

Tesseract Limited

Employee Share Option Plan Prospectus

This Prospectus relates to an offer of up to 70,000,000 Options pursuant to the Tesseract Employee Share Option Plan (Plan or ESOP). The offers are only being made to Eligible Persons and not to general public.

IMPORTANT NOTICE

This document is important and should be read in its entirety. It is a prospectus issued pursuant to section 713 of the *Corporations Act 2001* (Cth) (Australia). It does not, itself, contain all the information that is generally required to be set out in a full prospectus, but refers to other documents, the information of which is deemed to be incorporated into this Prospectus. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

Tesseract Limited ACN 605 672 928

Prospectus

Corporate directory	3
Offer terms	4
1. Important notices	5
2. Details of Offer	6
3. Effect on Tesseract	8
4. Rights and liabilities attaching to Options and Shares	11
5. Risk factors	17
6. Additional information	20
Glossary	25

Corporate directory

Directors

Geoff Lord (Executive Chairman)
Kurt Hansen (CEO and Managing Director)
Gregory Baxter (Non-Executive Director)
Megan Haas (Non-Executive Director)
Tony Sheehan (Non-Executive Director)

Registered Office

Level 5
990 Whitehorse Road
Box Hill, Victoria 3128,
Australia
Telephone +61 3 9880 5555

Company Secretary

Paul Taylor

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067,
Australia
Telephone +61 3 9415 4000

Legal adviser

Minter Ellison
Level 22, Waterfront Place
Brisbane, Queensland 4000
Australia

Offer terms

The offer of the Options under this Prospectus is made solely to eligible participants as set out in the rules of the ESOP (**Eligible Persons**), which include employees and contractors of Tesseract and its subsidiaries (**Group**) and any other person who is determined by the Board to be an Eligible Person for the purposes of the Plan, and to whom the Board has determined to allocate Options pursuant to the ESOP.

No application money for the Options offered under this Prospectus is payable by Eligible Persons.

Up to 70,000,000 Options may be issued under this Prospectus.

1. Important notices

1.1 General

This Prospectus is dated 24 February 2023 and has been lodged with ASIC. ASIC and its officers take no responsibility for the content of this Prospectus or the merits of the investment to which this Prospectus relates.

No securities will be issued on the basis of this Prospectus later than the expiry date of 23 February 2024 (**Prospectus Expiry Date**).

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by Tesserent in connection with this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of options to acquire securities that are in a class of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with sections 711, 713, 715A and 716 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus, regard has been had to the fact that Tesserent is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to Eligible Persons and professional advisers whom Eligible Persons may consult.

To the extent that statements in this Prospectus constitute statements relating to intentions, future acts and events, such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed in this Prospectus.

This Prospectus does not take into account the investment objectives, financial situation and particular needs of any person. Professional advice should be obtained before deciding to invest in any securities the subject of this Prospectus.

Certain abbreviations and other defined terms are used throughout this Prospectus. Details of the definitions and abbreviations used are set out in the Glossary. All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated. Numbers used in this Prospectus may be subject to rounding.

1.2 Offer restrictions outside Australia

The Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this document under the laws applicable in that jurisdiction.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and any person into whose possession this Prospectus comes should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

1.3 Risk factors

Accepting Options in Tesserent involves a number of risks. The key risk factors of which you should be aware are set out in Section 5. These risks, together with other general risks applicable to all investments in securities not specifically referred to, may affect the value of the Options (and the Shares issued upon exercise of the Options).

1.4 Target market determination

The Company has prepared a target market determination (TMD) in relation to the Options as required by law. The TMD is available at the Company's website:
<https://investors.tesserent.com/site/investor-information/asx-announcements>.

2. Details of Offer

2.1 Offer

The Offer will be made solely to the Eligible Persons to whom the Board has determined or will be determined in its absolute discretion to make an offer of Options pursuant to the Plan and received an Offer Letter.

Up to 70,000,000 Options may be issued to Eligible Persons under this Prospectus.

All of the Shares issued on exercise of the Options offered under this Prospectus will rank equally with the Shares on issue at the date of issue of the Shares. Please refer to Section 4 of this Prospectus for further information regarding the rights and liabilities attaching to the Options and Shares.

The Offer of the Options and the Plan are aimed at motivating and retaining Tesserent employees who are key to Tesserent's future and rewarding the employees and contractors for the growth to which they contribute.

As a result of ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80, Shares issued upon exercise of the Options will be able to be freely sold without breaching the on-sale provisions in section 707(3) of the Corporations Act.

2.2 No minimum subscription and issue price

There is no minimum subscription for the Options. The Options are proposed to be issued to Eligible Persons with no monetary consideration payable by them for the issue. Once vested, Eligible Persons may elect to exercise some or all of their Options by paying the Exercise Price and following the procedure specified for exercise in the terms of the Options.

