

QUARTERLY ACTIVITIES UPDATE & APPENDIX 4C COMMENTARY

Tesserent Limited (ASX: TNT, Tesserent) is pleased to release its quarterly cash flow report for the September 2019 quarter.

Operational highlights

- Tesserent on track to achieve cashflow positivity **and** profitability on a monthly basis by end of the current financial year.
- Sales in **July** 2019 for firewalls and managed services exceeded sales of firewalls for all of financial year 2019.
- Total contract value (TCV) signed in Q1 2020 is **\$5.1M**, up 264% from the \$1.4M average quarterly TCV in 2019
- Receipts from customers up **157%** from (Q4 2019) \$1,313,000 to (Q1 2020) **\$3,369,000**
- Tesserent announces acquisition (subject to shareholder approval in late November 2019) of PS&C Security business, comprising:
 - a. Pure Hacking
 - b. Hack Labs
 - c. Securus Global
 - d. Certitude, Technology risk services.
- These new businesses will extend the capability of the Tesserent group, making it the largest listed cyber security company in Australia and further enhancing the Company's capability to deliver **Cyber 360** to customers while also extending its geographic presence.
- The pending purchase of the four businesses from PS&C Ltd for **\$16M** is fully funded. Tesserent expects to complete the transaction early in December 2019.
- Tesserent remains focused on becoming Australia's leading listed end-to-end cybersecurity business as Australian cybersecurity market revenues expected to increase to AUD \$6 billion by 2026 (AustCyber Security Sector – Competitiveness Plan: 2018 Update).

TOTAL CONTRACT VALUE CONTINUES TO INCREASE & FUTURE CONTRACTED REVENUE TO GROW TO OVER \$10M

The total contract value forecast for Q1 has grown from an average of \$1.4M in FY 2019 to a forecasted **\$5.1M** in Q1 2020, representing an uplift for Q1 of 264% from the 2019 average and highlighting the value of focusing on mid-market and enterprise clients. With the deployment of Splunk solutions and an expanding number of SD-WAN projects we expect to see additional growth in total contract value in the near-term.

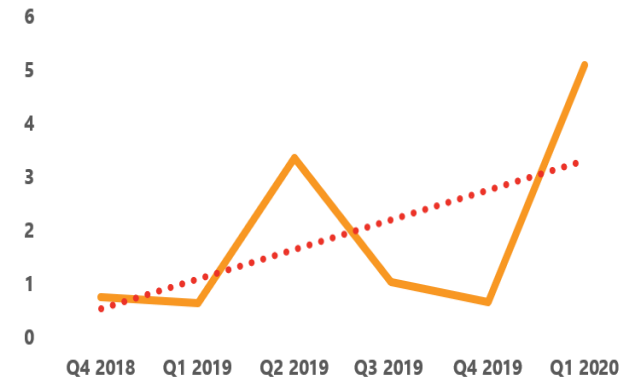
Future contracted revenue continues to grow and is expected to exceed **\$10M** at the end of Q1 2020, providing a solid book of revenue to underpin the growth of the Tesserent group.

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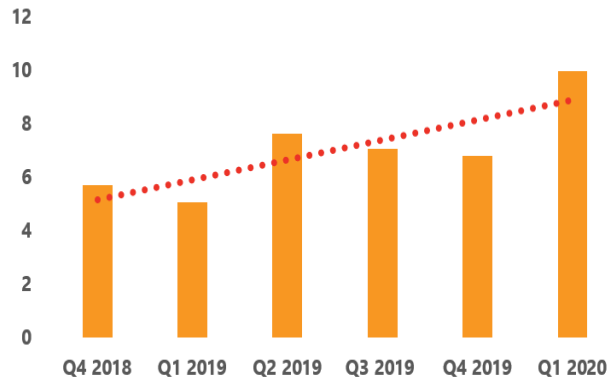
Melbourne – 23 October 2019



Total Contract Value (\$m)



Future Contracted Income (\$m)



