

23 March 2021

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

Dear Dean

### **RESPONSE TO ASX APPENDIX 3Y QUERIES**

Cirralto Limited ('**Company** or **CRO**') refers to your letter dated 17 March 2021 and responds to the queries raised as follows:

**1. Did Mr Floate comply with section 5 (and in particular sections 5.5 and 5.6) of the Trading Policy and obtain the prior written approval of the Chairman to carry out the Floate Transactions? If not, why not?**

On 18 January 2021, Mr Floate obtained prior written approval of the Chairman for the disposal of shares on-market for the purposes of providing Mr Floate with funds to exercise options that he held and to provide additional funding to the Company.

As set out in the Floate 3Y, 5,650,837 shares were issued to Mr Floate on exercise of options using the funds from the prior disposal of shares. Mr Floate intended to exercise more options, however, after disposing of the shares Mr Floate was informed that some of the options he wished to exercise were not capable of being exercised as they remained subject to vesting conditions. Accordingly, after discussions with the Chairman and Secretary, Mr Floate obtained verbal approval from the Chairman and Secretary to purchase an additional 620,000 shares and 1,500,000 options to correct this and ensure that his shareholdings would not decrease as a result of his trading activity. As announced to ASX on 25 January 2021, following the Floate Transactions, Mr Floate's shareholdings increased from 59,470,291 to 59,928,599 and CRO received \$141,270 from the exercise of options.

CRO notes that section 5 of the Trading Policy was not complied with as the closed period provided for prior to the AGM in the Trading Policy was inadvertently overlooked. The time period of the Floate Transactions in January has not previously been a restricted period under the Trading Policy prior to 2021.

**2. Did the Chairman grant prior approval (written or otherwise) to Mr Floate to carry out the Floate Transactions that took place during a closed period? If so, on what basis did the Chairman do so? If not, why not?**

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As set out above, Mr Floate obtained prior approval to carry out the Floate Transactions and such approval was granted on the basis set out above. However, due to an administrative oversight, Mr Floate was advised that he was able to proceed with the Floate Transactions despite CRO being in a closed period.

**3. Please explain why the Floate 3Y disclosed that the Floate Transactions did not occur during a closed period.**

This was an unintentional error as the Secretary was not aware that the Floate Transaction occurred during a closed period.

**4. On what date and for what time period did the CRO Board provide written clearance to Mr Richards to carry out the Richards Transaction?**

The CRO Board granted Mr Richards approval to carry out the Richard Transaction at a Board meeting held on 27 January 2021 (as set out in the minutes for that Board meeting). Mr Richards advised the Board of his intention to dispose of shares on market for the purpose of funding the exercise of options held by Mr Richards which were due to expire on 3 May 2021.

It was discussed by the Board that CRO's ability to issue shares to Mr. Richards on exercise of these options would be limited to periods where CRO issued a cleansing prospectus (as CRO is precluded from issuing a simple cleansing notice for the purpose of removing secondary trading restrictions). Therefore, any exercise window for these options in the future would be limited and would require CRO to incur costs associated with preparing and lodging a cleansing prospectus. For these reasons, the Board approved the Richards Transaction, the time period was not specifically noted in writing in the Board minutes, the Richards Transaction was approved based on the understanding that the next cleansing prospectus would be lodged in February (a closed period) and the Richards Transaction would occur on or around the date of cleansing prospectus lodgement (so that any shares issued on exercise of options would be cleansed).

**5. On what basis did the CRO Board grant approval to Mr Richards to carry out the Richards Transaction?**

The CRO Board granted approval for Mr Richards to carry out the Richards Transaction on the basis set out in the response provided to question 4 above. The Board considered that the Richards Transaction was an exceptional circumstance and that Mr Richards could carry out the Richards Transaction despite CRO being in a closed period during February 2021.

CRO notes ASX Guidance Note 27 which states "ASX considers it acceptable for a trading policy to include a "catch-all" discretionary power for a senior officer of the entity to determine that there are exceptional circumstances that warrant the granting of approval to a KMP to trade during a prohibited period". Section 5.5 of the Trading Policy

provides for such discretionary powers as approved and determined by the Chairman (or in the case of the Chairman, the Board). CRO also notes the exception set out in section 7 of the Trading Policy applied, which permits the acquisition of shares on conversion of securities giving a right of conversion to ordinary shares during a closed period.

**6. What disciplinary or remedial action is the Board of CRO proposing to take in relation to the apparent breaches of the Trading Policy?**

CRO will undertake additional training in relation to the Trading Policy.

The Board also intends to undertake a review of the Trading Policy and consider what additional steps and processes can be implemented to ensure that trading occurs in strict compliance with the Trading Policy. It is the intention of the CRO Board to incorporate a "request for clearance to trade" form as an annexure to the Trading Policy which must be approved by the Board, Managing Director or Chairman (as applicable) and will include:

- (a) details of the securities proposed to be traded;
- (b) the reason for the request;
- (c) confirmation that that the Trading Policy has been read and understood;
- (d) confirmation that the proposed trade does not breach the Trading Policy; and
- (e) the time period that the approval (if granted) applies.

