Company details

Name of entity:	Tesserent Limited
ABN:	13 605 672 928
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

1. Results for announcement to the market

				$
Revenues from ordinary activities	up	89.6%	to	5,310,730
Loss for the half-year after tax attributable to the owners of Tesserent Limited	up	99.3%	to	(3,765,371)
Loss for the half-year attributable to the owners of Tesserent Limited	up	99.3%	to	(3,765,371)

Dividends
Not applicable

Comments
The net loss for the consolidated entity after providing for income tax amounted to $3,765,371 (31 December 2018: $1,889,048). The loss was abnormally inflated due to the acquisition, due diligence, integration and restructuring costs associated with the acquisition of Rivium, Pure Security and North Consulting (to be completed 16 March 2020, subject to shareholder approval).

2. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.02)	0.05

Calculated before goodwill and right of use asset

3. Audit review
The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

4. Control gained or lost over businesses during the period

Name of business	Reporting entity's percentage holding		Contribution to net profit / (loss) in $	
	31 December 2019 %	31 December 2018 %	**31 December 2019 $**	31 December 2018 $
Control Gained				
Rivium Pty Ltd	**100%**	Nil%	**87,663**	-
Pure Security Group	**100%**	Nil%	**(37,953)**	-

5. Details of associates and joint venture entities
None

6. Attachments

Details of attachments (if any):

The Interim Report of Tesserent Limited for the half-year ended 31 December 2019 is attached.

7. Signed

Signed ____________________

Date: 1 March 2020

Julian Challingsworth
Co-Managing Director and Co-CEO

Tesserent Limited

ABN 13 605 672 928

Half Year Financial Report – 31 December 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Tesserent Limited (referred to hereafter as 'Tesserent' the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of Tesserent during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Ongoing

Gregory Baxter – Non Executive Director
Julian Challingsworth – Co-Managing Director and Co-CEO

Newly Appointed

Kurt Hansen (appointed 12 December 2019) - Co-Managing Director and Co-CEO
Geoff Lord (appointed 10 January 2020) – Non Executive Chairman
Patrick Flannigan (appointed 20 January 2020) – Non Executive Director

Retired

Steve Caswell (appointed 19 September 2019, retired 29 November 2019)
Stefano (Steve) Bertamini (retired 29 November 2019)
Robert Langford (retired 4 December 2019)

Principal Activities

Tesserent provides full-service, end-to-end Cyber Security via it's "Cyber 360" offering, delivered both directly and via industry partners to a wide range of Australian and international customers, including corporate enterprises, government customers and education providers. These services are typically provided on multi-year, fixed term contracts and/or on a project-by-project basis.

Operating Result

The net loss for the consolidated entity after providing for income tax amounted to $3,765,371 (31 December 2018: loss $1,889,048). The loss was abnormally inflated due to the acquisition, due diligence, integration and restructuring costs associated with the acquisition of Rivium, Pure Security and North Consulting (to be completed 16 March 2020, subject to shareholder approval).

Review of Operations

Continued Strong Revenue Growth

We are pleased to report H1 FY20 revenue of $5,310,730 is up 89.6% from the same period in FY19. This is represented by strong, underlying quarter on quarter revenue growth and includes $1,816,563 for Pure and Rivium.

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

Growth Through Strategic Acquisitions

The Company continues its transformation from a small, loss-making Managed Security Services Provider in 2019 to Australia's #1 ASX-listed end-to-end Cyber Security company in FY20. In H1 FY20, the newly consolidated group completed two additional acquisitions (Rivium and Pure

Security), with a third to be completed in H2 FY20 (North Consulting subject to shareholder approval). The Company continues to assess potential new strategic acquisitions on an ongoing basis.

On 3 July 2019, Tesserent acquired 100% of Rivium Pty Ltd for a cash consideration of $1,778,217 contingent consideration of 699,583 and issue of 17,550,000 ordinary shares at a fair value of 4.4 cents representing a share consideration of $772,200.

Rivium Pty Ltd provides Splunk reseller license and consulting services.

On 10 December 2019, Tesserent acquired 100% of Pure Security Group for a cash consideration of $8,000,000 and issue of 100,000,000 ordinary shares at a fair value of 5 cents representing a share consideration of $5,000,000 and a contingent cash payment of 1,000,000 subject to agreed performance levels being met.

Pure Security Group provides Cyber Security consulting services.

As a result of these acquisitions, Tesserent's headcount increased substantially in H1 FY20 (from 20 to 90), and with the completion of North Consulting (subject to shareholder approval), the firm expects this to increase to in-excess of 140 Cyber Security professionals.

