



Market Announcement

18 October 2019

Manalto Limited (ASX: MTL) – Update on suspension from Official Quotation

Description

Attached for the information of the market is ASX's query letter to MTL dated 14 October 2019 and MTL's response dated 17 October 2019.

MTL's securities will remain suspended until further notice under Listing Rule 17.3 as ASX has determined that MTL's operations and financial condition are not adequate to warrant the continued quotation of its securities and therefore it is in breach of Listing Rules 12.1 and 12.2.

The suspension will continue until MTL is able to demonstrate compliance with Listing Rules 12.1 and 12.2.

Issued by

Dean Litis

Principal Adviser, Listings Compliance (Melbourne)

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17 October 2019

Mr Dean Litis
Principal Adviser, Listings Compliance (Melbourne)
ASX Limited
525 Collins Street
Melbourne VIC 3000

By email

Dear Mr Litis

MANALTO LIMITED ('MTL' and, the 'Company') – RESPONSE TO ASX QUERIES

In response to your letter dated 14 October 2019, MTL provides the following response in the order of your queries:

1. MTL confirms that in the Directors' opinion the full year accounts comply with the relevant accounting standards and give a true and fair view of MTL's financial performance and position.
2. The existing MTL Directors have undertaken reasonable steps to satisfy themselves in respect to the liquidations status of the MTL overseas subsidiaries by doing the following:
 - undertaking discussions with previous Board members;
 - undertaking discussions with previous advisers engaged by MTL in relation to the liquidations;
 - examining relevant MTL records;

MTL is not aware of any outstanding creditors of the foreign subsidiaries and is not aware of any circumstances that would trigger a requirement to repay the foreign subsidiary creditor balances.

3. While the Directors have satisfied themselves that there are no longer any material liabilities, contingent liabilities or fees remaining in these countries that have not been recorded (as outlined in the response to question 2), the auditors have requested audit evidence that MTL is currently unable to provide, and does not expect to be able to provide until the completion of the liquidations have progressed further.
4. MTL is not able to provide an expected completion date. MTL confirms that it continues to engage with relevant advisers in respect to progressing the liquidations and will update the market once it is able to do so.
5. Please refer to the responses to questions number 3 and 4.

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6. Please refer to the responses to questions number 3 and 4. Once the liquidations are formally completed, no further qualification in respect of this matter is expected to be issued by the auditor.
7. The principal activities of MTL during the financial year were development and commercialisation of its social media management software and recapitalisation of the Company. The Company has been focusing on securing new customers, servicing existing customers, troubleshooting, modifying user interfaces based on feedback and finding efficiencies in the existing platform. The nature of the Company's business is capital intensive, including staffing costs and the need to market its product in order to secure customers. The Company has worked on maintaining receipts from customers while consolidating its activities in order to conserve capital. The Company continues to maintain operating costs to facilitate platform functionality while reducing its administration and corporate costs. Over the last period, the Company has spent a significant amount on resources focusing on the liquidations of its subsidiaries as well as cleaning up its balance sheet. It has been able to do this concurrently while running the core MTL business including its staff and paying customers. There has been significant interest for MTL's core services and the ability for MTL to expand its core business in its current jurisdiction and new ones. As a result of the recent capital raisings, MTL is now able to address these new opportunities and expand its current business. It plans to do this while raising fresh capital over the next quarter and hiring additional staff.

As previously disclosed, the Company continues to work on securing funding and is reviewing business development opportunities in social media technology industry. In 2019, the Company undertook the following activities consistent with its business objectives:

- maintaining and rolling out technology updates to the core platform and addressing customer queries;
- evaluating the existing platform to find efficiencies and to test the social media interface;
- restructuring the Board including reducing director fees;
- business restructuring including the scaling back of overheads by consolidating international activities to a corporate team in Australia and operations team in South Africa;
- undertaking a strategic review of the business and core product including reviewing business development opportunities;
- hiring of additional staff and management to support the core business; and
- undertake further capital raisings to support the growth of the business.

The above initiatives needed to occur before the Company could be in a position to seek material funding support from external investors for the expansion of the Company's business on a go forward basis. The recent capital raising should enable the Company to continue to operate and rapidly take steps to grow the business.

8. Yes, MTL considers that the financial condition of MTL is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2. MTL also notes the following:
 - 8.1 Included in the net deficiency are:
 - \$342,149 of trade creditors that the Board considers not contractual and not payable (refer response to question 8.2); and

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- \$782,862 of liabilities the Board expect to be extinguished via the liquidation of its overseas subsidiaries (as described above).

