

Cheng Tang
Senior Adviser, Listings Compliance
ASX Compliance Pty Limited
20 Bridge Street Sydney NSW 2000

By email: cheng.tang@asx.com.au

Dear Ms Tang

Manalto Limited ("MTL"): ASX query

We refer to your letter of 19 September 2017 and respond to each of your questions and requests for information as follows:

1. Please provide details of:

- a. **the reasons for Messrs McKerlie, Gardner and Quinert resigning as directors of the Company; and**

The newly appointed directors of the MTL board (**New Board**) are unable to speak for the outgoing directors' (**Outgoing Directors**) reasons for resigning.

However, the New Board understands that there was significant shareholder concern generally about:

- the financial management of MTL by the Outgoing Directors;
- the performance of the Outgoing Directors and the strategic direction of MTL;
- the lack of penetration and approach to the sales programme for the Manalto core product and approach to exploiting the opportunities regarding that core product.

More specifically, the New Board also understands that in relation to the Bambu transaction shareholders were also concerned:

- about the dilutionary effect of the securities to be issued as scrip consideration and the related party aspects of the transaction;
- as to whether the benefits to MTL of the transaction justified the scrip to be issued; and

- that complementary add-ons for MTL's product similar to those offered by Bambu could be developed in house or acquired in the future with a far greater positive impact than Bambu and at a much lower cost.

In light of the concerns referred to above, the New Board understand that the existing shareholders had lost confidence in the Outgoing Directors being able to increase shareholder value and that the Outgoing Directors were unable to secure any ongoing financial support from existing shareholders or new sources of funding.

As a result, the New Board understands that the Outgoing Directors decided to resign rather than to face the prospect of a shareholder requested meeting to consider a shareholder resolution that they be removed as directors.

b. who appointed the New Directors as directors?

The Outgoing Directors appointed the New Board at a MTL board meeting held on 15 September 2017 and immediately notified to the ASX.

In accordance with the constitution of MTL, the incoming directors will stand for re-election at the forthcoming AGM.

2. What reference checks did the Company undertake prior to appointing the New Directors?

The appointments were made at short-notice and represented the appointment of an entire new board and, although the New Board cannot speak for the Outgoing Directors, presumably the Outgoing Directors undertook such enquiries as they thought necessary to check on the suitability of the incoming directors prior to appointing them.

The incoming directors have public profiles.

Dr James Ellingford is a director of a number of ASX listed companies. Dr Ellingford is a former university lecturer and former president of a NASDAQ listed billion dollar enterprise.

Mr Clee is a director of a number of ASX listed companies and also a solicitor.

Mr Clee personally met with the chairman prior to his appointment.

The New Board, appointed by way of casual vacancies, will need to stand for election at the forthcoming AGM.

In the meantime, the Company Secretary is obtaining police checks in respect of the new directors and any anomalies will be reported to shareholders in the information sent to them regarding the proposed election of the new directors. In addition, full details relating to the experience and backgrounds of the incoming directors will be provided to shareholders in the notice of meeting.

3. Please explain the reasons why the New Board terminated the acquisition of Bambu.

The New Board shared the concerns of the shareholders in relation to the Bambu acquisition that were communicated to them and are referred to above.

4. Please explain what steps the New Board proposes to take to conduct the Comprehensive Review and the timeline for its completion.

Details of the steps undertaken to date and those proposed are set out in the attached proposed market announcement.

5. Please provide Appendices 3X for each of the New Directors.

These have been released to the announcements platform.

6. How much of the Capital Raising has MTL expended and on what?

MTL raised a total of \$1,996,865 under the Capital Raising. Together with revenue of \$26,698 and a GST refund of \$26,107, this gives total cash inflows as at 26 September 2017 of \$2,049,670.

MTL currently has \$9,500 cash at bank and the financial accounts that the New Board has been provided with from Management indicate the remainder of the \$2,049,670 was expended as follows:

IT development costs (South African team payroll and expenses)	\$718,116
Payroll & Operating Costs (excluding the South African team payroll and expenses)	\$543,841
Director fees	\$164,272
CEO salary	\$64,583
Capital raising fees	\$96,689
Consultancy fees	\$213,271
Legal fees	\$48,687
CoSec fees	\$42,092

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Liquidator fees	\$29,182
Listed company fees	\$88,105
Due Dilligence - Bambu	\$19,250
Insurance	\$12,084
Total cash outflows	\$2,037,155

Given the New Board was only appointed on 15 September 2017, in providing the above information, the New Board is relying solely on the financial accounts provided by Management. The New Board has not independently verified the above items of expenditure.

