

26 February 2021

Dean Litis
ASX Compliance Pty Limited
Level 4, North Tower, Rialto
525 Collins Street
Melbourne VIC 3000

Dear Dean

RESPONSE TO ASX AWARE QUERY

Cirralto Limited ('**Company** or **CRO**') refers to your letter dated 23 February 2021 and responds to the queries raised as follows:

1. *Does CRO consider its consideration, planning and execution of the capital raising detailed in paragraph D above (the 'Information'), or any part thereof, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?*

Yes.

2. *If the answer to question 1 is 'no', please advise the basis for that view.*

Not applicable.

3. *When did CRO first become aware of the Information? In answering this question, please address each component of the Information separately.*

The Company's share price opened from a low of \$0.068 on 16 February 2021 to an intraday high of \$0.21 on the following day, with a significant increase in the volume of CRO securities traded during the same period. Other companies in the payment and merchant services sector such as Openpay Group, Ioupay Ltd and Zip Co Ltd also experienced material share price increases.

As a result of the increase in interest in CRO's securities and the payments sector generally, Kaai Capital (who managed CRO's last capital raising in November 2020) was approached by groups on behalf of institutional and sophisticated investors.

At 8:49pm AEDT on 16 February 2021 (being after the Company's response to ASX's price query that day), representatives of Kaai Capital called Mr Adrian Floate noting the potential investor interest in the Company and asked whether the Company may consider a significant capital raising. Prior to this unsolicited phone call, the Company had no plans of conducting a capital raising. As noted in the Company's quarterly activities report released on ASX on 28 January 2021, the Company had a cash balance of ~\$3.95 million as at 31 December 2020 and noted that it was adequately funded.

Following the call between Kaai Capital and Mr Floate, the Company's Board and Management had various discussions on 17 February 2021 regarding a possible capital raising.

A draft lead manager mandate was sent by Kaai Capital to the Company in the evening on 17 February 2021 at 9:05pm AEDT. Shortly after this, Mr Floate and Mr Peter Richards (Chairman of the Company) called Kaai Capital to further negotiate the terms of the mandate, and an updated mandate was sent by Kaai Capital to the Company at 9:39pm. The Board then held an emergency Board meeting at 10:00pm AEDT that night at which the mandate was approved. Whilst the Company had not been contemplating a capital raising, the Board was of the view that raising significant funds at an attractive price would be in the best interests of shareholders as it would enable the Company to accelerate its growth plans and further strengthen its balance sheet at relatively minimal dilution. The Company entered into a trading halt prior to the commencement of trading on 18 February 2021.

4. *When did CRO first initiate discussions regarding the capital raising?*

See response to question 3. Kaai Capital initiated discussions with the Company regarding a potential capital raise by way of a telephone call to Mr Floate at 8:49pm AEDT on 16 February 2021.

5. *If the answer to question 1 is 'yes' and CRO first became aware of the Information (or any part thereof) prior to 18 February 2021, please explain why the Information was not disclosed to the market at an earlier time, commenting specifically on when you believe CRO was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps CRO took to ensure that the Information was released promptly and without delay.*

At all times prior to the Board meeting held at 10:00pm AEDT on 17 February 2021 (at which the time the market was closed), the Company believed that it was not obliged to disclose the Information to the market on the basis that Listing Rule 3.1A applied to the Information, specifically that the Information concerned an incomplete proposal and negotiation and remained confidential.

As detailed in the response to question 3, an initial draft mandate was received from Kaai Capital at 9:05 AEDT on 17 February 2021, there were further negotiations on the terms of the mandate, and the mandate was approved at the 10:00pm AEDT Board meeting. Prior to this approval, the proposed capital raising and mandate were incomplete

proposals and negotiations. The Company entered into a trading halt prior to the commencement of trading the next day.

The Company also had no reason to believe that the Information had ceased to be confidential prior to the Board meeting, on the basis that the Information was only known to a limited number of people. Whilst there was significant trading in the Company's securities on 17 February 2021, there was also significant trading in the Company's securities on 16 February 2021 prior to any contemplation of a capital raising. As noted in the Company's 16 February 2021 response to ASX's price query, the Company believed that the increase in trading could be due to an increase in investor interest in the payment and merchant services sector as other companies in the sector also experienced material share price increases.

