiserv and Mastercard, to extend its Business Payments services offering.

Both business payments agreements improve the efficiency and margin of the Company's payment stack. Through these strategic partnerships, we can deliver quicker onboarding, higher conversion rates and create better value for our customers.

The Development team is currently implementing the required software changes to leverage off these agreements and we expect to see the effects in Q3 FY21, with a soft launch of the BPA/BPSP services planned in February, followed by a full launch shortly thereafter.

**Product Development**

**Expanded Payment Options**

With BPA and BPSP services implementation well underway at the end of quarter, the Company is looking to Q3 FY21 to launch an expanded set of Spenda payment services. Providing a highly functional payment platform for business is one of the key drivers at Cirralto. With that in mind, we have been working hard to create flexibility that allows businesses to take control of their cash flow and take/make payments in the way that best suits them.

- **Improved Bill Presentment -** Q3 FY21 will see the launch of a Spenda bill presentation tool offered to merchants that will deliver customers more payment flexibility, lower transaction processing costs, faster settlement, multi-invoice payment and improved integration.

- **Workflow Payments -** Businesses can get paid for products and services at the point an invoice becomes due based on real world activity such as job or delivery completion, with verified customer payment details. With this infrastructure, friction is removed from the payment process and certainty is created in debt recovery for the seller.

- **Intent to Pay framework / Scheduled Payments -** Allows customers to set a scheduled payment plan with their suppliers to settle debt. Customer arrangements which are sent to the supplier provide certainty around their intentions to pay.

- **Access to third party finance -** Through our partnership with Invigo we can offer both buyer and seller initiated immediate payment of invoices. For the seller, this can be used as a tool to extend credit to customers and drive cashflow.  For the buyer, it can be used to create liquidity in their business, smooth seasonal purchasing profiles and manage purchasing within credit limits.

- **Unallocated Payments -** Allow customers to make payments without allocating them to a specific invoice. The ability to pay money to an account rather than an invoice is an important functionality that allows the product to be more appealing to larger customers who traditionally integrate with ERP systems, as opposed to small business cloud platforms like Xero and MYOB. The introduction of this feature increases the addressable market for SpendaCollect, allowing us to target enterprise customers as well as the existing SME base.

Managing Director Adrian Floate said "we have created an application architecture that will enable us to move with speed and agility to bring new products to market that enable us to maximise customer wallet share and continue our growth journey".

**SpendaCollect V2 Launch**
The release of SpendaCollect V2 to the market takes us one step closer to our goal of becoming a world-leading provider of payment services by delivering products which enable buyers and sellers to form, collaborate, interact and pay their Accounts Payable / Receivable in real-time.

As with all products and new features to the Spenda payment suite, reconciliation is fully automated, manual data entry is removed and payments arrive accurately. The addition of these new features to SpendaCollect adds to the power of the software to deliver efficient error-free cash flow between supplier and customer.

Key features of this release include:
- Supplier onboarding, enabling user up-take with minimal implementation support
- Seller defined merchant surcharging
- Unallocated payment workflow
- Introduction of separate merchant IDs
- Adding additional payment options, including the ability to schedule payments and create payment instalments
- SpendaCollect functionalities added to the iOS platform
- 'Remember a credit card' functionality added making future payments quicker and easier

Additional product development and releases for Q3 FY21 include:
- Sales order workflow enhancements
- Merchant surcharging options
- Integrated EFTPOS shift settlement

- BPSP and Track BPS Onboarding Process
- Remember My Payment Method
- Customer invitation and linking process
- Separate MID for Spenda Collect Customer Portal
- Batch Counter Sales for Generic Customers

**Marketing and Business Development**

During the quarter, the Company continued to improve business efficiency, processes and the quality of the product suite.

The Company conducted an internal review to optimise the end-to-end software delivery process. The review assessed processes from idea inception through to user stories and scoping, development, testing and go-live release to ensure target delivery dates continued to be met.

