

ASX ANNOUNCEMENT

15 August 2023

SCHEME BOOKLET REGISTERED WITH ASIC

Melbourne, Australia – Tesseract Limited (ASX: TNT) (**Tesseract** or the **Company**) confirms that the Australian Securities and Investments Commission (**ASIC**) has today registered the Scheme Booklet for the scheme of arrangement between Tesseract and its shareholders under which Thales Australia Holdings Pty Ltd (**Thales Australia**) proposes to acquire 100% of the shares on issue in Tesseract for \$0.13 per share in cash (**Share Scheme**) and the separate and concurrent scheme of arrangement between Tesseract and holders of certain of Tesseract options and warrants (**Tesseract Options**) under which the Tesseract options would be cancelled for a cash consideration in accordance with an agreed valuation methodology (**Option Scheme**).

A copy of the Scheme Booklet containing information about the Share Scheme and the Option Scheme, the independent expert's report, the notice convening the meeting of Tesseract shareholders to consider and vote on the Share Scheme (**Share Scheme Meeting**) and the notice convening the meeting of the holders of Tesseract Options to consider and vote on the Option Scheme (**Option Scheme Meeting**) accompanies this announcement.

Despatch of Scheme Booklet

The Scheme Booklet will be available for viewing and downloading at <https://investors.tesseract.com/site/investor-information/generalmeetings>.

The Scheme Booklet will be sent to all Tesseract securityholders on or before 18 August 2023.

Tesseract shareholders who have elected to receive communications electronically will receive an email which contains instructions about how to view or download a copy of the Scheme Booklet and how to lodge their Proxy Form for the Share Scheme Meeting.

Tesseract shareholders who have elected to receive communications in hard copy will be sent a printed copy of the Scheme Booklet together with a Proxy Form for the Share Scheme Meeting.

Tesseract shareholders who have not elected to receive communications electronically or in hard copy will be sent a letter containing details on how to access a copy of the Scheme Booklet online together with a Proxy Form for the Share Scheme Meeting.

Tesseract Optionholders who have provided their email address to Tesseract will receive an email which contains instructions about how to view or download a copy of the Scheme Booklet and how to lodge their Proxy Form for the Option Scheme Meeting. All other Tesseract Optionholders will be sent a letter containing details on how to access a copy of the Scheme Booklet online together with a Proxy Form for the Option Scheme Meeting.

Tesseract securityholders who wish to receive a printed copy of the Scheme Booklet may request one by calling the Tesseract Securityholder Information Line on 1300 401 939 (within Australia) or +61 3 9415 4153 (outside Australia) Monday to Friday between 8.30am and 5.00pm (Melbourne time).

Independent expert's report

The Scheme Booklet includes an independent expert's report prepared by Lonergan Edwards & Associates Limited (**Lonergan Edwards**). Lonergan Edwards has concluded that, in the absence of a superior proposal, the Schemes are fair and reasonable and therefore in the best interest of the relevant Tesserent securityholders. Lonergan Edwards' conclusion should be read in context with the full independent expert's report and the Scheme Booklet.

Tesserent Directors' recommendation and voting intention

Tesserent Directors unanimously recommend voting in favour of the Schemes, in the absence of a superior proposal and subject to Lonergan Edwards continuing to conclude that the Schemes are fair and reasonable and therefore in the best interest of Tesserent securityholders. Subject to that same qualification, each Tesserent Director intends to vote all Tesserent shares held or controlled by them in favour of the Share Scheme.

As previously announced, each Tesserent Director who holds Tesserent options (as well as Tesserent's Chief Financial Officer, Mr James Jones), has entered into an option cancellation deed under which, subject to the Share Scheme becoming legally effective, each of their options will be cancelled on the implementation date of the Share Scheme for a cash consideration calculated under the same agreed valuation methodology as the Option Scheme.

This announcement is authorised for release by the Board of Directors of Tesserent.

- ENDS -

For further information please contact:

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Tesseract Limited ACN 605 672 928 (**Tesseract**)

Scheme Booklet

For a scheme of arrangement between Tesseract Limited (**Tesseract**) and its shareholders in relation to the proposed acquisition of your Tesseract shares by Thales Australia Holdings Pty Ltd ACN 058 583 841 (**Thales Australia**) (**Share Scheme**) and a separate and concurrent scheme of arrangement between Tesseract and the holders of certain of the outstanding Tesseract options and warrants for the cancellation of your Tesseract options and warrants (**Option Scheme**) for cash consideration (together, the **Schemes**).

The notices convening each Scheme Meeting are included in this Scheme Booklet. Proxy forms for the Scheme Meetings accompany this Scheme Booklet. The Scheme Meetings will be conducted as virtual (online only) meetings on Monday, 18 September 2023. Full details of how to participate in the Scheme Meetings are set out in this Scheme Booklet.

**YOUR VOTE IS IMPORTANT IN DETERMINING
WHETHER THE SCHEMES PROCEED.
YOUR DIRECTORS UNANIMOUSLY RECOMMEND
THAT YOU**

VOTE IN FAVOUR

**OF THE SCHEMES, IN THE ABSENCE OF A SUPERIOR
PROPOSAL AND SUBJECT TO THE INDEPENDENT
EXPERT CONTINUING TO CONCLUDE THAT THE
SCHEMES ARE IN THE BEST INTEREST OF THE
RELEVANT TESSERENT SECURITYHOLDERS.**

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR URGENT ATTENTION.

If you are in any doubt as to how to deal with this Scheme Booklet, please consult your legal, financial, taxation or other professional adviser immediately. If after reading this Scheme Booklet you have any questions about the Schemes, please contact the Tesserent Securityholder Information Line on 1300 401 939 (within Australia) or +61 3 9415 4153 (outside Australia) Monday to Friday between 8.30am and 5.00pm (Melbourne time).

If you have recently sold all of your Tesserent Shares or no longer hold any Tesserent Shares or Tesserent Options, please disregard this and all enclosed documents.

Overview of this Scheme Booklet

What is this Scheme Booklet for?

This Scheme Booklet has been sent to you to help you understand the terms of the scheme of arrangement between Tesserent and its shareholders (**Share Scheme**) and a separate and concurrent scheme of arrangement between Tesserent and the holders of certain of the outstanding Tesserent options and warrants (**Optionholders**) (**Option Scheme**) (together, the **Schemes**).

If the Share Scheme proceeds to be implemented, it would result in Thales Australia acquiring all of your Tesserent Shares for \$0.13 per Share (**Scheme Consideration**).

The Share Scheme can only proceed if it is approved by the requisite majorities of Tesserent Shareholders and by the Court.

If the Option Scheme proceeds to be implemented, it would result in each Tesserent Option held being cancelled on the implementation date of the Share Scheme for cash consideration calculated in accordance with the valuation methodology described in Section 9.3(b).

The Option Scheme can only proceed if it is approved by the requisite majorities of Tesserent Optionholders and by the Court.

The implementation of the Option Scheme is subject to the Share Scheme proceeding and Court approval. However, the Share Scheme is not conditional on the Option Scheme proceeding. If the Share Scheme is approved by Tesserent Shareholders and by the Court, it will be implemented whether or not the Option Scheme is approved.

This Scheme Booklet includes information relevant to your decision as a Tesserent Securityholder on whether to approve the Schemes.

Why should you vote?

As a Tesserent Securityholder, you have a say in whether or not the Schemes proceed. The Schemes cannot proceed unless (among other things) the Schemes are approved by the requisite majorities of Tesserent Securityholders at the Scheme Meetings.

This is your opportunity to play a role in deciding the future of your investment in Tesserent.

What should you do next?

As a Tesserent Securityholder, you have a number of decisions to make in relation to the Schemes. The key decisions for you to make are outlined in the steps below.

The Tesserent Directors unanimously recommend that you vote in favour of the Schemes, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of the relevant Tesserent Securityholders.

Step 1: Read this Scheme Booklet

You should carefully read this Scheme Booklet in its entirety before making a decision on whether and how to vote on the Schemes.

If after reading this Scheme Booklet you have any questions about the Schemes, please contact the Tesserent Securityholder Information Line on 1300 401 939 (within Australia) or +61 3 9415 4153 (outside Australia) Monday to Friday between 8.30am and 5.00pm (Melbourne time).

If you are in any doubt as to how to deal with this Scheme Booklet, please consult your legal, financial, taxation or other professional adviser immediately.

Step 2: Vote on the Schemes

(a) Your vote is important

For the Schemes to proceed, the requisite majorities of Tesserent Securityholders must vote in favour of the Scheme Resolutions. Please refer to Sections 4.1 to 4.5 inclusive for further information.

(b) Who is entitled to vote?

If you are registered as a Tesserent Shareholder by the Tesserent Registry at the Voting Entitlement Time (7.00pm on Saturday, 16 September 2023), you will be entitled to vote at the Share Scheme Meeting. If you are registered as a Tesserent Optionholder by the Tesserent Registry at the Voting Entitlement Time (7.00pm on Saturday, 16 September 2023), you will be entitled to vote at the Option Scheme Meeting.

(c) How to vote?

For full information on how to vote on the Schemes, please refer to Section 4.

Are the Schemes in the best interest of Tesserent Securityholders?

✓ The Independent Expert has concluded that, in the absence of a Superior Proposal, the Share Scheme is **FAIR AND REASONABLE** and therefore in the **BEST INTEREST** of Tesserent Shareholders.

✓ The Independent Expert has also concluded that, in the absence of a Superior Proposal, the Option Scheme is **FAIR AND REASONABLE** and therefore in the **BEST INTEREST** of Tesserent Optionholders.

The Independent Expert's Report is included in Appendix 1 to this Scheme Booklet.

What do the Tesserent Directors recommend?

✓ Your Directors **UNANIMOUSLY RECOMMEND** that you vote **IN FAVOUR OF** the Schemes, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of the relevant Tesserent Securityholders.

✓ Your Directors intend to vote all Tesserent Shares they hold or control **IN FAVOUR OF** the Share Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Share Scheme is in the best interest of Tesserent Shareholders.

What if you have questions in relation to the Schemes?

If you have questions in relation to the Schemes, you should refer to the Frequently Asked Questions in Section 3 or contact the Tesseract Securityholder Information Line on 1300 401 939 within Australia or +61 3 9415 4153 if outside Australia Monday to Friday between 8.30am and 5.00pm (Melbourne time). Alternatively, you should consult your legal, financial, taxation or other professional adviser.

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Corporate Directory

Important Dates and Times

All references to time in this Scheme Booklet are references to the time in Melbourne, Australia unless otherwise stated.

Event	Date (and time)
First Court Hearing at which the Court made orders convening the Scheme Meetings	14 August 2023
Last time and date by which the proxy form for each of the Scheme Meetings must be received by the Tesserent Registry (whether by mail, by fax or by online lodgement) (Proxy Cut-Off Date)	10.00am on Saturday, 16 September 2023 Note: As this is not a business day, if you intend to mail your proxy form, you should ensure that you allow sufficient time for it to be received by the Tesserent Registry by close of business (Melbourne time) on Friday, 15 September 2023.
Time and date for determining eligibility to vote at the Scheme Meetings (Voting Entitlement Time)	7.00pm on Saturday, 16 September 2023
Share Scheme Meeting to vote on the Share Scheme Resolution for the Share Scheme (to be conducted as a virtual (online only) meeting)	10.00am on Monday, 18 September 2023
Option Scheme Meeting to vote on the Option Scheme Resolution for the Option Scheme (to be conducted as a virtual (online only) meeting)	10.30am on Monday, 18 September 2023 or at the conclusion or adjournment of the Share Scheme Meeting (whichever time is later)
The remainder of this timetable assumes that the Scheme Resolutions are passed by relevant Tesserent Securityholders. All dates and times in the remainder of this timetable are indicative only and, among other things, are subject to all necessary approvals from the Court and Government Agencies. Any changes to the remainder of this timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through ASX and notified on Tesserent website at www.tesserent.com .	
Second Court Hearing to obtain orders approving the Schemes	10.15am on Friday, 22 September 2023
Lodgment by Tesserent with ASIC of the Court orders approving the Schemes (Effective Date)	Monday, 25 September 2023
Suspension of trading in Tesserent Shares on ASX	Close of trading on, Monday, 25 September 2023
Time and date for determining entitlements to Share Scheme Consideration (Share Scheme Record Date) and Option Scheme Consideration (Option Scheme Record Date)	7.00pm on Wednesday, 27 September 2023
Implementation Date	Wednesday, 4 October 2023

Important Notices

General

You should read the whole of this Scheme Booklet before making a decision on how to vote on the resolutions to be considered at the Scheme Meetings. The notices convening the Scheme Meetings are contained in the Appendices to this Scheme Booklet. A separate Proxy Form for each of the Scheme Meetings accompanies this Scheme Booklet.

Defined terms

Capitalised terms in this Scheme Booklet are defined either in the Glossary in Section 12 or where the relevant term is first used.

Purposes of this Scheme Booklet

The purposes of this Scheme Booklet are to:

- explain the terms and effect of the Schemes to Tesseract Securityholders;
- explain the manner in which the Schemes will be considered and, if approved, implemented;
- state any material interests of the Directors, whether as directors, members or creditors of Tesseract or otherwise, and the effect on those interests of the Schemes as far as that effect is different from the effect on the similar interests of other persons; and
- provide the information as is prescribed by the Corporations Act and the Corporations Regulations or as is otherwise material to the decision of Tesseract Securityholders whether or not to vote in favour of the Schemes.

This Scheme Booklet (excluding the Appendices) constitutes the explanatory statement for the Schemes as required by section 412(1) of the Corporations Act.

No financial product advice

The information contained in this Scheme Booklet is not financial product or investment advice. This Scheme Booklet has been prepared without taking into account your investment objectives, financial situation, taxation position or other particular needs. Before deciding how to vote or act, Tesseract Securityholders and others should consider the appropriateness of the information having regard to their own investment objectives, financial situation, taxation position and other particular needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances. Tesseract is not licensed to provide financial product advice in respect of Tesseract Securities or any other financial products.

To the extent (if at all) any part of this Scheme Booklet includes financial product advice given by Tesseract or Thales Australia, the advice has been prepared without taking into account anyone's (whether a recipient of the Scheme Booklet or otherwise), objectives, financial situation or needs. Accordingly, before acting on any such advice, you should consider the appropriateness of the advice having regard to your objectives, financial situation and needs.

Responsibility for information

The Tesseract Information contained in this Scheme Booklet has been prepared by and is the responsibility of Tesseract. Thales Australia has not independently verified any of the Tesseract Information and does not make any representation or warranty (express or implied)

as to, and does not assume any responsibility for, the accuracy, relevance or completeness of, the Tesserent Information.

Loneragan Edwards & Associates Limited has prepared the Independent Expert's Report in relation to the Schemes in Appendix 1 to this Scheme Booklet and takes responsibility for that report.

Thales Australia Information contained in this Scheme Booklet has been prepared by and is the responsibility of Thales Australia. Tesserent has not independently verified any of the Thales Australia Information and does not make any representation or warranty (express or implied) as to, and does not assume any responsibility for, the accuracy, relevance or completeness of, the Thales Australia Information.

Tesserent Securityholders outside Australia

This Scheme Booklet has been prepared having regard to Australian disclosure requirements. These requirements may be different from those in other jurisdictions. Accordingly, the release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in those other jurisdictions and persons outside Australia who come into possession of this Scheme Booklet should seek advice on and observe any applicable restrictions. This Scheme Booklet and the Schemes do not in any way constitute an offer to buy securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Tesserent Securityholders resident outside Australia for taxation purposes should also seek specific taxation advice in relation to the Australian and overseas taxation implications of their participation in the Schemes.

ASIC and ASX

A draft of this Scheme Booklet was provided to ASIC for the purpose of section 411(2) of the Corporations Act and a copy of this Scheme Booklet has been registered by ASIC for the purpose of section 412(6) of the Corporations Act.

ASIC has examined a copy of this Scheme Booklet. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Share Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Share Scheme.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A draft of this Scheme Booklet has also been provided to ASX for its review in accordance with the Listing Rules. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDERS UNDER SECTION 411(1) OF THE CORPORATIONS ACT

A copy of this Scheme Booklet was submitted to the Court to obtain orders of the Court under section 411(1) of the Corporations Act directing Tesserent to convene the Scheme Meetings. Those orders were obtained at the First Court Hearing on 14 August 2023.

The fact that under section 411(1) of the Corporations Act the Court has ordered that a separate meeting of Tesserent Securityholders be convened by Tesserent to consider and vote on the Schemes and has directed that this Scheme Booklet accompany the Notices of Scheme Meetings does not mean that the Court:

- (a) has formed any view as to the merits of the Schemes or how Tesserent Securityholders should vote on the Schemes (on this matter Tesserent Securityholders must reach their own decision);
- (b) has prepared, or is responsible for, the content of this Scheme Booklet; or
- (c) has approved or will approve the terms of the Schemes.

NOTICE REGARDING SECOND COURT HEARING AND IF ANY TESSERENT SECURITYHOLDER WISHES TO OPPOSE THE RELEVANT SCHEME

The date of the Second Court Hearing to approve the Schemes is scheduled for Friday, 22 September 2023.

The hearing will be at 10.15am (Sydney time) in the Federal Court of Australia (NSW registry).

A Tesserent Securityholder has the right to appear and be heard at the Second Court Hearing and may oppose the approval of either or both of the Schemes at the Second Court Hearing. It is possible that the Second Court Hearing will be held, rather than by a physical hearing, either virtually (online only) or by telephone conference. Details on how to attend the Second Court Hearing will be released by Tesserent to ASX if the Schemes have been approved by Tesserent Securityholders at the Scheme Meetings or the Share Scheme has been approved by Tesserent Shareholders at the Share Scheme Meeting.

If you wish to oppose approval of either or both of the Schemes by the Court at the Second Court Hearing you must file with the Court, and serve on Tesserent, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Tesserent at its address for service at least one day before the Second Court Date.

The address for service is: c/o MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000, Attention: Anthony Sommer (02) 9921 4182. The notice of appearance and affidavit must also be sent by email to anthony.sommer@minterellison.com.

Forward looking statements

Certain statements in this Scheme Booklet are about future matters, including forward looking statements. These forward looking statements and information, including statements and information relating to Tesserent and the transactions contemplated by the Scheme Implementation Deed, are not based solely on historical facts, but rather reflect the current expectations of:

- (a) Tesserent, in relation to the Tesserent Information; or
- (b) Thales Australia, in relation to the Thales Australia Information,

concerning future results, events or other matters. These forward looking statements may sometimes be identified by the use of forward looking words or phrases such as *if, when, believe, aim, will, expect, anticipate, intend, foresee, likely, should, could, plan, may, estimate, budget, forecast, envisage, target, potential* or other similar words or phrases. Similarly, statements that describe Tesserent's or Thales Australia's objectives, plans, goals or expectations, estimates of future costs, and expenditure are or may be forward looking statements.

The statements contained in this Scheme Booklet about the impact that the Schemes may have on the results of Tesserent's performance, and the expected advantages and potential disadvantages of the Schemes are also forward looking statements.

These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results of Tesseract to be materially different from future results, performance or achievements expressed or implied by such statements. These statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which Tesseract will operate in the future, including anticipated costs and ability to achieve goals. Therefore, forward looking statements and information should be construed in light of those limitations and undue reliance should not be placed on them.

None of Tesseract, Thales Australia, their respective related entities, their respective directors, nor any other person gives any representation, assurance or guarantee that the occurrence of the results or events expressed or implied in any forward looking statements and information in this Scheme Booklet will actually occur.

The forward looking statements and information in this Scheme Booklet reflect views held only at the date of this Scheme Booklet.

Subject to any continuing obligations under law, Tesseract, Thales Australia, their respective related entities, and their respective directors disclaim any obligation or undertaking to disseminate after the date of this Scheme Booklet any updates or revisions to any forward looking statements and information to reflect any change in expectations in relation to them or any change in the events, conditions or circumstances on which they are based.