**7. Please detail the arrangements that CRO has in place with its directors to ensure that it is able to meet its disclosure obligations under Listing Rule 3.19A.**

CRO has in place a procedure whereby any intended change in Directors' interest and transactions in CRO's securities by the Directors are notified to the Chairman and Company Secretary prior to the change occurring and again immediately following the change, to ensure that CRO is able to meet its disclosure obligations under listing rule 3.19A. Further, at Board meetings, Directors are reminded of their obligations regarding disclosure when dealing in CRO's securities and also must declare any change in interest at Board Meetings.

The inclusion of a "request for clearance to trade" form in the Trading Policy will also assist CRO with monitoring trading in CRO's securities by its Directors and to ensure that non permitted trades do not occur during closed period and required information is clearly detailed in writing.

**8. If the current arrangements in relation to the Trading Policy and/or CRO's disclosure obligations under Listing Rule 3.19A are inadequate or not being enforced, what additional steps does CRO intend to take to ensure compliance with the Trading Policy?**

Refer to the response provided to question 6 above. Additional steps CRO proposes to undertake to ensure compliance include circulating reminders to Directors and management by email of the start and finish dates of closed periods, and circulating a Board calendar which specifies all the closed periods.

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

CRO confirms that it is complying with the Listing Rules and, in particular, Listing Rule 3.1.

- 10. Please confirm that CRO's responses to the questions above have been authorised and approved under 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.**

Confirmed. The above responses have been authorised and approved by the Board of Directors.

Yours sincerely

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



17 March 2021

Reference: ODIN32559

Mr Justyn Stedwell  
Company Secretary  
Cirralto Limited  
Suite 103, Level 1  
2 Queen Street  
Melbourne VIC 3000

By email

Dear Mr Stedwell

**Cirralto Limited ('CRO'): Queries regarding trading during closed periods (Appendix 3Y x 2)**

ASX Limited ('ASX') refers to the following:

- A. The Change of Director's Interest Notice lodged on behalf of CRO's Managing Director, Mr Adrian Floate, and released on the ASX Market Announcements Platform ('MAP') on 25 January 2021 ('Floate 3Y') which disclosed:
- i) The acquisition of 5,650,837 CRO ordinary shares pursuant to the exercise of CRO listed options.
  - ii) The following transactions by Mr Floate:
    - the on-market acquisition of 620,000 CRO ordinary shares for \$0.065 per share;
    - the off-market acquisition of 1,500,000 CRO listed options (with an exercise price of \$0.025 expiring 28 July 2023) for \$0.045 per option;
    - the on-market disposal of 2,562,529 CRO ordinary shares for \$0.072 per share; and
    - the on-market disposal of 3,250,000 CRO ordinary shares for \$0.073 per share,in the period between 18 and 25 January 2021 (together, the 'Floate Transactions').
  - iii) That the Floate Transactions did not occur during a closed period (Part 3 of the Floate 3Y) and, in turn, did not require prior written clearance to allow them to proceed.
- B. The Change of Director's Interest Notice lodged on behalf of CRO's Chairman, Mr Peter Richards, and released on MAP on 1 March 2021 ('Richards 3Y') which disclosed, among other transactions:
- i) the on-market disposal of 3,000,000 CRO ordinary shares by Mr Richards in the period between 22 and 26 February 2021 at \$0.125 per share ('Richards Transaction');
  - ii) that the Richards Transaction occurred during a closed period (Part 3 of the Richards 3Y); and
  - iii) that prior written clearance was provided to allow the Richards Transaction to proceed during the closed period and that this written clearance was provided on 27 January 2020 (sic).
- C. CRO's securities trading policy available on CRO's website<sup>1</sup> (the 'Trading Policy') which states, among other things, the following (emphasis added):

<sup>1</sup> See: <https://static1.squarespace.com/static/5876b68d725e25a566fa7ad2/t/5af8de1903ce64f8a7906b27/1526259232037/Cirralto+Ltd+-+Securities+Trading+Policy+updated.pdf>

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5.2 Directors, officers and employees should never communicate any Inside Information to any other person, including family members and associates. In addition, directors, officers and employees are prohibited from trading in the Company's shares during:

5.2.1 each period of 30 days immediately prior to the intended date upon which the Company releases its annual financial statements to the ASX;

5.2.2 each period of 30 days immediately prior to the intended date upon which the Company releases its half year financial statements to the ASX;

5.2.3 each period of 30 days immediately prior to the intended date upon which the Company holds its annual general meeting; and

5.2.4 each period of 24 hours immediately after the date upon which the Company issues a price-sensitive ASX announcement.