As described in Note 27 of the annual report, subsequent to year end the Company has:

- received firm commitments to raise \$163,907 to be completed as a placement of 546,358,294 shares at a price of \$0.0003; and
- entered into a loan agreement totalling \$400,000 (interest of 4% per annum) repayable on 3 October 2020.

The Company continues to work with its corporate advisor to secure further funding in the short term. Furthermore, several creditors have provided to the Company the right to defer settlement until the completion of an additional capital raising by the Company.

- 8.2 The amount of \$342,149 included in the trade creditors balance that is considered not contractual and not payable by MTL was assessed by previous directors of the Company who were issued relevant invoices. The current Board have reviewed the previous directors' assessment and concur with their conclusion. One of the creditors included in this balance is currently subject to litigation as described in Note 26 of the annual report.

9. n/a

10. Yes

11. n/a

12. Based on the current size of MTL and its operational structure, the Board also effectively represents management. MTL maintains controls to facilitate the preparation of a reliable financial report and the Board had consideration to these controls when making enquiries in the ordinary course of business in respect to MTL's financial records. This includes the Board obtaining a CEO and CFO declaration as noted in the answer to question 10. In addition to the existing processes in place, the Board and the CFO, amongst other things, sought all relevant financial records and related data, other information, and necessary explanations to reasonably confirm that these were properly maintained in accordance with the appropriate accounting standards and that the financial records give a true and fair view of the financial position and performance of MTL.

13. Yes, see response to question 12.

14. \$0.001 per share.

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

16. MTL confirms that this response has been authorised and approved under its published continuous disclosure policy.

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For, and on behalf of, the Board of MTL.

Sebastian Andre
Company Secretary
Manalto Limited

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14 October 2019

Reference: ODIN08843

Mr Sebastian Andre
Company Secretary
Manalto Limited

By email

Dear Mr Andre

Manalto Limited ('MTL'): Queries regarding Accounts

ASX refers to:

- A. MTL's annual report containing the Full Year Accounts year accounts for the financial year ended 30 June 2019 lodged with ASX Market Announcements Platform ('MAP') and released on 11 October 2019 ('Full Year Accounts').
- B. ASX notes that the Independent Auditor's Report attached to the Full Year Accounts ('Auditor's Report') contains a qualified opinion together with the Basis for qualified opinion (together, the 'Qualified Opinion'):

Report on the audit of the financial report

Qualified opinion

We have audited the financial report of Manalto Limited (the Company), and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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Basis for qualified opinion

We draw your attention to Note 24 Controlled Entities. The Group is currently in the process of liquidating all its overseas subsidiaries. At the date of the audit report, none of the overseas subsidiaries have been placed into liquidation or deregistered. The Directors are of the opinion that the liquidations of these overseas subsidiary companies have now progressed to the stage that there are no longer any material liabilities, contingent liabilities or fees remaining in these countries that have not been recorded, and the remaining process to liquidate the subsidiaries are administrative procedures. At the time of the audit we were not provided with sufficient appropriate audit evidence to support the Director's assessment on the carrying amounts recorded.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

C. Note 1(b) of the Full Year Accounts:

(b) Going Concern

The Group has reported a loss for the year of \$2,081,842 (2018: \$1,614,263) and net cash outflows from operating activities of \$1,650,880 (2018: \$1,919,720) for the year ended 30 June 2019 and has net asset deficiency of \$1,873,763 as at 30 June 2019.

As disclosed in Note 27, subsequent to year end the Company has received firm commitments to raise \$163,907 to be completed as a placement of 546,358,294 shares at a price of \$0.003. Furthermore, the Company has entered into a loan agreement totalling \$400,000 (interest at 4% per annum) with a repayment date of 3 October 2020 repayable in cash. The funds raised will be used to manage working capital and to repay the loan to Jamber Investments Pty Ltd described in Note 10.

As noted in Note 10, the Company has a loan agreement with Anglo Menda (an entity related to Everblu Capital Pty Ltd, the Company's corporate advisor) of \$100,000 that is due and payable on 23 October 2019. The Company has received a letter of support from Everblu Capital Pty Ltd ("Everblu") that it will provide continued financial support for a period of 12 months from the date of this report or the completion of a capital raising.

The Company is currently working with Everblu to secure further funding in the short term. As part of these endeavours, Everblu has confirmed to the Company that it irrevocably undertakes to raise \$0.5 million for Manalto Limited within 30 days. Furthermore, the Company is exploring further funding options within the next 6 months from the date of this report.