Rounding of numerical information

Any discrepancies between totals in tables and sums of components contained in this Scheme Booklet and between those figures and figures referred to in other parts of this Scheme Booklet may be due to rounding. Except as otherwise stated, all rounded numbers have been rounded either to one decimal place or to the nearest whole number.

Privacy and personal information

Tesseract, Thales Australia and the Tesseract Registry will need to collect personal information to conduct the Scheme Meetings and to implement the Schemes. This information may include the name, contact details and securityholding of Tesseract Securityholders, and the name of persons appointed by Tesseract Securityholders to act as proxy, attorney, or in the case of a Tesseract Securityholder who is a corporation, corporate representative at either or both of the Scheme Meetings.

The primary purpose of collecting this personal information is to assist Tesseract in the conduct of the Scheme Meetings and to enable the Schemes to be approved by the relevant Tesseract Securityholders and the Court to be implemented by Tesseract in the manner described in this Scheme Booklet. Without this information, Tesseract may be impeded in its ability to carry out these purposes to full effect. The collection of certain personal information is authorised by the Corporations Act.

Personal information may be disclosed to the Tesseract Registry, print and mail service providers, authorised securities brokers, related entities of Tesseract and to the parties to the Scheme Implementation Deed.

Tesseract Securityholders have certain rights to access their personal information that has been collected. Tesseract Securityholders should contact Tesseract's company secretary in the first instance if they wish to request access to their personal information.

Tesseract Securityholders who appoint a named person to act as their proxy, attorney, or in the case of a Tesseract Securityholder who is a corporation, a corporate representative, at the Scheme Meetings should ensure that they inform that person of the matters outlined above.

Entitlement to inspect Securities Register

All persons are entitled to inspect and obtain a copy of Tesserent's Securities Register under section 173 of the Corporations Act. If you are a Tesserent Securityholder, this register will contain personal information about you.

References to time

All references to time in the Scheme Booklet are to the time in Melbourne, Victoria unless otherwise stated.

Date of Scheme Booklet

This Scheme Booklet is dated 15 August 2023.

Letter from the Chairman

Dear Tesserent Securityholder,

I am pleased to provide you with this Scheme Booklet, which contains information you should consider in relation to the proposed acquisition of Tesserent Limited (**Tesserent** or **Company**) by Thales Australia Holdings Pty Ltd (**Thales Australia**) announced on 13 June 2023 (**Transaction**). Thales Australia is wholly owned by Thales (Euronext Paris: HO).

If the Transaction proceeds, it will result in Thales Australia acquiring Tesserent and Tesserent being de-listed from the Australian Securities Exchange (**ASX**).

I encourage you to read this Scheme Booklet carefully and to participate in this significant transaction for Tesserent by voting on the Schemes.

Transaction

On 13 June 2023, Tesserent announced it had entered into a Scheme Implementation Deed with Thales Australia. It is proposed that Thales Australia will acquire 100% of the issued shares in Tesserent (**Tesserent Shares**) by way of a scheme of arrangement between Tesserent and its Shareholders (**Share Scheme**) and for certain of the outstanding Tesserent options and warrants (**Tesserent Options**) to be cancelled under a concurrent scheme of arrangement between Tesserent and its Optionholders (**Option Scheme**) (together, the **Schemes**).

Under the terms of the Share Scheme, Tesserent Shareholders will receive \$0.13 for every Tesserent Share held on the Share Scheme Record Date in consideration for the transfer of their shares to Thales Australia. The Share Scheme Consideration values the equity of Tesserent at \$176,043,675 and represents a 165.3% premium to the Tesserent Share price of \$0.049 as at the close of trading on the last ASX trading day prior to the announcement of the Transaction.

Under the terms of the Option Scheme, Tesserent Optionholders will receive consideration ranging between \$0.0006 and \$0.0541 per Tesserent Option, depending on the relevant tranche of Tesserent Option, in accordance with the valuation methodology described in Section 9.3(b) in consideration for the cancellation of all of their Tesserent Options.

Both Schemes are subject to customary conditions, including approval by the relevant Tesserent Securityholders and the Court.

The implementation of the Option Scheme is subject to the Share Scheme proceeding and Court approval. However, the Share Scheme is not conditional on the Option Scheme proceeding. If the Share Scheme is approved by Tesserent Shareholders and by the Court, it will be implemented whether or not the Option Scheme is approved.

Independent Expert

The Tesserent Board has engaged Lonergan Edwards & Associates Limited (**Independent Expert**) to prepare an Independent Expert's Report on whether the Schemes are fair and reasonable and in the best interest of Tesserent Securityholders.

In the context of the Share Scheme, the Independent Expert has assessed the value of Tesserent at \$0.098 to \$0.109 per Tesserent Share on a 100% controlling interest basis. The Share Scheme Consideration of \$0.13 per Tesserent Share is above this valuation range and the Independent Expert has concluded that the Share Scheme is fair and reasonable and in the best interest of all Tesserent Shareholders in the absence of a Superior Proposal.

In the context of the Option Scheme, the Independent Expert has concluded that the Option Scheme is fair and reasonable and in the best interest of all Tesserent Optionholders in the absence of a Superior Proposal.

A full copy of the Independent Expert's Report is included in Appendix 1 to this Scheme Booklet. I encourage you to read it in full before making your decision to vote.

Tesserent Directors voting recommendation and intentions

The Tesserent Board unanimously recommends that you vote in favour of the Schemes, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Share Scheme is in the best interest of Tesserent Shareholders and the Option Scheme is in the best interest of Tesserent Optionholders.¹

Subject to those same qualifications, each of your Directors intends to vote all Tesserent Shares held or controlled by them, in favour of the Share Scheme. As at the date of this Scheme Booklet, your Directors hold approximately 9.23% of all Tesserent Shares on issue.

Each Tesserent Director who holds Tesserent options (as well as Tesserent's Chief Financial Officer, Mr James Jones), has entered into an option cancellation deed under which, subject to the Share Scheme becoming legally effective, each of their options will be cancelled on the implementation date of the Share Scheme for a cash consideration calculated under the same agreed valuation methodology as the Option Scheme.

In forming their recommendation, your Directors have carefully considered the adequacy of the Share Scheme Consideration and Option Scheme Consideration, the conditions of the Schemes, their expected advantages, potential disadvantages and risks. Your Directors have compared these considerations against the other options available to Tesserent including maintaining the status quo. These matters are discussed further in Section 2.3 but in summary the reasons for your Directors' unanimous recommendation that you vote in favour of the Schemes include the following:

- **Attractive premium for Tesserent Shareholders:** the Share Scheme Consideration represents an attractive premium for Tesserent Shareholders on the price of Tesserent Shares prior to the announcement of the Transaction. Thales Australia's offer for Tesserent represents:
 - a significant 165.3% premium to Tesserent's undisturbed closing share price of \$0.049 per Tesserent Share on 9 June 2023, being the last ASX trading day prior to the announcement of the Transaction;
 - a significant 157.4% premium compared to the 1-month volume weighted average price (**VWAP**) to 9 June 2023 of Tesserent Shares; and

¹ When considering the recommendation of Kurt Hansen, the Managing Director, to vote in favour of the Schemes, Tesserent Securityholders should have regard to his personal interest as detailed in Section 11.5. This personal interest comprises of a one-off cash retention payment of \$145,151 subject to Mr Hansen remaining with Tesserent until 1 February 2024. Mr Hansen's retention payment is not contingent on the Share Scheme proceeding. However, if the Share Scheme does not proceed, the payment of the retention payment will be subject to the ultimate discretion of the Tesserent Board. The Tesserent Board (excluding Mr Hansen) considers that, despite the existence and terms of this retention arrangement, it is appropriate for Mr Hansen to make a recommendation on the Schemes given his role as the Managing Director of Tesserent and that Tesserent Securityholders would wish to know Mr Hansen's views on the Schemes. Mr Hansen also considers that it is appropriate for him to make a recommendation on the Schemes. In addition, when considering the recommendation of those Directors that have entered into Option Cancellation Deeds to vote in favour of the Schemes, Tesserent Securityholders should have regard that those Directors will receive the benefit of certainty for the cancellation of their Tesserent options under the Option Cancellation Deeds to the extent that the Option Cancellation Deeds will only be subject to the Share Scheme proceeding and not the Option Scheme proceeding.

- a substantial 116.3% premium over the 3-month VWAP to 9 June 2023 of Tesserent Shares;
- **Certainty amidst market volatility with all-cash Scheme Consideration:** the offer from Thales Australia is an all-cash offer. This provides a high degree of certainty of value and timing in the current uncertain markets;
- **Independent Expert's conclusion:** the Independent Expert has concluded that the Schemes are fair and reasonable and therefore in the best interest of the relevant Tesserent Securityholders;
- **No Superior Proposal:** no Superior Proposal has emerged as at the date of this Scheme Booklet;
- **Tesserent Share price may fall:** if the Share Scheme does not proceed and no other proposal emerges, the price of Tesserent Shares may fall;
- **Risk of compulsory acquisition:** if the Option Scheme is not approved but the Share Scheme proceeds, Thales Australia is likely to use compulsory acquisition powers under Part 6A.2 of the Corporations Act to compulsorily acquire any Tesserent Options or Tesserent Shares that are held by Tesserent Optionholders after exercising their Tesserent Options; and
- **No brokerage:** no brokerage or stamp duty will be payable by you for the transfer of your Tesserent Shares under the Share Scheme and the cancellation of your Tesserent Options under the Option Scheme.

There are also reasons why you may choose to vote against the Share Scheme which are set out in Section 2.4. In particular:

- you may disagree with the Directors' recommendation and the Independent Expert's conclusion and believe that the Share Scheme is not in your best interest;
- you may prefer to participate in the future financial performance of the Tesserent business and maintain your current investment in Tesserent and risk profile;
- you may believe that the Share Scheme is not in the best interest of Tesserent Shareholders, or you may consider that the Share Scheme Consideration is too low;
- you may believe there is potential for a Superior Proposal to be received in the foreseeable future (noting that no Superior Proposal has been received as at the date of this Scheme Booklet); and
- the taxation implications of the Share Scheme may not suit your financial position.

Some reasons why you may choose to vote against the Option Scheme are also set out in Section 2.4. In particular:

- you may disagree with the Directors' recommendation and the Independent Expert's conclusion and believe that the Option Scheme is not in your best interest;
- you may believe that the Option Scheme is not in the best interest of Tesserent Optionholders, or you may consider that the Option Scheme Consideration is too low; and
- the taxation implications of the Option Scheme may not suit your financial position.

Certain risks related to holding Tesserent Shares and the Schemes are set out in Section 7. The Tesserent Directors unanimously believe that the benefits of the Schemes outweigh the potential disadvantages and risks.

For further information, please refer to Sections 2 and 7.

Pure Asset Management's intention to vote in favour of the Option Scheme

The Board has received a written communication from Pure Asset Management Pty Ltd (in its capacity as trustee for The Income and Growth Fund), the holder of 13,888,889 Tesserent warrants representing 7.79% of the available votes for the Option Scheme, indicating that it is supportive of the Option Scheme and intends to vote all Tesserent warrants held on the Option

Scheme Meeting Date in favour of the Option Scheme, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Option Scheme is in the best interest of Tesseract Optionholders.

Virtual Scheme Meetings

The Scheme Meetings will be held on Monday, 18 September 2023 as virtual (online only) meetings commencing with the Share Scheme Meeting at 10.00am (Melbourne time). The Option Scheme Meeting will be at 10.30am (Melbourne time) or as soon as practicable after the conclusion or adjournment of the Share Scheme Meeting, whichever is later.

Tesseract Securityholders and their authorised proxies, attorneys and corporate representatives can attend the Scheme Meetings virtually via the following links:

Share Scheme Meeting: <https://meetnow.global/M6PYRPY>

Option Scheme Meeting: <https://meetnow.global/MDAH2VQ>

If you are registered as a Tesseract Shareholder on the Share Register at (Melbourne time) on 7.00pm, Saturday, 16 September 2023, you will be entitled to vote at the Share Scheme Meeting. If you are registered as an Tesseract Optionholder on the Option Register at (Melbourne time) on 7.00pm on Saturday, 16 September 2023, you will be entitled to vote at the Option Scheme Meeting.

Tesseract Securityholders who are entitled to vote at the relevant Scheme Meeting may vote by participating in the meeting held virtually, or by appointing a proxy to participate in the virtual meeting and vote on their behalf by using the relevant Proxy Form accompanying this notice or by appointing a proxy online.

Further information on how to participate, ask questions and vote at the Scheme Meetings are set out in the Notices of Scheme Meetings attached as Appendix 6 and Appendix 7 to this Scheme Booklet.

Further information

The Scheme Booklet sets out important information relating to the Schemes, the reasons why the Tesseract Board has recommended that Tesseract Securityholders vote in favour of the relevant Schemes together with the Independent Expert's Report. The Scheme Booklet also sets out some of the reasons why you may wish to vote against the Schemes.

Please read the Scheme Booklet carefully and in its entirety. It will assist you in making an informed decision on how to vote. We also recommend that you seek independent financial, legal and taxation advice before making any decision in relation to your Tesseract Securities.

If you have any questions in relation to the Schemes, please call the Tesseract Securityholder Information Line on 1300 401 939 (within Australia) or +61 3 9415 4153 (outside Australia) Monday to Friday between 8.30am and 5.00pm (Melbourne time) or contact your legal, financial, taxation or other professional adviser.

On behalf of the Tesseract Board, I would like to reiterate our support for the Schemes. I would also like to take this opportunity to thank you for your continued support of Tesseract and I look forward to your participation in the voting and at the Scheme Meetings.

Yours sincerely



Geoff Lord
Executive Chairman, Tesseract

Key reasons to vote in favour of the Schemes

Your Directors unanimously recommend that you vote in favour of the Schemes, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of the relevant Tesserent Securityholders. The reasons for your Directors' unanimous recommendation are summarised below and are set out in further detail in Section 2.3:

- ✓ The Share Scheme Consideration of \$0.13 per Tesserent Share represents an attractive premium of 165.3% to the trading price of Tesserent Shares prior to the announcement of the Share Scheme of \$0.049 per Tesserent Share
- ✓ You will receive certain cash value for your investment in Tesserent, avoiding the risks and uncertainties associated with an investment in Tesserent
- ✓ The Independent Expert has concluded that the Schemes are fair and reasonable and therefore in the best interest of the relevant Tesserent Securityholders
- ✓ No Superior Proposal has emerged as at the date of this Scheme Booklet
- ✓ If the Share Scheme does not proceed and no other proposal emerges, the price of Tesserent Shares may fall
- ✓ No brokerage or stamp duty will be payable by you on the transfer of your Tesserent Shares under the Share Scheme
- ✓ If the Option Scheme is not approved but the Share Scheme proceeds, Thales Australia is likely to use compulsory acquisition powers to compulsorily acquire any Tesserent Options or Tesserent Shares issued following the exercise of Tesserent Options

Potential reasons to vote against the Schemes

Your Directors' have identified potential reasons to vote against the Schemes. These are summarised below and are set out in further detail in Section 2.4:

- ✗ You may disagree with the Directors' unanimous recommendation and the Independent Expert's conclusion and believe that the Schemes are not in your best interest
- ✗ You may prefer to participate in the future financial performance of the Tesserent business and you may wish to maintain your current investment in Tesserent and risk profile
- ✗ You may believe that the Schemes are not in the best interest of Tesserent Securityholders, or you may consider that the Scheme Consideration is too low
- ✗ You may believe there is potential for a Superior Proposal to be received in the foreseeable future (noting that no Superior Proposal has been received as at the date of this Scheme Booklet)
- ✗ The taxation implications of the Schemes may not suit your financial position

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEMES, IN THE ABSENCE OF A SUPERIOR PROPOSAL AND SUBJECT TO THE INDEPENDENT EXPERT CONTINUING TO CONCLUDE THAT THE SCHEMES ARE IN THE BEST INTEREST OF RELEVANT TESSERENT SECURITYHOLDERS

You should read this Scheme Booklet and the Independent Expert's Report in full before making any decision on the Schemes. In particular, you should refer to Section 2 for guidance on the expected advantages, potential disadvantages and risks of the Schemes. This Scheme Booklet does not take into account the financial situation, investment objectives and particular needs of any Tesseract Securityholder. You should consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your own circumstances.

1. Overview of the Schemes

1.1 The Schemes at a glance

On 13 June 2023, Tesserent announced that it had entered into the Scheme Implementation Deed with Thales Australia under which it is proposed that Thales Australia will acquire 100% of the issued capital of Tesserent for consideration of \$0.13 per Tesserent Share by way of a scheme of arrangement between Tesserent and the Tesserent Shareholders.

If the Share Scheme is approved and implemented, Thales Australia will own 100% of Tesserent Shares and Tesserent will be delisted from ASX shortly after the Implementation Date.

The Scheme Implementation Deed also provides for a separate and concurrent scheme of arrangement between Tesserent and the Tesserent Optionholders under which all of the Tesserent Options will be cancelled and extinguished for a cash consideration ranging between \$0.0006 and \$0.0541 per Tesserent Option, depending on the relevant tranche of Tesserent Option, in accordance with an agreed valuation methodology described in Section 9.3(b).

1.2 Scheme Consideration

(a) Share Scheme Consideration

If the Share Scheme proceeds, all holders of Tesserent Shares as at the Share Scheme Record Date (currently proposed to be 7.00pm on Wednesday, 27 September 2023) will transfer all of their Scheme Shares to Thales Australia on the Implementation Date (currently proposed to be Wednesday, 4 October 2023) in exchange for the payment of the Share Scheme Consideration by Thales Australia.

The Share Scheme Consideration to be paid by Thales Australia is \$0.13 for each Share you hold on the Share Scheme Record Date.

(b) Option Scheme Consideration

If the Option Scheme proceeds, all holders of Tesserent Options as at the Option Scheme Record Date (currently proposed to be 7.00pm on Wednesday, 27 September 2023) will have all of their Tesserent Options cancelled and extinguished on the Implementation Date (currently proposed to be Wednesday, 4 October 2023) in exchange for the payment of the Option Scheme Consideration by Thales Australia.

The Option Scheme Consideration to be paid by Thales Australia will range between \$0.0006 and \$0.0541 per Tesserent Option, in accordance with the valuation methodology described in Section 9.3(b) and depending on the relevant tranche of Tesserent Option you hold on the Option Scheme Record Date.

1.3 Tesserent Directors' recommendation and intentions

The table below sets out the Tesserent Directors' views on key matters:

Voting recommendation	Your Directors unanimously recommend that Tesserent Securityholders vote in favour of the Schemes, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of relevant Tesserent Securityholders. ²
Personal voting intention	<p>Subject to those same qualifications, each Tesserent Director intends to vote all Tesserent Shares held or controlled by them in favour of the Share Scheme.</p> <p>As at the date of this Scheme Booklet, your Directors hold or control in aggregate approximately 9.23% of all Tesserent Shares on issue.</p> <p>Each Tesserent Director who holds Tesserent options (as well as Tesserent's Chief Financial Officer, Mr James Jones), has entered into an option cancellation deed under which, subject to the Share Scheme becoming legally effective, each of their options will be cancelled on the implementation date of the Share Scheme for a cash consideration calculated under the same agreed valuation methodology as the Option Scheme.</p>
Basis for voting recommendation	<p>Your Directors' voting recommendation is based predominantly on their view of the adequacy of the Share Scheme Consideration of \$0.13 per Tesserent Share.</p> <p>In addition, your Directors have carefully considered the conditions, expected advantages, potential disadvantages and risks of the Schemes and the alternatives open to Tesserent. These matters are described in more detail in Section 2 and in the Independent Expert's Report in Appendix 1. Your Directors consider that the expected advantages of the Schemes outweigh the potential disadvantages and risks and represent the best option open to Tesserent, in the absence of a Superior Proposal.</p>

² When considering the recommendation of Kurt Hansen, the Managing Director, to vote in favour of the Schemes, Tesserent Securityholders should have regard to his personal interest as detailed in Section 11.5. This personal interest comprises of a one-off cash retention payment of \$145,151 subject to Mr Hansen remaining with Tesserent until 1 February 2024. Mr Hansen's retention payment is not contingent on the Share Scheme proceeding. However, if the Share Scheme does not proceed, the payment of the retention payment will be subject to the ultimate discretion of the Tesserent Board. The Tesserent Board (excluding Mr Hansen) considers that, despite the existence and terms of this retention arrangement, it is appropriate for Mr Hansen to make a recommendation on the Schemes given his role as the Managing Director of Tesserent and that Tesserent Securityholders would wish to know Mr Hansen's views on the Schemes. Mr Hansen also considers that it is appropriate for him to make a recommendation on the Schemes. In addition, when considering the recommendation of those Directors that have entered into Option Cancellation Deeds to vote in favour of the Schemes, Tesserent Securityholders should have regard that those Directors will receive the benefit of certainty for the cancellation of their Tesserent options under the Option Cancellation Deeds to the extent that the Option Cancellation Deeds will only be subject to the Share Scheme proceeding and not the Option Scheme proceeding.

