manalto
SOCIAL MEDIA MANAGEMENT TOOL

APPENDIX 4D

MANALTO LIMITED
ABN 88 098 640 352
HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2016
Based on accounts that have been reviewed

Results for announcement to the market

1. Key Information

				US $
Revenue from ordinary activities	UP	1%	to	50,488
Profit/(Loss) from ordinary activities after tax attributable to members	UP	70%	to	(2,053,347)

Revenue from ordinary activities is derived from enterprise services and has increased 1% from $50,119 in the corresponding period last year to $50,488 in the current period. The loss from ordinary activities has increase 96% from $1,207,822 in the corresponding period last year to $2,053,347 as of 31 December 2016. Further commentary on the Group's operating performance and results from operations are set out in the attached half year report.

2. NTA Backing

	Current period US$	**Previous corresponding period** US$
Net tangible asset (liability) backing per security	(0.001)	0.015

3. Dividends

No dividends are proposed and no dividends were declared or paid during the current or prior year.

This report is based on the consolidated 2016 half year financial statements which have been reviewed by Grant Thornton.

Manalto Limited Half Year Report for 6 months ended 31 December 2016

MTL.ASX

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DIRECTORS' REPORT

The Directors' of Manalto Limited ("the Company") present their report together with the interim financial statements of the Manalto Group ("the Group"), being the Company and its controlled entities, for the six months ended 31 December 2016.

EXECUTIVE CHANGES

In January 2017, the Company advised of a number of enhancements to its executive management team. Following the strategic and operational review recently completed the Company implemented a new management structure to ensure the ongoing development of the business. Jim McKerlie (Chairman) and Paul Gardener (Non-Executive Director) agreed to take on expanded roles for the next six months.

Jim McKerlie became Executive Chairman, effective 19 January 2017. He has extensive experience in international software development businesses, digital marketing and capital management. He has spent more than 25 years transforming digital, media, technology, energy and professional services organisations, fulfilling several roles and board positions, across various companies and industries.

Additionally, Non-Executive Director, Paul Gardener, agreed to provide marketing, advertising and activation expertise to the Company for six months. Paul will work predominately with the Company's existing marketing team, on its pull and push sales strategy. Paul has vast experience in advertising, marketing, branding, activation and business management. He is a highly regarded entrepreneur, business advisor, strategist, marketing and communications consultant, with over 30 years' experience in executive roles at a number of Australia's leading agencies.

The Company has commenced the search process for the specialized capability required for the next stage of development and growth. However given further expertise is needed immediately Jim McKerlie and Paul Gardener have already commenced in these roles.

BOARD CHANGES

Three new Directors were appointed to the Manalto Board during the six months ended 31 December 2016; Jim McKerlie (Chairman), Paul Gardner (NED) and Gary Cox (NED).

On 28 October 2016, the Company announced it had appointed Jim McKerlie as Chair of the Manalto Board of Directors, replacing Joseph Miller, who stepped down from the Board of Directors.

On 14 November 2016, the Company announced the appointments of independent Non-Executive Directors, Paul Gardener and Gary Cox.

Gary Cox has over 35 years of global experience in the technology industry across the UK, USA, Asia, Japan and Australia/New Zealand in senior leadership roles with Microsoft, News Corp. subsidiary TrueLocal and EMC. Mr Cox holds both strategic consulting and board appointments for technology organisations based in Australia with global growth focus, leveraging both his broad business management and solid experience in cloud and managed services. My Cox has served as Vice President, Enterprise and Partner business for Microsoft Asia, and prior to assuming this role, Gary was the Executive Officer for the Enterprise & Partner business for Microsoft in Japan.

BUSINESS UPDATE

During the half-year ended 31 December 2016, the Company's activities centred on accelerating the growth and activation of its cloud distribution channel. The Company made available Sóshlr via a number of reseller partners across North America, Europe and Asia with the product now becoming available through these cloud stores.

The Company concurrently advanced the integration of Sóshlr with Microsoft Office 365 and also the integration IBM Watson™. into both of its solutions. These integrations will elevate the competitive offering and value proposition of both products. The integration with Microsoft in particular, has positioned Sóshlr with first mover advantage, an opportunity the Company is keen to leverage over the near future.