Sales and channel wins are delivering pleasing results with the upgrade of existing customers and the acquisition of new channel partners.

The Company's marketing initiatives remained on track during the quarter and continued to target key audiences with tailored campaigns.

Due to restrictions imposed by Covid-19, many marketing and business development events were changed to online or virtual events. The marketing team successfully pivoted their approach to adapt to these changes, and delivered pleasing results including the Company's attendance at the Australian Institute of Credit Management National Conference and the Accounting and Business Expo 2020.

Growing the Company's public profile as well as awareness of its product suite remained a strong focus for the Company during the quarter, with media coverage secured on TV, radio, online and print publications.

Additionally, the new Spenda website was launched during the quarter offering more content to prospective customers and greater lead capture opportunities through the integrated booking feature.

Lead generation campaigns focusing on Payments and eCommerce successfully delivered lead opportunities for the Inside Sales Team and general brand awareness traffic campaigns saw an increase of 38% in session views of the Spenda website; from 8,166 in Q1 FY21 to 11,276 in Q2 FY21. Additionally, the number of goal completions tracked on the website increased substantially.

## CORPORATE & FINANCIAL UPDATE

**Qtr Revenue and Operating Expenses**

The Company delivered strong growth in both unaudited revenue (up 84% from the previous quarter) and cash receipts (up 54%) during the December quarter, and continued to see growth in eCommerce and SpendaCollect digital payment services. Pleasingly, the Company was able to reduce its debtor days during the period.
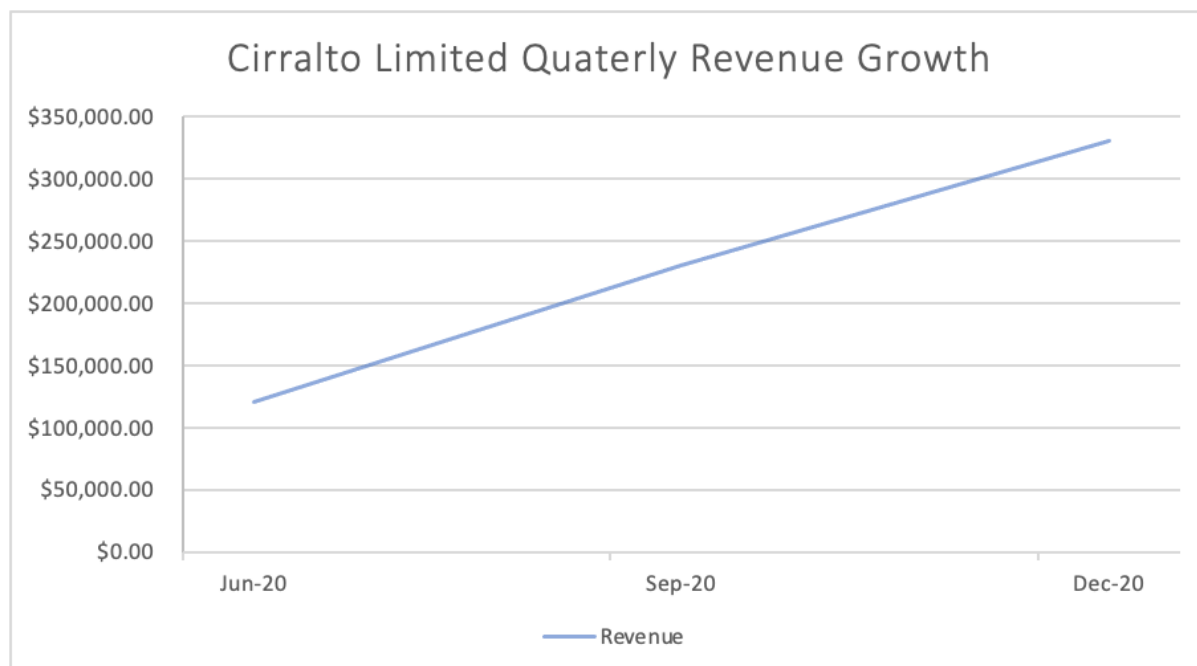
Cirralto Quarterly Revenue Growth March 2020 to December 2020 (July to December unaudited)

Average Revenue Per User ("ARPU") grew from 50% through the quarter to close at $45/customer at the end of the quarter.