2.3 Acceptance of Offer

Only Eligible Persons to whom the Board has determined in its absolute discretion to make an offer of Options and who received an Offer Letter may accept the offer under this Prospectus. No person other than Eligible Persons to whom the Board has determined or will determine in its absolute discretion to make an offer of Options may acquire Options (and Shares upon the exercise of Options) under this Prospectus. No payment is required to accept the Offer or to receive Options.

You must submit your Acceptance Form by no later than the Closing Date. If you would like to apply for some, but not all, of the Options specified in the Offer, you can specify a lower number of Options in the Acceptance Form. You cannot apply for more Options than the number shown on the Offer Letter.

2.4 ASX quotation

The Options will not be quoted on any stock exchange or financial market. Tesserent will apply to ASX for the quotation of Shares issued upon exercise (if any) of the Options.

The fact that ASX may subsequently grant quotation to the Shares is not to be taken in any way as an indication of the merits of Tesserent or the Options offered (or Shares issued upon exercise of the Options) under this Prospectus.

2.5 Issue of Options

Options offered pursuant to this Prospectus may be issued at any time until the Prospectus Expiry Date.

The Board will not issue Options if the Eligible Person is no longer an employee at the time Options are to be granted. The Offer is not underwritten. The Company will only issue Options in response to valid Acceptance Forms submitted by Eligible Persons.

2.6 Timetable

Lodgement of the Prospectus with ASIC, Offer opens	Friday, 24 February 2023
Closing Date	5.00pm (Melbourne time) on Friday, 10 March 2023
Issue Date for Options	Monday, 13 March 2023

The dates above and other dates referred to in this Prospectus (except the date of the Prospectus) are indicative only. Subject to the ASX Listing Rules and the Corporations Act, Tesserent may amend the timetable in its absolute discretion and without notice, including, without limitation, reserving the right to vary the dates and times of the Offer, including to close the Offer early, extend the Offer or accept late Application Forms without notice.

2.7 Directors' Discretion

The Directors may at any time decide to withdraw this Prospectus or, subject to applicable law, amend the terms of the Offer.

3. Effect on Tesseract

3.1 Purpose and use of funds

No funds will be raised from the issue of Options granted to Eligible Persons under this Prospectus.

3.2 Effect of Offer

The issue of the Options issued under this Prospectus will have an effect on the financial position of Tesseract. It will have an effect on the capital structure of Tesseract only if the Options are exercised by Eligible Persons.

The principal effects of the issue of the Options are as follows, assuming no other changes to the Company's capital structure or financial position during that period:

- (a) issue of up to 70,000,000 Options;
- (b) estimated costs and expenses of the Offer is A\$50,000; and
- (c) if all Options vest and are exercised by Eligible Persons:
 - (i) an increase in the number of Shares on issue from 1,354,182,116 Shares as at the date of this Prospectus to 1,424,182,116 Shares; and
 - (ii) an increased in the cash reserves of the Company by approximately \$10,500,000.

There is no guarantee that any Options will be exercised or that those funds will be raised.

The Directors intend to apply any funds raised on the exercise of any Options to strengthen Tesseract's balance sheet and provide flexibility to support its future growth.

3.3 Details of substantial holders

Based on publicly available information as at 23 February 2023, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue in Tesseract (on an undiluted basis) are set out below:

Shareholder	Number of Shares held	%
Belgravia Strategic Equities Pty Ltd, G&N Lord Superannuation Pty Ltd and Geoffrey Lord	108,241,456	8.27

3.4 Impact on control of Tesseract

The issue of the Options to the Eligible Persons under this Prospectus is not expected to have any effect on the control of Tesseract.

3.5 Pro-forma balance sheet

The proforma balance sheet as at 30 June 2022 shown below has been prepared to reflect the changes to Tesseract's financial position assuming completion of the offer of the Options pursuant to this Prospectus as at that date.

The proforma balance sheet has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards (including the Australian Accounting Interpretations), made by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards and interpretations as issued by the International Accounting Standards Board. The financial information is presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information required by the Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The pro-forma balance sheet is presented in Australian dollars, Tesseract's reporting currency.

The pro forma balance sheet has been derived from Tesseract's financial statements for the year ended 30 June 2022 and adjusted for the effect of the transactions contemplated in this Prospectus as if they occurred on 30 June 2022. The financial statements of Tesseract for year ended 30 June 2022 have been prepared in accordance with Australian Accounting Standards, as issued by the Australian Accounting Standards Board (**AASB**) and the Corporations Act,

which ensures compliance with, as issued by the International Accounting Standards Board (IFRS).

The pro-forma financial information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act. The pro-forma balance sheet assumes that the Offer is completed on 30 June 2022 which involves the following events:

- issue of 70,000,000 Options for nil consideration.
- exercise of 70,000,000 Options at the Exercise Price of \$0.15; and
- offer costs of A\$50,000 are paid by Tesseract.

