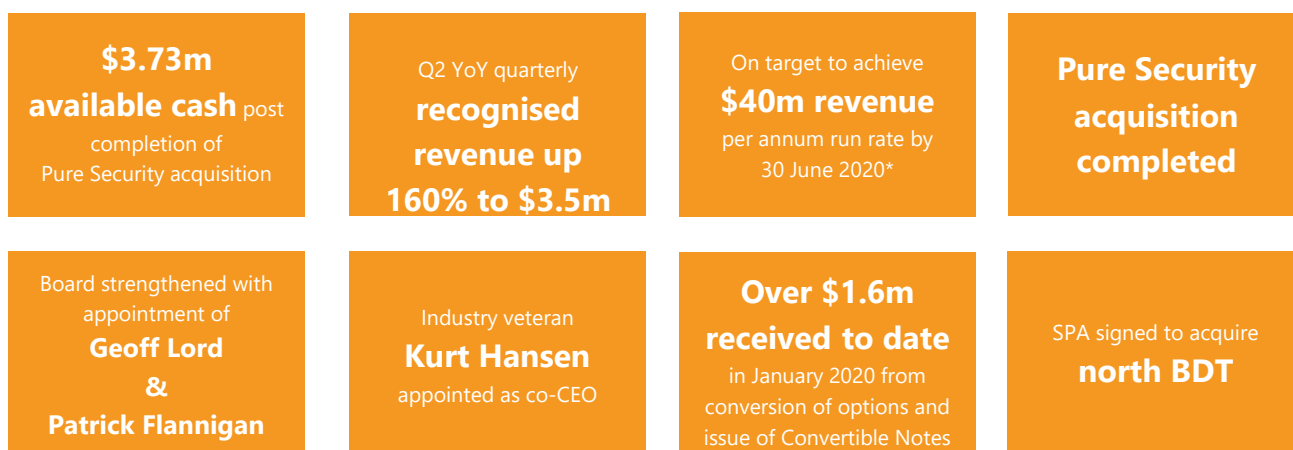


GENERAL BUSINESS UPDATE

Tesseract Limited (ASX:TNT, Tesseract or the Company) is pleased to provide an update of its business activities and achievements for the quarter ended 31 December 2019 and insights into the Company's future focus.

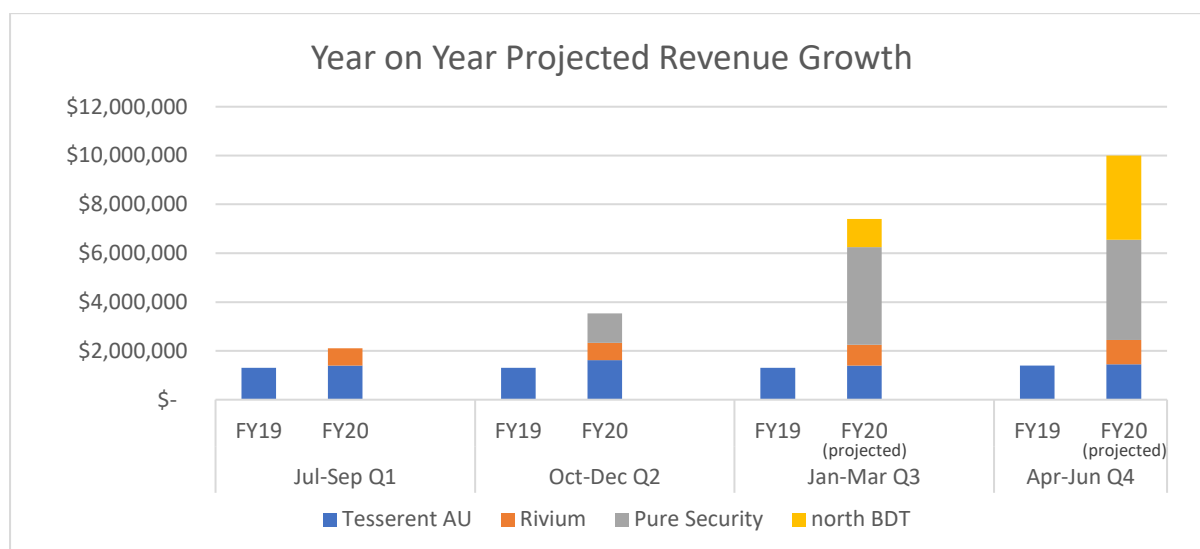
HIGHLIGHTS



*being revenue during the June 2020 quarter annualised (upon completion of the acquisition of north BDT, which is subject to shareholder approval)

FINANCIAL UPDATE

Strong Q2 revenue growth achieved and projected to continue through to the end of FY20 and beyond for the newly consolidated Tesseract group.



*north BDT revenue contribution subject to completion of acquisition by early March 2020 (subject to shareholder approval).

