

QUARTERLY ACTIVITIES UPDATE & APPENDIX 4C COMMENTARY

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

Operational highlights

Completing the 2019 financial year, the company is pleased to report that:

- Tesserent is on track to achieve cashflow positivity and profitability on a monthly basis by end of the FY2020.
 - Tesserent is forecasting annual revenues from the combined entity (after the acquisition of Rivium) of \$14m for FY20 (up from \$5.3m in FY19), with a forecast further \$8.4m contracted over the next three years.
 - It successfully acquired & integrated Melbourne-based enterprise security specialist Rivium Pty Ltd, adding significant capability and additional revenue to Tesserent as well as enabling new services to be launched in FY2020. Rivium was recently placed in the top three from more than 198 teams in the Splunk Boss of the SOC competition, highlighting the depth of capability and experience Rivium's team brings to Tesserent's cyber security team.
 - Tesserent's Cyber360 full offering is now live, helping address a larger addressable market within the cyber security industry.
 - Tesserent currently has three Artificial Intelligence (AI) enabled security proof of value programs running with customers as a precursor to contracting, that if successful, will result in significant multi-year contracts with the first program expected to go live in September. Tesserent will update the market on execution of contracts.
 - The first customer has signed on for Tesserent's innovative threat-hunting managed services reflecting recent strong momentum around proactive cyber security initiatives with a view to capitalise on high demand from customers for proactive cyber security solutions.
 - Future acquisitions are likely to be funded by issuing vendor scrip, reducing the Company's cash funding burden.
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ASX ANNOUNCEMENT

Melbourne – 30 July 2019

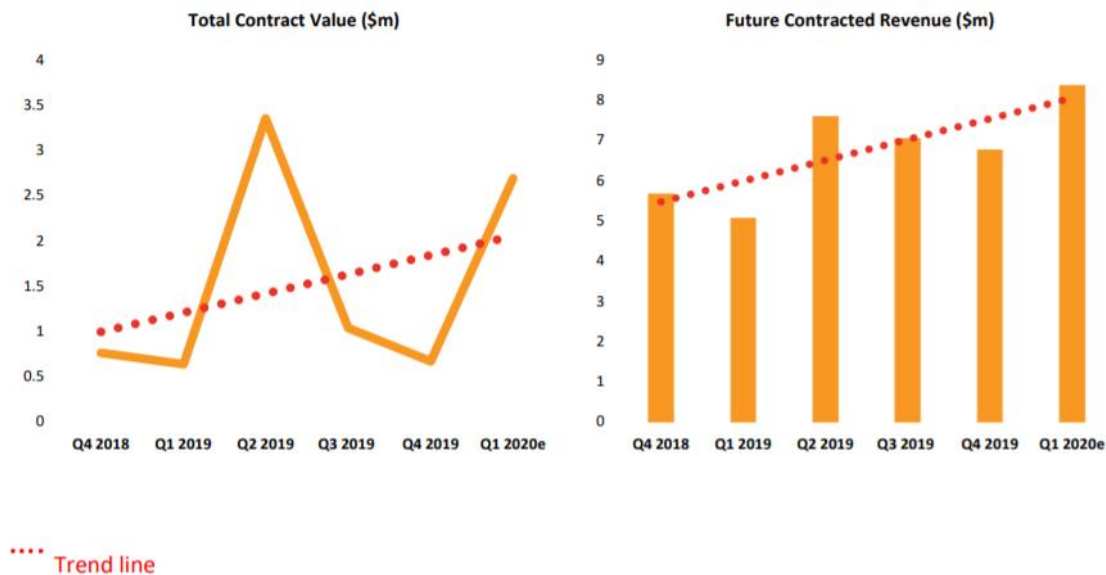


Financials

Cash receipts for the quarter totalled \$1.31m, bringing the FY2019 total to \$5.09m. Cash received post 30 June from the capital raising conducted in June was \$1.54m.

The company notes that there were some delays in signing contracts that were expected in the June 2019 quarter and note that they have been signed subsequently and will be recognised in the Q1 FY2020 numbers.

As reported in the company's ASX announcement dated 25 July 2019, total contracts forecast for Q1 FY2020 exceed \$2.7m, up from an average of \$1.4m during FY2019. Future contracted revenue is expected to reach more than \$8.4m by the end of Q1 FY2020.



The company completed a \$2.1m placement of new shares to sophisticated and institutional investors during the period to fund the cash component the Rivium acquisition as well as providing working capital. One free attaching option (\$0.05 expiring 19/3/20) was allocated for every two shares received as part of the placement.

Reduction of considerable one-off & acquisition costs

The company notes that during FY2019 it faced considerable one-off restructuring costs totalling \$220k. It is forecast that there will be no one off restructuring costs in FY2020.

Similarly, there were considerable acquisition costs during FY2019, with the expenditure reaching \$740k. It is forecast that acquisition costs will be less than \$250k in FY2020.

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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.

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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 JUNE 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,313	5,089
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(37)	(76)
(d) leased assets	-	-
(e) staff costs	(692)	(2,824)
(f) administration and corporate costs	(1,650)	(5,541)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	0	15
1.5 Interest and other costs of finance paid	(16)	(45)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	288

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,082)	(3,094)

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 (12 months) \$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	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	-	2,503

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	2,062	1,718
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,082)	(3,094)
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)	-	2,503
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	980	980

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	980	2,062
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)	980	2,062

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	72
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.		

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	700
9.6	Administration and corporate costs	1,400
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	2,180

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 July 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.