H1 FY20 saw successful Cross Sell initiatives delivering net new opportunities in the pipeline with a key focus on selling the Company's leading managed services into the expanding customer base.

Significant Customer Growth

H1 FY20 saw the customer base grow 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. This was complemented with continued organic customer growth across all business units with several significant wins during H1 FY20 across the key products of firewall, SIEM and security consulting.

Focus for H2 FY20

The Board and Management team are focused on continuing to build Tesserent's position as Australia's #1 ASX-listed Cyber Security provider by achieving several important goals during H2 FY20, including:

- Complete North Consulting acquisition proposed for 16 March 2020 (subject to shareholder approval).
- Achieve forward revenue run-rate of $40m by 30 June 2020 (being revenue during the June 2020 quarter annualised upon completion of the acquisition of North Consulting)
- Achieve profitability and cashflow positivity on a monthly basis by 30 June 2020.
- Continued integration of recently acquired business into Tesserent, including the expertise of staff and the development of cross-sell initiatives between business units in-line with Tesserent's Cyber 360 strategy.
- Continued strong organic growth across all business units.
- Potential strategic acquisitions where they make sense.

Significant Changes in the State of Affairs

Other than the matters referred to above, in the opinion of the Directors, there were no significant changes in the state of affairs of Tesserent that occurred during the half year ended 31 December 2019.

Post Balance Date Events

Exercising of Options

Between 1 January 2020 and 27 February 2020, shareholders have demonstrated continuing support of the Company's strategy by exercising 44,012,783 options, which has raised in excess of $2 million in new capital. At the date of this report, this has increased the Company's total cash and cash equivalents at the date of this report of $5,690,171.

Improved Management and Leadership

Continuing the trend of change, in January 2020, the Company 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
- Experienced IT business executive Patrick Flannigan as Non-Executive Director
- Cyber Security industry veteran, Kurt Hansen, as Co-Managing Director – Operations

Proposed acquisition of North Consulting

On 10 December 2019, it was announced that Tesserent had entered into a share purchase agreement ("Share Purchase Agreement") in relation to the proposed acquisition of North Consulting. Tesserent will acquire 100% of the share capital of North Consulting, in exchange for the payments of cash and issue of shares in Tesserent.

The consideration payable for North Consulting is comprised of the following;

- A payment of $500k, which was made on 10 December 2019
- A payment of $750k to be made on completion of the transaction
- 4 post-completion cash payments of $514,711 each, to be made 6, 12, 18 and 24 months after 10 December 2019
- The issue of 20,000,000 Shares in the Company ("Consideration Shares") at an issue price of $0.10 per share, to be alotted within 10 business days of completion, subject to 12 months voluntary escrow; and
- An earn out payment equal to twice the increase in EBITDA between FY19 and FY20. FY19 EBITDA has been agreed at $766k. The earn out will be paid in the following proportions;
    - 37.5% payment of cash
    - 62.50% to be issued as Shares in the Company ("Earn-out Shares"). The number of Earn-out Shares to be issued is to be calculated at the 60-day volume weighted average price ("VWAP") at 30 June 2020, subject to a floor price of $0.05 per Share.

Apart from the above, there were no other post balance date events.

Dividends

Directors have resolved to not declare a dividend for the half year (2018: $nil).

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Julian Challingsworth
Co-Managing Director and Co-CEO

1 March 2020

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Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF TESSERENT LIMITED

As lead auditor for the review of Tesserent Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Tesserent Limited and the entities it controlled during the period.

David Garvey
Director

BDO Audit Pty Ltd

Melbourne, 01 March 2020

General information

The financial statements cover Tesserent Limited as a consolidated entity consisting of Tesserent Limited and the entities it controlled at the end of, or during, the financial half-year. The financial statements are presented in Australian dollars, which is Tesserent Limited's functional and presentation currency.

Tesserent Limited is a public company limited by shares listed on the Australian Securities Exchange, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Level 5	Level 5
990 Whitehorse Road	990 Whitehorse Road
Box Hill VIC 3128	Box Hill VIC 3128

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 1 March 2020.