- Q2 FY20 revenue up 160% from the same period in FY19.
- Strong quarterly revenue growth trend projected to continue to the end of FY20 and beyond.
- Q3 FY20 revenue projected to double to \$7.4m with the addition of full quarterly revenue contributions from Pure Security and one month from north BDT (subject to shareholder approval).
- Q4 FY20 revenue projected to exceed \$10m with full quarterly contributions from Pure Security and north BDT, together with a historically strong Q4 for Rivium.

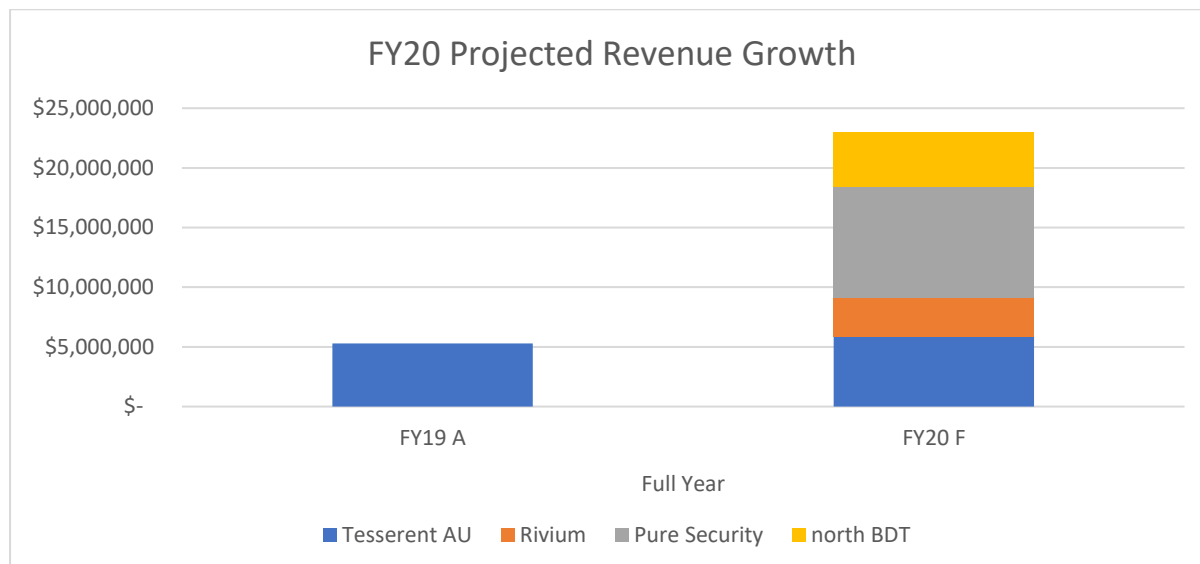
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- In addition to strong revenue growth, locked in annuity based contracted revenue continues to grow to in excess of \$11m in total contract value.

On target to achieve a revenue run rate of \$40m per annum by 30 June 2020



- FY20 revenue is projected to exceed \$22.25m for the full year. This includes four months revenue contribution from north BDT and 7 months revenue contribution from Pure Security.
- The company expects to achieve a **\$40m** revenue run rate by 30 June 2020 (being revenue during the June 2020 quarter annualised) as full year revenue contributions from Pure Security and north BDT flow through, together with continued organic growth from all four business units.
- The company remains on track to achieve cash flow positivity and profitability on a month by month basis from 30 June 2020.

Increased customer receipts and strong cash position

- Receipts from customers of \$2.26m for Q2 FY20, up 57% from same period last year.
- The company had \$3.73m cash as at 31 December.
- Outgoings increased this quarter, due mainly to acquisition and due diligence costs
- Shareholders have demonstrated continuing support in the company's strategy by exercising options which have raised in excess of \$1.5m in new capital since 1 January 2020.

CUSTOMER UPDATE

Customer base has grown from 140 enterprise customers to in excess of 700, primarily as a result of:

- The completion of the Pure Security acquisition which brings an additional 500 customers into the group.
- Continued organic customer growth across all business units with several significant wins in recent months across key products of firewall, SIEM and security consulting.
- The Company announced to the market on 2 January 2020 that it had executed an option with UK-based firewall wholesale partner, RedScan to acquire 60 customers.

ACQUISITIONS AND INTEGRATION

The transformation of Tesserent from a small, loss-making Managed Security Services Provider in 2019 to Australia's #1 ASX-listed end-to-end Cyber Security company in FY2020 continues. So far in FY20, the newly consolidated group has completed two acquisitions, with a third to be completed in March (north BDT subject to shareholder approval).

- **Rivium** acquisition completed 3 July 2019 and significant progress has been achieved towards integration. Significant cross sale opportunities to group customers have been identified and are progressing well.
- **Pure Security** acquisition complete 10 December 2019 and integration is in progress and already multiple joint customer sales have been delivered (formerly PS&C Limited's (ASX:PSZ) Security division).
- **north BDT** acquisition proposed to be completed early March 2020 – subject to shareholder approval.
- Cross Sell initiatives since completion has already developed significant net new opportunities in the pipeline with a key focus on selling our leading managed services into the expanding customer base.
- Increased headcount from 20 to 147, including 130 Cyber Security professionals and 12 dedicated Cyber Security sales professionals (with completion of the north BDT acquisition, subject to shareholder approval).
- Cyber 360 suite of products and services increased from three to 17 critical components.