During the half year, the Company also commenced working with leading global cloud platform provider, Ingram

Micro. Ingram has a vast Value Added Reseller (VAR) Channel that, once launched will provide expanded opportunities for reselling Sóshlr to their existing business client base.

Following the changes to the Board in November 2016, an immediate program of work was undertaken to review the Company's strategy, structure and operations. The review confirmed the accomplishments by the Company in establishing the distribution channel including securing a number of early agreements with resellers for the distribution of Sóshlr. It was recognised that there was a significant amount of work required to execute to the strategic plan, however both the size of the opportunity and the quality of customers, platform partners, resellers and integration partners now seeking to enter agreements with the Company was pleasing and reinforced to the Board the compelling opportunity facing Manalto. Reasons underpinning this market opportunity include, but are not limited to:

- The relevance of social media to business continues to gain significant recognition
- SaaS as a software platform continues to grow
- Public cloud platform providers and cloud retailers are in place
- Sóshlr solution is currently the only cloud enabled (certified) social media management tool
- Manalto's core technology remains differentiated for its ability to scale to large volumes of social media assets
- Sóshlr solution is the first social media management tool integrated with Microsoft Office 365
- Manalto is the first social media management company of its kind to integrate IBM Watson™, into its core technology and both of its products.
- Larger enterprise level clients are continuing to adopt the Enterprise Solution

FINANCIAL RESULTS

The Group recorded a net loss after tax of $2,053,347 for the six months ended 31 December 2016 (2015: $1,207,822). The Group earned revenue of $50,488 (2015: $50,119) majorly related to sales generated from the Company's Enterprise Solution. The Group had operating cash outflows of $1,401,753 for the six months ended 31 December 2016 (2015: $1,469,847).

CAPITAL MANAGEMENT

During the period, the Company's corporate adviser Henslow Pty Ltd commenced a capital raising programme with a view to raise $A1.84m. Following the Directors' Review the Board agreed to raise a further $A1m to provide the Company with adequate funds to meet its needs for at least the next six months.

During the half-year ended 31 December 2016, Henslow placed a total of 840,000 unsecured convertible loan notes (CLN) each with a face value of $A1.00 to raise a total of $A0.84 million ($US0.63 million) under the company's placement capacity. Following the end of the period, the Company has settled a further 220,000 unsecured CLN's to raise an additional $A0.22 million ($US0.15 million). The balance of the capital raising is being actively managed.

The CLNs issued to date are unsecured, have a coupon of 15% per annum, a term of 12 months and are convertible at the option of the holder in Manalto shares at 4c per share. The subscribers of each $A1 of CLN have been issued with options over 25 Manalto shares exercisable at 7c per share.

A Capital Management Strategy is being fully developed by the board. In the short term the intention is to raise the amount announced which will allow the Company to complete major integration projects that are currently underway, continue to roll out agreements with retail cloud stores, develop the necessary marketing and sales programs and scale the customer support team to meet expected demand as revenue comes on line.

HY2017 HIGHLIGHTS

- **Secured position as first social media management tool integrated into Microsoft Office 365.** The Company launched selected Sóshlr functionality inside Outlook marking Sóshlr the first social media solution available within Microsoft Office 365. This is a key achievement for the business and represents the first step in a broader integration strategy. The Company has been accepted into the Microsoft Partner Program extending to the Company a range of benefits to assist further development and commercial opportunities.

- **Commenced IBM Watson™ integration into its core software.**
  IBM Watson™ is a world leading artificial intelligence software that is changing the way organisations access and use data. The Company has reassessed its version 1 release with IBM and adjusted its

proposed launch date to accommodate additional features. The Company is working toward a May release.

- **Commenced working with Ingram Micro as the first step toward making available both Sóshlr and the Enterprise Solution via the Ingram Micro Cloud Marketplace to its more than 200k global network of resellers.**
  Ingram Micro is one of the world's leading global providers of cloud, mobility, supply chain services and technology solutions and this agreement is a major strategic win for Manalto and has the potential to deliver significant additional global reach and revenue by accessing a substantial addressable market. Initial release will be to North America based resellers, followed by a planned global rollout. Planned go-live date is April 2017 to coincide with Ingram Micro's global cloud summit.