1.4 Independent Expert's conclusion

The Tesserent Board has engaged the Independent Expert, Lonergan Edwards & Associates Limited, to prepare a report expressing an opinion on whether the Schemes are fair and reasonable and in the best interest of Tesserent Securityholders.

In relation to the Share Scheme, the Independent Expert has assessed the value of TNT Shares on a 100% controlling interest basis at \$0.098 to \$0.109 per share.³ The Independent Expert has concluded that the Share Scheme is fair and reasonable to and in the best interest of TNT shareholders, in the absence of a superior proposal.⁴

In relation to the Option Scheme, the Independent Expert has concluded that the Option Scheme is fair and reasonable to and in the best interest of TNT Optionholders, in the absence of a superior proposal.⁵

The Independent Expert's Report is included in Appendix 1. You should read that report as part of your assessment of the Schemes. Section 2 contains a summary of the key conclusions of the Independent Expert in relation to the Schemes.

1.5 Taxation implications

If the Share Scheme proceeds, Tesserent Shareholders will have their Tesserent Shares transferred to Thales Australia in exchange for the Share Scheme Consideration.

If the Option Scheme proceeds, Tesserent Optionholders will have all of their Tesserent Options cancelled and extinguished in exchange for the Option Scheme Consideration.

A general outline of the taxation implications for Australian resident and non-resident Tesserent Securityholders under the Schemes is provided in Section 8. The information in Section 8 is general in nature and should not be relied on by Tesserent Securityholders as taxation advice. Tesserent Securityholders should obtain their own professional advice on the taxation implications relevant to them arising from the Schemes in their own individual circumstances. In particular, Tesserent Securityholders should note that, depending on the timing of and price at which they acquired their Tesserent Securities, there may be differences in the taxation consequences for them.

1.6 Current status and next steps

For the Schemes to proceed, the Scheme Resolutions must be approved by the requisite majorities of Tesserent Securityholders at the Scheme Meetings and approved by the Court. There are also other Conditions that need to be satisfied or waived before the Schemes proceed. The key remaining Conditions are summarised in Section 2.5. The Conditions for the Share Scheme are set out in full in clause 3.1 of the Scheme Implementation Deed and the Conditions for the Option Scheme are set out in full in clause 3.1 of the Option Scheme.

As at the date of this Scheme Booklet, neither Tesserent nor any of the Tesserent Directors are aware of any circumstances that would cause any of the Conditions of the Schemes not to be satisfied or which could result in termination of the Scheme Implementation Deed.

If all of the Conditions of the Schemes are satisfied or waived (as applicable), the Schemes will constitute a binding arrangement between Tesserent and all holders of Tesserent Shares as at the Share Scheme Record Date and all holders of Tesserent Options as at the Option Scheme Record Date (both dates currently proposed to be Wednesday, 27 September 2023) (referred to

³ Paragraph 15 of the Independent Expert's Report.

⁴ Paragraph 14 of the Independent Expert's Report.

⁵ Paragraph 27 of the Independent Expert's Report.

in the Schemes and in this Scheme Booklet as Scheme Shareholders and Scheme Optionholders) to undertake the steps required to give effect to the Schemes.

If all of the Conditions to the Schemes are satisfied or waived (as applicable), Scheme Shareholders and Optionholders will be bound by the Schemes whether or not they:

- participated in the Scheme Meetings;
- voted at the Scheme Meetings; or
- voted against the Schemes at the Scheme Meetings.

1.7 Implementation

If all necessary approvals and other Conditions for the Schemes are satisfied or waived (as applicable), it is proposed that the Schemes will be implemented on the Implementation Date (currently proposed to be Wednesday, 4 October 2023). The Schemes will apply to and bind all Scheme Shareholders and Scheme Optionholders. Importantly, no transfer of Scheme Shares under the Share Scheme and no cancellation of Scheme Option under the Option Scheme will occur unless:

- on the Business Day prior to the Implementation Date (currently proposed to be Tuesday, 3 October 2023) Thales Australia has deposited an amount equal to the aggregate Share Scheme Consideration and Option Scheme Consideration payable in connection with the Share Scheme and Option Scheme respectively in cleared funds into the Trust Accounts operated by Tesserent as trustee for the benefit of the relevant Scheme Securityholders; and
- on the Implementation Date (currently proposed to be Wednesday, 4 October 2023), and subject to Thales Australia having deposited the Share Scheme Consideration and Option Scheme Consideration into the Trust Accounts, Tesserent has paid or procured the payment of the Share Scheme Consideration and Option Scheme Consideration to each relevant Scheme Securityholder by mailed cheque or funds transfer to the bank account nominated by an appropriate authority by the Scheme Securityholder.

Only once these steps have occurred will the Scheme Shares be transferred to Thales Australia and the Scheme Options cancelled.

In addition, Thales Australia has executed the Share Scheme Deed Poll and the Option Scheme Deed Poll in favour of the Scheme Shareholders and Scheme Optionholders respectively, under which, subject to the Schemes becoming Effective, Thales Australia undertakes to provide the Share Scheme Consideration and Option Scheme Consideration in accordance with the Schemes. A copy of the Share Scheme Deed Poll is contained in Appendix 2 to this Scheme Booklet and a copy of the Option Scheme Deed Poll is contained in Appendix 4 to this Scheme Booklet.

Having regard to the above matters, the Tesserent Directors consider that Scheme Shareholders and Scheme Optionholders are not exposed to any risk under the Schemes that any transfer of ownership of their Shares or cancellation of their Options will occur without the relevant Scheme Consideration first having been provided to them.

Section 9 describes in further detail the procedural aspects of the Schemes and Section 10 describes how the Schemes will be implemented.

1.8 Warranties provided by Tesserent Securityholders

The Share Scheme provides that Scheme Shareholders are taken to have warranted to Tesserent that:

- all their Tesserent Shares (including any rights and entitlements attaching to those shares) transferred to Thales Australia under the Share Scheme will, at the time of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any *security interests* within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions of transfer of any kind and that they have full power and capacity to sell and transfer their Tesserent Shares (together with any rights attaching to those shares) to Thales Australia under the Share Scheme; and
- they have no existing right to be issued any Tesserent Shares, options exercisable into Tesserent Shares, Tesserent convertible notes or any other Tesserent securities.

The Option Scheme provides that Scheme Optionholders are taken to have warranted to Tesserent that:

- all their Tesserent Options (including any rights and entitlements attaching to those shares) transferred to Thales Australia under the Share Scheme will, at the time of cancellation, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any security interests within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions of transfer of any kind and that they have full power and capacity to agree to the cancellation of their Tesserent Options (together with any rights attaching to those options) under the Option Scheme; and
- they have no existing right to be issued any Tesserent Options, Tesserent performance rights, Tesserent convertible notes or any other Tesserent securities.

You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.

1.9 Exclusivity arrangements, competing proposals and reimbursement fee arrangements

(a) Exclusivity arrangements

Under the Scheme Implementation Deed, Tesserent has agreed to certain exclusivity arrangements in favour of Thales Australia. Please refer to Section 2.5(d) for further information on these exclusivity arrangements, and to clause 11 of the Scheme Implementation Deed for the complete terms of these arrangements.

(b) Competing proposals

Your Directors' recommendation of the Schemes is qualified as applying in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Tesserent Securityholders. As at the date of this Scheme Booklet, no Superior Proposal has been received and your Directors are not aware of any approach that may result in a Superior Proposal emerging. As part of the exclusivity arrangements described in Section 2.5(d), Tesserent has agreed not to solicit, invite or encourage any Competing Proposal. However, these restrictions do not prevent Tesserent from considering an unsolicited Competing Proposal. Thales Australia has the right (but not the obligation) to match any unsolicited Superior Proposal.

If a Competing Proposal for Tesserent emerges prior to the Scheme Meeting, your Directors will carefully consider the proposal to determine whether it is a Superior Proposal and will inform you of any material developments which may affect your Directors' view that the Schemes are presently the most favourable proposal for all your Tesserent Securities.

Please see Section 2.4(d) for further discussion about the implications of any Competing Proposal that may emerge.

(c) Reimbursement Fees

Under the Scheme Implementation Deed:

- Tesserent has agreed in certain circumstances to pay Thales Australia a reimbursement fee of \$1,826,126 (exclusive of GST) (**Tesserent Reimbursement Fee**); and
- Thales Australia has agreed in certain circumstances to pay Tesserent a reimbursement fee of \$1,826,126 (exclusive of GST) (**Thales Australia Reimbursement Fee**).

In the context of the Tesserent Reimbursement Fee, these circumstances broadly relate to where there is a change of recommendation by the Tesserent Board, a Competing Proposal succeeds or the Scheme Implementation Deed has been terminated by Thales Australia. In the context of the Thales Reimbursement Fee, the relevant circumstance is if the Schemes become Effective but Thales Australia fails to provide the Scheme Consideration.

Please refer to Section 2.5(e) for further information on these reimbursement fee arrangements and to clauses 12 and 13 of the Scheme Implementation Deed for the complete terms of these arrangements.

2. Relevant considerations for Tesserent Securityholders

2.1 Introduction

The purpose of this Section is to identify significant issues for Tesserent Securityholders to consider in relation to the Schemes.

Before deciding how to vote at the Scheme Meetings, Tesserent Securityholders should carefully consider the factors discussed below as well as the other information contained in this Scheme Booklet.

Your Directors recommend that you consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your individual circumstances.

Tesserent Directors' recommendation and intentions

2.2 Tesserent Directors' recommendation and intentions

The Tesserent Directors as at the date of this Scheme Booklet are:

- Mr Geoffrey Fredrick Lord (Executive Chairman);
- Mr Kurt Hansen (Managing Director);
- Mr Gregory David Baxter (Non-Executive Director);
- Ms Megan Haas (Non-Executive Director); and
- Mr Anthony John William Sheehan (Non-Executive Director).

Profiles of each member of the Tesserent Board are set out in Section 5.5.

The interests of the Tesserent Directors in the Schemes are disclosed in Section 11.2.

For the reasons set out in Section 2.3, your Directors unanimously believe that:

- the expected advantages of the Schemes outweigh the potential disadvantages and risks and represent the best option open to Tesserent; and
- the Schemes are otherwise in the best interest of Tesserent Securityholders,

in each case, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Tesserent Securityholders.

Accordingly, your Directors unanimously recommend that Tesserent Securityholders vote in favour of the Schemes, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Tesserent Securityholders.⁶

Subject to those same qualifications, your Directors intend to vote all Tesserent Shares held or controlled by them, in favour of the Schemes. As at the date of this Scheme Booklet, your Directors hold or control in aggregate approximately 9.23% of all Tesserent Shares on issue.

Each Tesserent Director who holds Tesserent options (as well as Tesserent's Chief Financial Officer, Mr James Jones), has entered into an option cancellation deed under which, subject to the Share Scheme becoming legally effective, each of their options will be cancelled on the implementation date of the Share Scheme for a cash consideration calculated under the same agreed valuation methodology as the Option Scheme. No Superior Proposal from another party has been received as at the date of this Scheme Booklet. You are not obliged to accept the Directors' recommendation. Some of the reasons why you may decide to vote against the Schemes are set out in Section 2.4.

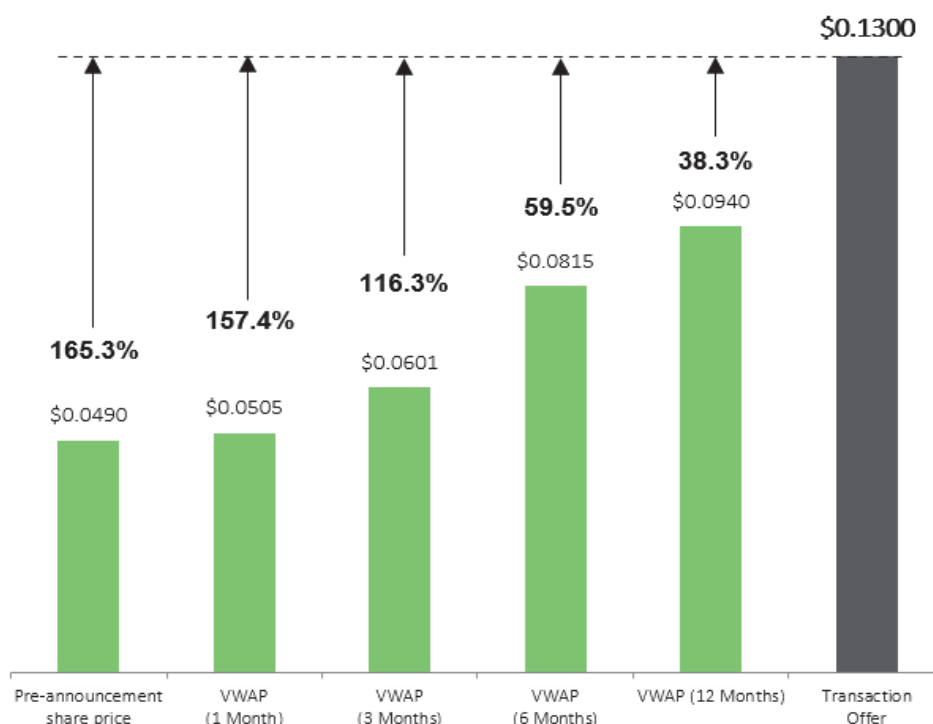
You should note that if you decide to vote against the Schemes, the Schemes will nevertheless proceed if they are approved by the requisite majority of the relevant Tesserent Securityholders, approved by the Court and if the other Conditions are satisfied or waived (see Sections 2.5(a), 2.5(b) and 9).

2.3 Key reasons for Tesserent Directors' recommendation

The Tesserent Board believes Tesserent Securityholders should vote in favour of the Schemes at the Scheme Meetings for the following reasons:

- (a) **Attractive premium for Tesserent shareholders:** As illustrated in the chart provided, the Share Scheme Consideration offers Tesserent Shareholders an attractive premium over the pre-announcement Tesserent Share price. Thales Australia's proposal for Tesserent represents:
- a significant 165.3% premium to Tesserent's undisturbed closing share price of \$0.049 per Tesserent Share on 9 June 2023, being the last ASX trading day prior to the announcement of the Transaction;
 - a significant 157.4% premium compared to the 1-month volume weighted average price (**VWAP**) to 9 June 2023 of Tesserent Shares; and
 - a substantial 116.3% premium over the 3-month VWAP to 9 June 2023 of Tesserent Shares.

⁶ When considering the recommendation of Kurt Hansen, the Managing Director, to vote in favour of the Schemes, Tesserent Securityholders should have regard to his personal interest as detailed in Section 11.5. This personal interest comprises of a one-off cash retention payment of \$145,151 subject to Mr Hansen remaining with Tesserent until 1 February 2024. Mr Hansen's retention payment is not contingent on the Share Scheme proceeding. However, if the Share Scheme does not proceed, the payment of the retention payment will be subject to the ultimate discretion of the Tesserent Board. The Tesserent Board (excluding Mr Hansen) considers that, despite the existence and terms of this retention arrangement, it is appropriate for Mr Hansen to make a recommendation on the Schemes given his role as the Managing Director of Tesserent and that Tesserent Securityholders would wish to know Mr Hansen's views on the Schemes. Mr Hansen also considers that it is appropriate for him to make a recommendation on the Schemes. In addition, when considering the recommendation of those Directors that have entered into Option Cancellation Deeds to vote in favour of the Schemes, Tesserent Securityholders should have regard that those Directors will receive the benefit of certainty for the cancellation of their Tesserent options under the Option Cancellation Deeds to the extent that the Option Cancellation Deeds will only be subject to the Share Scheme proceeding and not the Option Scheme proceeding.



Source: Bloomberg

(b) Certainty amidst market volatility with all-cash Scheme Consideration: Thales Australia's offer for Tesseract is an all-cash offer, providing a high level of certainty in terms of value and timing, particularly in the current volatile market conditions. Under the Share Scheme, each Tesseract Share held on the Share Scheme Record Date entitles you (if you are a Scheme Shareholder) to a definite cash payment of \$0.13 per share. This fixed cash amount ensures certainty of value for your Tesseract Shares in the midst of the uncertain markets. In contrast, if the Share Scheme does not proceed, the potential returns for Tesseract Shareholders remain uncertain. By participating in the Share Scheme, Tesseract Shareholders can eliminate this uncertainty. For more information on the risks associated with retaining Tesseract Shares, please refer to Section 7.

(c) Independent Expert's conclusion: The Independent Expert has concluded that the Schemes are fair and reasonable and therefore in the best interest of the relevant Tesseract Securityholders.

In relation to the Share Scheme, the Independent Expert has assessed the value of TNT shares on a 100% controlling interest basis at \$0.098 to \$0.109 per share.⁷



Comparison of Share Scheme consideration to value of TNT			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Value of Share Scheme consideration	0.130	0.130	0.130
Value of 100% of TNT	0.098	0.109	0.104
Extent to which the Share Scheme consideration exceeds (or is less than) the value of TNT	0.032	0.021	0.026

The Independent Expert has stated that *“As the Share Scheme consideration exceeds our assessed valuation range for TNT shares on a 100% controlling interest basis, in our opinion, the Share Scheme consideration is “fair” to TNT shareholders when assessed in accordance with the Guidelines set out in RG 111. Pursuant to RG 111, a transaction is reasonable if it is fair. Accordingly, in our opinion, the Share Scheme is also “reasonable”. We therefore consider that the Share Scheme is also “in the best interests” of TNT shareholders in the absence of a superior proposal”*⁸

In relation to the Option Scheme, the Independent Expert has concluded that the Option Scheme is fair and reasonable to and in the best interest of TNT Optionholders, in the absence of a superior proposal.

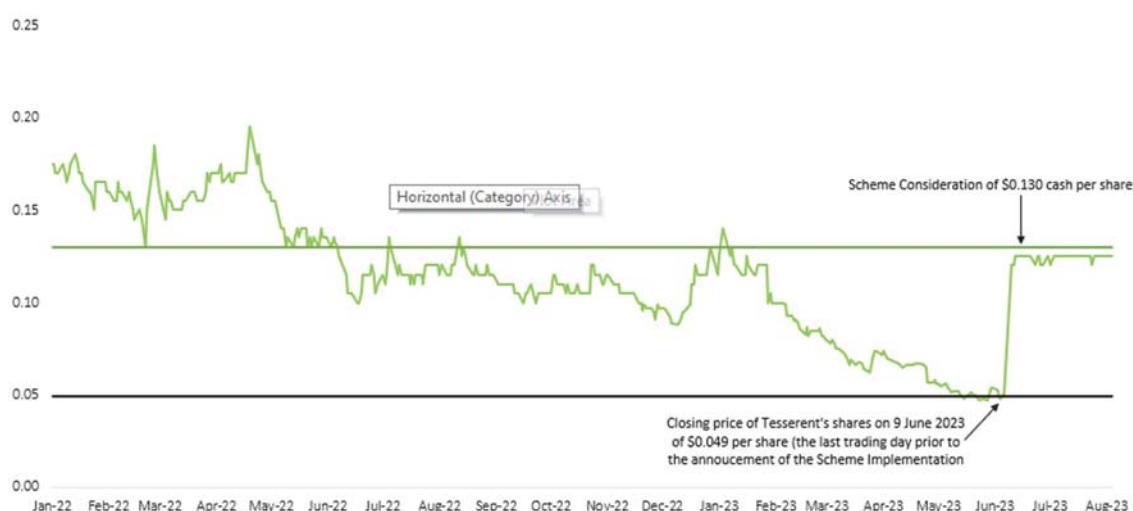
The Independent Expert has stated that *“We have formed this opinion principally because the consideration payable under the Option Scheme either exceeds, or is within our assessed value range for each tranche of option that is the subject of the Option Scheme (i.e. the Option Scheme consideration is considered “fair”).*⁹

The Independent Expert's Report is included in full in Appendix 1. You should read that report as part of your assessment of the Schemes.