	As at 30 June 2022		
	Actual A\$'000	Expense and Exercise of Options incl. capital raising costs issued under Offer A\$'000	Pro forma A\$'000
Assets:			
Cash and cash equivalents	14,339	10,450	24,789
Total assets (Total capitalization)	248,532	10,450	258,982
Liabilities:			
Current liabilities	78,228		78,228
Non-current liabilities	53,310		53,310
Total liabilities	131,538		131,538
Net assets	116,994	10,450	127,444
Equity:			
Issued capital	138,666	13,320	151,986
Reserves	13,145		13,145
Accumulated losses	(34,817)	(2,870)	(37,687)
Total equity	116,994	10,450	127,444

3.6 Effect on capital structure

The effect of the Offer on the capital structure of Tesserent is set out below:

Shares currently on issue	1,354,182,116
Maximum number of Options issued under the Prospectus	70,000,000
Maximum number of Shares issued upon exercise of the Options offered under this Prospectus	70,000,000
Total number of unquoted options currently on issue	140,851,771
Total number of unquoted options (including the proposed Options) on issue after the issue of the maximum number of Options offered under this Prospectus	210,851,771
Total number of Shares on issue assuming all Options and unquoted options are exercised	1,565,033,887

4. Rights and liabilities attaching to Options and Shares

4.1 Options

(a) General

The Options will be issued subject to the terms and conditions set out in the Offer Letter to those Eligible Persons to whom the Board in its absolute discretion has determined to offer Options under this Prospectus and the Rules.

(b) Entitlement

Each Option entitles the registered holder(s) of the Option to acquire one Share in accordance with the terms set out in the Offer Letter and the Plan.

(c) Register

Tesseract maintains a register of holders of Options in accordance with section 168(1)(b) of the Corporations Act.

(d) Vesting

Subject to the Offer Letter and the Rules, an Option becomes a vested Option where the Eligible Person continues to be employed during the period commencing on the date of issue of the Options up to 5.00pm AEST on the date that is 18 months from the grant date.

(e) Transfer

Refer to section 4.2 below.

(f) Exercise

(i) An Option may only be exercised:

(A) if all of the exercise conditions have been met;

(B) if the Exercise Price has been paid to Tesseract or as Tesseract may direct; and

(C) within the exercise period relating to the Option.

(ii) The exercise conditions, Exercise Price and exercise period applicable to the Options issued to an employee are set out in the Offer Letter and the Rules provided to the relevant Eligible Person.

(g) Dividend entitlement

(i) Options do not carry any dividend entitlement.

(ii) Shares issued on exercise of Options rank equally in all respects with other issued Shares of Tesseract from the date of issue and are entitled to dividends paid on and from that date.

(h) Participating rights

Refer to section 4.2 below.

(i) ASX Listing

The Options will not be quoted on any stock exchange or financial market. Tesseract will apply to ASX for the quotation of Shares issued upon exercise of the Options in accordance with the ASX Listing Rules. Shares so issued will rank equally with other Shares in Tesseract then on issue.

(j) Terms and conditions

The Offer and issue of Options to Eligible Persons is subject to the specific terms and conditions of the offer set out in the Offer Letter provided to each employee and the Rules (which are summarised at section 4.2 of this Prospectus).

4.2 Summary of Plan Rules

(a) General

The following is a summary of material terms of the Plan. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Option holders.

(b) Objective

The objectives of the Plan are to enable Eligible Persons to acquire an interest in the Company, create a sense of ownership in the Company and its success and to assist in the attraction and retention of high quality Eligible Persons.

(c) Invitation and information with Offer

The Board may in its absolute discretion issue an Offer to an Eligible Person. Eligible Persons are all full and part time employees and contractors of the Group, except for directors. The Board has the discretion to determine which of the Eligible Persons participate, and to what extent.

The Rules stipulate that an Offer must be in writing and include, among other things:

- (i) the number of Options;
- (ii) the Exercise Price;
- (iii) the time and date by which the Eligible Persons may accept the Offer; and
- (iv) the exercise period.

(d) Participation in the Plan

An Eligible Person who desires to accept the Offer by the Company must sign and return to the Company the Application Form to that effect.

An Eligible Person may accept the Offer for less than the number of Options offered to them.

(e) Grant of Options

The Eligible Person will obtain Options on the date of the grant of the Options by the Company at the times specified in the Application Form. An Eligible Person who ceases for any reason whatsoever to be an Eligible Person will not have any right to the grant of Options that have not yet been granted to him or her.

(f) Terms of Options

Each Option entitles the holder to subscribe for one Share at the Exercise Price, subject to the Option being vested and capable of being exercised and where it has been exercised before the Expiry Date.