Cirralto Average Revenue Per User Growth March 2020 to December 2020

As noted in the accompanying Appendix 4C, the net cash outflows from operating activities were $582,207. Total operational cash expenditure for the quarter comprised of $448K administration and corporate cost, $304K staff costs, $75K product related costs, $13K advertising and marketing and $2K interest/finance costs.

Payments to related parties during the quarter was $621k. This included:

- $70k payments to directors, including director's remuneration and director's superannuation;
- $28k payments to Appstablishment Pty Ltd for various services provided to Cirralto Limited;
- $327k payments to Appstablishment Pty Ltd for labour services provided to Cirralto Limited; and
- $196k loan advance to Appstablishment Pty Ltd.

**Appstablishment & Spenda IP acquisition**

The Company's significant recent corporate activities has extended the timetable for the proposed acquisition of licensing partner Appstablishment.

The Company is working closely with Appstablishment to satisfy the remaining conditions to the acquisition and expects to dispatch a notice of meeting and Independent Experts Report to shareholders to approve the acquisition in early February 2021, with completion proposed to occur in late March 2021.

As previously stated, the proposed acquisition will deliver in excess of ~$1.9 million in Research and Development grants in FY2021, ~$500,000 in annual sales, a reduction in overheads and various synergies of the enlarged group.

## CASH POSITION

**Funding**

Cash receipts for the quarter totaled $243,000 and total cash at the end of the quarter was A$3.98 million.

Based on its present operating structure, the Company is adequately funded.

**About Spenda**

Spenda delivers a fully integrated digital payment and business software solution that enables businesses to transform with fast, error-free digital efficiency. We're on a mission to fundamentally change the way people do business by delivering digital tools that streamline business processes, and improve efficiency and payment practices.

The Spenda solution includes real-time digital business payment services, debt collection software, a dynamic POS and inventory management system, eCommerce and catalogue sharing, as well as service management solutions – all of which can seamlessly integrate into any existing accounting, financial or ERP management system.

Our engine can push and pull business data such as debtors, creditors, inventory and transactions (purchase orders, invoices, credit notes, etc.) in real-time or based on user-driven events. We allow businesses to do the job once, with no double data entry and removes manual, paper-based processes that are time-consuming and prime to errors.

**Explanation of Terms**

ARPU - The acronym ARPU, means Average Revenue Per User. For the purpose of this announcement it has been calculated by dividing total earned revenue for a period by total software licensees.

Total Customer - For the purpose of this announcement, total customers are calculated by summing the total number of businesses of any kind who have a valid software license.

Total Transactions - For the purpose of this announcement, total transactions are calculated by summing the total number of customer sales, purchase, credit and payment transactions in the period.

Authorised by the Board.

- ENDS -

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**About Cirralto**

Cirralto Limited (ASX:CRO) is a transaction services business supplying industries with a broad range of B2B payment services, digital trading software and integrated solutions. Our goal is to convert eft payments to card payments utilising the BPSP engagement coupled with our payments collaboration framework. Our competitive advantages deliver customers end-to-end e-invoicing integration, rapid ordering, digital trust and automated reconciliation.

Cirralto supplies its customers a recipe of integrated software to create a vertical market standard operating environment (SOE) that enables the effective and seamless transfer of data from multiple, disparate software systems in one standardised technology solution, such as SpendaRetail. 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 FaceBook.

For more information, see https://www.cirralto.com.au/

 **Investor Enquiries**

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