- (d) No Superior Proposal:** As of the date of this Scheme Booklet, Tesserent has not received any Superior Proposal, and the Tesserent Board is not otherwise aware of any Superior Proposal. The Tesserent Board will notify Tesserent Securityholders if a Superior Proposal is received by the Scheme Meetings.
- (e) If the Share Scheme does not proceed and no other proposal emerges, the price of Tesserent Shares may fall:** If the Share Scheme is not approved, there is a possibility that the Tesserent Share price could decline below the value of the Share Scheme Consideration. Prior to Tesserent's announcement of entering into the Scheme Implementation Deed, the VWAP of Tesserent Shares over a one-month period was \$0.0505. The Tesserent Board considers that, in the absence of the Share Scheme or a Superior Proposal, the Tesserent Share price may drop below the value of the Share Scheme Consideration.

⁸ Paragraphs 17, 18 and 21 of the Independent Expert's Report.

⁹ Paragraphs 27 and 28 of the Independent Expert's Report.



Source: Bloomberg

The Independent Expert has stated that:

*“If the Share Scheme does not proceed, and in the absence of an alternative offer or proposal, TNT shares are likely to trade at a significant discount to our valuation and the Share Scheme consideration due to, in part, the portfolio nature of individual shareholdings”.*¹⁰

- (f) **If the Share Scheme is not approved, Tesseract Shareholders will continue to be exposed to risks associated with the Tesseract business:** (as outlined in Section 7) rather than realising a certain cash value for their Tesseract Shares in a certain timeframe. If the Share Scheme does not proceed, the amount which Tesseract Shareholders will be able to realise in respect of their Tesseract Shares, in terms of trading price, will be uncertain and subject to a number of risks outlined in Section 7. The Share Scheme provides Tesseract Shareholders with the opportunity to avoid these risks and uncertainties and allows Tesseract Shareholders to fully exit their investment in Tesseract and realised certain and immediate value.
- (g) **No brokerage or stamp duty will be payable by you on the transfer of your Tesseract Shares or the cancellation of your Tesseract Options under the Option Scheme:** You will not incur any brokerage or stamp duty on the transfer of your Tesseract Shares to Thales Australia under the Share Scheme or the cancellation of your Scheme Options under the Option Scheme. If you sell your Tesseract Shares on ASX (rather than disposing of them via the Share Scheme), you may incur brokerage charges.
- (h) **Possibility of compulsory acquisition:** If the Option Scheme is not approved but the Share Scheme proceeds, the Share Scheme will still proceed and Thales Australia will acquire all of the Tesseract Shares, but Tesseract Optionholders will continue to hold their Tesseract Options. In those circumstances, Tesseract would be de-listed from ASX, meaning there is unlikely to be an active market for any Tesseract Shares issued to Tesseract Optionholders on any exercise of their Tesseract Options. In addition, Thales Australia is likely to use compulsory acquisition powers under Part 6A.2 of the Corporations Act to compulsorily acquire

¹⁰

Paragraph 23(d) of the Independent Expert's Report.

any Tesserent Options or Tesserent Shares that are held by Tesserent Optionholders after exercising their Tesserent Options.

Under Part 6A.2 of the Corporations Act, a person may compulsorily acquire all the shares and securities convertible into shares in a company where the person's voting power in the company is at least 90% and the person holds, either alone or with a related body corporate, full beneficial interests in at least 90% by value of all the securities of the company that are either shares or convertible into shares. Thales Australia will be in this position immediately after the implementation of the Share Scheme and the cancellation of the Option Cancellation Deed Options. It will then have 6 months after the Implementation Date to proceed with compulsory acquisition. The consideration paid under compulsory acquisition must represent fair value as assessed by an independent expert nominated by ASIC and it is possible that the consideration paid under compulsory acquisition may be higher than, equal to or lower than the Option Scheme Consideration.

2.4 Potential disadvantages of the Schemes

The Schemes have a number of potential disadvantages and risks that Tesserent Securityholders must consider in deciding whether or not to vote in favour of the Schemes. While the Tesserent Board are of the opinion that these disadvantages are outweighed by the advantages of the Schemes, Tesserent Securityholders should consider their individual circumstances and make their own determination. Disadvantages of the Schemes to Tesserent Securityholders include:

- (a) **You may disagree with the Tesserent Board's unanimous recommendation and the Independent Expert's conclusion:** Notwithstanding the unanimous recommendation of the Tesserent Board and the conclusion of the Independent Expert, you may believe that the Schemes are not in the best interest of the Tesserent Securityholders. In concluding that the Schemes are in the best interest of relevant Tesserent Securityholders, absent a Superior Proposal, the Tesserent Board and the Independent Expert are making judgements based on future trading conditions and events which cannot be predicted with any certainty, and which may prove to be inaccurate (positively or negatively). You may hold a different view from, and are not inclined to follow the recommendation of, the Tesserent Board, and you may not agree with the Independent Expert's conclusion.
- (b) **You may consider that it is difficult to find an investment with a similar risk profile or characteristic to that of Tesserent:** Implementation of the Schemes may represent a disadvantage if you do not want to change your investment profile. If the Schemes are implemented, you will no longer be able to participate in any value offered by a direct investment in Tesserent. Transaction costs may also be incurred by you in undertaking any new investment.
- (c) **You may consider that the Scheme Consideration is too low and believe that the Scheme Consideration does not fully capture the long-term potential value of Tesserent:** You may hold the view that Tesserent has robust long-term potential and that the Scheme Consideration does not adequately reflect your perspective on its long-term value. As a result, you may decide that it is better for you to retain your Tesserent Securities and seek to realize their value over an extended period of time.
- (d) **The tax consequences of the Schemes may not suit your financial position:** Implementation of the Schemes may trigger taxation consequences for Tesserent

Securityholders (including Australian income tax consequences), which may arise earlier than may otherwise be the case. The general tax implications for Tesseract Securityholders are described in Section 8 to this Scheme Booklet but you should seek professional tax advice that are applicable to your personal circumstances.

- (e) **You may consider the potential for a Superior Proposal to arise for Tesseract:** It is possible that a more attractive proposal for Tesseract's Securityholders could materialise in the future, such as a takeover bid or rival scheme proposal with a higher offer price than the Scheme Consideration. The Schemes becoming Effective and being implemented will mean that existing Tesseract Securityholders will not receive the benefit of any such Superior Proposal.

However, as at the date of this Scheme Booklet, no Superior Proposal has emerged, and Tesseract's Board are not aware of any Superior Proposal or any alternative that is likely to emerge. It is important to note that the Scheme Implementation Deed includes exclusivity provisions that prohibit Tesseract from soliciting Competing Proposals. These include "no shop" and "no talk" clauses, which prevent Tesseract from seeking or engaging in discussions regarding a Competing Proposal, other than in certain circumstances. For a summary of these obligations, please refer to Section 2.5(d). Tesseract will notify Tesseract Securityholders if a Superior Proposal is received before the Scheme Meetings.

2.5 Other relevant considerations

(a) The Schemes are subject to conditions

In addition to the need to obtain Securityholder approval and Court approval, the Schemes are subject to other Conditions. The Conditions are summarised below. The Conditions for the Share Scheme are set out in full in the Scheme Implementation Deed which was released to ASX on 13 June 2023.

All Conditions need to be satisfied (or alternatively waived, in the case of certain Conditions that are capable of being waived) in order for the Schemes to proceed.

Conditions applicable to the Share Scheme

- **FIRB approval** – Thales Australia receives FIRB approval to acquire Tesseract before 5:00pm on the Business Day before the Second Court Date. NZ OIO approval was obtained by Thales Australia on 18 July 2023.
- **ASIC and ASX consents or approvals as are necessary or desirable** – these need to be obtained and remain in place as at 8:00am on the Second Court Date.
- **Tesseract Shareholders approval of the Share Scheme Resolution** – this Condition requires that the Share Scheme be approved by at least a simple majority in number of eligible Tesseract Shareholders, present and voting at the Share Scheme Meeting, and at least 75% of the total number of votes cast at the Share Scheme Meeting.
- **Independent Expert** – the Independent Expert concluding in the Independent Expert's Report that in its opinion the Share Scheme is in the best interest of Tesseract Shareholders and the Independent Expert maintaining that opinion (including by not withdrawing, qualifying or changing that opinion) at any time prior to 8:00am on the Second Court Date.
- **Court approval of the Share Scheme** – this Condition requires the Share Scheme to be approved by the Court.

- **Restraints** – no legal or regulatory restraint by or from an Australian or New Zealand court or Government Agency is in place that prevents, prohibits or materially restricts the implementation of the Share Scheme between the date of the Scheme Implementation Deed and 8:00am on the Second Court Date.
- **No Tesserent Prescribed Occurrences between 11 June 2023 and 8:00am on the Second Court Date** – the prescribed occurrence events mainly relate to changes to Tesserent's capital structure, payment of dividends, asset disposal and insolvency type events. These prescribed occurrence events are subject to exclusions including for matters required to be done under the Scheme Implementation Deed and the Schemes or done with Thales Australia's prior approval. A cure period of 10 Business Days would apply in respect of any actual or alleged breach of a Tesserent Prescribed Occurrence.
- **No Tesserent Regulated Event between 11 June 2023 and 8:00am on the Second Court Date** - these are prohibitions on Tesserent undertaking certain events relating to the conduct of Tesserent's business. As with the Tesserent Prescribed Occurrences, these events are subject to exclusions including for matters fairly disclosed in public filings or in the Disclosure Letter, required to be done under the Scheme Implementation Deed or done with Thales Australia's prior approval. A cure period of 10 Business Days would apply in respect of any actual or alleged breach of a Tesserent Regulated Event.
- **No Material Adverse Change in relation to Tesserent between 11 June 2023 and 8:00am on the Second Court Date** – a Material Adverse Change is defined by reference to specific, objectively ascertainable events and embodies a number of exclusions. A cure period of 10 Business Days would apply in respect of any actual or alleged Material Adverse Change. For further details, please refer to the definition of Material Adverse Change in the Scheme Implementation Deed.
- **No change to Tesserent's Key Manager retention** – not less than 85% of the Tesserent Key Managers employed by the Tesserent Group on the date of the Scheme Implementation Deed are employed by the Tesserent Group at 8.00am on the Second Court Date.

Conditions applicable to the Option Scheme

- **Share Scheme Conditions satisfied or waived** – all of the Share Scheme Conditions noted above (apart from Court approval of the Share Scheme) being satisfied or waived by 8.00am on the Second Court Date.
- **Tesserent Optionholders approval of the Option Scheme Resolution**– this Condition is required by law and cannot be waived (it requires that the Option Scheme be approved by at least a simple majority in number of eligible Tesserent Optionholders, present and voting at the Option Scheme Meeting, and at least 75% of the total amount of debts and claims of all Tesserent Optionholders present and voting at the Option Scheme Meeting).
- **Court approval of the Option Scheme** – this Condition requires the Option Scheme to be approved by the Court.
- **Court approval of the Share Scheme** – this Condition requires the Share Scheme to be approved by the Court.

Your Directors have reviewed the Conditions of the Schemes and do not consider them to be unduly onerous or inconsistent with market practice for a transaction of this nature. As at the date of this Scheme Booklet, your Directors are not aware of any matter that would result in a breach or non-fulfilment of any of the Conditions of the Schemes.

(b) The Schemes deliver an 'all or nothing' outcome

If all of the Scheme Conditions are satisfied or waived (as applicable):

- this will bind all persons registered as Tesserent Securityholders as at the relevant Scheme Record Date for the Schemes (being Scheme Shareholders and Scheme Optionholders), including those who were not present at the relevant Scheme Meeting, those who did not vote on the relevant Schemes and those who voted against the relevant Schemes, meaning that all persons who are Scheme Shareholders will relinquish ownership of their Tesserent Shares and will be entitled to receive the Share Scheme Consideration and all persons who are Scheme Optionholders will relinquish ownership of their Tesserent Options and will be entitled to receive the Option Scheme Consideration; and
- Tesserent will become wholly owned by Thales Australia and Tesserent will be delisted from ASX.

Conversely if all of the Scheme Conditions are not satisfied or waived (as applicable), the status quo will be preserved, meaning that:

- Tesserent Shareholders will retain all of their Tesserent Shares;
- Tesserent Optionholders will retain all of their Tesserent Options;
- the existing Tesserent Board will continue to operate Tesserent's business;
- the expected advantages of the Schemes, as outlined in Section 2.3, will not be realised and equally some of the potential disadvantages, as outlined in Section 2.4, will no longer be relevant; and
- Tesserent Securityholders will retain their current investment in Tesserent Securities and in doing so will continue to retain the benefits of that investment and continue to be exposed to the risks associated with that investment. Those risks include ones that are specific to Tesserent's business (see Section 7.2).

(c) Transaction costs

Tesserent Securityholders

If the Schemes proceed, Tesserent Securityholders will not be required to pay any brokerage charges on the disposal of their Tesserent Securities under the Schemes.

Tesserent

As at the date of this Scheme Booklet, Tesserent has incurred (or expects to incur) costs of approximately \$1.05m (excluding GST) in developing the Schemes to the point that they are capable of being submitted to Tesserent Securityholders as a formal proposal for their consideration. These costs include negotiations with Thales Australia, the retention of advisers, engagement of the Independent Expert, preparation of this Scheme Booklet and engagement with ASIC, ASX and the Court.

If the Schemes do not proceed, and no Superior Proposal is implemented, Tesserent's results for the full year ended 30 June 2023 and ending 30 June 2024 will be negatively impacted by the transaction costs incurred in proposing the Schemes.

(d) Exclusivity arrangements

The following is a summary of the exclusivity arrangements agreed to in the Scheme Implementation Deed. The full terms of these exclusivity arrangements are set out in clause 11 of the Scheme Implementation Deed.

No Shop and No Talk

During the Exclusivity Period, Tesserent must not:

- **(no shop)** solicit or initiate (including by the provision of non-public information to any third party) any inquiry, offer, proposal, discussion or other communication by any person in relation to, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal; or
- **(no talk):**
 - facilitate or continue any negotiations or other communications with respect to any inquiry, proposal or discussion by any person to make, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal; or
 - negotiate or enter into, any agreement regarding an actual, proposed or potential Competing Proposal.

No Due Diligence

During the Exclusivity Period, Tesserent must not directly or indirectly disclose or otherwise provide any non-public information about the business or affairs of the Tesserent Group to a third party (other than a Government Agency that has the right to obtain that information and has sought it) with a view to obtaining a Competing Proposal or which would reasonably be expected to encourage or lead the formulation, receipt or announcement of a Competing Proposal.

Notice of Competing Proposal

During the Exclusivity Period, Tesserent must promptly (and in any event, within 48 hours and 1 Business Day) notify Thales Australia in writing if Tesserent becomes aware of any:

- negotiations, discussions, or other communications in respect of any inquiry, offer, proposal or discussion in relation to a Competing Proposal;
- proposal made to Tesserent in connection with a Competing Proposal; or
- provision by Tesserent of any non-public information concerning the business or operations of Tesserent or the Tesserent Group to any third party (other than a Government Agency) in connection with a Competing Proposal.

Fiduciary exceptions to exclusivity provisions

The No Talk and No Due Diligence provisions do not apply if the Tesserent Board determines, where there is a Competing Proposal, that:

- after consultation with its advisers, the Competing Proposal is a Superior Proposal or could reasonably be expected to become a Superior Proposal; and
- after receiving written advice from its external legal advisers, compliance with the No Talk and No Due Diligence provisions would, or would be reasonably likely to, constitute a breach of the fiduciary or statutory duties of any member of the Tesserent Board,

provided that the Competing Proposal was not directly or indirectly brought about by a breach by Tesserent of the No Shop provision.

Matching right

Under the Scheme Implementation Deed, if Tesserent receives a Competing Proposal during the Exclusivity Period, Tesserent:

- must not enter into any agreement, commitment or arrangement or understanding relating to the Competing Proposal; or
- must use best endeavours to procure that none of the Tesserent Directors change his or her recommendation in favour of the Share Scheme or publicly recommend the Competing Proposal,

unless:

- the Tesserent Directors acting in good faith and in order to satisfy their statutory or fiduciary duties determines that the Competing Proposal is, or would be or would be reasonably likely to be a Superior Proposal; and
- until each of the following has occurred:
 - Tesserent has provided Thales Australia with written notice of the material terms and conditions of the Competing Proposal, including the identity of any person making the Competing Proposal, the price, form of consideration, conditions, proposed timing and any reimbursement fee of the proposal and the high level basis on which the Tesserent Board has concluded that the Competing Proposal is superior to the Transaction; and
 - Tesserent has given Thales Australia at least five French Business Days after the provision of all of the material terms and conditions of the Competing Proposal (as described above) to provide a written matching or superior proposal to the Competing Proposal; and
 - Thales Australia has not announced or otherwise proposed to Tesserent a matching or superior proposal to the Completing Proposal by the expiry of the five French Business Days.

(e) Reimbursement fee arrangements

The following is a summary of the reimbursement fee arrangements agreed to in the Scheme Implementation Deed. The full terms of these reimbursement fee arrangements are set out in clauses 12 and 13 of the Scheme Implementation Deed. Under the Scheme Implementation Deed:

- Tesserent has agreed in certain circumstances to pay Thales Australia a reimbursement fee of \$1,826,126 (exclusive of GST) (**Tesserent Reimbursement Fee**); and
- Thales Australia has agreed in certain circumstances to pay Tesserent a reimbursement fee of \$1,826,126 (exclusive of GST) (**Thales Australia Reimbursement Fee**).

These reimbursement fee arrangements are summarised below.

Tesserent Reimbursement Fee

The Tesserent Reimbursement Fee is payable by Tesserent to Thales Australia in any of the following circumstances:

- **(Change of recommendation)** during the Exclusivity Period, any Tesserent Director adversely modifies or withdraws his or her support or recommendation of the Share Scheme, except where that act is because of:

- a negative independent expert's opinion is received on the Share Scheme (other than where the reason for that opinion is a Competing Proposal);
 - Tesseract being entitled to terminate the Scheme Implementation Deed for a material breach of Thales Australia's obligation under the Scheme Implementation Deed or a material breach of a Thales Australia representation and warranty;
 - Tesseract being entitled to terminate the Scheme Implementation Deed as a result of non-satisfaction of either the FIRB and NZ OIO condition or the No Restraints condition (unless the non-satisfaction was due to events, matters or circumstances within the control of the Tesseract Group); or
 - a Director abstaining from making a recommendation to Tesseract Shareholders in accordance with an Abstain Requirement that relates to that Director.
- **(Competing Proposal succeeds)** during the Exclusivity Period, a Competing Proposal is publicly announced and within 12 months from that announcement, a third party either (i) completes a Competing Proposal of a kind referred to in paragraphs 2, 3 or 4 of the definition of Competing Proposal; or (ii) acquires a Relevant Interest in more than 50% of Tesseract or Control of Tesseract; and
 - **(Termination by Thales)** Thales Australia has terminated the Scheme Implementation Deed as a result of:
 - a non satisfaction of either the Tesseract Prescribed Occurrence or Tesseract Regulated Event Conditions;
 - a material breach of Tesseract's obligation under the Scheme Implementation Deed or a material breach of a Tesseract representation and warranty; or
 - Tesseract entering into a legally binding agreement with a proponent of a Competing Proposal in relation to undertaking or giving effect to any Competing Proposal, (excluding a confidentiality or non-disclosure agreement or deed which relates to any action permitted under the fiduciary carve out in the Scheme Implementation Deed in the context of a Competing Proposal).