- **Over the October to December 2016 period Sóshlr was made available through seven cloud stores** including Telstra, and Philippines based Globe Telecom. While each partner has commenced commercialisation activities, they are at varying stages of their go-to-market activity.

- **Renewed Enterprise Solution contract with The Dwyer Group®.**
  The Company completed the license renewal with leading U.S. franchise operator, The Dwyer Group® for the management of social media for seven brands within its group representing an addressable market of approximately 2,100 units. The Group is using the Enterprise Solution to manage the social media for seven of its brands, including: Aire Serv; Rainbow International; Mr. Rooters; Mr. Electric; Mr. Appliance; The Ground Guys; and Glass Doctors.

- **Signed two new Enterprise Solution Clients**
  The Company signed two new Enterprise agreements, an Australian based travel advisory company and a U.S. based home service group, which have a combined approximate 500 licenses to on board.

The accompanying Half Year Financial Statements have been signed in accordance with a resolution of the Board of Directors:

Jim McKerlie
Executive Chairman

Anthony Owen
Founder & Chief Executive Officer

Grant Thornton

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Auditor's Independence Declaration
To The Directors of Manalto Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Manalto Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M. P. Hingeley
Partner - Audit & Assurance

Melbourne, 28 February 2017

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half Year Ended 31 December 2016

	Note	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Revenue		50,463	50,090
Other income		25	29
Total revenue and other income		**50,488**	**50,119**
Payroll and employees expense		940,154	702,973
Share based payment expense	13 (a)	267,345	214,678
Travel and accommodation		235,767	239,993
Consulting and professional fees		268,594	203,627
General administration and compliance costs		159,682	172,727
IT and web costs		90,884	48,823
Advertising and marketing		58,064	85,450
Depreciation and amortisation		141,934	9,354
Other expenses		24,855	1,475
Finance expense		17,969	4,789
Loss before income tax		**(2,154,760)**	**(1,633,770)**
Income tax benefit	8	101,413	425,948
Net loss for the period		**(2,053,347)**	**(1,207,822)**
Other comprehensive income			
Foreign currency translation reserve movement		32,523	(40,243)
Total comprehensive (loss) for the period		**(2,020,824)**	**(1,248,065)**

Basic and diluted loss per share (cents per share) from continuing operations:			
Basic earnings per share	11	(0.012)	(0.012)
Diluted earnings per share	11	(0.012)	(0.012)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

		Consolidated	
		31 December 2016	**30 June 2016**
	Note	**$**	**$**
ASSETS			
Current assets			
Cash and cash equivalents		173,399	1,308,515
Trade and other receivables		109,210	132,583
Prepaid expenses		28,716	2,705
Total current assets		311,325	1,443,803
Non-current assets			
Deferred tax asset		467,854	362,284
Property, plant and equipment		85,998	80,167
Intangible assets	9	1,700,919	1,469,993
Total non-current assets		2,254,771	1,912,444
TOTAL ASSETS		2,566,096	3,356,247
LIABILITIES			
Current liabilities			
Trade and other payables		442,524	127,586
Short-term borrowings	10	469,153	-
Short-term provisions		72,958	33,854
Total current liabilities		984,635	161,440
TOTAL LIABILITIES		984,635	161,440
NET ASSETS		1,581,461	3,194,807
EQUITY			
Equity attributable to owners of the parent:			
Contributed equity	12	10,791,423	10,651,290
Share option reserve	13	872,366	605,021
Foreign currency translation reserve		(70,888)	(103,411)
Accumulated losses		(10,011,440)	(7,958,093)
TOTAL EQUITY		1,581,461	3,194,807

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half-Year Ended 31 December 2016

		Consolidated				
31 December 2016	**Note**	**Contributed Equity $**	**Foreign currency reserve $**	**Accumulated Losses $**	**Share option reserve $**	**Total $**
Balance at 1 July 2016		**10,651,290**	**(103,411)**	**(7,958,093)**	**605,021**	**3,194,807**
Losses for the year		-	-	(2,053,347)	-	(2,053,347)
Foreign currency translation reserve movement		-	32,523	-	-	32,523
Share based payment	13	-	-	-	267,345	267,345
Issue of Convertible Notes – Equity component	12	30,838				30,838
Contributions of equity	12	109,295	-	-	-	109,295
Balance at 31 December 2016		**10,791,423**	**(70,888)**	**(10,011,440)**	**872,366**	**1,581,461**