The terms of issue of Options, such as issue price, Exercise Price, exercise period and any other criteria, are at the discretion of the Board.

Subject to the Listing Rules, holders will be entitled to participate in new issues of capital offered to shareholders of the Company during the currency of the Option on the prior exercise of their Options.

Unless otherwise provided in the Rules, there are no participating rights or entitlements inherent in the Options.

All Shares issued upon exercise of the Options will rank equally in all respects with the Company's then existing Shares from the date of issue.

(g) Transfer of Options

Unless otherwise determined by the Board, the Options are not transferable.

(h) Reorganisation of Options

Subject to the ASX Listing Rules:

- (i) if any reorganisation of the issued capital of the Company takes place prior to the Expiry Date, the number of Options to which each holder is entitled and the Exercise Price will be amended to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation and in all other respects the terms of the exercise of Options will remain unchanged; and
- (ii) if during the life of an Option, there is a pro rata issue (except a bonus issue) to the holders of Shares, the Exercise Price may be reduced according to the relevant formula set out in the ASX Listing Rules applying to Options at the time of the pro-rata issue.

(i) Exercise

An Option may be exercised by notice in writing to the Company accompanied by payment of the Exercise Price and the option holding statement to which the Option relates, delivered to the registered office of the Company. The notice referred to above must specify the number of Options exercised.

(j) Administration of the Plan

The Board is to administer the Plan and the Board has power:

- (i) to determine procedures from time to time to administer the Plan consistent with the Rules;
- (ii) to resolve conclusively all questions of fact or interpretation arising in connection with the Plan; and
- (iii) to delegate to any one or more persons (including a committee) for such period and on such conditions as the Board may determine the exercise of any of the Board's powers or discretions arising under the Plan.

(k) Contracts of employment and other employment rights

The Plan will not form any part of any contract of employment between the Company and any Eligible Persons and will not confer directly or indirectly on any Eligible Person any legal or equitable right whatsoever (other than rights as the holder of Options or Shares issued under the Plan) against the Company.

(l) Expiry date of Options issued

Options issued will expire on the Expiry Date.

(m) Change of control

The Board is able to make a determination that some or all of a participant's Options vest if the Company becomes, or in the opinion of the Board is likely to become, subject to a change of control event.

(n) Cessation of employment

If the Option holder ceases to be employed or engaged by the Company (other than as the result of ceasing to be employed or engaged by reason of being dismissed other than for cause within 24 months after the change of control event), unvested Options lapse on the date of cessation and vested Options lapse after one month following the date of cessation, unless otherwise determined by the Board.

- (o) Limit on securities to be issued
If the Company seeks to rely on Division 1A of Part 7.12 of the Corporations Act (**ESS Division**) when making offers under the Plan, it must comply with the issue cap that applies to the Company for the purposes of the ESS Division, which is 15%, as approved by shareholders at the 2022 AGM. The Company is not relying on the ESS Division for the purposes of the Offers to be made under this Prospectus.
- (p) No substantial issue to single Eligible Person
The Board may not grant Options to a particular Eligible Person if, as a result of the exercise of those Options, that Eligible Person would hold more than 5% of the issued Shares.
- (q) Termination
The Board may at any time by resolution terminate the Plan without prejudice to any Options previously granted.
- (r) Restricted Shares
The Company can impose disposal restrictions on Shares issued on the exercise of Options, including through the holding lock mechanism.
- (s) Amendment to the Rules
These Rules may be amended from time to time by resolution of the Board, subject to obtaining any necessary approval of shareholders required by the Listing Rules.
- (t) Overriding restrictions
Notwithstanding anything express or implied in the Rules, each and every provision of the Rules is subject to the Corporations Act and the ASX Listing Rules.

If there is any inconsistency between any provision of the Rules and the Corporations Act or the ASX Listing Rules, the Corporations Act or the Listing Rules (as the case may be) will prevail to the extent of the inconsistency.

4.3 Shares

- (a) General
The Shares issued pursuant to an exercise of Options issued under this Prospectus will be fully paid ordinary shares and will, as from their issue, rank equally in all respects with all Shares then on issue. The Shares will be governed by the Corporations Act, the ASX Listing Rules and the Constitution. The following is a summary of the more significant rights and liabilities attaching to the ordinary shares on issue in Tesseract. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.
- (b) General meetings and notices
Each Shareholder will be entitled to receive notice of general meetings of Tesseract.

Shareholders are entitled to be present in person, or by proxy or representative (in the case of a Shareholder who is a body corporate) to attend and vote at general meetings of Tesseract.

Shareholders may requisition and call meetings in accordance with the Corporations Act and the Constitution.