The Tesseract Reimbursement Fee is not payable merely because Tesseract Shareholders do not approve the Schemes.

Thales Reimbursement Fee

The Thales Reimbursement Fee is payable by Thales Australia to Tesseract if the Schemes becomes Effective but Thales Australia fails to provide the Scheme Consideration in accordance with the terms and conditions of the Scheme Implementation Deed and the Deed Poll.

Tesseract's right to receive the Thales Reimbursement Fee will not limit or affect Tesseract's right to seek specific performance or other remedies that would be available in equity or law as a remedy for a breach or threatened breach of the Scheme Implementation Deed by Thales Australia, provided that in no event will Tesseract be entitled to receive both specific performance and payment of the Thales Reimbursement Fee.

2.6 What are your options?

The following principal options are available to Tesserent Securityholders. Your Directors encourage you to consider your personal risk profile, portfolio strategy, tax position and financial circumstances and seek professional advice before making any decision in relation to your Tesserent Securities.

Vote in favour of the Schemes	<p>This is the course of action unanimously recommended by your Directors, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Tesserent Securityholders.</p> <p>To follow your Directors' unanimous recommendation, you should vote in favour of the Scheme Resolutions at the Scheme Meetings. For the Schemes to proceed, the Schemes must be approved by the requisite majorities of Tesserent Securityholders.</p> <p>Tesserent Securityholders who are entitled to vote at the relevant Scheme Meeting may vote by participating in the meeting held virtually, or by appointing a proxy to participate in the virtual meeting and vote on their behalf by using the relevant Proxy Form accompanying this notice or by appointing a proxy online.</p> <p>For a summary of how to vote on the Schemes, please refer to Section 4.</p>
Vote against the Schemes	<p>If, despite your Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Schemes, you may vote against the Scheme Resolutions at the Scheme Meetings.</p> <p>However, if all of the Scheme Conditions are satisfied or waived (as applicable), the Schemes will bind all Tesserent Securityholders on the Scheme Record Date, including those who were not present at the Scheme Meeting, those who voted against the Scheme Resolutions and those who did not vote.</p>
Vote in favour of one Scheme but against the other Scheme	<p>If you are a Tesserent Shareholder as well as a Tesserent Optionholder, you may choose to vote in favour of the Share Scheme but against the Option Scheme. Alternatively, you may vote in favour of the Option Scheme but against the Share Scheme. However, you should note that if the Share Scheme does not proceed, the Option Scheme will not proceed.</p>
Seek to sell some or all your Tesserent Shares	<p>The existence of the Share Scheme does not preclude you from selling some or all of your Tesserent Shares on market or otherwise for cash, if you wish, provided if you sell your shares on market you do so before close of trading in Tesserent Shares on ASX on the Effective Date (currently proposed to be Monday, 25 September 2023). You will not be able to sell your Tesserent Shares on market after the Effective Date, as this will be the last day of trading in Tesserent Shares on ASX before trading in Tesserent Shares on ASX is suspended.</p> <p>You may however seek to sell your Tesserent Shares off market after the Effective Date but before the Share Scheme Record Date (currently proposed to be on Wednesday, 27 September 2023).</p> <p>If you are considering selling your Tesserent Shares, you should have regard to the prevailing trading prices of Tesserent Shares and compare those to the Scheme Consideration under the Share Scheme. You may ascertain current</p>

	<p>trading prices of Tesserent Shares through ASX's website (www.asx.com.au) or by contacting your stockbroker.</p> <p>Tesserent Shareholders who sell some or all of their Tesserent Shares:</p> <ul style="list-style-type: none"> • will receive payment for the sale of their Tesserent Shares sooner than they would receive their Share Scheme Consideration; • may incur a brokerage charge if the Tesserent Shares are sold on market; • will not be able to receive the Share Scheme Consideration or be entitled to the benefits of any Superior Proposal, if one emerges (but only for those Tesserent Shares they have sold, if they have chosen to sell some but not all of their Tesserent Shares); and • may be liable for CGT on the disposal of their Tesserent Shares (as may also be the case for Scheme Shareholders, as to which see Section 8).
Exercise your Tesserent Options	<p>Tesserent Optionholders whose Tesserent Options have vested may elect to:</p> <ul style="list-style-type: none"> • participate in the Share Scheme in lieu of receiving the consideration under the Option Scheme by exercising their Tesserent Options; or • exercise their Tesserent Options then sell the Tesserent Shares that will be issued to them on ASX on or before the Effective Date of the Share Scheme (currently scheduled to be Monday, 25 September 2023). <p>In deciding what action to take, Tesserent Optionholders should consider the following matters in relation to their vested Tesserent Options:</p> <ul style="list-style-type: none"> • the value of exercising their Tesserent Options compared with the value of the consideration under the Option Scheme. In determining the value of exercising a Tesserent Option, Tesserent Optionholders should compare the exercise price of that Tesserent Option with: <ul style="list-style-type: none"> ○ the prevailing Tesserent Share price; and ○ the value of the Share Scheme Consideration; • the tax consequences of exercising their Tesserent Options and receiving the Share Scheme Consideration under the Share Scheme compared with the tax consequences of receiving the consideration under the Option Scheme. As these tax consequences may vary depending on individual circumstances, Tesserent Optionholders should consider their own tax position and the tax implications of the Share Scheme; and • whether the Schemes have become Effective.

<p>Do nothing</p>	<p>Eligible Tesserent Shareholders who do not vote at the Share Scheme Meeting will:</p> <ul style="list-style-type: none"> • if the Share Scheme is implemented – have their Tesserent Shares compulsorily transferred to Thales Australia by operation of the Share Scheme, and, if they are registered as Scheme Shareholders on the Share Scheme Record Date, be entitled to receive the Share Scheme Consideration; and • if the Share Scheme is not implemented – retain their Tesserent Shares. <p>Eligible Tesserent Optionholders who do not vote at the Option Scheme Meeting will:</p> <ul style="list-style-type: none"> • if the Option Scheme is implemented – have their Tesserent Options cancelled and extinguished by operation of the Option Scheme, and, if they are registered as Scheme Optionholders on the Option Scheme Record Date, be entitled to receive the Option Scheme Consideration; and • if the Option Scheme is not implemented – retain their Tesserent Options.
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3. Frequently asked questions

Set out below are summary answers to some frequently asked questions about the Transaction. This information is a summary only and is not intended to address all relevant issues for Tesseract Securityholders. This Section 3 should be read subject to, and in conjunction with, the remainder of this Scheme Booklet.

A. GENERAL

Question	Answer	Further information
What are Tesseract Securityholders being asked to consider?	<p>Tesseract Securityholders are being asked to consider and vote on two separate and concurrent schemes of arrangement, being the Share Scheme for the acquisition by Thales Australia of your Tesseract Shares in exchange for the Share Scheme Consideration paid by Thales Australia, and the Option Scheme, where Tesseract Options will be cancelled and extinguished in exchange for Option Scheme Consideration paid by Thales Australia.</p> <p>A separate Scheme Meeting has been convened to vote on each Scheme.</p> <p>The Share Scheme is only relevant to you if you are a Tesseract Shareholder and the Option Scheme is only relevant to you if you are a Tesseract Optionholder.</p>	Sections 1 and 2.
What are the Schemes?	<p>The Share Scheme contemplates Thales Australia acquiring 100% of the shares in Tesseract in exchange for the Share Scheme Consideration.</p> <p>The Option Scheme contemplates the cancellation and extinguishment of certain Tesseract options and warrants on the Implementation Date of the Share Scheme for the Option Scheme Consideration.</p> <p>The Share Scheme can only proceed if it is approved by the requisite majorities of Tesseract Shareholders and by the Court.</p> <p>The Option Scheme can only proceed if it is approved by the requisite majorities of Tesseract Optionholders and by the Court.</p> <p>The implementation of the Option Scheme is subject to the Share Scheme proceeding and Court approval. However, the Share Scheme is not conditional on the Option Scheme proceeding. If the Share Scheme is approved by Tesseract Shareholders and</p>	Sections 1, 2, 9 and 10.

Question	Answer	Further information
	<p>by the Court, it will be implemented whether or not the Option Scheme is approved.</p> <p>If the Share Scheme proceeds, Thales Australia will own 100% of the Tesserent Shares and Tesserent will become a wholly owned subsidiary of Thales Australia. Tesserent will be delisted from ASX shortly after the Implementation Date.</p> <p>If the Option Scheme proceeds, all Tesserent Options will be cancelled and extinguished on the Implementation Date of the Share Scheme.</p>	
What is a scheme of arrangement?	<p>A members' scheme of arrangement is a procedure under the Corporations Act that can be used to (among other things) enable one company to acquire or merge with another company.</p> <p>Similarly, a creditors' scheme of arrangement is a procedure under the Corporations Act that can be used to (among other things) cancel convertible securities in order to ensure that an acquirer's 100% ownership in the target company is not subsequently diluted through the exercise of these convertible securities.</p>	Sections 1, 2, 9 and 10 and the Schemes included at Appendix 3 and Appendix 5.
What are the key conditions that need to be satisfied before the Share Scheme can proceed?	<p>The key remaining conditions that must be satisfied or waived (as applicable) for the Share Scheme to proceed are:</p> <ul style="list-style-type: none"> • FIRB approval is received by Thales Australia before 5:00pm on the Business Day before the Second Court Date; • ASIC and ASX consents or approvals as necessary are obtained and remain in place as at 8:00am on the Second Court Date; • passing of the Share Scheme Resolution by the requisite majorities of Tesserent Shareholders at the Share Scheme Meeting; • the Independent Expert maintaining its opinion that the Share Scheme is in the best interest of Tesserent Shareholders 	Section 2.5(a) and Scheme Implementation Deed, clause 3.1.

Question	Answer	Further information
	<p>at all times up to 8:00am on the Second Court Date;</p> <ul style="list-style-type: none"> • approval of the Share Scheme by the Court; • no court or Government Agency in Australia or New Zealand restrains or prohibits implementation of the Share Scheme; • no Tesserent Prescribed Occurrence occurs between 11 June 2023 and 8:00am on the Second Court Date; • no Tesserent Regulated Event occurs between 11 June 2023 and 8:00am on the Second Court Date; • no Tesserent Material Adverse Change occurs between 11 June 2023 and 8:00am on the Second Court Date; and • not less than 85% of the Tesserent Key Managers are employed by Tesserent at 8.00am on the Second Court Date. <p>Tesserent will make a statement at the commencement of the Share Scheme Meeting regarding the status of these conditions.</p>	
What are the key conditions that need to be satisfied before the Option Scheme can proceed?	<p>The key remaining conditions that must be satisfied or waived (as applicable) for the Option Scheme to proceed are:</p> <ul style="list-style-type: none"> • all of the Share Scheme Conditions (apart from Court approval of the Share Scheme) being satisfied or waived by 8.00am on the Second Court Date; • passing of the Option Scheme Resolution by the requisite majorities of Tesserent Optionholders at the Option Scheme Meeting; • approval of the Option Scheme by the Court; and • approval of the Share Scheme by the Court. 	Section 2.5(a) and Option Scheme clause 3.1.

Question	Answer	Further information
Are there any other circumstances that may result in the Schemes not proceeding?	<p data-bbox="523 210 1086 394">Tesserent and Thales Australia have entered into a Scheme Implementation Deed which provides a contractual framework for proposing and implementing the Schemes.</p> <p data-bbox="523 416 1086 562">The Scheme Implementation Deed sets out circumstances where that agreement may be terminated, in which case the Schemes will not proceed. In summary:</p> <p data-bbox="523 584 1102 763">(Mutual termination rights) Thales Australia and Tesserent each have a mutual right to terminate the Scheme Implementation Deed in the following circumstances:</p> <ul data-bbox="523 786 1102 1379" style="list-style-type: none"> • if there is material breach of the Scheme Implementation Deed by the other party that is not remedied within 5 Business Days; • if the Court or another Government Agency has taken any action permanently restraining, prohibiting or preventing the Schemes; • if a Condition Precedent is not satisfied or waived before the End Date and the parties are unable to agree in accordance with the Scheme Implementation Date to amend the transaction or extend the End Date; or • if the Share Scheme does not become Effective before the End Date. <p data-bbox="523 1402 1102 1581">(Thales termination rights) Thales Australia is also entitled to terminate the Scheme Implementation Deed in writing any time before 8:00am on the Second Court Date:</p> <ul data-bbox="523 1603 1086 2083" style="list-style-type: none"> • if (subject to certain exceptions) any Director: <ul data-bbox="619 1682 1086 2083" style="list-style-type: none"> ○ fails to recommend the Share Scheme; ○ withdraws, adversely changes, adversely modifies or qualifies their support of the Share Scheme or their voting intention or recommendation; ○ makes a public statement indicating that they no longer recommend the Share Scheme, or recommends, endorses or 	Section 9.5 and Scheme Implementation Deed, clause 14.

Question	Answer	Further information
	<p>supports a Competing Proposal; or</p> <ul style="list-style-type: none"> if Tesserent enters into any legally binding agreement (other than a confidentiality agreement) in relation to an undertaking or giving effect to any actual, proposed or potential Competing Proposal; or if there is a material breach of a representation and warranty by Tesserent that is not remedied within 10 Business Days and the relevant breach is material in the context of the Scheme taken as a whole. <p>(Tesserent termination rights) Tesserent is also entitled to terminate the Scheme Implementation Deed in writing any time before 8:00am on the Second Court Date:</p> <ul style="list-style-type: none"> if there is a material breach of a representation and warranty by Thales Australia that is not remedied within 10 Business Days and the loss following such a breach would be material or reasonably expected to lead to Thales Australia not being able to provide the Share Scheme Consideration; or if the Tesserent Board or a majority of the Tesserent Board has changed, withdrawn, modified or qualified its recommendation as permitted under the Scheme Implementation Deed and Tesserent pays the Tesserent Reimbursement Fee to Thales Australia. 	
If the Schemes proceed, what will be the effect?	<p>If the Share Scheme proceeds, Thales Australia will acquire Tesserent and Tesserent will become a wholly owned subsidiary of Thales Australia. Tesserent will be delisted from ASX shortly after the Implementation Date, being Wednesday, 4 October 2023.</p> <p>If the Option Scheme proceeds, all Tesserent Options will be cancelled on the Implementation Date.</p> <p>Tesserent Securityholders will on the Implementation Date receive the Share Scheme Consideration and Option Scheme</p>	Sections 1, 2, 9 and 10.

Question	Answer	Further information
	Consideration applicable to them under the terms of the Schemes.	
What happens if the Schemes do not proceed?	<p data-bbox="523 309 995 416">If the Schemes are not approved by Tesseract Securityholders or if the Schemes are not approved by the Court:</p> <ul data-bbox="523 439 1102 1771" style="list-style-type: none"> <li data-bbox="523 439 995 506">• Thales Australia will not acquire Tesseract; <li data-bbox="523 510 1075 651">• you will not receive the Share Scheme Consideration or Option Scheme Consideration applicable to you under the relevant Scheme; <li data-bbox="523 656 1043 689">• Tesseract will remain listed on ASX; <li data-bbox="523 694 1102 1133">• you will retain your current investment in Tesseract Shares and Tesseract Options. In doing so, you will continue to retain the benefits of an investment in Tesseract Shares and Tesseract Options and continue to be exposed to the risks presently associated with this investment. These include general risks of holding the Shares or Options and risks that are specific to Tesseract and its businesses as described in Section 7.2; <li data-bbox="523 1137 1027 1245">• the advantages of the Schemes, as outlined in Section 2.3, will not be realised; <li data-bbox="523 1249 1102 1357">• equally, the disadvantages of the Schemes identified in Section 2.4 will no longer be relevant; <li data-bbox="523 1361 1091 1547">• Tesseract will have incurred substantial costs and expended management time and resources for a proposed change of control transaction that does not proceed; and <li data-bbox="523 1552 1102 1771">• your Directors believe there is a real risk that the price of Tesseract Shares may drop below the value of the Share Scheme Consideration, if the Share Scheme is not implemented and no Superior Proposal emerges. 	Sections 1 and 2.
Can the Share Scheme proceed without the Option Scheme and vice versa?	The Share Scheme can proceed if the requisite majorities of Tesseract Shareholders vote in favour of the Share Scheme and if the Court approves the Share Scheme.	Section 1, 9.2 and 9.3.

Question	Answer	Further information
	<p>The Share Scheme proceeding is not dependent on the Option Scheme proceeding.</p> <p>However, the Option Scheme cannot proceed if the Share Scheme does not become Effective.</p> <p>If the Share Scheme becomes Effective, the Option Scheme can proceed if a resolution is passed by the requisite majority of Optionholders at the Option Scheme Meeting, and at least 75% of the total amount of debts and claims of all Optionholders present and voting at the Option Scheme Meeting and the Option Scheme is approved by the Court.</p>	
<p>Are there any risks I should be aware of?</p>	<p>Yes. There are both general and specific risks associated with the Schemes, and the continuing risks associated with your current investment in Tesserent.</p> <p>A summary of the risks is outlined in section 7. The listed risk factors do not take into account your individual investment objectives, financial situation or positional particular needs. You should seek professional guidance when considering these risk factors against your Tesserent investment.</p>	<p>Section 7.</p>
<p>What are my options?</p>	<p>As a Tesserent Shareholder, your principal options are as follows:</p> <ul style="list-style-type: none"> • vote in favour of the Share Scheme Resolution; • vote against the Share Scheme Resolution; • seek to sell some or all your Tesserent Shares on or before the Effective Date; or • do nothing. <p>As a Tesserent Optionholder, your principal options are as follows:</p> <ul style="list-style-type: none"> • vote in favour of the Option Scheme Resolution; • vote against the Option Scheme Resolution; • exercise your Tesserent Option in order to receive Tesserent Shares; or • do nothing. 	<p>Section 2.6.</p>

Question	Answer	Further information
Can I sell my Tesserent Shares now?	<p data-bbox="523 210 1102 651">Yes. Tesserent Shareholders may seek to sell all or some of their Tesserent Shares on ASX or otherwise at the prevailing market price at any time before the close of trading on ASX on the Effective Date (which is currently expected to be Monday, 25 September 2023). You will not be able to sell your Tesserent Shares on market after the Effective Date, as this will be the last day of trading in Tesserent Shares on ASX before trading in Tesserent Shares on ASX is suspended.</p> <p data-bbox="523 674 1102 853">You may however seek to sell your Tesserent Shares off-market after the Effective Date but before the Scheme Record Date (currently proposed to be Wednesday, 27 September 2023).</p> <p data-bbox="523 875 1102 943">If you sell your Tesserent Shares before the Scheme Record Date you:</p> <ul data-bbox="523 965 1102 1458" style="list-style-type: none"> • will receive the proceeds from the sale of your Tesserent Shares sooner than you would receive payment under the Share Scheme (noting that your sale proceeds may vary from the Share Scheme Consideration); • may incur a brokerage charge if you sell your Tesserent Shares on market; • will not be entitled to any Share Scheme Consideration; and • will not be able to participate in the Share Scheme or a Superior Proposal, if one emerges. 	Sections 1 and 9.
Can I exercise my Tesserent Options now?	<p data-bbox="523 1471 1102 1547">Tesserent Optionholders whose Tesserent Options have vested may elect to:</p> <ul data-bbox="523 1570 1102 1951" style="list-style-type: none"> • participate in the Share Scheme in lieu of receiving the consideration under the Option Scheme by exercising their Tesserent Options; or • exercise their Tesserent Options then sell the Tesserent Shares that will be issued to them on ASX on or before the Effective Date of the Share Scheme (currently scheduled to be Monday, 25 September 2023). <p data-bbox="523 1973 1102 2047">In deciding what action to take, Tesserent Optionholders should consider the following</p>	Section 9.3(i).