	Note	31 Dec 2019 $	31 Dec 2018 $
Revenue from continuing operations	5	5,310,730	2,801,132
Other income	5	44,668	6,600
Expenses			
Software licence and connectivity fees		(2,375,158)	(1,126,697)
Administration expenses		(376,560)	(461,218)
Employee benefits expense		(2,864,395)	(1,555,600)
Bad and doubtful debts		(255,804)	(40,086)
Communication costs		(239,101)	(215,759)
Consulting and legal costs		(1,648,489)	(568,707)
Depreciation and amortisation expense		(382,548)	(150,465)
Travel expenses		(76,391)	(24,156)
Occupancy costs		-	(227,448)
Advertising and promotion		(59,026)	(24,102)
Other expenses		(808,121)	(230,217)
Finance costs		(254,900)	(30,683)
Research and development tax concession		-	(72,925)
Loss before income tax for the half-year		(3,985,095)	(1,920,331)
Income tax benefit		219,724	31,283
Loss after income tax for the half-year		(3,765,371)	(1,889,048)
Other comprehensive income for the half-year net of tax		-	-
Total comprehensive income for the half-year		(3,765,371)	(1,889,048)

Earnings per share	**Cents**	**Cents**
Basic earnings per share	(1.46)	(1.45)
Diluted earnings per share	(1.46)	(1.45)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	31 Dec 2019 $	30 Jun 2019 $
Assets			
Current Assets			
Cash and cash equivalents		3,554,287	999,660
Trade and other receivables	6	4,623,101	218,767
Prepayments		902,704	292,263
Inventories		345,082	276,620
Contract Asset	7	557,917	-
Current tax assets		137,335	137,335
Other financial assets	8	500,001	1
Total Current Assets		10,620,427	1,924,646
Non-Current Assets			
Other financial assets	8	61,182	-
Plant and equipment		890,374	510,309
Intangibles	9	16,908,334	977,510
Contract Asset	7	158,402	-
Deferred tax assets		300,358	149,618
Right of use assets	10	2,988,512	-
Other non-current assets	11	259,396	257,228
Total Non-Current Assets		21,566,558	1,894,666
Total Assets		32,186,985	3,819,312
Liabilities			
Current Liabilities			
Trade and other payables	12	4,960,043	1,765,342
Other financial liabilities	13	281,716	137,991
Lease liability		599,205	-
Contract liabilities	14	1,692,877	614,691
Provisions		563,865	228,315
Total Current Liabilities		8,097,706	2,746,339
Non-Current Liabilities			
Other financial liabilities	13	67,547	281,714
Contract liabilities	14	128,501	
Borrowings	15	3,452,088	-
Lease liability		2,996,283	-
Provisions		2,183,589	430,299
Total Non-Current Liabilities		8,828,008	712,013
Total Liabilities		16,925,714	3,458,352
Net Assets		15,261,271	360,960
Equity			
Issued capital		22,795,085	13,754,507
Converting notes	16	8,068,460	-
Reserves		2,343,156	772,900
Accumulated losses		(17,945,430)	(14,166,447)
Total Equity		15,261,271	360,960

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

	Issued Capital $	Converting Notes $	Reserves $	Accum Losses $	Total $
Balance at 1 July 2018	10,875,937	-	639,385	(9,793,626)	1,721,696
Comprehensive Income					
Loss after income tax expense for the half-year	-	-	-	(1,889,048)	(1,889,048)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(1,889,048)	(1,889,048)
Transactions with owners in their capacity as owners:					
Shares issued during the period	470,500	-	(163,000)	-	307,500
Share and option expense during the period	-	-	125,950	-	125,950
Total transactions with owners and other transfers	470,500	-	(37,050)	-	433,450
Balance at 31 December 2018	11,346,437		602,335	(11,682,674)	266,098

	Issued Capital $	Converting Notes $	Reserves $	Accum Losses $	Total $
Balance at 1 July 2019	13,754,507	-	772,900	(14,166,447)	360,960
Comprehensive Income					
Impact of adoption of AASB16 *Leases,* net of tax	-	-	-	(13,612)	(13,612)
Loss after income tax expense for the half-year	-	-	-	(3,765,371)	(3,765,371)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(17,945,430)	(3,418,023)

Transactions with owners in their capacity as owners:					
Shares issued during the period	9,394,749	-	(221,250)	-	9,173,499
Converting notes issued during the period		8,495,000	-		8,495,000
Warrants issued during the period (refer Note 15)	-	-	1,448,400		1,448,400
Capital raising costs	(354,171)	(426,540)	-	-	(780,711)
Share option expense, net of tax	-	-	343,106	-	343,106
Total transactions with owners and other transfers	9,040,578	8,068,460	1,570,256	-	18,679,294
Balance at 31 December 2019	22,795,085	8,068,460	2,343,156	(17,945,430)	15,261,271