Rivium

The Rivium acquisition was completed on 3 July 2019, with the integration and expansion activities progressing well with joint sales and marketing activities well in progress.

A managed Splunk service is planned for launch in the current year based in our Security Operations Centre (SOC) in Box Hill. This will be a specialised service that enables Splunk customers to leverage the deep security expertise of the Tesserent group combined with the capabilities of an Australian based Security Operations Centre (SOC) delivering support to customers 24/7/365.

Pure Security

During the quarter, Tesserent completed the acquisition of Pure Security.

The integration of Pure Security gives Tesserent full Cyber Security capabilities including security advisory, penetration testing, deployment and management of security infrastructure and secure application development.

Pure Security brings a strong and growing financial history to Tesserent, having delivered revenue of \$16.4m in FY19 (up 33% from \$12.3m in FY18).

north BDT

Tesserent also announced the acquisition of Canberra-based security consulting firm, north BDT (north), for \$5.3m in December 2019. The company specialises in providing Cyber Security, digital strategy and governance, end-to-end application development and project services to its public and private sector clients.

north's team of management consultants and Cyber Security experts are highly experienced in providing Cyber Security services to Australian Government agencies. The acquisition also provides the Company with the opportunity to leverage north's existing customer relationships for cross sales into TNT's Security Operations Centre (SOC) and Splunk offerings.

north has a strong operating record, having delivered \$6.2m revenue and is forecast to exceed \$11m in the current financial year.

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Tesseract will acquire north through a \$1.25m cash payment plus 20m fully paid ordinary shares at \$0.10 (both at completion of the acquisition). This will be followed by deferred cash payments of \$2.05m (four \$512k payments every six months).

The proposed purchase of north is another key piece of Tesseract's acquisition strategy, complementing the organic growth the business is delivering under its Cyber 360 strategy, aimed at providing a comprehensive security as a service offering targeted at the mid-market and enterprise clients.

IMPROVED MANAGEMENT AND LEADERSHIP

Continuing the trend of change, the Company has significantly improved its management capability by adding new experienced and industry-relevant Board members and Management, including:

- Renowned Australian businessman Geoff Lord as Non-Executive Chairman
 - Founder of several multi-million-dollar ventures including UXC Limited (sold for \$430m in 2016) and PrimeQ (sold for \$31m in 2019).
 - Founder, Chairman and CEO of private investment firm Belgravia Group (in excess of 10,000 employees).
- Experienced IT business executive Patrick Flannigan as Non-Executive Director
 - Former Head of Construction and Non-Executive Director of NBN Co.
 - Co-founded ASX-listed infrastructure provider Service Stream Limited (ASX:SSM) where he served as CEO from 2003-2009.
 - Former director of the Australian Grand Prix Corporation.
- Cyber Security industry veteran, Kurt Hansen, as Co-Managing Director - Operations
 - CEO of Pure Security (formally PS+C Security Group) from 2017-Present, where he successfully integrated four separate businesses, Pure Hacking, Hack Labs, Securus Global and Certitude under one brand - Pure Security.
 - Former MD of F5 Networks ANZ (NASDAQ:FFIV), growing revenue by nearly 300% over five years.
 - Former CEO of AirData, growing top-line sales by 250% over 18 months.
 - Former MD of CheckPoint (NASDAQ:CHKP) in ANZ, significantly improving CheckPoint's sales culture and growth.

FUTURE FOCUS

The Board and Management team are focused on continuing to build Tesseract's position as Australia's #1 ASX-listed Cyber Security provider by achieving several important goals over the coming 12 months to continue the transition from the old Tesseract to the newly consolidated Tesseract group:

- Complete north BDT acquisition proposed for 1 March 2020 (subject to shareholder approval).
- Achieve forward revenue run-rate of \$40m by 30 June 2020.
- Achieve profitability and cashflow positivity on a monthly basis by 30 June 2020.
- Continued integration of recently acquired business into TNT, including the expertise of staff and the development of cross-sell initiatives between business units in-line with Tesseract's Cyber 360 strategy.
- Continued strong organic growth across all business units.
- Potential strategic acquisitions where they make sense.

ABOUT TESSERENT

Tesseract provides full service, enterprise-grade Cyber Security and networking solutions targeted at mid-market customers in Australia, and internationally in the UK and Korea. The company's Cyber 360 strategy delivers integrated solutions covering identification, protection and monitoring against Cyber Security threats.

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Tesseract has been transformed via the acquisition of several high-quality Cyber Security businesses including PS&C Security (Hack Labs, Pure Hacking, Certitude & Securus Global), Rivium and north (to be completed), making it Australia's largest listed dedicated Cyber Security firm.

Learn more at www.tesseract.com.

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Authorised by the Disclosure Team under Tesseract's Continuous Disclosure policy.