Question	Answer	Further information
	<p>matters in relation to their vested Tesserent Options:</p> <ul style="list-style-type: none"> • the value of exercising their Tesserent Options compared with the value of the consideration under the Option Scheme. In determining the value of exercising a Tesserent Option, Tesserent Optionholders should compare the exercise price of that Tesserent Option with: <ul style="list-style-type: none"> ○ the prevailing Tesserent Share price; and ○ the value of the Share Scheme Consideration; • the tax consequences of exercising their Tesserent Options and receiving the Share Scheme Consideration under the Share Scheme compared with the tax consequences of receiving the consideration under the Option Scheme. As these tax consequences may vary depending on individual circumstances, Tesserent Optionholders should consider their own tax position and the tax implications of the Share Scheme; and • whether the Schemes have become Effective 	
<p>Will I be giving any warranties in respect of my Tesserent Shares?</p>	<p>Yes. Under the Share Scheme, each Tesserent Shareholder will be taken to have warranted that all of their Tesserent Shares which are transferred to Thales Australia under the Share Scheme will, at the time of transfer, be fully paid and free from all encumbrances of any kind and that they have full power and capacity to transfer their Tesserent Shares under the Share Scheme together with any rights attaching to the Scheme Shares and that they have no existing right to be issued any Tesserent Shares, options exercisable into Tesserent Shares, Tesserent convertible notes or any other Tesserent securities.</p> <p>You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.</p>	<p>Appendix 3.</p>

Question	Answer	Further information
Will I be giving any warranties in respect of my Tesseract Options?	<p>Yes. Under the Option Scheme, the Tesseract Optionholder will be taken to have warranted that all their Target Options, at the date of cancellation, are free from all encumbrances of any kind, and that they have full power and capacity to agree to the cancellation and extinguishment of their Target Options together with any rights and entitlements attaching to those Tesseract Options and that they have no existing right to be issued any Tesseract Options, Tesseract performance rights, Tesseract convertible notes or any other Tesseract securities.</p> <p>You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.</p>	Appendix 5.

B. THALES AUSTRALIA

Question	Answer	Further information
Who is Thales Australia?	Thales Australia (being Thales Australia Holdings Pty Ltd ACN 058 583 841) is the company that will be acquiring your Tesseract Shares and/or Tesseract Options under the Schemes, in consideration for the Scheme Consideration.	Section 6.
How is Thales Australia funding the Scheme Consideration under the Schemes?	The Scheme Consideration payable under the Schemes will be fully funded by Thales Australia's internal resources and cash reserves.	Section 6.4.
What are Thales Australia's intentions for Tesseract if the Schemes proceed?	<p>If the Schemes proceed, Thales Australia intends for Tesseract to become the lead cybersecurity offering of Thales Australia and New Zealand.</p> <p>Thales Australia intends to undertake a detailed review of Tesseract's assets and operations.</p> <p>Thales Australia will only make final decisions on Tesseract following the completion of this review and based on the facts and circumstances at the relevant time.</p>	Section 6.5.

Question	Answer	Further information
What are Thales Australia's intentions if the Option Scheme does not proceed?	<p>If the Share Scheme is not approved, the Transaction will not proceed.</p> <p>If the Share Scheme is approved but the Option Scheme is not approved, the Share Scheme will still proceed, but Scheme Optionholders will continue to hold Scheme Options. If this occurs, Thales Australia presently intends to seek to compulsorily acquire the Scheme Options under Part 6A.2 of the Corporations Act.</p>	Section 6.7.

C. SCHEME CONSIDERATION

Question	Answer	Further Information
What will I receive if the Schemes are implemented?	<p>If the Share Scheme is approved and implemented, Tesserent Shareholders who are Scheme Shareholders will receive Share Scheme Consideration of \$0.13 per each Scheme Share owned by the Tesserent Shareholder on the Share Scheme Record Date.</p> <p>If the Option Scheme is approved and implemented, Tesserent Optionholders who are Scheme Optionholders will receive between \$0.0006 and \$0.0541 per Scheme Option held by the Scheme Optionholder on the Option Scheme Record Date. Please refer to the table in Section 9.3(b) which specifies the consideration per Scheme Option based on the relevant tranche of Scheme Options.</p>	Sections 1, 2 and 9.
When and how will I receive my Scheme Consideration?	<p>If the Schemes are implemented, the Scheme Consideration will be paid to all Tesserent Securityholders on the Implementation Date (currently proposed to be Wednesday, 4 October 2023).</p> <p>If you have validly registered your bank account details with the Tesserent Registry (by the Share Scheme Record Date and Option Scheme Record Date), you will have your Scheme Consideration credited directly to your bank account. Otherwise, you will have your Scheme Consideration sent by cheque to your address shown on the Share Register.</p>	Sections 1, 9, 10, Appendix 3 and Appendix 5.

Question	Answer	Further Information
	To update your banking instructions, you can do so by visiting the Computershare Easy Update portal.	
What are the Australian taxation implications of the Schemes?	<p data-bbox="600 383 1241 562">If the Schemes are implemented, there will be tax consequences for you which may include tax being payable on any gain on disposal of Tesserent Shares and on the cancellation of Tesserent Options.</p> <p data-bbox="600 589 1241 958">For further detail regarding general Australian taxation consequences of the Schemes for certain Tesserent Securityholders, please see Section 8. The taxation treatment may vary depending on the nature and characteristics of each Tesserent Securityholder and their specific circumstances. Accordingly, you should seek your own professional taxation advice in relation to your particular circumstances.</p> <p data-bbox="600 981 1241 1048">Note that for a Tesserent Shareholder that, at the time the Share Scheme is implemented, is:</p> <ul data-bbox="600 1070 1241 1552" style="list-style-type: none"> • known or reasonably believed by Thales Australia, to be a non-resident for the purposes of the Income Tax Assessment Act 1936 (Cth) (ITAA 1936); • not reasonably believed by Thales Australia to be an Australian resident for the purposes of the ITAA 1936, and either has an address outside Australia or has authorised Thales Australia to provide a financial benefit to a place outside Australia; or • has a connection outside Australia of a kind specified in the regulations, <p data-bbox="600 1574 1241 2047">and holds, on an associate inclusive basis, 5% or more of the issued share capital in Tesserent, Thales Australia may be required to withhold 12.5% from the Scheme Consideration payable in respect of their Tesserent Shares for capital gains tax purposes. This withholding requirement should not apply if Thales Australia receives from the relevant Tesserent Shareholder (being a Tesserent Shareholder in respect of which the above comments apply) a valid vendor declaration that: (a) the Tesserent Shareholder is an Australian tax resident, or (b) the relevant</p>	Section 8.

Question	Answer	Further Information
	<p>Tesserent Shares are not indirect Australian real property interests.</p> <p>Please see Section 8 for details on the foreign resident capital gains withholding regime and actions required of you if you are considered likely to be a "relevant foreign resident".</p>	
Will I have to pay brokerage fees or stamp duty?	<p>No, you will not have to pay brokerage or stamp duty on the transfer of your Tesserent Shares under the Share Scheme and the cancellation of your Tesserent Options under the Option Scheme.</p> <p>If you dispose of your Tesserent Shares before the Share Scheme Record Date, brokerage fees may be payable.</p>	Section 2.5(c).

D. DIRECTORS' RECOMMENDATIONS AND INTENTIONS

Question	Answer	Further Information
Who are the Directors?	<p>The Directors of Tesserent as at the date of this Scheme Booklet are:</p> <ul style="list-style-type: none"> • Geoff Lord, Executive Chairman • Kurt Hansen, Managing Director • Megan Haas, Non-Executive Director • Greg Baxter, Non-Executive Director • Anthony Sheehan, Non-Executive Director 	Section 5.5.
What do the Tesserent Directors recommend?	Your Directors unanimously recommend that you vote in favour of the Scheme Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interest of Tesserent Securityholders.	Sections 1 and 2.
How are the Tesserent Directors going to vote in relation to the Share Scheme?	Each Director intends to vote all Tesserent Shares they hold or control in favour of the Share Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Share Scheme is in the best interest of Tesserent Shareholders. As at the date of this Scheme Booklet, your Directors hold or control in aggregate approximately 9.23% of all Tesserent Shares on issue.	Sections 1 and 2.

Question	Answer	Further Information
How are the Tesserent Directors going to vote in relation to the Option Scheme?	<p>The Directors that hold Tesserent options will not be participating in the Option Scheme.</p> <p>Rather, each Tesserent Director who holds Tesserent options (as well as Tesserent's Chief Financial Officer, Mr James Jones), has entered into an option cancellation deed under which, subject to the Share Scheme becoming legally effective, each of their options will be cancelled on the implementation date of the Share Scheme for a cash consideration calculated under the same agreed valuation methodology as the Option Scheme.</p>	Section 11.9.
What happens if a Superior Proposal emerges?	<p>Tesserent announced on 13 June 2023 that it had entered into the Scheme Implementation Deed with Thales Australia in relation to the Schemes.</p> <p>No Superior Proposal has emerged as at the date of this Scheme Booklet. Under the Scheme Implementation Deed, Tesserent is bound by certain exclusivity obligations, including in relation to Competing Proposals. None of those exclusivity obligations preclude Tesserent from responding to any unsolicited Competing Proposal that may emerge.</p>	Sections 1 and 2.
What happens if a Competing Proposal for Tesserent emerges?	<p>If an unsolicited Competing Proposal for Tesserent is received before the Scheme Meetings, your Directors will carefully consider it to determine whether it is a Superior Proposal and will inform you of any material developments which may affect your Directors' view that the Schemes are presently the most favourable proposal for all of your Tesserent Securities.</p> <p>Thales Australia has a right to match any unsolicited Superior Proposal if one is received by Tesserent. Any change of your Directors' current recommendation in response to a Competing Proposal may result in Tesserent being obliged to pay a reimbursement fee of \$1,826,126 (exclusive of GST) to Thales Australia.</p>	Sections 1 and 2.
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Schemes are fair and reasonable and therefore in the best interest of Tesserent	Appendix 1.

Question	Answer	Further Information
	<p>Securityholders, in the absence of a Superior Proposal.</p> <p>In relation to the Share Scheme, the Independent Expert has assessed the value of Tesserent Shares on a controlling interest basis between \$0.098 and \$0.109 per Tesserent Share.¹¹</p> <p>In relation to the Option Scheme, the Independent Expert has also concluded that the respective consideration payable under the Option Scheme either exceeds, or is within the Independent Expert's assessed value range for each tranche.¹²</p>	

E. VOTING

Question	Answer	Further Information
What am I being asked to vote on?	As a Tesserent Securityholder, you are being asked to vote at the Scheme Meetings on whether the Schemes should be approved.	Section 4.
When and where will the Scheme Meetings be held?	<p>The Scheme Meetings will be virtual (online only) meetings, conducted in two parts simultaneously on Monday, 18 September 2023.</p> <p>The Share Scheme Meeting will commence at 10:00am via the online platform that allows for remote participation via the following link https://meetnow.global/M6PYRPY.</p> <p>The Option Scheme Meeting will commence at 10:30am or as soon as practicable after the conclusion or adjournment of the Share Scheme Meeting via the online platform that allows for remote participation via the following link https://meetnow.global/MDAH2VQ.</p>	Section 4.

¹¹ Paragraph 15 of the Independent Expert's Report.

¹² Paragraph 28 of the Independent Expert's Report.

Question	Answer	Further Information
<p>What voting majority is required to approve the Share Scheme Resolution?</p>	<p>For the Share Scheme to be approved at the Share Scheme Meeting, votes in favour of the Share Scheme must be received from:</p> <ul style="list-style-type: none"> • a majority in number (more than 50%) of eligible Tesserent Shareholders present and voting at the Share Scheme Meeting (personally or by proxy, attorney, or in the case of a Tesserent Shareholder or proxy who is a corporation, by corporate representative) (Headcount Test); and • at least 75% of the total number of votes which are cast at the Share Scheme Meeting by eligible Tesserent Shareholders (personally or by proxy, attorney, or in the case of a Tesserent Shareholder or proxy who is a corporation, by corporate representative). <p>The Share Scheme must also be approved by the Court before it can become Effective.</p> <p>The Court has a statutory discretion to disregard the Headcount Test for the purpose of the Share Scheme Meeting.</p>	<p>Section 4.1.</p>
<p>What voting majority is required to approve the Option Scheme Resolution?</p>	<p>For the Option Scheme to be approved at the Option Scheme Meeting, votes in favour of the Option Scheme must be received from:</p> <ul style="list-style-type: none"> • a majority in number (more than 50%) of Tesserent Optionholders present and voting at the Option Scheme Meeting (personally or by proxy, attorney, or in the case of a Tesserent Optionholder who is a corporation, by corporation representative); and • at least 75% of the total amount of debts and claims of all Tesserent Optionholders present and voting at the Option Scheme Meeting (in person or by proxy, attorney, or in the case of a Tesserent Optionholder who is a corporation, by corporate representative). For this purpose, the amount (or value) of each Tesserent Optionholder's debt and claim will be the same as 	<p>Section 4.1.</p>

Question	Answer	Further Information
	<p>the Option Scheme Consideration payable for cancellation of the Tesserent Options held by that Tesserent Optionholder under the Option Scheme (expressed in cents).</p> <p>The Option Scheme must also be approved by the Court before it can become Effective.</p>	
Am I entitled to vote?	<p>If you are registered as a Tesserent Shareholder on the Share Register at 7:00pm on Saturday, 16 September 2023, being the Voting Entitlement Time, you will be entitled to attend and vote at the Share Scheme Meeting.</p> <p>If you are registered as a Tesserent Optionholder on the Option Register at 7:00pm on Saturday, 16 September 2023, being the Voting Entitlement Time, you will be entitled to attend and vote at the Option Scheme Meeting.</p>	Section 4.
Is voting compulsory?	<p>No, voting is not compulsory. However, the Schemes can only proceed if the Scheme Resolutions are passed by the requisite majorities of Tesserent Securityholders. Therefore, voting is important and the Directors strongly encourage you to vote.</p> <p>If the Schemes are implemented, you will be bound by the Schemes whether or not you were present at the Scheme Meetings, whether or not you voted and whether or not you voted in favour of the Scheme Resolutions or against the Scheme Resolutions.</p>	Sections 4 and 9.
How do I vote if I'm unable to attend the Scheme Meetings or if I don't wish to do so?	<p>If you are unable to attend the Scheme Meetings including by logging in online or if you do not wish to do so, you may vote by completing and lodging the Proxy Forms accompanying this Scheme Booklet for the relevant Scheme Meeting. The Proxy Forms can be lodged by mail or by fax.</p> <p>By mail: Computershare Investor Services Pty Limited GPO Box 242 Melbourne VIC 3001 Australia</p>	Section 4.

Question	Answer	Further Information
	<p>By fax: to the Tesserent Registry on 1800 783 447 within Australia or +61 3 9473 2555 outside Australia.</p> <p>Alternatively, you may choose to appoint a proxy for the Scheme Meetings online.</p> <p>You can also vote by appointing a corporate representative (if you are a corporate shareholder) or an attorney.</p>	
When will the result of the Scheme Meetings be known?	<p>The result of the Scheme Meetings will be announced online and to ASX by Tesserent after the conclusion of the Scheme Meetings.</p> <p>Even if the Scheme Resolutions are passed at the Scheme Meetings, the Schemes will only proceed if Court approval of the Schemes is obtained and all of the other conditions to the Schemes are satisfied or, if applicable, waived.</p>	Section 4.
What should I do if I wish to support the Schemes?	<p>If you support the Schemes you should attend the Scheme Meetings by logging in online personally or by proxy and vote in favour of the Scheme Resolutions.</p> <p>Alternatively, you may lodge proxy votes in favour of the Scheme Resolutions by completing and returning the proxy forms accompanying this Scheme Booklet or lodging your proxy online.</p>	Section 4.
What should I do if I wish to oppose the Schemes?	<p>If you do not support the Schemes:</p> <ul style="list-style-type: none"> • you should attend the Scheme Meetings, either by logging in online personally or by proxy, and vote against the Scheme Resolutions; and/or • if Securityholders pass the Scheme Resolutions at the Scheme Meetings, you may wish to oppose the approval of the Schemes, by filing and serving a notice of opposition and any other supporting documents on Tesserent by at least one day before the Second Court Date and attending the Second Court Hearing. 	Sections 4.4 and 10.3.

Question	Answer	Further Information
Can I be bound by the Schemes if I do not vote or if I vote against its approval?	Yes. If the Schemes become Effective and you hold any Tesserent Shares or Tesserent Options on the Share Scheme Record Date and the Option Scheme Record Date (currently expected to be Wednesday, 27 September 2023), you will be bound by the relevant Schemes, even if you were not present at the Scheme Meetings, you did not vote or you voted against the Schemes.	Sections 10.5 and 10.6.
What are my options?	As a Tesserent Securityholder, you have the option of voting on the Schemes and/or not voting on the Schemes. In addition, if you are a Tesserent Shareholder, you have the option of selling your Tesserent Shares prior to the Share Scheme Record Date.	Section 2.6.
What do I do if I have incorrectly logged in as a guest instead of a Tesserent Securityholder or a proxy holder?	Guests attending a Scheme Meeting will not be able to ask questions or vote. Tesserent Securityholders are encouraged to follow the instructions to ensure that you log in to the online platform correctly and are able to participate at the Scheme Meetings. For any technical difficulties, please contact the Tesserent Registry by telephone on +61 3 9415 4024.	Section 4.

F. OTHER QUESTIONS

Question	Answer	Further Information
Do I have to sign anything in relation to the Schemes?	If you wish to appoint a proxy to vote on your behalf, you are required to sign and return to the Tesserent Registry (or complete online) your relevant Proxy Form for the Scheme Meetings accompanying this Scheme Booklet by the date specified in the Important Dates and Times section at page 6 of this Scheme Booklet. If the Share Scheme is implemented, Tesserent will automatically have authority to sign a master share transfer document on	Sections 4, 9 and 10.

Question	Answer	Further Information
	<p>behalf of all Tesserent Shareholders in favour of Thales Australia.</p> <p>If the Option Scheme is implemented, the Scheme Options will be cancelled and extinguished automatically by operation of the Option Scheme on the Implementation Date.</p>	
What will happen if the Schemes are approved by the Court?	<p>If the Court makes orders approving the Schemes under section 411(4)(b) of the Corporations Act, Tesserent will lodge with ASIC an office copy of the orders. It is expected that this will occur on the Business Day immediately following the Second Court Hearing. The Schemes will then become Effective and they will proceed to be implemented.</p> <p>Tesserent Shares are expected to cease trading on the ASX from the close of trading on the Effective Date (currently expected to be Monday, 25 September 2023).</p>	Section 9.
What happens on the Implementation Date?	<p>On the Implementation Date (currently expected to be Wednesday, 4) October 2023), the Schemes will be implemented and you will be sent your Share Scheme Consideration and/or Option Scheme Consideration applicable to you.</p> <p>Following which Thales Australia will acquire all of the Scheme Shares and all Scheme Options will be cancelled and extinguished.</p> <p>It is intended that Tesserent will be delisted shortly after the Implementation Date.</p> <p>You are not required to do anything in relation these implementation matters.</p>	Sections 9 and 10.
What if I have further questions?	<p>If you have any further questions about the Transaction, please contact the Tesserent Securityholder Information Line on 1300 401 939 within Australia or +61 3 9415 4153 if outside Australia Monday to Friday between 8.30am and 5.00pm (Sydney time).</p> <p>For information about your individual circumstances, please consult your financial, legal, taxation or other professional adviser.</p>	N/A

4. How to vote

4.1 Scheme Meetings

The notices convening the Scheme Meetings are contained in Appendix 6 and Appendix 7 to this Scheme Booklet. A separate personalised Proxy Form for each Scheme Meeting accompanies this Scheme Booklet.