For the Half-Year Ended 31 December 2015

		Consolidated				
31 December 2015	**Note**	**Contributed Equity $**	**Foreign currency reserve $**	**Accumulated Losses $**	**Share option reserve $**	**Total $**
Balance at 1 July 2015		**7,404,106**	**(147,607)**	**(4,773,540)**	**294,686**	**2,777,645**
Losses for the year		-	-	(1,207,822)	-	(1,207,822)
Foreign currency translation reserve movement		-	(40,243)	-	-	(40,243)
Share based payment	13	-	-	-	214,678	214,678
Contributions of equity		1,198,374	-	-	-	1,198,374
Balance at 31 December 2015		**8,602,480**	**(187,850)**	**(5,981,362)**	**509,364**	**2,942,632**

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Half-Year Ended 31 December 2016

	Consolidated	
	31 December 2016 $	31 December 2015 $
Cash flows from operating activities:		
Receipts from customers	90,689	73,539
Payments to suppliers and employees	(1,492,467)	(1,543,415)
Interest received	25	29
Net cash (used in) operating activities	**(1,401,753)**	**(1,469,847)**
Cash flows from investing activities:		
Payments for plant and equipment	(27,913)	(3,237)
Payments for intangibles	(301,339)	(564,781)
Net cash (used in) investing activities	**(329,252)**	**(568,018)**
Cash flows from financing activities:		
Proceeds from issue of share capital	75,177	1,141,377
Proceeds from shareholder borrowings	488,189	-
Net cash provided by financing activities	**563,366**	**1,141,377**
Net (decrease) in cash held	(1,167,639)	(896,488)
Effects of currency translation on cash and cash equivalents	32,523	(40,243)
Cash at beginning of financial year	1,308,515	2,091,598
Cash at end of financial year	**173,399**	**1,154,867**

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Pursuant to changes to the *Corporations Act 2001*, the financial statements presented are only for the consolidated entity consisting of Manalto Limited and its subsidiaries.

2. General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2016. The functional currency of the Manalto Limited and Australian subsidiary Soshlr Pty Ltd is Australian Dollars ($AUD), while the subsidiary in the United States has a functional currency of US Dollars ($USD), the subsidiary in South Africa has a functional currency of South African Rand (ZAR), the subsidiary in Ireland has a functional currency of Euro (€EUR), and the subsidiary in the Netherlands has a functional currency of Euro (€EUR). Due to the operational head office of the Group being based in the USA, and the vast majority of the transaction being in $USD, the Group has elected its presentation currency in $USD. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2016 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*. The comparative information for the 6 months ended 31 December 2015 presented in the consolidated statement of profit or loss and other comprehensive income have been further divulged to provide a greater level of detail.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 28 February 2016.

3. Going Concern

The interim financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Group has experienced operating losses of $2,053,347 and net cash outflows from operating activities of $1,401,753 for the six months to 31 December 2016, and has net assets of $1,581,461 as at 31 December 2016. The Company will need to raise additional funds in the period ahead in order to meet all of its expenditure commitments.

While the raising of the necessary funds is not assured, the directors are confident that in the short term they will be able to raise the additional capital required to cover operational cash flow requirements.

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 interim financial report.

4. Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2016.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

5. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2016. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

6. Segment reporting

The Group determines and presents operating segments based on the information that is internally provided to the Managing Director, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are regularly reviewed by the Group's Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board include revenue and expense items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Assets and liabilities are not allocated to operating segments. Other unallocated items comprise mainly head office and Group-wide expenses, and income tax amounts.

Under AASB 8 *Operating Segments*, segment information is presented using a 'management approach'; that is, segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (executive management committee that makes strategic decisions). The Group has operations in South Africa, Ireland, the Netherlands, Australia and the USA. As such, the Directors have opted to report its operations by geographical segments. Refer to Note 14 for further information.

7. Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except for differences arising on the re-translation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

Foreign currency gains and losses are reported on a net basis.

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8. Taxation

The components of tax benefit comprise:

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	31 December 2016 $	31 December 2015 $
Prima facie tax benefit on loss from ordinary activities before income tax		
- Australia (Income tax rate: 28.5%[1])	136,135	161,756
- United States (35%)	405,667	410,063
- South Africa (28%)	109,715	-
- Ireland (13%)	8,536	-
- Netherlands (25%)	14,478	-
Consolidated entity	**674,531**	**571,819**
Adjusting for the tax effect of:		
Amortisation of intangible assets	(14,233)	15,885
Permanent differences	(20,489)	-
Deferred tax asset of tax loss and temporary differences not brought to account	(538,396)	(161,756)
Income tax benefit attributable to entity	**101,413**	**425,948**

(1) In the 2016/17 Budget, the Australian Government announced a reduction in corporate tax rate for entities with aggregate turnover less than $A2 million. As it is likely that the aggregate turnover will initially be $A2 million or less for Australian operations when absorbing the losses recognised, income tax rate of 28.5% has been applied when assessing deferred tax benefits.

The Directors have recognised a deferred tax asset representing the tax benefit of the assessed loss associated with the operations in Australia, namely a tax benefit of $101,413. The Directors anticipate that assessed losses will be utilised against future taxable profits in Australia, however, the tax losses incurred during the year for the other jurisdictions have not been recognised until a later date when the Directors believe it is probable they will be utilised.

9. Intangible assets

	Consolidated		
Half-year ended 31 December 2016	**Capitalised Development Costs $**	**Customer Contracts $**	**Total $**
Opening balance 1 July 2016	1,469,993	-	1,469,993
Additions	279,677	71,362	351,039
Amortisation	(114,169)	(5,944)	(120,113)
Balance at 31 December 2016	1,635,501	65,418	1,700,919
Half-year ended 31 December 2015			
Opening balance 1 July 2015	593,587	-	593,587
Additions	564,781	-	564,781
Amortisation	-	-	-
Balance at 31 December 2015	1,158,368	-	1,158,368

10. Short-term borrowings

	Consolidated	
	31 December 2016 $	**30 June 2016 $**
Convertible Notes	460,847	-
Accrued interest thereon	8,306	-
Total Short-term borrowings	**469,153**	**-**

(a) Convertible Notes

During the half-year ended 31 December 2016, the Company successfully placed 677,000 unsecured convertible loan notes (CLN) each with a face value of $A1.00 to raise a total of $A0.67 million ($US0.50 million) under the company's placement capacity.

The CLNs issued to date are unsecured, have a coupon of 15% per annum, a term of 12 months and are convertible at the option of the holder in Manalto shares at 4c per share. The subscribers of each $A1 of CLN have been issued with options over 25 Manalto shares exercisable at 7c per share.

These notes have a mixture of debt and equity features and as such a component of this funding has been recognised in Contributed Equity (see Note 12). The notes are not listed on the ASX.

11. Earnings Per Share

(a) Reconciliation of Earnings to Profit or Loss

	Consolidated	
	6 months to 31 December 2016 $	**6 months to 31 December 2015 $**
Loss for the year	2,053,347	1,207,822
Earnings used in calculation of basic and diluted EPS	**2,053,347**	**1,207,822**

(b) Weighted average number of ordinary shares (diluted):

	Consolidated	
	31 December 2016	**31 December 2015**
Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	166,769,186	101,267,705
Weighted average number of ordinary shares outstanding during the period used in calculating diluted EPS	166,789,186	101,267,705

As diluted EPS is calculated as a lower loss per share than basic EPS, diluted EPS is taken to be the same as basic EPS.