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Cash flows from operating activities	Note	31 Dec 2019 $	31 Dec 2018 $
Receipts from customers (inclusive of GST)		3,804,576	2,781,059
Payments to suppliers and employees (inclusive of GST)		(6,541,884)	(4,034,007)
		(2,737,308)	(1,252,948)
Interest received		6,507	14,529
Interest and other finance costs paid		(91,693)	(30,683)
Research & development tax concession		-	288,330
Net cash used in operating activities		(2,822,494)	(980,772)
Cash flows from investing activities			
Payment for plant and equipment		-	(6,460)
Payment for acquisition of Pure Security Group, net of cash acquired	19	(7,923,390)	-
Payment for acquisition of Rivium, net of cash acquired	19	(1,337,517)	(116,490)
Deposit for acquisition of North Consulting	8	(500,000)	-
Payment of deferred settlement liability		(146,435)	(123,548)
Net cash used in investing activities		(9,907,342)	(246,498)
Cash flows from financing activities			
Proceeds from share issue, net of costs		1,997,004	411,450
Proceeds from borrowings		5,000,000	-
Proceeds from issue of converting notes		8,495,000	-
Repayment of lease liabilities		(207,541)	-
Net cash increase from financing activities		15,284,463	411,450
Net increase/(decrease) in cash and cash equivalents		2,554,627	(815,820)
Cash and cash equivalents at the beginning of the financial half-year		999,660	1,717,221
Cash and cash equivalents at the end of the financial half-year		3,554,287	901,401

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Summary of significant accounting policies

Introduction

The financial report for the half year ended 31 December 2019 covers Tesserent Limited ("Tesserent) and its controlled entities ("Group"). Tesserent is a company limited by shares whose shares are traded on the Australian Securities Exchange (ASX). Tesserent is incorporated and domiciled in Australia. The presentation currency and functional currency of the Group is Australian dollars.

Basis of preparation

This condensed consolidated financial report for the half-year ended 31 December 2019 has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This half year financial report is intended to provide users with an update on the latest annual financial statements of Tesserent Limited and its controlled entities (referred to as the "consolidated entity" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the Group for the year ended 30 June 2019, together with any public announcements made during the following half-year.

The consolidated financial statements have been prepared under the historical cost convention, except for where applicable, the evaluation of certain non-current assets and financial instruments.

Cost is based on the valuation of consideration given. The accounting policies utilised in preparing the half-year financial report are consistent with those adopted for previous periods, but the half-year report does not include all the notes of the type usually included in an annual financial report.

These financial statements were authorised for issue on 1 March 2020.

Going Concern

The half-year report has been prepared on the basis that the Company is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

For the half-year ended 31 December 2019 the consolidated entity has recorded a loss before income tax of $3,985,095 and at balance date the Company has consolidated net assets of $15,261,271 and cash assets of $3,554,287. Subsequent to balance date the Company has raised additional capital in excess of $2,200,639 through the exercise of 44,012,783 options. This has increased the Company's total cash and cash equivalents to $5,690,171 at the date of this report.

Accounting Policies Adopted

As a result of the acquisitions undertaken in the half year ended 31 December 2019 and adoption of AASB 116 *Leases* from 1 July 2019, summarised below are additional information on accounting policies applied by the Company for the half year ended 31 December 2019, that were not disclosed in the last annual financial statements for the year ended 30 June 2019.

(i) Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets and an interest expense on the recognised lease liabilities (included in finance costs).

The group has adopted AASB 16 using the modified retrospective approach from 1 July 2019, as such has not restated comparatives for the previous reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The impact on the financial performance and position of the consolidated entity from the adoption of AASB 16 is detailed in note 3.

- **Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

- **Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(ii) Contract assets

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

(iii) Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

(iv) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. The Group has borrowings detailed in Note 15.

(v) Converting Note Debt

Tesserent has borrowed under a $8,495,000 convertible note with the following terms;

- Conversion during year one to 169,900,000 ordinary Tesserent shares at $0.05 per share
- Conversion during year two to 113,266,666 ordinary Tesserent shares at $0.075 per share
- Automatic conversion at the end of year to 84,950,000 ordinary Tesserent shares at $0.10 per share
- 1 option to be issued for every 3.33 shares subscribed for (exercisable at $0.10)
- Interest rate of %8 (cash) or 10% if paid in shares (at the Company's discretion)

As the above conversion feature results in the conversion of a fixed amount of stated principal into a fixed number of shares, it satisfies the 'fixed for fixed' criterion and, therefore, it is classified as an equity instrument.

(vi) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value

Other than disclosed above, the same accounting policies and methods of computation have been followed in the interim financial report as were applied in the most recent annual financial statements.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Further detail on the adoption of AASB 16 Leases is included above and in note 3.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

The judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an option pricing model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Business combinations
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Taxation – deferred tax assets
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, and their measurement also reflects the way management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses have not been recognised.