6. *Who was responsible for managing the discussions regarding the capital raising on behalf of CRO?*

Mr Floate was primarily responsible for managing discussions regarding the capital raising.

7. *Please provide a copy of the Mandate Agreement with Kaai Capital in relation to the placement (not for release to the market).*

Please see attached.

8. *Please provide a copy of any other agreements with Kaai Capital, including but not limited to, any agreement for Kaai Capital to provide investor relations services on behalf of CRO (not for release to the market).*

The Company entered into a Corporate Advisory Mandate with Kaai Capital on 14 January 2021 for a term of six months. Under this Mandate, the Company agreed to pay Kaai Capital a fee of \$5,000 per month and issue Kaai Capital or its nominees 10 million listed options (ASX:CROO) if the Company's 10 day VWAP reached 7c, and an additional 10 million options (ASX:CROO) if the Company's 10 day VWAP reached 9c. This mandate was not announced by the Company at the time it was entered into on the basis the Board does not consider the Company's entry into this mandate to be information which a reasonable person would expect to have a material effect on the price or value of the Company's shares, having regard to the fact the cash consideration payable is not significant and the number of options to be issued represented only 1.17% of the Company's issued share capital (on a undiluted basis) and were only issuable subject to the satisfaction of performance hurdles. As the hurdles have now been met, the Board approved the issue of the options at a Board meeting held on Sunday 21 February 2021 and the Company released an Appendix 3B on Monday 22 February 2021 before the opening of trade to advise the market of the proposed issue of the options. The Company notes that it has since received advice that as the mandate contemplates an issue of securities, that an Appendix 3B should have been lodged at the time the mandate was entered into. In light of this, the Company will conduct a review of its disclosure practices to ensure more stringent practices are in place particularly in relation to proposed issues of securities and lodgement of Appendix 3B's.

9. *Please provide a copy of all correspondence between CRO and Kaai Capital in relation to the capital raising detailed in paragraph D (not for release to the market).*

Please see attached.

10. *Please confirm that CRO is complying with the Listing Rules and, in particular, Listing Rule 3.1.*

Save as noted in the response to question 3, the Company confirms that it is in compliance with the Listing Rules and in particular, Listing Rule 3.1.

11. *Please confirm that CRO's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of CRO with delegated authority from the board to respond to ASX on disclosure matters.*

The responses have been approved by the Board of Directors.

Yours sincerely

Justyn Stedwell
Company Secretary
On behalf of the Board of Directors
Cirralto Limited

23 February 2021

Reference: ODIN31222

Mr Justyn Stedwell
Company Secretary
Cirralto Limited
2 Queen Street
Melbourne VIC 3000

By email

Dear Mr Stedwell

Cirralto Limited ('CRO'): Query Letter

ASX Limited ('ASX') refers to:

- A. The change in the price of CRO's securities from a low and opening price of \$0.068 on 16 February 2021 to a of \$0.21 on 17 February 2021 and the significant increase in the volume of CRO securities traded during the same period.
- B. ASX's price query letter dated 16 February 2021 and CRO's response also dated 16 February 2021, released together on ASX Market Announcements Platform ('MAP') on the same day, which included the following questions (in bold and italics) and answers:

- 1. *Is CRO aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?***

No. The Company is not aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in the Company's securities.

- 3. *If the answer to question 1 is "no", is there any other explanation that CRO may have for the recent trading in its securities?***

The Company notes recent market, social media and investor focus on ASX Listed companies that have technologies associated with payment and merchant services. Other companies in the sector such as Openpay Group, Ioupay Ltd and Zip Co Ltd appear to have also experienced recent material share price increases.

- 4. *Please confirm that CRO is complying with the Listing Rules and, in particular, Listing Rule 3.1.***

The Company confirms that it is in compliance with Listing Rule 3.1 and there is no information that should be given to ASX about its financial condition in accordance with that rule.

- C. CRO's request for a trading halt provided to ASX by email prior to market open on 18 February 2021 and released on MAP together with ASX's market announcement regarding the trading halt at 9:24am AEDT on the same day. The trading halt request included the following information:

'[CRO] requests a trading halt pending an announcement in relation to a proposed capital raising'.