The Company makes reference to the liquidation of its subsidiaries in other jurisdictions: Manalto, Inc (United States), Soshlr South Africa (Pty) Ltd (South Africa), Soshlr Limited (Ireland) and Soshlr B.V (Netherlands). The Company confirms that the creditor balances of \$782,862 that are within these entities are not required to be paid upon liquidation (refer Note 24).

Included in the trade creditors balance as at 30 June 2019 is \$342,149 of which the directors believe were not contractual and not payable by the Company. The directors are confident that negotiations on these balances will be finalised and the invoices settled accordingly. The board estimates settlement amount to be zero, but have reported a contingent liability of \$15,000 (refer Note 26). Further, several other creditors of the Company have provided to the Company the right to defer settlement until the above-mentioned capital raising is complete.

On the basis of this developments above, the Directors believe that it is reasonably foreseeable that the Company and consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in preparation of the financial report.

Should the Group be unable to obtain the funding as described above, there is material uncertainty whether the Group will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from these stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

- D. MTL's Corporate Governance Statement for 2019 released on the ASX Market Announcements Platform on 11 October 2019 which provides confirmation that MTL complies with recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations which states:

"The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively."

- E. MTL's announcement released on MAP on 8 October 2019 entitled 'Loan Agreement' which states, among other things, 'Interest: 4% of the loan amount, convertible into MTL shares subject to shareholder approval if required' ('Loan Agreement').

- F. Listing Rule 12.1 which states:

12.1 The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued +quotation of the entity's +securities and its continued listing.

- G. Listing Rule 12.2 which states:

12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued +quotation of its +securities and its continued listing.

- H. Listing Rule 19.11A(b) which states:

19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply...

(b) The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.

Request for Information

In light of the information contained in the Full Year Accounts and the Auditor's Report, and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Despite the Qualified Opinion, is MTL able to confirm that in the Directors' opinion the Full Year Accounts:
 - 1.1 comply with the relevant Accounting Standards; and
 - 1.2 give a true and fair view of MTL's financial performance and position?
2. Please explain the basis for and the factors considered by the Directors to satisfy themselves that the liquidations of all of the MTL overseas subsidiaries have now progressed to the stage that there are no longer any material liabilities, contingent liabilities of fees remaining in the respective countries that have not been recorded (including, the basis for the Directors' belief that the creditor balances of \$782,862 that are within these entities are not required to be paid upon liquidation), and the remaining process to liquidate the subsidiaries are administrative procedures.
3. Why was MTL unable to provide the Auditor with sufficient appropriate audit evidence to support the Directors' assessment on the carrying amounts recorded in respect of the overseas subsidiaries, at the time of the audit?
4. When does MTL expect that the liquidations of its overseas subsidiaries will be formally completed?
5. What steps has MTL taken since the release of the Full Year Accounts to obtain an unqualified opinion with regards to its future financial statements?

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6. What steps does MTL intend to take to obtain an unqualified audit opinion with regards to its future financial statements?
7. Does MTL consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion. In answering this question, please comment on the nature of the MTL's current business activities.
8. Does MTL consider that the financial condition of MTL is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion, commenting specifically on:
 - 8.1 MTL's net asset deficiency of \$1,873,763 as at 30 June 2019;
 - 8.2 the basis for the Directors' belief that \$342,149 included in the trade creditors balance as at 30 June 2019 were not contractual and not payable by MTL?
9. If the answer to questions 7 or 8 is "No", please explain what steps MTL has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.
10. In relation to the Full Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of MTL's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of MTL have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of MTL and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
11. If the answer to Question 10 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of MTL's Corporate Governance Disclosure?
12. What enquiries did the Board make of management to satisfy itself that the financial records of MTL have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of MTL?
13. Commenting specifically on the Qualified Opinion, does the board consider that MTL has a sound system of risk management and internal control which is operating effectively?
14. In relation to the 'Loan Agreement' and the 'interest shares' that are payable in the amount totalling \$16,000, what is the proposed issue price of those shares?
15. Please confirm that MTL is complying with the Listing Rules and, in particular, Listing Rule 3.1.
18. Please confirm that MTL'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 MTL with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and MTL's response to the market. Accordingly, MTL's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by no later than **9:30am AEST Thursday, 17 October 2019**.

Any response should be sent to me by return email at ListingsComplianceMelbourne@asx.com.au. It should not be sent to the ASX Market Announcements Office.

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Enquiries

If you have any queries regarding any of the above, please contact me.

Yours sincerely

Dean Litis

Principal Adviser, Listings Compliance (Melbourne)