



TESSERENT

ASX ANNOUNCEMENT

Melbourne — 30 April 2019

QUARTERLY ACTIVITIES UPDATE & APPENDIX 4C COMMENTARY

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

During the quarter Tesseract completed the signing of a three-year \$3m agreement with leading transport and logistics company K&S Corporation, with project implementation underway as Tesseract aims to deliver next-generation, secure networks to 80 sites Australia-wide.

Further key activity saw the company move forward on its ambitious acquisition strategy, launching numerous due diligence projects on potential acquisition targets. The major partnership agreements signed during this period will form an effective platform for growth.

Key metrics for the quarter (not including the K&S Corporation \$3m agreement which was included in the December 2018 quarter commentary) were as follows:

Key Quarterly Metric	Value	PCP#
Total contracts signed	\$1,042k	↑ 131% increase
Security contracts signed	\$752k	↑ 189% increase
Connectivity contracts signed	\$290k	↑ 53% increase
Future contracted income *	\$7,079k	↑ 33% increase
Revenue	\$1.194M	↓ 7% decrease
Cash balance	\$2.074M	↑ 27% increase

#PCP-Prior comparable period

* including K&S Corporation

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Further progress was made during the quarter on the following fronts:

- Tesseract raised \$2.1m in additional capital;
- Signed a three-year security and connectivity services agreement with ANZ Terminals Pty Ltd, valued at \$350K. ANZ Terminals is an independent operator of bulk liquid product facilities with terminals located at major ports throughout Australia, and handles over a million tonnes of bulk liquids each year;
- Partnered with Darktrace and embarked on a number of Cyber AI roadshows across Melbourne and Sydney, resulting in the undertaking of six Cyber AI Proof of Values (POV). It is expected that 50% of the POV convert into Projects;
- Tesseract was inducted into the Palo Alto Networks Nextwave Managed Services Program, enabling Tesseract to provide additional services and capabilities around the Palo Alto Networks ecosystem;
- Other partnership activity included the signing of agreements with Nucleus Cyber and Huntsman Security to support market growth into Government, Energy and Utilities.

Revenue

Revenue for the period was down 7%. This was the result of a small number of customer solutions going live later than planned. The revenue for these projects has been delayed, not lost, and will be received in future periods.

Costs

Cost management remains a key priority for the business. The management team is activity reducing the cost base to ensure we deliver a sustainable business going into the new financial year. To date there have been significant one-off restructuring, redundancy payments, that have impacted the current financial results, we do not see these carrying forward into the new financial year.

Rivium acquisition

Following the end of the quarter, Tesseract announced it has acquired experienced Melbourne-based enterprise security specialist Rivium Pty Ltd. Rivium is one of Australia's most experienced specialists in consulting, implementation and managed services for the enterprise security solution Splunk and brings high profile customers spanning the government and private sectors.

The acquisition will be earnings accretive from day one, with Rivium forecasting FY19 revenue of \$4.4m and an EBITDA of \$650,000. The consideration for the acquisition of Rivium is \$3.25m in a combination of cash (\$1.495m) and scrip (17.55m shares at \$0.10 per share, subject to Shareholder approval).

The acquisition is the first under Tesseract's aggressive new growth strategy focused on the acquisition of cybersecurity products and services that allow it to become Australia's leading end-to-end cyber security business.

Fundraising & share ownership

During the reporting period, Tesseract secured a \$500k investment from entities associated with Mr Geoff Lord, and an additional \$1.6m in placements to the market. Other fundraising opportunities are continually being explored in order to support the company's acquisition and organic growth strategy.

Post quarter-end Tesseract announced that it had successfully facilitated an off-market sale of all tradable shares held by the company's former CEO Keith Glennan. The sale of the shareholding cleared a significant overhang in the company's shares. The company has been advised that all remaining shares held by Mr Glennan are covered by an option held by Belgravia Strategic Equities Pty and these are unable to be sold.

ABOUT TESSERENT

Tesseract 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, Tesseract delivers world-class Security-as-a-Service to medium and large organisations' around the globe. With a next generation end-to-end security and networking offer, Tesseract 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.tesseract.com.

CONTACT

Please forward all investor related enquiries to Company Secretary.

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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")

31 MARCH 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,419	3,776
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(22)	(39)
(d) leased assets	-	-
(e) staff costs	(814)	(2,132)
(f) administration and corporate costs	(1,502)	(3,891)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	0	15
1.5 Interest and other costs of finance paid	(14)	(30)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	288
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(931)	(2,012)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(13)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	(134)
(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	-	147

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	2,092	2,503
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	2,092	2,503
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	901	1,718
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(931)	(2,012)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(147)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,092	2,503
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,062	2,062

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	2,062	901
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)	2,062	901

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	53
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	-	-
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	20
9.4 Leased assets	60
9.5 Staff costs	800
9.6 Administration and corporate costs	1,500
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	2,380

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:
(Director/Company secretary)

Date: 30 April 2019

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.