

ASX RELEASE

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BUSINESS UPDATE

Key Highlights

- Independent security audit highlights robust system protection across the core Spenda system and the Spenda App and Web applications.
- Security recommendations will continue to be implemented.
- Infrastructure audit delivers 58% reduction in infrastructure costs.
- Improvements in infrastructure utilisation enable further scaling of the system and reduction in secure transaction processing costs of 50%.
- Balance Sheet restructure is now complete resulting in a reduction in debt by ~\$1.4 million.
- Growth strategy now being implemented with the initial advertisement of four resources.
- SpendaCollect feature updates announced.

The Board of Cirralto Limited (ASX: CRO) ("CRO" or the "Company") Cirralto Ltd. (ASX:CRO), is pleased to provide the market with the following business update.

Independent Security and Infrastructure Audit complete

An independent security audit of merger partner Appstablishment's ("APP") core Spenda system, the Spenda App and Web applications, including software code, data storage protection and API access, was conducted by Asterisk Information Security Pty Ltd (a CyberCX company), who are a leading specialist information security consultancy.

The security report findings highlighted only low-level threats across all the applications, as expected which is a positive indicator of the cybersecurity health of the Spenda software.

Commissioned on the Company's merger and software development partner, the report stated that Appstablishment should be commended for their approach to secure software production.

Separately, Cirralto commissioned Macquarie Telecom to conduct an audit of the Company's cloud-hosted environment. After human resources, cloud-hosted infrastructure is the Company's highest cost.

The infrastructure audit was commissioned to provide confidence that the Company is managing current transaction load well and has the required insights to cost-effectively manage future transaction demands. This enables the Company to improve the quality of service to end customers at an increased scale.

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Growth and Scaling

Using the insights from these reports, coupled with our own R&D activities, the team is implementing scaling improvements that enable:

- Reduction in the amount of data volume which needs integrating to an online finance system by 80%. This will enable more transactions to be processed, quicker.
- A 58% reduction in Azure cloud-hosted infrastructure costs.
- Improvements in infrastructure utilisation, enabling further scaling of the system and reduction in quarterly secure transaction processing costs of 50%.

Chief Technology Officer, Olly Speed said, *"I'm very proud of the team's work in ensuring great cybersecurity audit results. All team members are accountable for ongoing cybersecurity risk awareness within the software domain, and this clearly shows in the independent security testing of our suite of existing and new Spenda products."*

"We also welcome the insights from the infrastructure audit, which will help us to cost-effectively support the high growth in transactions which we are starting to experience."

"It is imperative that we can guarantee to our customers that the core Spenda system can scale cost-effectively and securely, and these recent audits will assist us in ensuring current and future versions of our software can fully support the required levels of service quality for our customers."

These security and infrastructure audit results are particularly relevant given the Company is focused on expanding relationships with global payments acquiring networks which require the highest levels of cybersecurity and cost-effective transaction growth.

Commitments Moving Forward

Further external and internal audits and assessments will be conducted on technology, infrastructure and system performance as we approach scaled milestones, with recommended changes delivered in conjunction with major releases scheduled for the coming quarters.

Managing Director Adrian Floate said, *"Our focus as a business is to make sure our customers continue to associate our brand with performance, reliability and security. The discipline of seeking areas of improvement proactively is a core behaviour of our Company."*

Balance Sheet Restructure and Growth Strategy

Following the recent capital raise the Company has completed a restructure of its balance sheet, removing \$1.4 million in debt. This includes the redemption of all remaining Obsidian Convertible Notes. This significant cleanup of the balance sheet leaves the Company with no debt and capital to meet its immediate growth objectives.

As we move closer to the merger and complete the migration to a virtual business the Company has kicked off recruitment of new east coast implementation and sale resources. In line with the savings delivered from debt reduction and our move to virtual operations, these new hires are expected to join the team early in the 4th quarter of this year.

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Managing Director Adrian Floate said, “utilising capital to grow revenue and customer delivery capacity will deliver far better returns than interest payments, rent and the on costs of a traditional office. We have a great foundation and now we need to build capacity across the new Cirralto business in Sales, Marketing, Implementation, Support and core Development as we move into 2021.”

He went on to say, “our infrastructure audits have highlighted areas of great opportunity to tune our platform and we are now focused on modelling our network for ever increasing transaction volumes. We want to keep getting faster and planning for upper limits in our core systems that will enable us to do justice to the market opportunity created with the Spenda suite of payment products.

SpendaCollect and Invigo

Almost 12 months ago, the Company announced its relationship with Invigo, the Sydney based Fintech firm. This collaboration has been developing B2B pay later technologies that are focused on streamlining the application for and utilisation of debt facilities.

The Company has been innovating in the “pay later” space to reduce the margin impact placed on sellers when utilising the services. We believe this reduces barriers to adoption and will enable more businesses to access much needed liquidity and working capital that is locked up in their debtors.

These improvements will be released incrementally in line with the SpendaCollect V2 launch planned for early in Q4 2020.

SpendaCollect Release Plans

Over the past quarter, the team has been focused on expanding the capabilities of the Spenda Payments platform. In Q4, we will release additional features to SpendaCollect that will expand our addressable market.

The features include:

1. Seller defined merchant surcharging, this will enable our customers to pass on the merchant fee costs to their customers;
2. Bank account payments and tokenised recurring direct debits, enable more payment choice to our customers;
3. Integrated Invigo services, enabling B2B pay later finance access as a similar user experience to a card or account payment services.

These features will complete the SpendaCollect platform as a powerful credit and cashflow management tool for suppliers allowing them to:

- View the accounts receivable ledger and target debt collection for all customers with overdue invoices in one simple UI;
- Send out payment reminders to one or all of their customers;
- Enable customers to make payment of statements and / or one or many invoices;

- Integrate payments receipts and assist automation of reconciliation in the integrated financial management system;
- Select one customer to view complete invoice details and trade terms.
- Invite their customers to join a personal Spenda business portal and grant permission to view their accounting data.

As with all products and new features to the Spenda payment suite reconciliation is 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.

CEO Adrian Floate said:

"I couldn't be more proud of the team and the progress we have made as a group. It is very rewarding to see things clicking and that turning into value for our customers, shareholders and our expanding team."

Authorised by the Board of Directors.

- ENDS -



About Cirralto

Cirralto Limited (ASX: CRO) is an ASX listed company that specialises in Business Payments products and solutions. Cirralto delivers collaborative digital commerce solutions to enable the effective and seamless transfer of data from multiple, disparate software systems in one standardised technology solution. 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 acknowledgements 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 and @Spenda, active on Twitter, LinkedIn, Instagram and Facebook.

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

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