Note 3. Adoption of AASB 16 'Leases'

Adoption of AASB 16 'Leases'
The consolidated entity has adopted AASB 16 'Leases' from 1 July 2019, using the modified retrospective method approach of adoption, resulting in the following adjustments for the statement of profit or loss and other comprehensive income for the year ended 31 December 2019 and the statement of financial position as at 31 December 2019:

- Accumulated depreciation of $1,340,300 recognised against the right-of-use assets
- Depreciation expense of $149,870 for the period ended 31 December 2019.
- Lease payments of $207,541 were reclassified from other expenses to principal repayments against lease liabilities
- Finance costs of $113,333 were recognised against lease liabilities

- Additional right-of-use assets at 31 December 2019 of $2,988,512 were recognised (discounted based on the weighted average incremental borrowing rate of 10.52% and net of accumulated depreciation)
- Deferred tax assets increased by $152,318 (as a result of the net tax effect on right-of-use assets and lease liabilities)
- Additional lease liabilities at 31 December of $3,595,488 were recognised (current $599,205 and non-current $2,996,283)
- The overall impact on total equity was a decrease of $13,612 net of tax

Note 4. Operating segment information
An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) in order to effectively allocate Group resources and assess performance.

Identification of reportable operating segments
The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer CEO in the capacity of CODM. Four operating segments have been identified: Cyber Security Consulting, Splunk software and licensing, IT Security Managed Services and other Software Licensing. The CEO reviews profit before tax. The accounting policies adopted for internal reporting to the CEO are consistent with those adopted in the financial statements.

Intersegment transactions
An internally determined transfer price is set for all intersegment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Operating segment information

Half year ended 31 Dec 2019	Cyber Security Consulting $	Splunk software & licensing $	IT Security Managed Services $	Other Software Licensing $	Inter Segment Eliminations $	Totals $
Revenues						
Sales to external customers	1,023,776	979,103	3,204,337	103,514	-	5,310,730
Inter segment sales	-	-	5,315	134,093	(139,408)	-
Total sales revenue	1,023,776	979,103	3,209,652	237,607	(139,408)	5,310,730
Other revenue	8	29,752	14,908	-	-	44,668
Total revenue	**1,023,784**	**1,008,855**	**3,224,560**	**237,607**	**(139,408)**	**5,355,398**
Profit /(loss) before income tax expense	**(37,953)**	**87,663**	**(4,272,412)**	**237,607**	**-**	**(3,985,095)**
Total segment assets	**10,052,835**	**801,906**	**21,078,804**	**253,440**	**-**	**32,186,985**
Total segment liabilities	**1,542,086**	**114,374**	**15,099,393**	**169,861**	**-**	**16,925,714**

Half year ended 31 Dec 2018	Cyber Security Consulting $	Splunk software & licensing $	IT Security Managed Services $	Other Software Licensing $	Inter Segment Eliminations $	Totals $
Revenues						
Sales to external customers	-	-	2,683,032	118,100	-	2,801,132
Inter segment sales	-	-	-	182,095	(182,095)	-
Total sales revenue	-	-	2,683,032	300,195	(182,095)	2,801,132
Other income – transaction restructure fee	-	-	-	-	-	-
Other revenue	-	-	6,600	-	-	6,600
Total revenue	**-**	**-**	**2,689,632**	**300,195**	**(182,095)**	**2,807,732**
(Loss)/ Profit before income tax expense	**-**	**-**	**(1,985,946)**	**65,615**	**-**	**(1,920,331)**
Total segment assets	**-**	**-**	**3,008,031**	**281,873**	**-**	**3,289,904**
Total segment liabilities	**-**	**-**	**2,895,395**	**128,411**	**-**	**3,023,806**

Note 5. Revenue

	Consolidated 31 Dec 2019 $	Consolidated 31 Dec 2018 $
Revenue from continuing operations		
Sales revenue	5,304,223	2,786,603
Finance Income	6,507	14,529
	5,310,730	2,801,132
Other income		
Other	44,668	6,600
	44,668	6,600

Note 6. Trade and Other Receivables

	Consolidated	
Current	31 Dec 2019 $	30 Jun 2019 $
Trade receivables	4,624,417	279,135
Allowance for expected credit losses	(36,935)	(60,368)
	4,587,482	218,767
Other receivables	35,619	-
	4,623,101	218,767

Note 7. Contract assets

	Consolidated	
Current	31 Dec 2019 $	30 Jun 2019 $
Contract assets[1]	557,917	-
	557,917	-
Non current		
Contract assets[1]	158,402	-
	158,402	-

1) Contract assets are contract amounts to be invoiced by the company to a customer in relation to sale of software and licensing, in particular, Splunk Software. The company is an agent in relation to the sale of Splunk software and licensing. Contract assets relate to amounts that the company will invoice in the future from prior software and licensing sales. Refer to Note 14 for Contract Liabilities.