5.3 No director, officer or employee may deal in Company shares at any time for short-term gain, including buying and selling Company shares in a 3 month period, without the written approval of the Chairman or, in the case of the Chairman, the Managing Director.

5.4 In order to ensure compliance with this Policy, all officers and employees must discuss any proposed dealing with (and obtain written approval from) the Company Secretary or a director prior to trading Company shares at any time.

5.5 An officer or employee who is not in possession of Inside Information may be given clearance by the Chairman (in the case of the Chairman all of the other members of the Board) to sell or otherwise dispose of Company securities during a prohibited trading period in the following circumstances:

a) where that officer or employee faces financial hardship, to be approved and determined by the Board;

b) where the person is required to sell their securities by court order, court enforceable undertaking or other requirement by law; or

c) where such other exceptional circumstances exist as approved and determined by the Chairman (or in the case of the Chairman, the Board).

To obtain clearance for trading in the above circumstances, the officer or employee in question must submit an application in writing to the Chairman (or in the case of the Chairman, an application in writing to the Board), setting out reasons for requesting the approval and including supporting documentation. Any exemption, if granted, will be in writing and is to contain a specified time period during which the trading of the securities can be made.

5.6 A director and the Company Secretary must discuss the proposed dealing with (and obtain written approval from) the Chairman prior to trading Company shares at any time.

5.7 The Chairman must discuss the proposed dealing with (and obtain written approval from) the Managing Director prior to trading Company shares at any time.

...

## 7. TRADING EXCLUDED FROM THE RESTRICTIONS OF THIS POLICY

Trading by the Company's officers and employees in the following circumstances is excluded from the restrictions in this Policy: ...'

- D. Guidance Note 22: Director Disclosure of Interests and Transactions in Securities – Obligation of Listed Entities which was published to assist listed entities with their obligations under Listing Rules 3.19A and

3.19B and to give an overview of ASX policy in relation to disclosure of directors' interests and transactions in securities, and Guidance Note 27: *Trading Policies* which was published to assist listed entities to comply with their obligations under Listing Rules 12.9-12.12 regarding trading policies.

- E. CRO's annual general meeting which was held on 28 January 2021.
- F. CRO's financial statements for the half year ended 31 December 2020 which were released on MAP on 26 February 2021.

ASX notes that:

- Contrary to the answer to Part 3 of the Floate 3Y, the Floate Transactions appear to have occurred during a 'closed period' under section 5.2.3 of the Trading Policy.
- The exceptions to dealing during a prohibited trading period referred to in section 7 of the Trading Policy do not appear to have applied to the Floate Transactions.
- The Richards 3Y disclosed that the Richards Transaction took place during a closed period in breach of section 5.2.2 of the Trading Policy.
- The exceptions to dealing during a prohibited period referred to in section 7 of the Trading Policy do not appear to have applied to the Richards Transaction.

#### Questions and Request for information

Having regard to the above, and pursuant to Listing Rule 18.7, ASX asks CRO to respond separately to each of the following questions.

1. Did Mr Floate comply with section 5 (and in particular sections 5.5 and 5.6) of the Trading Policy and obtain the prior written approval of the Chairman to carry out the Floate Transactions? If not, why not?
2. Did the Chairman grant prior approval (written or otherwise) to Mr Floate to carry out the Floate Transactions that took place during a closed period? If so, on what basis did the Chairman do so? If not, why not?

Please also provide a copy of the relevant trading application and approval documents (not for release to the market).

3. Please explain why the Floate 3Y disclosed that the Floate Transactions did not occur during a closed period.
4. On what date and for what time period did the CRO Board provide written clearance to Mr Richards to carry out the Richards Transaction?
5. On what basis did the CRO Board grant approval to Mr Richards to carry out the Richards Transaction?

Please also provide a copy of the relevant trading application and approval documents (not for release to the market).

6. What disciplinary or remedial action is the Board of CRO proposing to take in relation to the apparent breaches of the Trading Policy?
7. Please detail the arrangements that CRO has in place with its directors to ensure that it is able to meet its disclosure obligations under Listing Rule 3.19A.
8. If the current arrangements in relation to the Trading Policy and/or CRO's disclosure obligations under Listing Rule 3.19A are inadequate or not being enforced, what additional steps does CRO intend to take to ensure compliance with the Trading Policy?
9. Please confirm that CRO is complying with the Listing Rules and, in particular, Listing Rule 3.1.

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10. Please confirm that CRO's responses to the questions above have been authorised and approved under 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 **9.00am AEDT on Tuesday, 23 March 2021**. 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 and may require CRO to request a trading halt immediately.

Your response should be sent to me by e-mail. 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.

#### **Trading halt**

If you are unable to respond to this letter by the time specified above, 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 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.

#### **Listing Rules 3.1 and 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.

#### **Release of correspondence between ASX and entity**

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.



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**Questions**

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

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**Dean Litis**

Principal Adviser, Listings Compliance (Melbourne)

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