- D. CRO's announcement titled '\$18 million placement- Strong vote of confidence to underpin growth strategy' released on MAP on 22 February 2022 at 9:34am AEDT, which disclosed that:

- (i) it had received firm commitments to raise \$18 million through the issue of 200 million fully paid ordinary share to institutional, sophisticated and professional investors at an issue price of \$0.09 per share;
- (ii) the issue price of \$0.09 per share under the placement represents a:
- i. 6% premium to the 30-day VWAP of CRO shares traded prior to the trading halt in its shares;
 - ii. 6.25% discount to the 15-day VWAP; and
 - iii. 21.7% discount to the closing price of CRO shares on 17 February 2021; and
- (iii) Kaai Capital Pty Ltd (trading as Kaai Capital) acted as sole Lead Manager to the placement.

E. Kaai Capital also:

- (i) was the Lead Manager to the CRO \$2.8 million placement announced to the market on 27 November 2020 ('November Placement') (ref: ASX announcement titled '[CRO] raises \$2.8m via Placement' dated 27 November 2020);
- (ii) had entered into a Lead Manager Mandate with CRO ('Mandate Agreement') in respect of the November Placement (ref: 'Cleansing Prospectus' released on ASX on 7 December 2020) whereby CRO had agreed to:
- i. pay Kaai a lead manager fee of 6% (plus GST) of the total amount raised under the November Placement to be settled by:
 - the issue to Kaai (and/or its nominees) of 2,400,000 ordinary shares and 600,000 quoted options exercisable at \$0.025 on or before 28 July 2023 in CRO; and
 - the payment of \$105,200 in cash; and
 - ii. issue Kaai (and/or its nominees) an additional 20,000,000 quoted options (exercisable at \$0.025 on or before 28 July 2023).
- (iii) is named as a contact for CRO investor enquiries in the CRO Quarterly Activities Report dated (and released on ASX on) 28 January 2021, as well as on the CRO website on the 'About Us' page: <https://www.cirralto.com.au/what-we-do>.

F. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

G. The definition of 'aware' in Chapter 19 of the Listing Rules, which states that:

'an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity' and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information.'

H. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

'3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- *It would be a breach of a law to disclose the information;*

- The information concerns an incomplete proposal or negotiation;
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
- The information is generated for the internal management purposes of the entity; or
- The information is a trade secret; and

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.'

- I. ASX's policy position on the concept of 'confidentiality', which is detailed in section 5.8 of Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

'Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.'

Questions and Request for information

Having regard to the above, ASX asks CRO to respond separately to each of the following questions and requests for information:

1. Does CRO consider its consideration, planning and execution of the capital raising detailed in paragraph D above (the 'Information'), or any part thereof, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is 'no', please advise the basis for that view.
3. When did CRO first become aware of the Information? In answering this question, please address each component of the Information separately.
4. When did CRO first initiate discussions regarding the capital raising?
5. If the answer to question 1 is 'yes' and CRO first became aware of the Information (or any part thereof) prior to 18 February 2021, please explain why the Information was not disclosed to the market at an earlier time, commenting specifically on when you believe CRO was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps CRO took to ensure that the Information was released promptly and without delay.
6. Who was responsible for managing the discussions regarding the capital raising on behalf of CRO?
7. Please provide a copy of the Mandate Agreement with Kaai Capital in relation to the placement (not for release to the market).
8. Please provide a copy of any other agreements with Kaai Capital, including but not limited to, any agreement for Kaai Capital to provide investor relations services on behalf of CRO (not for release to the market).
9. Please provide a copy of all correspondence between CRO and Kaai Capital in relation to the capital raising detailed in paragraph D (not for release to the market).
10. Please confirm that CRO is complying with the Listing Rules and, in particular, Listing Rule 3.1.

11. Please confirm that CRO's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of CRO with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEDT Monday, 1 March 2021**. If we do not have your response by then, ASX will likely suspend trading in CRO's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, CRO's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsComplianceMelbourne@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to CRO's obligations under Listing Rules 3.1 and 3.1A and also to Guidance *Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that CRO's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, or if the answer to question 1 is "yes" and an announcement cannot be made immediately, you should discuss with us whether it is appropriate to request a trading halt in CRO's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in CRO's securities under Listing Rule 17.3.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Dean Litis

Principal Adviser, Listings Compliance (Melbourne)