Note 8. Other financial assets

	Consolidated	
	31 Dec 2019 $	30 Jun 2019 $
Current		
Call option investment[1]	1	1
Deposit for acquisition of North Consulting	500,000	-
	500,001	1
Non-current assets		
Other asset	61,182	-
	61,182	-

2) The company purchased a call option providing Tesserent with the right but not obligation to acquire a cyber security business based in the United Kingdom. The option expires 21 December 2019 and if exercised prior to expiry the amount paid for the option is offset against the purchase price of the business. If the counterparty decides not to proceed with the sale, the call option investment in redeemed in full by the counterparty. At balance date the Company has exercised this option, The purchase of the cyber security business in the United Kingdom is yet to be finalised and consequently a fair value of $1 has been recorded.

The carrying amount of other financial assets approximates their fair value, with changes in fair value recognised in profit and loss as they arise ("FVPL") as per the adoption of AASB 9 – Financial Instruments.

Note 9. Intangible Assets

Amortisation methods and useful lives
The group amortises intangible assets with a limited useful life using the straight-line method over the following period:

- IT development and software — 5 years
- Goodwill — Indefinite useful life

Consolidated	Goodwill	Intellectual Property	Software	Total
		$	$	$
As at 30 June 2019				
Cost	-	22,607	1,252,592	1,275,199
Accumulated amortisation	-	-	(297,689)	(297,689)
Net book value	-	22,607	954,903	977,510
Half-year ended 31 December 2019				
Net book value as at 1 July 2019	-	22,607	954,903	977,510
Additions – capitalised development costs	-	-	42,921	42,921
Additions – Goodwill	16,011,320	-	-	16,011,320
Amortisation charges	-	-	(123,417)	(123,417)
NBV as at 31 December 2019	16,011,320	22,607	874,407	16,908,334
As at 31 December 2019				
Cost	16,011,320	22,607	1,295,513	17,329,440
Accumulated amortisation	-	-	(421,106)	(421,106)
Net book value	16,011,320	22,607	874,407	16,908,334

Note 10. Right of use asset - leases

	Consolidated	
	31 Dec 2019	30 Jun 2019
	$	$
Right of use Asset - leases	4,328,812	-
Accumulated depreciation	(1,340,300)	-
Written down value	2,988,512	-

Note 11. Other non-current assets

	Consolidated	
	31 Dec 2019	30 Jun 2019
	$	$
Leasehold security deposits	257,229	257,228
Other	2,167	-
	259,396	257,228

Note 12. Trade and Other Payables

	Consolidated	
	31 Dec 2019 $	30 Jun 2019 $
Trade Payables	3,260,460	908,794
Sundry payables and accrued expenses	-	856,548
Contingent consideration – refer Note 19	1,699,583	-
	4,960,043	1,765,342

Note 13. Other financial liabilities

	Consolidated	
	31 Dec 2019	30 Jun 2019
Current	$	$
Deferred settlement liability	281,716	137,991
	281,716	137,991
Non-current		
Hire purchase liability	67,547	-
Deferred settlement liability	-	281,714
	67,547	281,714

Note 14. Contract liabilities

	Consolidated	
Current	31 Dec 2019 $	30 Jun 2019 $
Deferred revenue	1,240,900	614,691
Contract liabilities[1]	451,977	-
	1,692,877	614,691
Non current		
Contract liabilities[1]	128,501	-
	128,501	-

1) Contract liabilities are contract amounts to be paid by the company in relation to sale of software and licensing, in particular, Splunk Software. The company is an agent in relation to the sale of Splunk software and licensing. Contract liabilities relate to amounts that the company will be required to pay to Splunk in the future from prior software and licensing sales. Refer to Note 7 for Contract Liabilities

Note 15. Borrowings

	Consolidated	
	31 Dec 2019	30 Jun 2019
Non current	$	$
Loan facility	5,000,000	-
Fair value of attaching warrants[1]	(1,448,400)	-
Transaction costs[1]	(137,500)	-
	3,414,100	
Amortisation of finance component	37,988	-
	3,452,088	-

1) The fair value of long term borrowings are based on cash flows discounted using effective market discount rates available to the Group. Finance costs of $1,585,900 have been recognised to be amortised over the life of the borrowings, which in effect discounts the face value of the borrowings of $5million. The effective interest rate method is a method of calculating

the amortised cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, shorter period

Note 16. Equity – Converting Notes

	Consolidated	
	31 Dec 2019 $	30 Jun 2019 $
Converting notes issued during the period	8,495,000	-
Capital raising costs	(426,540)	-
	8,068,460	-

Refer note 1(v) for further information.

