

RESPONSE TO ASX PRICE QUERY

Tesserent Limited (**ASX: TNT, Tesserent, the Company**) refers to the Price Query from ASX dated 13 January 2020 responds as follows. Paragraph numbers used correspond to the paragraph numbers in that Price Query.

1. No. with reference to the interview given by Mr Lord, the Company notes the following:

- a) On 10 December 2019 the Company announced to ASX completion of an acquisition and the entering into of a further acquisition, pursuant to the Company's Cyber 360 acquisition strategy, which has been extensively referred to in a number of ASX announcements. The 10 December 2019 announcement referred to the pro forma revenue run rate in FY20 of \$40m.
- b) In the interview given by Mr Lord, he referred to his view that the targeted revenue run rate at 30 June 2020 should be \$50m. This view is based on successful implementation of the Cyber 360 acquisition strategy adding further revenue, and the organic growth of the business. Mr Lord's statements in the interview are his own personal view and are not a forecast that has been made by Tesserent in accordance with ASIC Regulatory Guide 170. Therefore the statements should not be relied upon.
- c) Tesserent is at various stages of negotiation with a number of entities concerning acquisitions, none of which are at a stage where disclosure to ASX is required.

2. Not applicable

3. Tesserent assumes that the appointment of Mr Lord as Chairman by itself has had a positive effect on the trading of its securities given his track record of successfully growing businesses, his credibility in the market and his investment to date in the Company.

4. Tesserent confirms that it is complying with the Listing Rules and, in particular, Listing Rule 3.1.

5. Tesserent confirms that its responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of Tesserent with delegated authority from the board to respond to ASX on disclosure matters.

ABOUT TESSERENT

Tesserent provides full service, enterprise-grade cybersecurity 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

ASX ANNOUNCEMENT

Melbourne – 14 January 2020



solutions covering identification, protection and monitoring against cybersecurity threats.

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

Learn more at www.tesseract.com.

CONTACT

Investor Enquiries:	Media Enquiries:	Investor/Media Relations:
Julian Challingsworth	Alex Belcher	Matt Wright
Managing Director	Marketing Manager	NWR Communications
+61 (0)3 9880 5559	+61 (0)3 9880 5525	+61 451 896 420
investor@tesseract.com	Alexandra.belcher@tesseract.com	matt@nwrcommunications.com.au

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



13 January 2020

Reference: ODIN

Mr Oliver Carton
Company Secretary
Tesseract Limited

Dear Mr Carton

Tesseract Limited ('TNT'): Price Query

We note the change in the price of TNT's securities from a low of \$0.043 on Friday 10 January 2020 to a high of \$0.058 today.

We also note the significant increase in the volume of TNT's securities traded today.

Request for Information

In light of this, ASX asks TNT to respond separately to each of the following questions and requests for information:

1. Is TNT aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?

In responding to this question, please comment on the information contained in *The Australian Financial Review* on page 13 (Companies&Markets) in an article entitled 'UXC's Lord to chair cyber security play' by Yolanda Redrup, including the statement that newly appointed TNT Chairman, Mr Geoff Lord, '*...has set the ambitious goal of taking the company from \$5 million in revenue to a \$50 million revenue run rate by June 30*' ('Prospective Revenue Forecast').

Further, if Mr Lord made the Prospective Revenue Forecast, does TNT believe it has a reasonable basis for making the forecast and, if so, what material assumptions have been made in relation to the Prospective Revenue Forecast? In this regard, we refer you to the matters contained to in ASIC's *Regulatory Guide 170: Prospective financial information*, in particular:

- a. *RG 170.11 - We believe the general test of whether prospective financial information must be disclosed is whether it is:*
 - (a) *relevant to its audience; and*
 - (b) *reliable (i.e. there must be a reasonable basis for it: see GIO Australia Holdings Ltd v. AMP Insurance Investment Holdings Pty Ltd (1998) 29 ACSR 584).*
- b. *RG 170.17 - The making of a statement that contains prospective financial information (i.e. a forward looking statement) must have reasonable grounds or it will be taken to be misleading under s728(2) or 769C of the Corporations Act. What are 'reasonable grounds' should be determined objectively in light of all of the circumstances at the time of the statement, so that a reasonable person would view as reasonable the grounds for the statement.*
- c. *RG 170.18 - We consider that prospective financial information based on hypothetical assumptions (rather than reasonable grounds) is likely to be misleading and provide little information value to investors. In our view, prospective financial information without reasonable grounds is not material to investors, nor would an investor reasonably require it or reasonably expect to find it in a disclosure document or PDS. RG 170.41 - We generally*

consider that prospective financial information for a period of more than two years may require independent or objectively verifiable sources of information to establish that there are reasonable grounds to provide it. However, for an existing business preparing a statement on estimates for up to two years, we will generally not regard as necessary independent verification if there otherwise appear to be reasonable grounds to make the statement. Directors should state why they believe the information is objectively reasonable. We may still take action on a statement on estimates for up to two years if we believe there are no reasonable grounds to provide it.

