

Q4 FY23 – APPENDIX 4C

QUARTERLY ACTIVITY AND CASHFLOW REPORT

Tesseract Limited (ASX:TNT) (Tesseract) is pleased to provide its cash report and activities statement for the quarter ended 30 June 2023.

Key Activities

- During the quarter, on 13 June 2023, Tesseract announced that it had entered into a Scheme Implementation Deed (SID) with Thales Australia Holdings Pty Ltd (Thales Australia), a wholly owned subsidiary of Thales, under which it is proposed that Thales Australia will acquire 100% of the share capital in Tesseract by way of a scheme of arrangement for \$0.13 per share in cash.
- The offer of cash consideration of \$0.13 per share represents a significant premium of 165.3% to the last closing price on 12 June 2023 of \$0.049 per share and 157.4% to the 1-month volume weighted average price (VWAP) of \$0.0505 per share.
- Tesseract's Board unanimously recommends that Tesseract shareholders vote in favour of the Share Scheme in the absence of a superior proposal and subject to the Independent Expert concluding that the Share Scheme is in the best interests of Tesseract shareholders.
- The Share Scheme is subject to FIRB and shareholder approval and other customary conditions for a transaction of this nature.
- The full Scheme Booklet outlining the particulars of the two schemes of arrangement for the ordinary shares and separately the options and warrants, is expected to be issued to shareholders in the second half of August 2023
- A full summary of the transaction and the Scheme Implementation Deed is published on Tesseract's website at:
<https://investors.tesseract.com/site/pdf/48bc25a6-750a-4e37-a18e-c7b6ddd7c1c8/Tesseract-enters-into-Scheme-Implementation-Deed-with-Thales.pdf>
- During the fourth quarter of FY23, Tesseract also announced that its investment in Daltrey Pty Ltd (Daltrey) was written off as a non-cash accounting loss amounting to \$3.298 million – as a result of Daltrey being placed into liquidation.
- There were no other material developments or changes to the business activities during the quarter.

ENDS

ABOUT TESSERENT

Our mission to be the cybersecurity provider of choice for the protection of digital assets.

Tesseract provides multiples service lines, enterprise-grade cybersecurity and cloud-based solutions targeted at midmarket, enterprise and government customers across Australia and New Zealand. The Company's Cyber 360 strategy delivers integrated solutions covering identification, protection and 24/7 monitoring against cybersecurity threats. With more than 500 cybersecurity practitioners, Tesseract has the capability to support organisations to defend their digital assets against increasing risks and cyber-attacks.

Tesseract has been transformed over the last 3 years via a continuing integration strategy of more than a dozen high-quality cybersecurity businesses making it Australia's largest listed dedicated cybersecurity firm.

Learn more at www.tesseract.com

CONTACT

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Authorised by the Disclosure Team under Tesseract's Continuous Disclosure policy

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Tesserent Limited

ABN

13 605 672 928

Quarter ended ("current quarter")

30 June 2023

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		57,577	195,513
1.2 Payments for			
(a) research and development			
(b) product manufacturing and operating costs		(23,364)	(100,574)
(c) advertising and marketing		(457)	(957)
(d) leased assets			
(e) staff costs		(18,672)	(76,085)
(f) administration and corporate costs		(952)	(3,163)
1.3 Dividends received (see note 3)			
1.4 Interest received			
1.5 Interest and other costs of finance paid		(853)	(2,837)
1.6 Income taxes paid		(487)	(725)
1.7 Government grants and tax incentives			
1.8 Other (provide details if material)		(9)	(29)
1.9 Net cash from / (used in) operating activities		12,783	11,143
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities		-	(1,108)
(b) businesses			
(c) property, plant and equipment		(254)	(1,615)
(d) investments		-	(1,000)
(e) intellectual property			
(f) other non-current assets		(541)	(1,659)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	19
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other – deferred settlement payments M&A	-	(16,648)
2.6	Net cash from / (used in) investing activities	(795)	(22,011)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options and warrant shares	-	2,705
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	-	14,000
3.6	Repayment of borrowings	(1,845)	(3,516)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9 a	Other – Interest paid		
3.9 b	Other – (provide details if material)		
3.10	Net cash from / (used in) financing activities	(1,845)	13,189

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,517	14,339
4.2	Net cash from / (used in) operating activities (item 1.9 above)	12,783	11,143
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(795)	(22,011)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,845)	13,189

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 period	16,660	16,660

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	16,660	6,517
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	16,660	6,517

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	59,000	50,680
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	59,000	50,680
7.5	Unused financing facilities available at quarter end		8,320
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p><i>Market Rate Loan and ancillary facilities provided by the Commonwealth Bank of Australia (CBA)</i></p> <ul style="list-style-type: none"> - <i>Market Rate Loan Facility of up to \$55m to be used to fund cash consideration payments on existing and future acquisitions; and</i> - <i>Ancillary facilities of \$4m – to cover Bank Guarantees, FX and corporate cards for the Group.</i> 		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	12,783
8.2	Cash and cash equivalents at quarter end (item 4.6)	16,660
8.3	Unused finance facilities available at quarter end (item 7.5)	8,320
8.4	Total available funding (item 8.2 + item 8.3)	24,980
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 July 2023

Authorised by: The Disclosure Team

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.