The Scheme Meetings will be virtual (online only) meetings on Monday, 18 September 2023, commencing with the Share Scheme Meeting at 10.00am via the online platform that allows for remote participation using the following link <https://meetnow.global/M6PYRPY>.

The Option Scheme Meeting will commence at 10.30am or as soon as reasonably practicable after the conclusion or adjournment of the Share Scheme Meeting (whichever is later) via the online platform that allows for remote participation using the following link <https://meetnow.global/MDAH2VQ>.

Please refer to Section 4 below for further details on how to attend the Scheme Meetings.

For the Share Scheme to be approved by Tesserent Shareholders, votes in favour of the Share Scheme must be received from:

- a majority in number (more than 50%) of Tesserent Shareholders present and voting at the Share Scheme Meeting (personally or by proxy, attorney, or in the case of a Tesserent Shareholder or proxy who is a corporation, by corporate representative) (**Headcount Test**); and
- at least 75% of the total number of votes which are cast at the Share Scheme Meeting and the by Tesserent Shareholders (personally or by proxy, attorney, or in the case of Tesserent Shareholders or proxy who is a corporation, by corporate representative).

The Court has a statutory discretion to disregard the Headcount Test for the purpose of the Share Scheme Meeting.

For the Option Scheme to be approved by Tesserent Optionholders, votes in favour of the Option Scheme must be received from:

- a majority in number (more than 50%) of Tesserent Optionholders present and voting at the Option Scheme Meeting (in person or by proxy, attorney, or in the case of a Tesserent Optionholder who is a corporation, by corporate representative); and
- at least 75% of the total amount of debts and claims of all Tesserent Optionholders present and voting at the Option Scheme Meeting (in person or by proxy, attorney, or in the case of a Tesserent Optionholder who is a corporation, by corporate representative). For this purpose, the amount (or value) of each Tesserent Optionholder's debt and claim will be the same as the Option Scheme Consideration payable for cancellation of the Tesserent Options held by that Tesserent Optionholder under the Option Scheme (expressed in cents).

The purpose and effect of the Schemes are as summarised in Section 9 and are more particularly described in Section 10.

4.2 Your vote is important

Your Directors urge all Tesserent Securityholders to vote on the Scheme Resolutions at the Scheme Meetings. The Schemes affect your Shares and Options and your votes at the Scheme Meetings are important in determining whether the Schemes proceed.

Your Directors encourage all Tesserent Securityholders to vote in favour of the Schemes either by personally participating in the Scheme Meetings or by appointing a proxy, an attorney or, in the case of a Tesserent Securityholder or proxy who is a corporation, a corporate representative to participate in the Scheme Meetings and vote on your behalf.

You may appoint a proxy to vote on your behalf by either:

- completing and returning the relevant Proxy Form which accompanies this Scheme Booklet; or
- appointing a proxy online via www.investorvote.com.au by following the instructions on that website.

For your proxy appointment to be effective:

- your Proxy Form(s) must be received by the Tesserent Registry (whether by mail, by fax, or by lodging your proxy online) by 10.00am on Saturday, 16 September 2023; or
- if you choose to appoint a proxy online – this appointment must be done by 10.00am on Saturday, 16 September 2023.

Further information on your voting alternatives is provided in Section 4.

4.3 Guide to participating in the Scheme Meetings

The Scheme Meetings will be virtual (online only) meetings conducted via the online platform that allows for remote participation using the following links:

Share Scheme Meeting: <https://meetnow.global/M6PYRPY>

Option Scheme Meeting: <https://meetnow.global/MDAH2VQ>

Securityholders and proxy holders attending the Scheme Meetings online will be given reasonable opportunity to participate in the Scheme Meetings equivalent to the opportunity Securityholders and proxy holders would have had if there was a physical venue for the Scheme Meetings.

The online platform may be accessed by using the latest versions of Chrome, Safari, Edge and Firefox on a PC, tablet or smartphone device. Please ensure your browser is compatible. You can check your current internet browser by going to the website: whatismybrowser.com.

For instructions refer to the online user guide www.computershare.com.au/virtualmeetingguide.

4.4 How to vote

(a) Voting entitlement

If you are registered as a Tesserent Shareholder on the Share Register at the Voting Entitlement Time (7.00pm on Saturday, 16 September 2023), you will be entitled to vote at the Share Scheme Meeting.

If you are registered as a Tesserent Optionholder on the Option Register at the Voting Entitlement Time (7.00pm on Saturday, 16 September 2023), you will be entitled to vote at the Option Scheme Meeting.

All voting at the Scheme Meetings will be conducted by poll.

(b) Voting in person

Tesseract Securityholders wishing to vote in person or their attorneys or, in the case of a Tesseract Securityholder or proxy which is a corporation, corporate representatives, are encouraged to participate in the Scheme Meetings by logging in online using the following links:

Share Scheme Meeting: <https://meetnow.global/M6PYRPY>

Option Scheme Meeting: <https://meetnow.global/MDAH2VQ>

Tesseract Securityholders, their attorneys or in the case of Tesseract Securityholders or proxies which are corporations, corporate representatives, who plan to participate in the Scheme Meetings online should log in 30 minutes prior to the time designated for the commencement of the relevant Scheme Meeting, if possible, to register. The online platform will be open 1 hour prior to the commencement of the Share Scheme Meeting.

(c) Voting by attorney

If a Tesseract Securityholder executes or proposes to execute any document, or do any act, by or through an attorney which is relevant to that Tesseract Securityholder's securityholding in Tesseract, that Tesseract Securityholder must deliver the instrument appointing the attorney to the Tesseract Registry for notation.

Tesseract Securityholders wishing to vote by attorney at the Scheme Meetings must, if they have not already presented an appropriate power of attorney to Tesseract for notation, deliver to the Tesseract Registry (at the address or facsimile number provided in Section 4.4) the original instrument appointing the attorney or a certified copy of it prior to the Scheme Meetings.

Any power of attorney granted by a Tesseract Securityholder will, as between Tesseract and that Tesseract Securityholder, continue in force and may be acted on, unless express notice in writing of its revocation or the death of the relevant Tesseract Securityholder is lodged with Tesseract.

(d) Voting by corporate representative

To vote at the Scheme Meetings, a Tesseract Securityholder or proxy which is a corporation may appoint an individual to act as its representative.

To vote by corporate representative at the Scheme Meetings, a Tesseract Securityholder or proxy which is a corporation should obtain a Certificate of Appointment of Corporate Representative from the Tesseract Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged with the Tesseract Registry prior to the Scheme Meetings.

The appointment of a representative may set out restrictions on the representative's powers.

The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

(e) Voting by proxy

Tesseract Securityholders wishing to appoint a proxy to vote on their behalf at the Scheme Meetings must either complete and sign or validly authenticate the personalised Proxy Form for the relevant Scheme Meeting, which accompanies this Scheme Booklet. Alternatively, Tesseract Securityholders may lodge their proxies for the Scheme Meetings online by following the instructions on the relevant Proxy Form. A person appointed as a proxy may be an individual or a body corporate.

Your completed Proxy Form for the relevant Scheme Meeting (and an original or certified copy of any power of attorney under which it is signed, unless already provided) must be delivered to the Tesseract Registry by 10.00am on Saturday, 16 September 2023 in any of the following ways:

By post in the enclosed reply paid envelope (or the self-addressed envelope, for Tesseract Securityholders whose registered address is outside Australia) provided to the Tesseract Registry:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By fax to the Tesseract Registry on 1800 783 447 within Australia or +61 3 9473 2555 outside Australia.

Alternatively, you may choose to appoint a proxy online as follows:

Online if you wish to appoint your proxy online, you should do so by visiting www.investorvote.com.au and by following the instructions on that website. Online appointments of proxies for the Scheme Meetings must be done by 10.00am on Saturday, 16 September 2023.

Proxies will need to enter the unique username and password provided by Computershare and select login.

Your appointment of a proxy does not preclude you from attending the Scheme Meetings personally. The appointment of your proxy is not suspended merely by attending the Scheme Meetings, but if you vote on the resolution, the proxy is not entitled to vote, and must not vote, as your proxy on the resolution.

Chairperson as proxy

If a Tesseract Securityholder nominates the Chairperson of a Scheme Meeting as that Tesseract Securityholder's proxy, the person acting as Chairperson of that Scheme Meeting must act as proxy under the appointment in respect of any or all items of business to be considered at that Scheme Meeting.

If a proxy appointment is signed or validly authenticated by that Tesseract Securityholder but does not name the proxy or proxies in whose favour it is given, the Chairperson of the relevant Scheme Meeting may at its election act as proxy in respect of any or all items of business to be considered at that Scheme Meeting.

A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:

- if the proxy is the Chairperson of the Scheme Meetings - the proxy must vote on the poll and must vote in the way directed; and
- if the proxy is not the Chairperson of the Scheme Meetings - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed. In circumstances where the proxy does not vote on the poll or does not attend the meeting, the Chairperson of the Scheme Meetings will act in place of the nominated proxy and will vote in accordance with any directions on the proxy form.

Scheme Meetings

Proxy appointments in favour of or which default to the Chairperson of the Scheme Meetings, the company secretary or any Tesserent Director which do not contain a direction as to how to vote will be voted in support of the Scheme Resolutions (in the absence of a Superior Proposal from another party prior to the date of the Scheme Meetings).

4.5 Further information

Please refer to the Notices of Scheme Meetings, set out in Appendix 6 and Appendix 7 to this Scheme Booklet for further information on voting procedures and details of the resolution to be voted on at the Scheme Meetings.

The results of the Scheme Meetings will be announced to ASX shortly after the conclusion of the Scheme Meetings.

5. Profile of Tesserent

5.1 Background

Tesserent is Australia's largest ASX listed cybersecurity provider offering full service cybersecurity solutions to our clients, helping them achieve full end-to-end protection for their digital assets. Tesserent's Cyber 360 strategy utilises a range of products from world-leading cybersecurity vendors, delivering a comprehensive solution to prevent, detect and mitigate potential cyber-attacks.

5.2 Corporate History

2016	Tesserent admitted to the official list of ASX. Prior to its ASX listing, Tesserent had been operating as a Managed Services Security Provider (MSSP) servicing medium-sized enterprises, local government and educational institutions from its ISO 27001 Certified Security Operations Centre.
2019	Acquisition of Rivium which specialises in consulting, implementation and managed services for the enterprise security solution Splunk.
2019	Acquisition of Pure Security which complemented Tesserent's offerings with penetration testing, secure application development and security advisory services.
2020	Acquisition of North, which was based in Canberra, and had expertise in cybersecurity, Governance, Risk and Compliance, project management and digital transformation servicing Australian Federal Government departments and agencies including Defence and Law Enforcement.
2020	Acquisition of Seer Security which provides specialist high-security services and delivery capabilities to Australian Federal Government departments and agencies including Defence and Law Enforcement.
2020	Acquisition of Airloom, a Sydney-based cybersecurity firm with a focus on security architecture and cloud migration services.
2020	Acquisition of iQ3, which has a significant presence in the NSW Government and which brought deep expertise in Secure Cloud Services to the Tesserent Group.
2021	Acquisition of Lateral Security, which was a cybersecurity consulting firm headquartered in New Zealand and specialising in advisory, security testing, incident response and managed services.
2021	<p>New business divisions were announced.</p> <ul style="list-style-type: none"> • Tesserent Innovation: focusing on developing and investing in new cyber technologies, cyber products, and innovative companies. • Tesserent Academy: educational services designed to tackle the industry wide problem of talent shortage to improve the cyber ecosystem and develop talent for both Tesserent and its customers.
2021	Acquisition of Secure Logic, a leading Australian Managed Security services firm, headquartered in Sydney and with sales offices in Singapore, Kuala Lumpur and Bangalore sees further strengthening of Tesserent's presence in State and Federal Government departments and agencies.
2021	Acquisition of Loop Secure which was headquartered in Sydney, with satellite offices in Melbourne and Brisbane and operates a Security Operations Centre located in Melbourne. Loop offer Offensive Security, GRC and Managed Security Services strengthening Tesserent's Cyber 360 capabilities.

2021	Acquisitions of both Claricent and The Pearson Corporation which operated largely in the Federal marketplace.
2023	Acquisition of the Australian Cyber security training business, ALC Group by Tesserent Academy. ALC provides certified training courses and administers exams across 10 accreditation bodies.

5.3 Overview of operations

Tesserent is a full-service cybersecurity and networking solutions provider to government, midmarket and enterprise clients across Australia and New Zealand. Tesserent delivers tailored solutions that prevent, detect and mitigate potential cyber-attacks, including security advisory and consulting, technical assurance and testing, cloud services, incident response and 24-hours a day managed services and monitoring. In addition, Tesserent utilises and resells a range of products from software vendors and hardware suppliers.

Tesserent operates from a head office in Box Hill, Victoria with other offices located in Sydney, Brisbane, Canberra, Auckland, Wellington and Christchurch. The company employs approximately 514 employees, with around 206 of those employees having Australian Government baseline security clearance or higher.

Tesserent is the largest ASX listed provider of cybersecurity services to the Federal Government and midmarket to enterprise clients. Tesserent has reseller arrangements with major software and hardware companies and is also focused on developing and investing in new cyber technologies and products.

The service lines provided by Tesserent include:

- strategy and advisory – governance, risk management, compliance and security strategy services;
- assurance and testing – penetration testing, red teaming, physical testing, application security, intelligence services and cloud architecture assessment;
- architecture and engineering – designing technological capability for clients' security priorities and security uplift needs, deploying and integrating the capability, and delivering "as built and operations" documentation with client training and handover sessions;
- data and analytics – consulting, integration, health assessment and management services for client's security information and event management;
- incident response and research – designed to assist companies critically plan and prepare responses to a significant cyber intrusion or other incidents that affect key information and IT systems;
- critical security controls – services such as device control, encryption, multi-factor authentication, URL filtering and environment monitoring provided for email, end point, identity, web and cloud technologies;
- secure digital eye – managed SOC and managed detection and response, with complete user and end point security provided for a monthly fee. As part of its SOC services, Tesserent proactively monitors, detects and responds to clients' cyber threats on a continuous basis; and
- secure managed IT / cloud services – suite of multi-cloud services which encompasses architecture, migration, management and optimisation, underpinned by an ISO-certified 24-hours a day operations service desk and SOC.

Tesserent provides its enterprise customers and government clients with access to a team of cybersecurity experts and the latest technology solutions. Tesserent's cybersecurity consultants work with these organisations to assess their current security posture, identify potential vulnerabilities, and develop strategies and solutions to mitigate those risks. Tesserent continues to evolve its cybersecurity offering and also helps organisations stay up-to-date with the latest technologies, tools, and techniques to secure cloud infrastructure and data.

Tesserent also operates the Tesserent Academy business unit, which aims to improve the cyber talent ecosystem by actively developing talent and addressing the skills shortage in the sector. As mentioned above, Tesserent recently acquired ALC Training, a provider of training for business and government. Other Tesserent Academy capabilities include internal training, client training and graduate programs.

5.4 Tesserent's strategy

The Tesserent Board has recently concluded an evaluation of the long-term vision and objectives of the Tesserent business. This has resulted in the establishment of a comprehensive set of goals over the coming year and the following three years. These include:

- Continuing to drive Tesserent's acquisition strategy to expand on its breadth of service offering and technical capabilities to increase market share and value through incremental earnings per share growth.
- Focusing on capturing further market share in three key markets: Government (including Defence), Critical Infrastructure and Financial Services.
- Driving growth through deeper and wider customer engagements and increasing business cross selling and average number of services per customer.
- Pursuing organic growth initiatives such as new service offerings, automation and partnerships/alliance to drive top line growth and margin enhancement across the business.
- Continue to build out high-value recurring annuity revenue streams via Managed Security Operations Centre (**SOC**) and Managed Detection and Response (**MDR**).
- Focusing on specific innovation projects across the Tesserent Group to expand its intellectual property offering and drive high-margin product and services.
- Investing in the Tesserent Academy to deliver programs to help the industry shortage of cyber skills for Tesserent staff, Tesserent clients and industry wide.

5.5 Tesserent Board and senior management team

Tesserent Board

As at the date of this Scheme Booklet, Tesserent's Board comprises the persons noted below.

- Geoff Lord (Executive Chairman);
- Kurt Hansen (Managing Director);
- Greg David Baxter (Non-Executive Director);
- Megan Haas (Non-Executive Director); and
- Anthony Sheehan (Non-Executive Director).

The biographies of the Tesserent Board as at the date of this Scheme Booklet are as follows.

Geoff Lord	Mr Lord is the Founder and CEO of the Belgravia Group, a privately held investment group which since being established in 1990 has grown to employ more than 10,000 people in businesses spanning sports, fitness, leisure, clothing and more. In addition, Geoff is the former Founder and Chairman of UXC Limited, one of Australia's largest IT services businesses. Other board positions held by Geoff include Director Melbourne Business School, founding Director of SME finance business Judo Bank and Chairman of Salvest. He has also shown passion for sports and clubs, having served as Chairman of Hawthorn Football Club and Melbourne Victory.
Kurt Hansen	Mr Hansen has over 20 years of IT industry experience driving sales and delivery transformation and business growth across many IT and Security organisations in Australia and New Zealand. Kurt was CEO at Pure Security at acquisition date. Previous roles include executive, senior management and operational positions at Check Point Software Technologies, F5 Networks, AirData, Symbol Technologies, Telstra Wholesale, Cisco Systems, and Ericsson. Prior to commencing his corporate career, Kurt was a general service officer in the Royal Australian Signal Corps.
Greg Baxter	Mr Baxter is currently Chief Digital and Transformation Officer Hewlett Packard, leading HP's IT, Cyber, Software, Data & AI, and Transformation Management organizations. Greg was previously Chief Digital Officer at MetLife and Global Head of Digital at Citibank, leading Citi's digital transformation across businesses and geographies. Greg specialises in the development and delivery of digital strategy, corporate innovation and business transformation. He has held senior business, consulting and technology roles across Asia, Europe and North America, with a track record of high impact business results. Previously Greg was a Partner and U.K. Board member at Booz & Company (formerly Booz Allen Hamilton), where he held leadership roles across the financial services, public sector and digital practices. Greg has board and advisory experience in technology, financial services and research institutions. He has been a guest lecturer on strategy at the University of Oxford, New York University, and Columbia University.
Megan Haas	Ms Haas' core competencies are centred around cyber risk, governance, technology and operational processes developed over 30+ years both in Australia and internationally. Formerly a PwC Cyber Security & Forensic Services Partner, Megan has worked with organisations across international borders and industries including pharmaceutical, gaming, retail, manufacturing, government, media, financial services and communications. Megan's other Directorships

	includes Development Victoria (Chairperson), RMIT University (Council member) and Note Printing Australia (audit committee).
Anthony Sheehan	Mr Sheehan currently works as a private consultant and non-executive director having left government employment after 32 years of service. Most recently, he worked at the Department of Foreign Affairs and Trade (DFAT) as Deputy Secretary with responsibilities including International Security. Before that, he was Commonwealth Counter-Terrorism Coordinator and Chair of the Australia-New Zealand Counter Terrorism Committee. Prior to this he was Deputy Director-General of the Australian Security Intelligence Organisation (ASIO). This followed several years as Deputy Secretary in the Attorney-General's Department. Mr Sheehan also served as First Assistant Secretary Homeland and Border Security in the Department of the Prime Minister and Cabinet. Before this, he spent 19 years at DFAT. He had overseas postings to Taipei, Beijing and Jakarta.