Each Shareholder will be entitled to receive all notices, accounts and other documents required to be sent to Shareholders in accordance with the Constitution, the ASX Listing Rules and the Corporations Act.
- (c) Voting rights
Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:
 - (i) each Shareholder entitled to vote may vote in person or by proxy or representative (in the case of a Shareholder who is a body corporate);

- (ii) on a show of hands, every Shareholder present in person, or by proxy or representative has one vote;
 - (iii) on a poll, every Shareholder present in person, or by proxy or representative (in the case of a Shareholder who is a body corporate) has one vote for each fully-paid share they hold; and
 - (iv) in case of an equality of votes on a resolution at a general meeting, the chair will not have a second or casting vote on that resolution in addition to any vote the chair has in their other capacity.
- (d) **Dividend rights**
 Subject to the Corporations Act, the Constitution and to the terms on which shares are on issue, the Board may determine that a dividend or other distribution is or will be payable. Interest is not payable on a dividend.
- (e) **Winding Up**
 If Tesseract is wound up, the liquidator may, with the sanction of a special resolution of the members divide among the members in specie or in kind any part of the assets of Tesseract available and may, for that purpose, set such value as the liquidator considers fair upon any assets to be so divided, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of any of the members as the liquidator thinks fit, but so that no member is compelled to accept any shares or other securities in respect of which there is any liability on the part of the holder.
 If the liquidator considers it expedient, any division of assets may be otherwise than in accordance with the legal rights of the members and any class may be given preferential or special rights or may be excluded altogether or in part from a division of assets.
- (f) **Shareholder liability**
 As the shares issued on the exercise of Options offered under this Prospectus will be fully paid ordinary shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.
- (g) **Transfer of shares**
 Generally, shares in Tesseract are freely transferable by an instrument of transfer in writing in any usual or common form or in any other form that the Directors approve, subject to satisfying the requirements of the Constitution, the ASX Listing Rules, the ASX Settlement Operating Rules and the Corporations Act. Subject to the Corporations Act, ASX Listing Rules and the ASX Settlement Operating Rules, the Directors may in certain circumstances (as set out in the Constitution) decline to register a transfer of shares or apply a holding lock to prevent a transfer.
- (h) **Future increase in capital**
 The Directors may issue shares or options to any person on such terms as the Directors determine, subject to the Corporations Act, ASX Listing Rules and the Constitution.
- (i) **Variation of rights**
 The Company may vary or cancel the rights attaching to any class of shares only if the variation or cancellation is permitted by the Corporations Act and is approved by special resolution of each of the members holding shares of the relevant class. The Directors must give written notice of the variation or cancellation to the Members holding the shares of the relevant class within seven days of the variation or cancellation.
- (j) **Alteration of Constitution**
 In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least 75% of the votes cast at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.
- (k) **Buy Backs**
 Subject to applicable laws, in particular the Corporations Act and the ASX Listing Rules, Tesseract may buy back shares on such terms and conditions as the Board may determine from time to time.

- (l) Issue cap for offers involving consideration under an employee incentive scheme.
The prescribed percentage for the purposes of section 1100V(2)(a) of the Corporations Act is 15%.

5. Risk factors

You should be aware that an investment in Options and Shares acquired upon exercise of the Options, carries certain risks, many of which are not in the control of Tesseract or its management. Some of these risks include the risks set out below. In addition, risk factors in relation to the Company, its business and operations are set out in detail in the Company's Annual Report and Accounts (including Appendix 4E) lodged with ASX on 30 August 2022.

The risks set out below are not exhaustive. Accordingly, you should read this Prospectus in full and obtain professional advice if you require further information on material risks when deciding whether to apply for the Options.

Neither the Company nor any of its Directors or any other party associated with the preparation of this Prospectus guarantees that any specific objectives of the Company will be achieved or that any particular performance of the Company or of the Options or Shares, will be achieved.

(a) Lapse of Options

If an Option holder ceases to be employed by the Company (other than as the result of ceasing to be employed by reason of being dismissed other than for cause within 24 months after the change of control event), unvested Options lapse on the date of cessation and vested Options lapse after one month following the date of cessation, unless otherwise determined by the Board.

(b) Share Price

The price of Shares quoted on the ASX (and therefore the value of your Options) may rise or fall, and the Shares may trade below or above the Exercise Price due to a number of factors, including:

- (i) general economic conditions, including interest rates, exchange rates, inflation rates and commodity prices;
- (ii) fluctuations in the local and global markets for listed stocks;
- (iii) changes to government policy, legislation or regulation;
- (iv) inclusion in or removal from market indices;
- (v) the nature of markets in which Tesseract operates;
- (vi) general and operational business risks;
- (vii) natural disasters; and
- (viii) global hostilities, tensions and acts of terrorism.

There is no assurance that the price of the Shares will increase, decrease or stay the same following the exercise of Options, even if Tesseract's earnings increase.

(c) Lack of liquidity and effect of Exercise Price

As the Options are not transferable (unless otherwise determined by the Board) and will not be quoted on ASX, there is no market for the Options (i.e. they cannot be sold to a third party).