Note 17. Contingent liabilities

As at the reporting date, there were no material change in claims or disputes of a contingent nature against the Company and its subsidiaries, from that disclosed in the 30 June 2019 Annual Report, other than contingent consideration liabilities disclosed in Note 19.

Note 18. Related parties

The consolidated financial statements include the financial statements of Tesserent Limited and its controlled entities.

The controlled entities are as follows:

Entity	% Controlled	Date of acquisition
Tesserent Australia Pty Ltd	100%	15 July 2015
Tesserent Wholesale Pty Ltd	100%	15 July 2015
Tesserent IP Pty Ltd	100%	15 July 2015
Tesserent UK Ltd	100%	Incorporated 20 May 2015 (dormant)
Rivium Pty Ltd	100%	3 July 2019
Pure Security Pty Ltd	100%	10 December 2019
Certitude Pty Ltd	100%	10 December 2019
Hacklabs Pty Ltd	100%	10 December 2019
Securus Global Pty Ltd	100%	10 December 2019
Pure Hacking Pty Ltd	100%	10 December 2019

Apart from Tesserent UK Ltd all companies operate in Australia.

Note 19. Business Combinations

Rivium

On 1 July 0219, TNT Cyber Services Pty Ltd a subsidiary of Tesserent Limited acquired 100% of the ordinary shares of Rivium Pty Ltd for total consideration of $3,250,000.
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.

Rivium possesses an established team that adds a Security Information Event Management (SIEM) and insider threat capability to Tesserent's suite of cybersecurity solutions. The company has offices across Victoria, New South Wales, Queensland and the ACT.

The acquisition will be earnings accretive from day one, with Rivium forecasting FY19 revenue of $4.4m and an EBITDA of $650,000. The acquired business contributed revenues of $979,103 and profit after tax of $87,663 to the consolidated entity for the period 1 July 2019 to 31 December 2019. The company has forecast that 75% of revenues is earnt in the second half of the financial year.

The acquisition is the first under Tesserent'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.

Prior to executing the Share Purchase Agreement, Tesserent has satisfactorily completed a comprehensive financial, tax and legal due diligence process to ensure that there is strong strategic, cultural and operational alignment between the two organisations.

Contingent consideration is in the form of 'earn out' shares calculated as a multiple of EBITDA. At the date of acquisition, the directors determined it was probable that the deferred consideration would be realised and therefore recognised the maximum exposure as it's fair value.
At the date of this report, the directors have provisionally accounted for the acquisition and will finalise prior to issuing the 30 June 2020 financial report.

	Fair Value $
Cash	440,700
Trade and other debtors	1,345,485
Plant and equipment	2,619
Contract assets	537,131
Income tax receivable	1,788
Trade and other creditors	(1,151,542)
Contract liabilities	(435,729)
Employee benefit provisions	(190,017)
Net assets acquired	550,435
Goodwill	2,699,565
	3,250,000
Represented by;	
Cash	1,778,217
Issued capital	772,200
Contingent consideration	699,583
	3,250,000

Contingent consideration is in the form of 'earn out' shares calculated as a multiple of EBITDA. At the date of acquisition, the directors determined it was probable that the deferred consideration would be realised and therefore recognised the maximum exposure as it's fair value.

At the date of this report, the directors have provisionally accounted for the acquisition and will finalise prior to issuing the 30 June 2020 financial report.

Pure Security

On 10 December 2019, TNT Cyber Services Pty Ltd a subsidiary of Tesserent Limited acquired 100% of the Cyber Security Consulting business in PS&C Limited, which included the following entities for consideration of $14,000,000:

- Hacklabs Pty Ltd
- Securus Global Consulting Pty Ltd
- Certitude Pty Ltd
- Pure Hacking Pty Ltd
- PS&C Security Pty Ltd

The Pure Security Group acquisition will see Tesserent become Australia's largest listed dedicated cybersecurity business, with more than 90 cybersecurity professionals that have served more than 600 customers in the last 3 years. The integration of the Pure Security business will give Tesserent full cybersecurity capabilities including security advisory, penetration testing, deployment and management of security infrastructure and secure application development. As a result of the proposed acquisition Tesserent's customer footprint will expand across Australia, Asia and the UK.