12. Contributed Equity

	Consolidated	
	6 months to 31 December 2016 No. of shares	**Year to 30 June 2016 No. of shares**
Opening contributed equity	165,783,161	98,054,590
Shares issued as consideration for Hearis asset acquisition	789,474	-
Shares issued during the year for cash	1,428,571	67,728,571
Total	**168,001,206**	**165,783,161**

12. Contributed Equity (continued)

Reconciliation:	Consolidated	
	6 months to 31 December 2016 $	Year to 30 June 2016 $
Balance at 1 July	10,651,290	7,404,106
Shares issued during the year for cash	73,805	3,447,423
Share issue expenses	-	(214,758)
Realised foreign currency gain/(loss)	1,372	14,519
Net cash flow from share issue	75,177	3,247,184
Issue of convertible note – equity component	30,838	
Deemed consideration on acquisition of Hearis assets	34,118	-
Contributions of equity	140,133	3,247,184
Total	**10,791,423**	**10,651,290**

Six months ended 31 December 2016:

- On 1 August 2016, 789,474 shares were issued to Australian-based digital company Generation Co. Pty Ltd for the strategic asset acquisition of Hearis Social Media Management Platform at an issue price of $A0.057 ($US0.043). The weighted average share price at the date of exercise was $A0.057 ($US0.043).
- On 18 November 2016, 1,428,571 shares were issued to Director interests at an issue price of $A0.07 ($US0.052) after shareholder approval was granted at the 15 November 2016 Annual General Meeting. The weighted average share price at the date of exercise was $A0.046 ($US0.034).
- During the half-year ended 31 December 2016, the Company successfully placed 677,000 unsecured convertible loan notes (CLN) each with a face value of $A1.00 to raise a total of $A0.67 million ($US0.50 million) under the company's placement capacity. These notes have a mixture of debt and equity features and as such a component of this funding has been recognised in Contributed Equity (see Note 12). The notes are not listed on the ASX.

13. Share Option Reserve

Fair value of options granted

Grant Date	Expiry Date	Exercise Price cents	No. of options as at 01/07/16 '000	Balance 01/07/16 $	No. Granted As Remun '000	Value recognised in reserve $	Exercised	Forfeited	No. of options as at 31/12/16 '000	Balance 31/12/16 $	Vested & Exercisable
11 March 2015[5]	11 March 2020	19[1]	4,550	271,440	-	49,052	-	-	4,550	320,492[6]	4,550
11 March 2015[5]	11 March 2018	19[1]	2,250	155,014	-	-	-	-	2,250	155,014[6]	2,250
16 December 2015[6]	15 December 2020	22[4]	1,900	18,909	-	6,095	-	(500)	1,400	25,004	1,100
29 February 2016[7]	29 February 2020	14[2]	17,720	128,057	-	198,846	-	-	17,720	326,903	-
1 December 2015[8]	29 February 2020	18[3]	4,287	31,601	-	13,352	-	(1,872)	2,415	44,953	604
	Total		**30,707**	**605,021**	**-**	**267,345**	**-**	**(2,372)**	**28,335**	**872,366**	**8,504**
Weighted Average Exercise Price - cents				**16.4**	**-**	**-**	**-**	**-**	**-**	**16.5**	**-**

(1) The options were issued at a price of AU$0.25 (US$ 0.19)
(2) The options were issued at a price of AU$0.20 (US$0.14).
(3) The options were issued at a price of AU$0.25 (US$0.18).
(4) The options were issued at a price of AU$0.30 (US$0.22).

Set out below are the summaries of options granted under the plan as at 31 December 2016.

(5) Using a Black-Scholes valuation model, the option value as at 31 December 2016 on the 4.55 million management options issued on 11 March 2015 valued at 12 cents and 2.25 million advisor options valued at 9 cents. The options value recognised in the share option provision account is the liability associated with these options from the grant date to 31 December 2016.
(6) Using a Binomial valuation model, the 1,900,000 options issued at AU$0.30 (US$0.22) were valued at 4.73 cents.
(7) Using a Binomial valuation model, the 17,720,000 options issued at AU$0.20 (US$0.14) were valued at 5.07 cents.
(8) Using a Binomial valuation model, the 4,287,000 options issued at AU$0.25 (US$0.18) were valued at 4.89 cents.

13. Share Option Reserve (continued)

(a) Expenses arising from share - based payment transactions

Total expenses arising from share - based payment transactions recognised during the period:

	Consolidated	
	6 months to 31 December 2016 $	6 months to 31 December 2015 $
Current period expense of existing share options	267,345	161,909
Options issued during the period	-	52,769
Total	**267,345**	**214,678**

14. Segment Reporting

The following details information related to the geographical segment reporting for the half-year ended 31 December 2016. The Group only operates in one business segment, being the development and commercialisation of social media management technology. The geographical segments are monitored by the Group's chief operating decision maker. The information presented here has been prepared using consistent accounting policies as presented in Note 6.