Each Eligible Person should also be aware that the Exercise Price of the Options may be in excess of the market price of the underlying Shares during the exercise period applicable to them.

(d) Changes in laws

Changes in laws (including tax laws) or their interpretation may affect the value of, and returns from, an investment in the Shares (and therefore the value of your Options). For instance, changes in the taxation treatment of companies may adversely affect the market price of the Shares.

(e) Tax laws

There is the potential for further changes to Australia's tax laws. Any change to the current rates of taxes imposed on Tesseract (including in foreign jurisdictions in which Tesseract operates or may operate in future) is likely to affect returns to Shareholders. An interpretation of taxation laws by the relevant tax authority that is contrary to

Tesseract's view of those laws may increase the amount of tax to be paid. Tesseract obtains external expert advice on the application of the tax laws to its operations. In addition an investment in the Options and Shares involves tax considerations which may differ for each Eligible Person. Each Eligible Person is encouraged to obtain professional tax advice in connection with any investment in Tesseract.

(f) Force majeure events

Events may occur within or outside Australia that could impact upon the Australian economy, the operations of Tesseract and the price of the Shares (and therefore the value of your Options). The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Tesseract's products and its ability to conduct business, and on Tesseract's business and earnings. Tesseract has only a limited ability to insure against some of these risks.

(g) Capital Structure

Changes in the capital structure of Tesseract, for example from the raising of further debt or the issue of further equity to repay or refinance debt facilities or to fund the acquisition of assets, may affect the value of, and returns from, an investment in the Shares and therefore the value of your Options).

(h) Dividends

If the Company does not generate sufficient cash flow to meet certain interest coverage ratios, gearing requirements and other covenants under its debt facilities, Shareholders may not receive any dividends. If the Company defaults on the payment of interest on its debt facilities, Shareholders may not receive any dividends and may suffer loss of capital due to financial institutions exercising their rights under security held over the assets of the Group. The Company has not previously paid any dividends.

(i) Accounting Standards

Australian Accounting Standards are set by the Australian Accounting Standards Board (**AASB**) and are beyond the control of Tesseract, the Directors and Tesseract's management team. Changes to accounting standards issued by the AASB could adversely impact the financial performance and position reported in Tesseract's financial statements.

(j) Key Personnel

Tesseract's success to an extent depends on its key personnel. The directors and management have extensive experience and knowledge in, and knowledge of,

Tesseract's business and the cyber security industry. There is a risk that Tesseract may not be able to attract and retain key staff or be able to find suitable staff in a timely manner and this could impact Tesseract's ability to operate its business and achieve its growth strategies.

(k) Technology risks

There is a risk that, as marketable technologies continue to develop, in the cyber security industry, there may be certain information technology and product developments that supersede, or diminish, the existing service and product offering of Tesseract. This would negatively affect Tesseract profitability if Tesseract were not able to respond to these developments.

(l) Cyber security breaches

There is a risk that suppliers or clients, could be hacked or breached, which could result in losses being suffered by suppliers and clients.

Hacking of a client or supplier, and their systems, could lead to a claim against Tesseract. It could also hinder Tesseract's ability to retain clients and suppliers, or attract new ones, which would have an adverse impact on Tesseract's reputation and growth.

To some extent, this risk is mitigated through contractual arrangements Tesserent has entered into with its clients and suppliers which may include limitation of liability clauses and maximum liability caps.

(m) New clients and suppliers

Tesserent's underlying growth depends on acquiring new customers and suppliers through the execution of business development, account management and marketing strategies in multiple jurisdictions. Should the acquisition of new customers or suppliers slow, this may have an impact on the financial performance of Tesserent.

(n) Acquisitions

Tesserent may pursue acquisitions or joint ventures that could present integration obstacles or costs. Tesserent may not realise any of the benefits it anticipates and Tesserent may be exposed to additional liabilities of any acquired business, which could materially adversely Tesserent's revenue and results of operations.

In addition, future acquisitions or joint ventures may result in the issue of additional Shares and other securities, which would dilute the ownership of the existing shareholders immediately prior to the time of acquisition.

(o) Liability and insurance risk

Tesserent's insurance arrangements may not be adequate to protect Tesserent against liability for losses relating to public liability, property damage, product liability, business interruption, data breach liability and other risks that may arise in the course of operations.

Should Tesserent be unable to maintain adequate insurance to cover these risks, or experience claims for losses in excess of the level of its insurance coverage, Tesserent's financial performance could be materially affected.

(p) Reputation

Tesserent's reputation is important. If Tesserent's reputation is harmed or, the reputation of the cyber security industry is harmed as a whole, Tesserent's business, financial condition and results of operations and cash flow may be materially adversely affected.

