



ASX ANNOUNCEMENT | TESSERENT LIMITED

MELBOURNE – 26th JULY 2017

APPENDIX 4C – QUARTERLY AND ACTIVITIES REPORT

Tesseract Limited (ASX:TNT) is pleased to update the market on key achievements during the June quarter.

FINANCIAL ACHIEVEMENTS:

- Tesseract was **cash flow positive** in the June quarter due to significant one off and recurring receipts and is in a healthy cash position.
- **Received \$0.310M from the ATO** as a Research and Development grant on 7th July.
- **Received \$1.5M cash during June quarter from Family Zone** Cyber Security Limited (ASX:FZO) as part of the previously disclosed sale of IP in December 2016.
- **Restructured the FZO transaction with terms favourable to Tesseract.** Receivables from FZO increased by \$0.150M in exchange for an extension of payment terms to December 2017.
- **Equity received as part of the FZO transaction was converted to cash** to achieve the company's cash commitments previously disclosed.
- **Personnel costs decreased by \$61K** during the June quarter while still achieving a significant improvement in sales performance.
- **Cash position at 30 June 2017 was \$2.861M.**

BUSINESS GROWTH:

- **Customer cash receipts increased 31.1% year on year** from \$4.644M to \$6.088M.
- Tesseract secured **\$1.03M total contract value (TCV) in new business** during the June quarter. This contracted revenue will be realised over the next 3 years as services are billed and revenue recognised on a monthly basis.
- The company signed **\$530K TCV in managed SIEM deals** during the June quarter, validating our position within the SIEM market and strengthening our relationship with AlienVault.
- Tesseract continues to grow our product offering, **launching two new proprietary products** during the June quarter: CyberBIZ (to address the security issues in the SMB market) and Portal Defence (to prevent unauthorised access to customers' web portals).

Tesseract Limited (ASX:TNT) is pleased to deliver the June quarterly Financial and Activities Report, highlighted by a 31.1% increase in annual customer receipts, improved sales results, significant



product developments and a healthy cash position. These results are attributable to the execution of Tesseract's strategic business plan, designed to deliver strong, quantifiable business growth.

OUR STRATEGY

Tesseract is an established managed security services provider (MSSP). Our strategic plan is designed to deliver strong and reliable revenue growth. Our strategy is focused on the following key elements:

- Increasing revenue from existing customers.
- Growing our customer base with new customers.
- Expanding our product range to keep pace with industry trends and enable us to optimise revenue opportunities in emerging markets.
- Building a strong annuity revenue model that secures the company's future revenue for up to 3 years in advance.

In response to the execution of Tesseract's strategic business plan, customer receipts increased 31.1% year on year from \$4.644M to \$6.088M. This growth demonstrates the strength of our business and the reliable future revenue secured by the company's annuity revenue model. During the June quarter, the company has achieved strong revenue growth, significant improvements in sales performance and new product developments.

BUSINESS EXPANSION – PRODUCT DEVELOPMENT

In response to changes in market opportunities and customer demand, Tesseract launched two new innovative products during the June quarter:

CYBERBIZ

CyberBIZ is an innovative cyber security offering specifically designed to meet the needs of small and medium businesses. Unlike other cyber security products targeting the SMB market, CyberBIZ offers a full suite of enterprise-grade cyber security services in an easy to understand bundle. Importantly, CyberBIZ is a managed cyber security service, meaning that Tesseract's security experts take care of all aspects of network security for CyberBIZ customers. Tesseract's 24/7 monitoring provides to SMBs a level of cyber security protection and vigilance that was previously commercially accessible only to large enterprises.



PORTALDEFENCE

Portal Defence was developed by Tesseract's in-house development team to enable customers to protect the sensitive information on their web portals, using techniques employed by banks and large organisations. Portal Defence allows businesses of all sizes to ensure only authorised users have to access their web portal. Portal Defence offers multi-factor authentication, geo-blocking, and tailored access policies designed to identify irregularities in user behaviour that could be attributable to an unauthorised access attempt.

SUMMARY

Tesseract continues to build a strong business with solid quantifiable business results delivered via a stream of annuity revenue. The cyber security market continues to grow and Tesseract is taking advantage of this growth with talented personnel, world-class products, in-house development and industry-leading partnerships. Tesseract's products are proven with a loyal customer base of quality customers, including notable blue-chip companies. Tesseract's growth is robust and sustainable.

ABOUT TESSERENT

Tesseract is a specialist in managed cyber security. Tesseract manages direct end-customers in Australia while also offering a managed security service to wholesale channel partners globally, enabling them to deliver effective cyber-security management to their end-customers.

For more information, please visit the company's web site at www.tesseract.com.

CONTACT

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

TESSERENT LIMITED

ABN

13 605 672 928

Quarter ended ("current quarter")

30 JUNE 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,753	6,088
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(17)	(106)
(d) leased assets	(82)	(197)
(e) staff costs	(829)	(3,529)
(f) administration and corporate costs	(1,243)	(4,836)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	32
1.5 Interest and other costs of finance paid	(1)	(8)
1.6 Income taxes paid	-	(18)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	(168)
1.9 Net cash from / (used in) operating activities	(416)	(2,742)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(219)	(696)
(b) businesses (see item 10)	-	(500)
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	-	(249)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	28	404
(b) businesses (see item 10)	-	-
(c) investments	429	429
(d) intellectual property	1,500	3,000
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (Pay out of net negative value customer contracts sold during quarter)	(166)	(166)
2.6 Net cash from / (used in) investing activities	1,572	2,222

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,705	3,381
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(416)	(2,742)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	1,572	2,222
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,861	2,861

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,789	1,633
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposit)	72	72
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,861	1,705

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
119
-

- Executive Director salaries
- Director fees

Includes amounts paid to entities associated with the Directors

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	58
9.4 Leased assets	39
9.5 Staff costs	838
9.6 Administration and corporate costs	1,273
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	2,208

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	The business of Blue Reef Pty Ltd (Acquired May 2016)	
10.2 Place of incorporation or registration	Melbourne, Australia	
10.3 Consideration for acquisition or disposal	12,875,000 shares \$1,000,000 <ul style="list-style-type: none"> • \$500,000 on completion – May 2016 • \$500,000 deferred to December 2016 	
10.4 Total net assets	\$3,359,195	
10.5 Nature of business	Provider of cyber security solutions in the education market	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



26 July 2017

Sign here:
(Director/Company secretary)

Date:

Print name: Oliver Carton

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.