

ASX ANNOUNCEMENT | TESSERENT LIMITED

APPENDIX 4C – QUARTERLY REPORT AND BRIEF COMPANY UPDATE

Tesseract Limited (ASX:TNT) successfully completed its IPO during the quarter raising \$7 million and has continued making strong progress.

Key highlights during the quarter

- Successful completion of the IPO raising \$7m and retirement of \$1.4m of debt. \$1.3m of costs were incurred in the IPO.
- At the end of March, the company had cash reserves of \$4.5m and per the company's Prospectus (dated 17 November 2015) the use of these funds will be applied to the following key areas:
 - expanding sales and marketing programs;
 - funding ongoing R&D programs; and
 - working capital.

Whilst the expansion of sales and R&D efforts will continue via organic growth, the company has also identified potential acquisition targets that may accelerate this growth.

- Following completion of the IPO in February 2016, the Directors have shifted attention from IPO related activities onto strategic and growth related initiatives in line with the actions identified above and outlined in the Prospectus.
- Continued focus on core capability within the defined market segments of Education, Local Government, and Corporate & Enterprise, will result in new contracted revenue (including revenue from a recently-won state government deal) and some exciting opportunities that remain in progress at this date.

Moving Forward

- The company is in discussions with a number of potential channel partners, which could lead to much greater sales exposure over the coming year. The company's core platform has been built to facilitate easy adoption by partners (such as telcos, network providers, and managed services providers) and the company is optimistic that on-going discussions will lead to sizeable annuity streams from its core technology.
- The security space has seen significant growth by acquisition and, as outlined within the Prospectus, the company continues to be active in identifying potential acquisition targets that will bring additional revenue, earnings, customer reach, and technology.
- The company will hold an investor conference call in Q4 2016 and the company's CEO and Directors are also planning to conduct further broker and investor meetings during this 4th quarter.



About Tesseract

Tesseract is a specialist in managed cyber security. Tesseract has built its own platform for the delivery of managed cyber security, which it deploys for the management of its own customers and also licenses to partners around the world to enable them to deliver effective cyber security management to their customers. For more information, please visit the company's web site at www.tesseract.com.

Contact

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Company Secretary

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

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

Name of entity

TESSERENT LIMITED

ABN

13 605 672 928

Quarter ended ("current quarter")

31 MARCH 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	1,253	3,537
1.2 Payments for (a) staff costs (b) advertising and marketing (c) research and development (d) leased assets (e) other working capital	(379) (992)	(1,224) (17) (2,302)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	2	3
1.5 Interest and other costs of finance paid	(17)	(91)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net operating cash flows		

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(133)	(94)
1.9 Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses (item 5)		50
(b) equity investments		
(c) intellectual property	(9)	(18)
(d) physical non-current assets	(30)	(91)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (provide details if material)		
	(39)	(59)
Net investing cash flows		
1.14 Total operating and investing cash flows	(172)	(153)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	6,389	6,862
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings	(1,408)	(1,465)
1.19 Dividends paid		
1.20 Other - costs of raising capital	(609)	(1,265)
Net financing cash flows	4,372	4,132
Net increase (decrease) in cash held		
1.21 Cash at beginning of quarter/year to date	295	516
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	4,495	4,495

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	129
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <ul style="list-style-type: none"> • Executive Director salaries • Director fees Includes amounts paid to entities associated with the Directors </div>	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,495	295
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	3,000	
Total: cash at end of quarter (item 1.23)	4,495	295

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	-
5.2 Place of incorporation or registration	-	-
5.3 Consideration for acquisition or disposal	-	-
5.4 Total net assets	-	-
5.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~does not~~ (delete one) give a true and fair view of the matters disclosed.

Sign here:  Date: 29 April 2016
 (Director/Company secretary)

Print name: Oliver Carton

+ See chapter 19 for defined terms.

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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