6. Additional information

6.1 Litigation

Tesseract is not presently a party to any legal proceedings that, in the opinion of Tesseract, would reasonably be expected to have a material adverse effect on its business, financial condition, operating results or cash flows if determined adversely against Tesseract.

6.2 Continuous disclosure obligations

Tesseract is a 'disclosing entity' (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, Tesseract is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of Tesseract's securities.

This Prospectus is a 'transaction specific prospectus' issued under section 713 of the Corporations Act. This section enables disclosing entities to issue a prospectus in relation to continuously quoted securities within the meaning of the Corporations Act (or options to acquire such continuously quoted securities). Apart from prescribed matters, in general terms a 'transaction specific prospectus' is only required to contain information in relation to the effect of the offer of securities on a company, the rights and liabilities attaching to the securities and, if the securities offered are options, the rights and liabilities attaching to the options themselves and the underlying securities. The prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in the prospectus. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to Tesseract which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange or financial market. You should therefore have regard to the other publicly available information in relation to Tesseract before making a decision whether or not to invest or accept the offer of the Options under this Prospectus.

Having taken such precautions and having made such enquiries as are reasonable, Tesseract believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus, which required Tesseract to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the financial market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

Tesseract, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to Tesseract (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by Tesseract with ASIC;
 - (ii) any half-year financial report lodged by Tesseract with ASIC after the lodgement of the annual financial report referred to in paragraph (i) and before the lodgement of this Prospectus with ASIC; and
 - (iii) any continuous disclosure documents given by Tesseract to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in paragraph (i) and before the lodgement of this Prospectus with ASIC.

Copies of all documents lodged with ASIC in relation to Tesseract can be obtained from Tesseract on request or obtained or inspected at an ASIC office.

Details of documents lodged by Tesserent with ASX since the date of lodgement of Tesserent's latest annual financial report on 30 August 2022 and before the lodgement of this Prospectus with ASIC are set out in the table below.

Date of announcement	Description
10 February 2023	Notification regarding unquoted securities - TNT
31 January 2023	Becoming a substantial holder
31 January 2023	Quarterly Activities/Appendix 4C Cash Flow Report
30 January 2023	Tesserent Academy acquires ALC Group
27 January 2023	Initial Director's Interest Notice
27 January 2023	Director Appointment
17 January 2023	Notification of cessation of securities - TNT
9 January 2023	Notification of cessation of securities - TNT
9 January 2023	Release of shares from voluntary escrow
23 December 2022	Notification regarding unquoted securities – TNT
22 December 2022	Change of Director's Interest Notice
22 December 2022	Change of Director's Interest Notice
22 December 2022	Change of Director's Interest Notice
21 December 2022	Change of Director's Interest Notice
21 December 2022	Release of shares from voluntary escrow
20 December 2022	State Library Queensland Contract & General Trading Update
21 November 2022	Application for quotation of securities - TNT
18 November 2022	Results of Annual General Meeting
18 November 2022	Annual General Meeting Presentation
14 November 2022	Application for quotation of securities - TNT
4 November 2022	Release of shares from voluntary escrow
28 October 2022	Cleansing Notice
28 October 2022	Application for quotation of securities - TNT
28 October 2022	Quarterly Activities/Appendix 4C Cash Flow Report
19 October 2022	Notice of Annual General Meeting/Proxy Form
13 October 2022	Application for quotation of securities - TNT
6 October 2022	Notification of cessation of securities - TNT
6 October 2022	Application for quotation of securities - TNT
4 October 2022	Change in substantial holding
3 October 2022	Change of Director's Interest Notice
30 September 2022	Changes to Directors' & CEO Remuneration - Amended
30 September 2022	Changes to Directors' & CEO Remuneration

Date of announcement	Description
15 September 2022	Date of Annual General Meeting
15 September 2022	Cleansing Notice
15 September 2022	Application for quotation of securities - TNT
13 September 2022	Change of Director's Interest Notice
6 September 2022	Release of shares from voluntary escrow
2 September 2022	S&P DJI Announces September 2022 Quarterly Rebalance
30 August 2022	Investor Presentation FY2022
30 August 2022	ASX Appendix 4G
30 August 2022	Annual Report to shareholders (including Appendix 4E)

6.3 Interests of Directors

Overview

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of Tesseract;
- (b) any property acquired or proposed to be acquired by Tesseract in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of Tesseract; or
 - (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of Tesseract as at the date of this Prospectus, is set out in the table below. It is not currently proposed that any of the Directors be granted Options under the Plan pursuant to this Prospectus.

Director	Number of fully paid ordinary shares currently on issue	Number of outstanding unexercised options to acquire Shares
Geoff Lord	108,241,456	10,000,000
Kurt Hansen	13,398,000	20,000,000
Gregory Baxter	5,620,327	5,000,000
Megan Haas	281,636	5,000,000
Tony Sheehan	Nil	Nil

Remuneration

The total maximum remuneration of non-executive Directors is set by resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX

Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made in such proportion and manner as the Board agrees or in default of agreement, equally. The current amount has been set at an amount not to exceed A\$250,000 per annum.