7. Is there any relationship or connection between the New Directors and EverBlu?

Mr Tim Wilson is an employee of EverBlu. He sits on the Manalto board as a nominee of several major investors.

The relationship between Dr Ellingford and Mr Clee and EverBlu is purely professional.

Dr Ellingford and Mr Clee have been on the boards of a number of ASX listed companies that have engaged EverBlu to provide professional services.

Neither Dr Ellingford nor Mr Clee:

- are employees of EverBlu;
- are remunerated by EverBlu;
- have any agreement, arrangement or understanding with EverBlu under which they may receive any benefit from EverBlu.

8. Is there any relationship or connection between the New Directors and Stock Assist?

Stock Assist is a major investor in MTL.

There is no relationship between the New Directors and Stock Assist.

None of Mr Wilson, Dr Ellingford and Mr Clee:

- are employees of Stock Assist;
- are remunerated by Stock Assist;
- have any agreement, arrangement or understanding with Stock Assist under which they may receive any benefit from Stock Assist.

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9. Please confirm that MTL is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

The Company confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Yours sincerely

Terence Clee

Director

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19 September 2017

The Directors/Terence Clee
Manalto Limited
Suite 1, Level 5, 50 Queen St
MELBOURNE VIC 3000

By email: terence@terenceclee.com

Dear Mr Clee

Manalto Limited (“MTL”): disclosure query

ASX Limited (“ASX”) refers to the following:

- A. MTL’s announcement entitled “Company Update” lodged on the ASX Market Announcements Platform (“MAP”) and released at 5:54pm on 15 September 2017, disclosing the following.
- “the retirement of Jim McKerlie, Paul Gardner and Michael Quinert as directors and the appointment of Dr James Ellingford, Mr Terence Clee and Mr Tim Wilson as new directors.”*
- “the shareholders of Bambu and the Company have reached mutual agreement not to proceed with the Company’s acquisition of Bambu.”*
- “In the coming weeks, the incoming directors will be conducting a comprehensive review of the Company’s business and future prospects.”* (the “Comprehensive Review”)
- B. The Company’s Corporate Governance Statement (as set out on pages 21-25 of its 2016 Annual Report) which states: “The Company undertakes comprehensive reference checks prior to appointing a director ...”
- C. MTL’s announcement entitled “Turnaround Strategy Report” lodged onto MAP and released at 9:33am on 4 September 2017, being only 11 days prior to the announcement of 15 September 2017, indicating that MTL intended to pursue the acquisition of Bambu.
- D. MTL’s announcement entitled “Appendix 4C – Quarterly Report” lodged onto MAP and released at 12:21pm on 23 August 2017 disclosing that over the three months to 30 June 2017, MTL completed a capital raising (“Capital Raising”) comprising a total of \$2.5 million offered through EverBlu Capital Pty Ltd (“EverBlu”).
- E. The substantial shareholding notice lodged by Stock Assist Group Pty Ltd (“Stock Assist”) in relation to MTL on 5 September 2017.

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

1. Please explain the circumstances leading up to the resignations from the board of Messrs McKerlie, Gardner and Quinert and the appointments to the board of Dr Ellingford and Messrs Clee and Wilson (the “New Directors”/the “New Board”). In particular, please explain:

- a. the reasons for Messrs McKerlie, Gardner and Quinert resigning as directors of the Company; and
- b. who appointed the New Directors as directors?
2. What reference checks did the Company undertake prior to appointing the New Directors?
 3. Please explain the reasons why the New Board terminated the acquisition of Bambu.
 4. Please explain what steps the New Board proposes to take to conduct the Comprehensive Review and the timeline for its completion.
 5. Please provide Appendices 3X for each of the New Directors.
 6. How much of the Capital Raising has MTL expended and on what?
 7. Is there any relationship or connection between the New Directors and EverBlu?
 8. Is there any relationship or connection between the New Directors and Stock Assist?
 9. Please confirm that MTL is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

ASX reserves the right to release a copy of this letter and your response on its market announcements platform. Accordingly, your response should be in a form suitable for release to the market.

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

Yours sincerely

[Sent electronically without signature]

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