



TESSERENT

ASX ANNOUNCEMENT | TESSERENT LIMITED

MELBOURNE — MONDAY 23 JULY 2018

QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C COMMENTARY

Tesseract is pleased to report on-going business growth and significantly improved performance against the previous quarter, highlighted by the following key indicators.

KEY QUARTERLY METRIC	VALUE	Q ON Q PERFORMANCE
TOTAL CONTRACTS SIGNED	\$1.5M	↑ 203% INCREASE
CONTRACTED FUTURE INCOME	\$5.7M	↑ 32% INCREASE
INVOICED TO CUSTOMERS	\$1.6M	↑ 15% INCREASE
SECURITY CONTRACTS SIGNED	\$971K	↑ 229% INCREASE
CYBERBIZ CONTRACTS SIGNED	\$63K	↑ 67% INCREASE
CONNECTIVITY CONTRACTS SIGNED	\$497K	↑ 1,767% INCREASE
CASH RECEIVED	\$1.6M	↑ 19% INCREASE
CASH BALANCE	\$1.7M	↑ 5% INCREASE

Tesseract's core security services has seen consistent growth and continues to be a strong, stable platform. CyberBiz has garnered positive acceptance and the company is now working on improving the scalability of this offering. Secure networking is delivering exponential growth and continues to evolve as an increasingly important component of Tesseract's portfolio and future growth potential. Total contacts signed refers to the total contract value over the contract period.



STRATEGIC & BUSINESS COMMENTARY

STRATEGIC BACKGROUND

Tesseract has developed and integrated a comprehensive suite of cyber security services to ensure business owners are protected in the increasingly complex and threat-filled cyber landscape. In addition to Tesseract's proprietary next generation firewall and state-of-the-art security operations centre, Tesseract has consolidated a portfolio of complementary security and network products and services to ensure the highest level of protection, security, and connectivity for its customers.

Tesseract has built a proprietary platform that has seen innovations in both the security and networking environments. As the platform owner, Tesseract has been able to customise and scale its solution to provide enterprise-grade protection to organisations of any size. Identifying that the SME market was under-served, Tesseract created CyberBiz to provide enterprise grade protection at affordable prices for organisations with less than 200 employees.

In addition to CyberBiz, Tesseract identified the opportunity to gain leverage from its existing platform and expand into complementary and high-growth areas such as secure connectivity. Tesseract's secure platform is the ideal base from which to deliver a number of innovative network services, which has positioned the company well in a number of large-scale opportunities that the company hopes will deliver positive results in near future.

By broadening its service offering, Tesseract has been able to deepen its relationship and trust with clients, significantly increase contract value, and accelerate the company's growth.

FINANCIAL UPDATE

Tesseract's management team is driven to radically accelerate growth and deliver outstanding returns to shareholders. The company raised \$500K in the last quarter in a placement to clients of Phillip Capital Limited (as reported via an ASX announcement on 25th May 2018), at a share price of \$0.07 per share. A share placement plan (SPP) is currently open, offering existing shareholders the opportunity to buy shares at the same price as was offered to the placement investors.

A review has been conducted to best position Tesseract for accelerated growth and, as a result, a number of new initiatives have been undertaken to improve the company's performance. Tesseract ended the June 2018 quarter in a solid position, debt-free with a cash balance of \$1.718M.

SECURITY SERVICES UPDATE

Our core security services continue to experience consistent, strong growth. The annuity base of reoccurring revenue has created stability and linear growth. We have taken steps to consolidate this base, increased the sales team to achieve consistent, consolidated growth and give us stable, growing base from which to radically accelerate our growth.



CYBERBIZ UPDATE

CyberBiz growth has been encouraging although some unforeseen technical challenges have resulted in the number of deployments being fewer than anticipated. To address these challenges Tesseract has developed an innovative “zero touch” deployment model that it expects will overcome these challenges. The company looks forward to accelerating the CyberBiz commercialisation strategy once the deployment challenges have been addressed.

CONNECTIVITY SERVICES UPDATE

Secure networking is an area where Tesseract has been able to generate significant new revenue and it has become the fastest growing area in the company’s portfolio. The synergy between next-generation security and next-generation secure networking has resulted in stronger client relationships and a step-wise increase in contract value. It also presents a significant opportunity to cross-sell networking solutions across our customer base, generating internal commercialisation efficiencies.

ACCELERATING GROWTH WITH MAECENAS CAPITAL

To help the company achieve rapid business transformation, Tesseract has appointed Maecenas Capital to refine and drive Tesseract’s growth and market strategies, optimise funding arrangements, and evaluate potential acquisition opportunities.

Tesseract’s board of directors and management team are excited to be working with Maecenas Capital to unlock Tesseract’s potential and deliver outstanding returns to shareholders.

ABOUT TESSERENT

Tesseract is a specialist in managed cyber security and networking. Tesseract provides enterprise-grade managed cyber security and networking services to corporate customers in Australia and overseas. Tesseract also provides innovative cyber-security services to small-medium businesses via the CyberBiz suite of services.

For more information, please visit the company’s web site at www.tesseract.com or www.cyberbiz.com.au.

CONTACT

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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 2018

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	1,579	5,779
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(54)	(313)
(d) leased assets	(130)	(326)
(e) staff costs	(379)	(2,341)
(f) administration and corporate costs	(1,057)	(5,105)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	28
1.5 Interest and other costs of finance paid	(1)	(6)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	844
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(32)	(1,440)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(29)	(76)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	(216)	(587)
(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	-	600
(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	(245)	(63)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	393	393
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	(33)	(33)
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	360	360

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	1,635	2,861
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(32)	(1,440)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(245)	(63)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	360	360

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,718	1,718

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	868	280
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposit)	850	1,355
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,718	1,635

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter \$A'000

96

-

- Executive Director salaries
- Non-executive Director fees

Includes amounts paid to entities associated with the Directors

7. Payments to related entities of the entity and their associates

- 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

Current quarter \$A'000

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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	30
9.4 Leased assets	-
9.5 Staff costs	572
9.6 Administration and corporate costs	1,321
9.7 Other (provide details if material) Intangible Asset - Intellectual Property – capitalised	123
9.8 Total estimated cash outflows	2,046

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		