Pure Security brings a strong and growing financial history to Tesserent, having delivered prior to acquisition revenue of $16.4m in FY2019 (up 33% from $12.3m in FY2018) with normalised EBITDA of 3.1m (up 11% from $2.8m in FY18). The acquired business contributed revenues of $1,023,776 and loss after tax of $37,953 to the consolidated entity for the period from acquisition to 31 December 2019. At the date of preparing the report, the Company does not have the information available to disclose revenues and profit after tax from 1 July 2019 to 31 December 2019, as the company has not finalised its provisional accounting for the acquisition.

Pure Security has more than 20 years' experience in defending, protecting and assuring applications and IT infrastructure for customers. It has completed thousands of penetration tests, security consulting engagements and managed services undertakings for organisations spanning various sectors.

The Pure Security Group acquisition will see Tesserent become Australia's largest listed dedicated cybersecurity business, with more than 90 cybersecurity professionals that have served more than 600 customers in the last 3 years. The integration of the Pure Security business will give Tesserent full cybersecurity capabilities including security advisory, penetration testing, deployment and management of security infrastructure and secure application development. As a result of the proposed acquisition Tesserent's customer footprint will expand across Australia, Asia and the UK.

Pure Security brings a strong and growing financial history to Tesserent, having delivered revenue of $16.4m in FY2019 (up 33% from $12.3m in FY2018) with normalised EBITDA of 3.1m (up 11% from $2.8m in FY18).

Pure Security has more than 20 years' experience in defending, protecting and assuring applications and IT infrastructure for customers. It has completed thousands of penetration tests, security consulting engagements and managed services undertakings for organisations spanning various sectors.

	Fair Value
	$
Cash	76,160
Trade and other debtors	4,270,346
Plant and equipment	626,124
Deferred tax assets on temporary differences	155,393
Right of use assets	2,115,475
Trade and other creditors	(4,313,985)
Lease liabilities	(2,241,267)
Net assets acquired	688,246
Goodwill	13,311,754
	14,000,000

Represented by;	
Cash	8,000,000
Issued capital	5,000,000
Contingent consideration	1,000,000
	14,000,000

Contingent consideration is in the form of deferred cash based on operational targets at the date of acquisition, the directors determined it was probable that the deferred consideration would be realised and therefore recognised the maximum exposure as it's fair value.
At the date of this report, the directors have provisionally accounted for the acquisition and will finalise prior to issuing the 30 June 2020 financial report.

Note 20. Events after the reporting period

Exercising of Options

Between 1 January 2020 and 27 February 2020, shareholders have demonstrated continuing support of the Company's strategy by exercising 44,012,783 options, which has raised in excess of $2 million in new capital. At the date of this report, this has increased the Company's total cash and cash equivalents at the date of this report of $5,690,171.

Improved Management and Leadership

Continuing the trend of change, in January 2020, the Company 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
- Experienced IT business executive Patrick Flannigan as Non-Executive Director
- Cyber Security industry veteran, Kurt Hansen, as Co-Managing Director – Operations

Proposed acquisition of North Consulting

On 10 December 2019, it was announced that Tesserent had entered into a share purchase agreement ("Share Purchase Agreement") in relation to the proposed transaction. Tesserent will acquire 100% of the share capital of North Consulting, in exchange for the payments of cash and issue of shares in Tesserent.

The consideration payable for North Consulting is comprised of the following;

- A payment of $500k, which was made on 10 December 2019
- A payment of $750k to be made on completion of the transaction
- 4 post-completion cash payments of 514,711 each, to be made 6, 12, 18 and 24 months after 10 December 2019
- The issue of 20,000,000 Shares in the Company ("Consideration Shares") at an issue price of $0.10 per share, to be alotted within 10 business days of completion, subject to 12 months voluntary escrow; and
- An earn out payment equal to twice the increase in EBITDA between FY19 and FY20. FY19 EBITDA has been agreed at $766k. The earn out will be paid in the following proportions;
  - 37.5% payment of cash
  - 62.50% to be issued as Shares in the Company ("Earn-out Shares"). The number of Earn-out Shares to be issued is to be calculated at the 60-day volume weighted average price ("VWAP") at 30 June 2020, subject to a floor price of $0.05 per Share.
  -

In the Director's Opinion

- The attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001, and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Julian Challingsworth
Co-Managing Director and Co-CEO

1 March 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tesserent Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Tesserent Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

BDO

David Garvey

David Garvey
Director

Melbourne, 01 March 2020