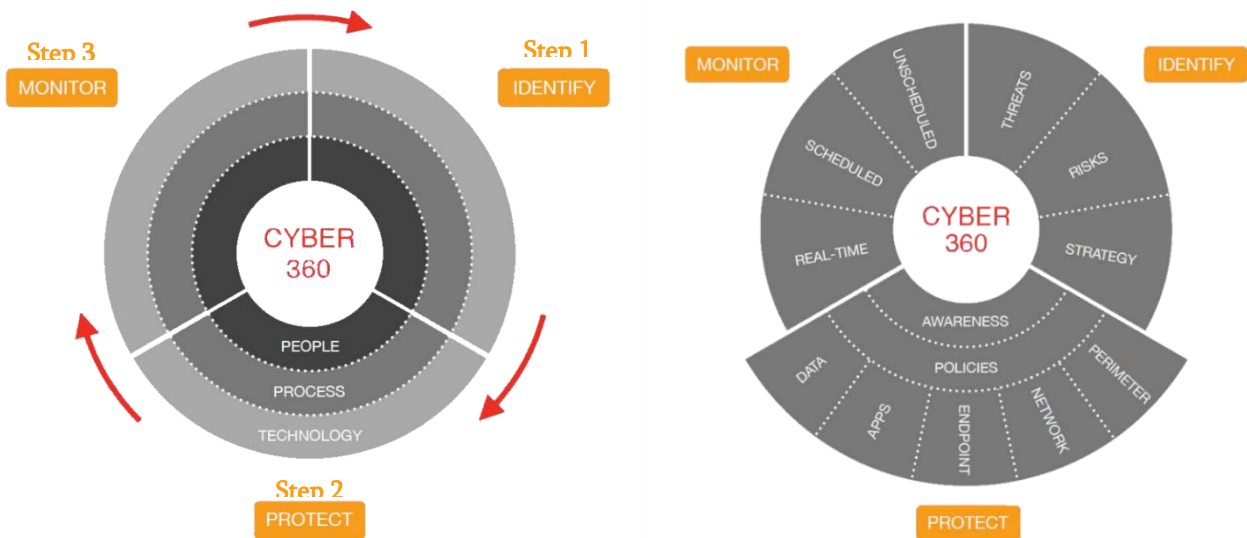
..... Trend line

CYBER360'S FULL OFFERING IS NOW LIVE, HELPING SERVE A LARGER ADDRESSABLE MARKET

Tesseract's Cyber360 full offering is now live and will allow the Company to grow its addressable market within the cybersecurity industry.

Cyber360 is a comprehensive cybersecurity framework to help customers obtain end-to-end 360-degree cyber protection. Cyber360 fully evaluates the protection required across people, processes and technology at an organisation, and then implements a security strategy to suit the client's risk profile. Security is then constantly monitored by Tesseract's security operations centre (SOC) to ensure adequate protection levels are maintained.

Cyber360 provides Tesseract's customers with a complete framework to ensure end-to-end 360-degree protection



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TESSERENT MANAGING DIRECTOR, JULIAN CHALLINGSWORTH, COMMENTED:

“Recent key initiatives designed to drive sales and market share have assisted Tesserent to move towards its goal of sustainable profitability. We are pleased with recent significant progress and the move towards profitability on a month-by-month basis. We are very excited that the team from PS&C Security will be joining our vision to be Austrasia’s leading listed cyber security organisation. We have been very impressed with the technical skills and the capabilities that their teams bring to customers and we look forward to welcoming them to Tesserent.”

ABOUT TESSERENT

Tesserent provides enterprise-grade managed cybersecurity and networking services to corporate customers in Australia and internationally in the UK and Korea. With a 24/7 Security and Network Operations Centre, Tesserent delivers world-class Security-as-a-Service to medium and large organisation’s around the globe. With a next generation end-to-end security and networking offer, Tesserent customers obtain state-of-the-art security and connectivity and complete peace of mind that their critical data and networks are secure and protected. Learn more at www.tesserent.com.

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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 SEPTEMBER 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,369	3,369
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(26)	(26)
(d) leased assets	-	-
(e) staff costs	(852)	(852)
(f) administration and corporate costs	(2,763)	(2,763)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	7
1.5 Interest and other costs of finance paid	(14)	(14)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(279)	(279)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	(1,495)	(1,495)
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other	-	-
2.6 Net cash from / (used in) investing activities	(1,495)	(1,495)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	1,872	1,872
3.2 Proceeds from issue of convertible notes	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
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	2,000	2,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(88)	(88)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	3,784	3,784

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	980	980
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(279)	(279)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,495)	(1,495)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,784	3,784
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,990	2,990

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	2,990	2,990
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (Term Deposit)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,990	2,990

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	31
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	

- 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	Current quarter \$A'000
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	

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	4,000	2,000
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.		

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	30
9.4 Leased assets	60
9.5 Staff costs	975
9.6 Administration and corporate costs	2,750
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	3,815

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

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.



Sign here: Date: 23 October 2019
 (Director/Company secretary)

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.