Half-year ended 31 December 2016	Australia	USA	Ireland	South Africa	Netherlands	Total
Total segment external income	11,201	39,262	-	-	-	50,463
Total segment interest	-	25	-	-	-	25
Total segment expenses	(485,754)	(1,198,335)	(68,293)	(391,838)	(57,914)	(2,202,133)
Total segment loss	(474,553)	(1,159,048)	(68,293)	(391,838)	(57,914)	(2,151,645)
Total deferred tax assets	292,244	174,722	-	-	-	466,966
Total segment assets	436,632	1,640,295	2,943	485,286	53	2,565,208

The following details information related to the geographical segment reporting for the half-year ended 31 December 2015.

Half-year ended 31 December 2015	Australia	USA	Ireland	South Africa	Netherlands	Total
Total segment external income	3,303	46,787	-	-	-	50,090
Total segment interest	-	29	-	-	-	29
Total segment expenses	(465,464)	(1,218,426)	-	-	-	(1,683,888)
Total segment loss	(462,161)	(1,171,609)	-	-	-	(1,633,770)
Total deferred tax assets	-	600,670	-	-	-	600,670
Total segment assets	400,822	2,704,020	-	-	-	3,104,842

15. Contingent Liabilities and Contingent Assets

The Group is involved in an employee litigation matter that was brought against the group in July 2016. The Directors' consider this claim to be unjustified and immaterial to the operations of the Group. Further information on these contingencies is omitted so as not to prejudice the Group's position in the related disputes.

16. Events Subsequent to Reporting Date

During the period, the Company's corporate adviser Henslow Pty Ltd commenced a capital raising programme with a view to raise $A1.84m. Following the Directors' Review the Board agreed to raise a further $A1m to provide the Company with adequate funds to meet its needs for at least the next six months.

During the period, Henslow placed a total of 677,000 unsecured convertible loan notes (CLN) each with a face value of $A1.00 to raise a total of $A0.67 million ($US0.50 million) under the company's placement capacity. Following the end of the period, the Company has placed a further 202,000 unsecured CLN's to raise an additional $A0.23 million ($US0.18 million). The balance of the capital raising is being actively managed.

The CLNs issued to date are unsecured, have a coupon of 15% per annum, a term of 12 months and are convertible at the option of the holder in Manalto shares at 4c per share. The subscribers of each $A1 of CLN have been issued with options over 25 Manalto shares exercisable at 7c per share.

The Capital Management Strategy is to raise the amount announced which will allow the Company to complete major integration projects that are currently underway, continue to roll out agreements with retail cloud stores, develop the necessary marketing and sales programs and scale the customer support team to meet expected demand as revenue comes on line.

DIRECTOR DECLARATION

In the Directors' opinion:

1. The condensed consolidated financial statements and notes set out on Pages 7 to 18 are in accordance with the *Corporations Act 2001,* including:

(a) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the six months ended on that date; and there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

This declaration is made in accordance with a resolution of the Directors.

Jim McKerlie Chairman Melbourne	Anthony Owen Managing Director Melbourne

28 February 2017

Grant Thornton

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Independent Auditor's Review Report
To the Members of Manalto Limited

We have reviewed the accompanying half-year financial report of Manalto Limited (the Group), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year..

Directors' Responsibility for the Half-year Financial Report

The Directors of Manalto Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Manalto Limited consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Manalto Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Grant Thornton

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Manalto Limited is not in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Regarding Going Concern

Without qualification to the conclusion expressed above, we draw attention to Note 3 in the half-year financial report which indicates that the consolidated entity incurred a pre-tax loss of $2,154,760 during the half-year ended 31 December 2016. Note 3 also indicates that to continue as a going concern, the consolidated entity is dependent on raising further capital through equity issues. These equity issues will be required to ensure the Company's ability to continue as a going concern.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M. P. Hingeley
Partner - Audit & Assurance

Melbourne, 28 February 2017

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