- d. RG 170.42- The reasonable grounds requirement means that there should be a relevant factual foundation for the prospective financial information and that the information is not contrived: see *George v. Rockett* (1990) 170 CLR 104 and *Re Aldred & Dept of the Treasury* (1994) 35 ALD 685.
- e. RG 170.50 - The general principles in this regulatory guide also apply to advertising because of the interaction of s769C and 1041H. [emphasis added]

Section 769C states:

For the purposes of this Chapter, or of a proceeding under this Chapter, if:

a person makes a representation with respect to any future matter (including the doing of, or refusing to do, any act); and (b) the person does not have reasonable grounds for making the representation; the representation is taken to be misleading. Section 1041H states:

A person must not, in this jurisdiction, engage in conduct, in relation to a financial product or a financial service that is misleading or deceptive or is likely to mislead or deceive.

- f. RG 170.59 - Investors should be given enough information to enable them to: (a) assess whether the prospective financial information is relevant and reliable (i.e. to form their own view about how reasonable the grounds are for making the statement); and (b) identify with certainty the facts and circumstances that support prospective financial information, as well as being able to demonstrate that the information is reasonable.
- g. RG 170.61 - A disclosure document or PDS must specifically disclose any assumptions used in compiling prospective financial information that materially affect the forecast outcome. The assumptions should be detailed and specific enough to enable the investor to work through all of the prospective financial information. This may require details about how returns are calculated during each year that the information covers. Among other things, assumptions about expenditures, revenues, inflation rates and other such variables should be clearly disclosed and highlighted if different assumptions have been used for different parts of the term that the prospective financial information covers.
- h. RG 170.62 Investors must be able to assess: (a) the validity of the assumptions on which the prospective financial information is based; (b) the likelihood of the assumptions actually occurring; and (c) the effect on the prospective financial information if the assumptions vary.
- i. RG 170.63 - We expect a disclosure document or PDS to disclose material assumptions about: (a) specific future economic conditions; and (b) particular circumstances affecting a company or financial product and the industries relevant to that company or financial product.
- j. RG 170.64 - Disclosure of the material assumptions allows an investor or adviser to make an informed assessment of an issuer's prospects, or a person as a retail client to make an informed decision whether to acquire the product.

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- k. *RG 170.65 - An assessment of the impact of these assumptions on prospective financial information should also be included. However, a disclosure document or PDS does not have to: (a) state general assumptions, such as the absence of war or natural disasters, unless the forecast takes these events into account; or (b) disclose assumptions that would not materially affect the prospective financial information.*
 - l. *RG 170.66 - It is not sufficient to state the general nature of an assumption. Specific quantities or amounts should be set out. For example, it may not be sufficient to state that prospective financial information is based on an anticipated recovery in equity markets, without setting out the amount of the required recovery: see GIO Australia Holdings Ltd v. AMP Insurance Investment Holdings Pty Ltd(1998) 29 ACSR 584.*
 - m. *RG 170.67 - We consider that because the presence or absence of reasonable assumptions is a factor in any determination of whether an issuer has satisfied the relevant disclosure obligation, the basis for the assumptions underlying the prospective financial information should be stated in the disclosure document or PDS in order that an investor has some means of assessing that information: see Miba Pty Ltd v. Nescor Industries (1996) 141 ALR 525 and Wesfi Ltd v. Blend Investments Pty Ltd (1999) 31 ACSR69. RG 170.68 - Disclosure of the basis for prospective financial information may reduce the capacity of the information to mislead because such disclosure assists the assessment/decision of an investor or retail client.*
 - n. *RG 170.78 - Investors must be able to assess the reliability of prospective financial information. To do this, they should be able to assess whether the key assumptions are likely to occur. Therefore, a disclosure document or PDS must disclose material details about the enquiries and research undertaken and the process followed in preparing the information. A complete copy of the Regulatory Guide is available at:*

<http://download.asic.gov.au/media/1240943/rq170-010411.pdf>

- 2. If the answer to question 1 is “yes”.
 - (a) Is TNT relying on Listing Rule 3.1A not to announce that information under Listing Rule 3.1? Please note that the recent trading in TNT’s securities would suggest to ASX that such information may have ceased to be confidential and therefore TNT may no longer be able to rely on Listing Rule 3.1A. Accordingly, if the answer to this question is “yes”, you need to contact us immediately to discuss the situation.
 - (b) Can an announcement be made immediately? Please note, if the answer to this question is “no”, you need to contact us immediately to discuss requesting a trading halt (see below).
 - (c) If an announcement cannot be made immediately, why not and when is it expected that an announcement will be made?
- 3. If the answer to question 1 is “no”, is there any other explanation that TNT may have for the recent trading in its securities?
- 4. Please confirm that TNT is complying with the Listing Rules and, in particular, Listing Rule 3.1.
- 5. Please confirm that TNT’s responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of TNT with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEDT Tuesday, 14 January 2020**. If we do not have your response by then, ASX will likely suspend trading in TNT's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, TNT's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsComplianceMelbourne@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to TNT's obligations under Listing Rules 3.1 and 3.1A and also to *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that TNT's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, or if the answer to question 1 is "yes" and an announcement cannot be made immediately, you should discuss with us whether it is appropriate to request a trading halt in TNT's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in *Guidance Note 16 Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in TNT's securities under Listing Rule 17.3.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

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Principal Adviser, Listings Compliance (Melbourne)