A Director may be paid fees or other amounts as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be reimbursed for the travelling and other expenses that they properly incur in or about the performance of their duties as Directors.

The following table shows the total annual remuneration (including superannuation) paid to Directors and former Directors of Tesseract for the financial year ended 30 June 2022:

Director	Financial year ended 30 June 2022 A\$
Geoff Lord	220,764
Kurt Hansen	622,336
Gregory Baxter	142,952
Megan Haas	-
Julian Challingsworth (resigned 23 November 2021)	228,829

6.4 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of Tesseract; or
- (c) underwriter to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in:

- (d) the formation or promotion of Tesseract;
- (e) any property acquired or proposed to be acquired by Tesseract in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of Tesseract; or
- (h) the Offer.

MinterEllison has acted as the legal advisers to Tesseract in relation to the Offer. Tesseract estimates it will pay MinterEllison approximately A\$45,000 (excluding GST and disbursements) for these services. Further amounts may be paid to MinterEllison in accordance with its usual time based charge out rates.

6.5 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Computershare Investor Services Pty Limited has consented in writing to be named in this Prospectus as Share Registrar for Tesserent in the form and context in which it is made and has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to Tesserent. Computershare Investor Services Pty Limited has not authorised or caused the issue of the Prospectus.

MinterEllison has given its written consent to being named as the solicitors to Tesserent in this Prospectus. MinterEllison has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

(c) Expenses of Offer

The total expenses of the Offer including ASIC fees, share registry costs, printing costs and professionals costs are estimated to be approximately A\$50,000 (excluding GST).

(d) Investor Considerations

If you are in doubt as to the course of action you should follow or the matters contained in this Prospectus, you should seek advice from a legal, financial or other professional adviser immediately.

The potential tax effects relating to the Offer will vary between Eligible Employees. Eligible Employees should consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

6.6 ASIC Instruments

The Offer is made pursuant to ASIC Corporations (Exposure Period) Instrument 2016/74 which exempts the Company from complying with section 727(3) of the Corporations Act to the extent that section prohibits the Company from issuing Options in the seven-day period after the date of lodgement of this Prospectus with ASIC.

6.7 Privacy Act

If you accept the Offer of Options made to you through the Tesserent Employee Share Option Plan Portal for the Options, you will be providing personal information to Tesserent (directly or to Tesserent's share registry). Tesserent collects, holds and will use that information to process your acceptance of the Offer, service your needs as a holder of equity securities in Tesserent, facilitate distribution payments and corporate communications to you as a shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and Tesserent's share registry.

You can access, correct and update the personal information that we hold about you. Please contact Tesserent or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules.

6.8 Authorisation

Each Director has consented (and has not withdrawn his consent) to the lodgement of this Prospectus with ASIC.

Glossary

Term	Definition
\$ and A\$	the currency of Australia.
Application Form	the form referred to in paragraph 4.2(d) of this Prospectus in the form approved by the Board from time to time.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691 or the financial market known as the Australian Securities Exchange operated by it, as the context requires.
ASX Listing Rules	the listing rules of the ASX.
ASX Settlement	ASX Settlement Pty Limited ABN 49 008 504 532.
ASX Settlement Operating Rules	the operating rules of ASX Settlement as amended from time to time, except to the extent of any express written waiver by ASX Settlement.
Board	the board of Directors unless the context indicates otherwise.
Closing Date	the date specified in the timetable set out in Section 2.6 (unless extended).
Company or Tesserent	Tesserent Limited ACN 605 672 928.
Constitution	the constitution of Tesserent as at the date of this Prospectus.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Directors	the directors of Tesserent as at the date of this Prospectus.
Eligible Person	a person determined by the Board to be eligible to participate in the ESOP (including any employee or contractor of the Group).
ESOP or Plan	Tesserent Limited Employee Share Option Plan.
Exercise Price	means the consideration per Share payable by an Option holder to the Company for the issue of Shares the subject of the relevant Option, being \$0.15.
Expiry Date	means the expiry date of the Options, date specified in the timetable set out in Section 2.6, unless the Options lapse earlier in accordance with the Plan.
Group	Tesserent and its subsidiaries.
Offer	the issue of Options to Eligible Persons under this Prospectus.
Offer Letter	the offer letter provided to Eligible Persons inviting them to participate in the Offer.
Option	an option to acquire by way of issue a Share.
Prospectus	this prospectus dated 24 February 2023.
Prospectus Expiry Date	23 February 2024.
Rules	the rules of the Plan.
Share	a fully paid ordinary share in the capital of Tesserent.
Shareholder	a holder of one or more Shares.