(a) Tesserent senior management

Brief profiles of the key members of Tesserent's management team as at the date of this Scheme Booklet are as follows:

Kurt Hansen	See biography above at Section 5.5
James Jones	James joined Tesserent after serving as CFO of the Australian FMCG business, Bellamy's Organic Group, which was formerly an ASX listed business (sold in a public to private transaction in 2019). In his role at Bellamy's, James was responsible for leading the Finance team across multiple jurisdictions in the delivery of technical accounting, reporting, audit and tax requirements plus statutory reporting and board reporting for Bellamy's Group. Prior to his role at Bellamy's, James was a Director at Deloitte and then EY (in the United Kingdom) working in an advisory capacity on restructuring, distressed assets and M&A transactions. James has extensive experience in financial modelling and scenario analysis, plus providing advice on bid tactics, sale and purchase contract structuring and purchase price mechanics through execution of M&A deals. James has worked on the ground on both sell side and buy side mandates, as well as fund raisings and Stock Exchange listings on both ASX and LSE. James holds Bachelor of Commerce and Bachelor of Science degrees from the University of Melbourne and is a member of Chartered Accountants (CA ANZ).
George Katavic	George has more than 25 years of experience with consulting organisations in the Federal Government market. George founded BCT, a specialist in Defence and National Security consulting which later became part of UXC in 2006. From that time George was responsible for building UXC Consulting in the ACT, combining 6 disparate and small brands which evolved into the largest Australian owned Consulting organisation in the ACT. With over 200 staff including over 100 cybersecurity staff, UXC was largest cyber consulting organisation in the Federal Market. Prior to his current role with north, George was the Managing Partner of DXC

	Consulting in the ACT. He co-founded north in 2018 which has cemented itself as the leading provider of cybersecurity services in the ACT.
Craig Humphreys	Craig is an IT veteran having held leadership positions in both Australian and multi-national organisations over the past 25 years. He founded iQ3 in Sydney in 2010 with a strong vision to address the dynamic landscape of IT and the growing appetite for consuming IT as a Service. Craig leads the Tesseract Cloud BU providing clients with highly secure services lines involving public cloud, private cloud/laaS and hybrid managed cloud offerings.
Paul Taylor	Paul has extensive experience across the financial services, e-commerce and legal industries and is a member of Tesseract's Senior Leadership Team. Paul previously held leadership roles in the insurance and financial services sector with the Cover-More Group Limited and Insurance Australia Group Limited, and most recently acted as General Counsel & Company Secretary at Simonds Group Limited, an ASX listed business focused on residential building and construction. At Tesseract, Paul brings his strong partnership building approach & commercial acumen to drive profitable and pragmatic business transformations. Paul holds a Master of Laws post-graduate degree and a Bachelor of Commerce (Hons) degree and is a Member of the Australian Institute of Company Directors. Paul is qualified to practise law in Australia and New York, USA.
Scott Ceely	Scott has worked in cybersecurity roles for over 20 years, with 13 of those in the Australian Federal Government. After leaving government, Scott built the Asia-Pacific branch of Context Information Security, before starting Seer Security in 2016. Scott holds a Bachelor Engineering in Computer Engineering and a Master of Management majoring in Technology and Innovation.

5.6 Capital structure

As at the Last Practicable Date, the total securities of Tesseract on issue are as follows:

Security	Number
Tesseract Shares	1,354,182,116
Tesseract Options	140,101,771 ¹³
Option Cancellation Deed Options	53,000,000

¹³ Tesseract expects that a further 7,950,000 Tesseract Options will be cancelled on 18 August 2023 as a result of the former Tesseract Optionholders having ceased to be employees of the Tesseract Group.

5.7 Substantial holder

The details of Tesseract's substantial holder as at Last Practicable Date are set out below:

	Number of Tesseract Shares	Percentage
Geoffrey Lord	108,241,456	7.99%

The holding listed in this section 5.7 is as disclosed to Tesseract by the shareholder in substantial holding notices. Information in regard to substantial holdings arising, changing or ceasing after this time or in respect of which the relevant announcement is not available on ASX's website (www.asx.com.au) is not included above.

5.8 Historical financial information

This Section sets out a summary of historical financial information for the purposes of this Scheme Booklet.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE LOSS

	12 months to 30 Jun 2020 \$'000	12 months to 30 Jun 2021 \$'000	12 months to 30 June 2022 \$'000	6 months to 31 Dec 2022 \$'000
Revenue	20,223	67,389	112,977	61,957
Other income	175	964	1,123	117
Expenses				
Software licence and connectivity fees	(5,449)	(9,654)	(13,526)	(6,714)
Employee benefits expense	(12,044)	(35,567)	(59,884)	(35,973)
Operating expenses	(4,134)	(11,520)	(21,358)	(13,062)
Business acquisition costs	(1,995)	(4,934)	(592)	(62)
Share option expense	(265)	(4,462)	(2,401)	(298)
Depreciation and amortisation expense	(1,523)	(4,975)	(7,841)	(4,593)
Finance costs	(824)	(4,431)	(5,439)	(1,461)
Fair value loss on contingent consideration	-	-	(600)	(261)
Impairment of receivables	(281)	(235)	-	(26)
Impairment of financial instruments	(786)	-	(4,303)	(933)
Share of loss of equity accounted associates	-	-	(322)	(41)
Other expenses	(1,250)	(1,686)	(9,251)	-
Loss before income tax benefit	(8,153)	(9,111)	(11,417)	(1,350)
Income tax benefit	841	4,578	2,634	271
Loss after income tax benefit for the period	(7,312)	(4,533)	(8,783)	(1,079)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income/(loss) for the period	(7,312)	(4,533)	(8,783)	(1,079)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 Jun 2020	30 Jun 2021	30 June 2022	31 Dec 2022
	\$'000	\$'000	\$'000	\$'000
Assets				
Current Assets				
Cash and cash equivalents	4,350	14,860	14,339	7,255
Trade and other receivables	7,710	25,014	32,082	23,136
Contract assets	780	9,293	13,190	17,313
Prepayments	1,382	1,906	1,751	2,179
Inventories	64	85	104	54
Lease asset receivable	-	254	265	270
Financial assets held at fair value through profit or loss	-	3,000	500	-
Total current assets	14,286	54,412	62,231	50,207
Non-current Assets				
Contract assets	158	159	3,041	5,556
Property, plant and equipment	864	2,700	3,317	3,621
Intangibles	7,618	29,652	39,854	38,320
Goodwill	15,965	83,259	129,634	129,634
Right-of-use assets	3,921	6,812	6,130	5,598
Lease asset receivable	-	534	296	169
Investments in equity-accounted associates	-	2,867	941	69
Financial assets at fair value through profit or loss	-	-	2,298	3,696
Other non-current asset	466	735	790	123
Total non-current assets	28,992	126,718	186,301	186,786
Total Assets	43,278	181,130	248,532	236,993
Liabilities				
Current Liabilities				
Trade and other payables	7,470	28,973	35,853	25,137
Contract liabilities	2,651	7,335	11,313	13,421
Lease liabilities	1,046	2,390	3,110	3,335
Provisions	843	2,831	4,119	4,280
Income tax payable	-	172	233	124
Deferred settlement liabilities	4,714	11,699	23,600	6,654
Total current liabilities	16,724	53,400	78,228	52,950
Non-current liabilities				
Contract liabilities	129	1,179	2,285	4,661
Lease liabilities	3,489	5,078	3,516	2,692
Borrowings	3,637	25,603	34,473	44,535
Provisions	666	675	1,027	996
Deferred settlement liabilities	686	1,652	5,485	-
Deferred tax liability	1,440	5,910	6,524	6,108
Total non-current liabilities	10,047	40,097	53,310	58,992
Total liabilities	26,771	93,497	131,538	111,942
Net assets	16,507	87,633	116,994	125,051
Equity				
Contributed equity	29,485	102,992	138,666	149,525
Convertible notes	6,531	-	-	-
Reserves	1,840	11,200	13,145	11,421
Accumulated losses	(21,349)	(26,559)	(34,817)	(35,895)
Total Equity	16,507	87,633	116,994	125,051

CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months to 30 Jun 2020	12 months to 30 Jun 2021	12 months to 30 June 2022	6 months to 31 Dec 2022
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	23,312	90,933	167,984	95,378
Payments to suppliers and employees (inclusive of GST)	(26,170)	(86,148)	(151,659)	(93,668)
Other revenue	166	158	495	170
Interest received	9	9	31	1
Interest and other finance costs paid	(416)	(1,177)	(3,541)	(1,256)
Income taxes paid/(refunded)	(151)	(881)	(1,520)	(239)
Net cash from / (used in) operating activities	(3,250)	2,894	11,790	385
Cash flows from investing activities				
Purchase of plant and equipment	(73)	(1,461)	(2,518)	(1,009)
Payment for development costs capitalised	(82)	(25)	(924)	(708)
Payments for investments	-	(3,000)	(3,200)	(1,000)
Business acquisitions net of cash acquired	(10,171)	(18,629)	(13,927)	-
Net cash from / (used in) investing activities	(10,326)	(23,115)	(20,569)	(2,717)
Cash flows from financing activities				
Proceeds from issue of shares	4,924	9,485	25,738	-
Cost of issuing shares and borrowing costs	(200)	(1,015)	(3,649)	-
Proceeds from borrowings	4,920	30,000	35,000	10,000
Repayment of borrowings	-	-	(35,000)	-
Repayment of lease liabilities	(751)	(1,771)	(2,398)	(1,477)
Proceeds from security deposits	-	-	-	668
Proceeds from (distributions to) warrants and options	8,995	(190)	-	2,705
Payment of deferred settlement liabilities	(962)	(5,778)	(11,433)	(16,648)
Net cash from / (used in) financing activities	16,926	30,731	8,258	(4,752)
Net increase / (decrease) in cash held	3,350	10,510	(521)	(7,084)
Cash and cash equivalents at the beginning of the year	1,000	4,350	14,860	14,339
Cash and cash equivalents at the end of the period	4,350	14,860	14,339	7,255

The financial statements of Tesserent for the financial years ended 30 June 2020, 30 June 2021 and 30 June 2022 as well as the half year ended 31 December 2022 including all notes to those accounts, can be found in full in:

- 2020 Tesserent Annual Report (released to ASX on 21 October 2020)
- 2021 Tesserent Annual Report (released to ASX on 29 September 2021)
- 2022 Tesserent Annual Report (released to ASX on 30 August 2022)
- 2023 Tesserent Half Year Report (released to ASX on 27 February 2023)

These documents can be found on the Tesserent website at:

<https://investors.tesserent.com/site/investor-information/reports/annual-reports>

5.9 Material changes in the financial position of Tesserent

Other than:

- the accumulation of revenue and trading losses in the ordinary course of trading; and
- as disclosed in this Scheme Booklet or as otherwise disclosed to ASX by Tesserent,

within the knowledge of the Tesserent Board, the financial position of Tesserent has not materially changed since 31 December 2022.

Tesserent currently expects to release its audited financial statements for the financial year ended 30 June 2023 to ASX on or around 31 August 2023. Following the release of those financial statements, the Tesserent Board will obtain the Independent Expert's confirmation of whether the financial results change the Independent Expert's opinion that the Schemes are fair and reasonable and therefore, in the best interest of relevant Tesserent Securityholders, in the absence of a superior proposal. This confirmation will be announced to the ASX in advance of the Scheme Meetings. Tesserent Securityholders are encouraged to read those financial statements (and the confirmation of whether the Independent Expert's opinion changes) before deciding how to vote on the Schemes at the Scheme Meetings.

5.10 Recent Tesserent Share performance

Tesserent's shares are listed on the ASX under the trading symbol "TNT".

Tesserent's closing share price on the last trading day prior to the announcement of the Scheme Implementation Deed was \$0.049. The closing price of Tesserent Shares on the Last Practicable Date was \$0.125.

During the three months up to the Last Practicable Date:

- the highest recorded daily closing price of Tesserent Share was \$0.125; and
- the lowest record daily closing price of Tesserent Shares was \$0.047.

The share price graph below refers to the performance of Tesserent Shares from 1 January 2022 to the Last Practicable Date.



Source: Bloomberg

5.11 Summary of risks

In considering the Schemes, Tesserent Securityholders should be aware of a number of risks which could materially and adversely affect the future operating and financial performance, and value, of Tesserent.

This Section 5.11 outlines some general investment risks relating to an investment in Tesserent as well as some specific risks relating to investing in Tesserent. These risks are set out in greater detail in Section 7. These risks currently apply to your investment in Tesserent and will continue to apply if the Schemes do not proceed. If the Schemes proceed, you will cease to be a Tesserent Securityholder and will no longer be exposed to the risks set out below. If the Schemes do not proceed, you will continue to hold your Tesserent Shares, Options and Warrants and continue to be exposed to risks associated with that investment (as set out below).

You should carefully consider the risks outlined in this Section 5.11 (and as more fully set out in Section 7), as well as the other information contained in this Scheme Booklet, before voting on the Schemes. Sections 5.11 and 7 are general in nature only and do not take into account your individual objectives, financial situation, tax position or particular needs.

General risks associated with your investment in Tesserent

The following are some general risks associated with your investment in Tesserent:

- changes in investor sentiment and the overall performance of the global and Australian securities market;
- changes in general business and industry cycles as well as economic conditions including inflation, interest rates, exchange rates, employment, credit markets, consumer confidence and demand, housing prices and turnover and other industry specific factors;
- changes in fiscal, monetary, taxation, employment and regulatory policies;
- weather conditions, natural disasters, pandemics generally including any resurgence of COVID-19, terrorism and international conflicts; and
- changes in laws and regulations including accounting and financial reporting standards.

Specific risks associated with your investment in Tesserent

There are a number of specific risks associated with an investment in Tesserent, including the following:

- key personnel risk;
- technology risk;
- cyber security breaches;
- new client and supplier relationship risk;
- acquisition risk;
- liability and insurance risk;
- availability of future dividends;
- damage to brand and reputation;
- litigation and legal disputes;
- taxation risk;
- financial risk management;
- capital structure risk; and
- force majeure event risk.

5.12 Public information available for inspection

Tesseract is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on ASX, Tesseract is subject to the ASX Listing Rules which require (subject to some exceptions) continuous disclosure of any information that Tesseract has that a reasonable person would expect to have a material effect on the price or value of Tesseract Shares.

ASX maintains files containing publicly disclosed information about all entities listed on ASX. Information disclosed to ASX by Tesseract is available on ASX's website at www.asx.com.au.

In addition, Tesseract is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Tesseract may be obtained from an ASIC office.

Tesseract Securityholders may obtain a copy of Tesseract's 2023 Half Year Report (including its audited financial statements for the financial half year ended 31 December 2022 from Tesseract's website (www.tesseract.com) or Tesseract will provide, free of charge, copies of these documents to anyone who requests them prior to the Schemes being approved by the Court.

6. Profile of Thales Australia

6.1 Introduction

This Section 6 contains information concerning Thales Australia (being Thales Australia Holdings Pty Ltd ACN 058 583 841) and outlines how it is funding the Scheme Consideration and its present intentions in relation to Tesserent. This Section 6 forms part of Thales Australia Information. It has been prepared by Thales Australia and is the responsibility of Thales Australia. Tesserent and its officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

6.2 Overview of Thales Group

(a) Thales Group and its principal activities

Thales is a public company registered in France and is listed on the Euronext Paris stock exchange under the symbol “HO”. Thales was initially incorporated on 11 February 1918 in France. Thales has its head office in Paris, France.

Thales Australia is a wholly owned Subsidiary of Thales. Thales Australia was registered as an Australian proprietary company limited by shares on 8 January 1993. Its registered office and principal place of business are located at Level 2, 3-7 Murray Rose Avenue, Sydney Olympic Park, New South Wales 2127, Australia. Thales Australia is a holding company for the Thales Australian-registered companies operating in Australia.

The Thales Group is a global technology leader with more than 77,000 employees spanning across 68 countries and five continents. The Thales Group operates across a wide range of sectors, including defence and security, aerospace and space, digital identity and security, and transport, through which it provides solutions, services and products to help its customers – companies, organisations and governments – to carry out their critical missions.

The core purpose of the Thales Group is to “build a future we can all trust”.

Further information about the Thales Group and its operations is available on Thales’ website at <https://www.thalesgroup.com/en>.

(b) Ownership structure

Thales Australia is a wholly owned Subsidiary of Thales.

Thales’ ownership of Thales Australia is illustrated by the below diagram.



As at 31 December 2022, the following investors held an interest of 5% or more in Thales:

- the French Government (directly and indirectly through the company TSA), which held an interest in 25.67% of the capital (and 35.15% of the voting rights) in Thales; and
- Dassault Aviation, a French public company listed on the Euronext Paris stock exchange under the symbol “AM”, which held an interest in 24.62% of the capital (and 29.92% of the voting rights) in Thales.

The French Government holds its interest in Thales through TSA. TSA is a holding company owned by the French Government and EPIC Bpifrance, a French Government agency with operations of an industrial and commercial nature.

As at 31 December 2022, Groupe Industriel Marcel Dassault, a private company based in France, held 62.24% of the capital (and 77.05% of the voting rights) in Dassault Aviation.

(c) Thales Australia directors

As at the Last Practicable Date, the directors of Thales Australia are Christopher Jenkins, Warwick Strachan, Michel Mathieu, Stephen Loosley, Belinda Hutchinson, Duncan Lewis, Alexander Creswell, Alan Ball and James Couche.

(d) Thales directors

As at the Last Practicable Date, the directors of Thales are Patrice Caine, Charles Edelstenne, Bernard Fontana, Delphine Gény-Stephann, Anne-Marie Hunot-Schmit, Philippe Knoche, Philippe Lépinay, the French Government (represented by Emmanuel Moulin), Marianna Nitsch, Nadine Relier-David, Anne Rigail, Loïk Segalen, Anne-Claire Taittinger, Ann Taylor, Eric Trappier and Marie-Françoise Walbaum.

6.3 Rationale for the Transaction

The Transaction will enable Thales to accelerate Thales’ ambition in cybersecurity services in Australia and New Zealand.

The Transaction is an opportunity to increase Thales’ cybersecurity profile in the Asia-Pacific region and provide access to a large pool of relevant cyber experts for Thales’ businesses.

The Transaction is also aimed at growing the business of the Tesseract, including by creating more business and value within Australia and New Zealand and giving Tesseract access to Thales’ larger resources and technologies.

6.4 Funding arrangements

The Transaction will be fully funded by Thales Australia’s internal resources and cash reserves, noting that, as at 30 June 2023, Thales Australia had cash and cash equivalents of approximately A\$500 million.

Under the Share Scheme Deed Poll and Option Scheme Deed Poll, Thales Australia has undertaken to pay the Scheme Consideration to Scheme Securityholders.

6.5 Intentions if the Share Scheme is implemented

(a) Introduction

If the Share Scheme is implemented, Thales Australia will become the holder of all Tesseract Shares and, accordingly, Tesseract will become a wholly owned subsidiary of Thales Australia.

This Section 6.5 sets out Thales Australia’s present intentions only and is based on the information concerning Tesseract and the general business environment which is known to Thales Australia at the time of preparing this Scheme Booklet. Thales Australia does not

currently have full knowledge of all material information, facts and circumstances that are necessary to assess all of the operational, commercial, taxation and financial implications of its present intentions.

If the Share Scheme is implemented, Thales Australia intends to undertake a detailed review of Tesserent's assets and operations. Thales Australia will only make final decisions on Tesserent following the completion of its review of Tesserent's business and based on the facts and circumstances at the relevant time.

Accordingly, the statements set out in this Section 6.5 are statements of present intention and may change as new information becomes available or as circumstances change.

(b) Tesserent's removal from the ASX

Under the Share Scheme, if the Scheme becomes Effective, Tesserent must apply to the ASX to have Tesserent removed from the official list of the ASX, and quotation of Tesserent Shares on the ASX terminated, with effect on and from the close of trading on a date determined by Thales Australia following the Implementation Date. Thales Australia does not intend to make any direction to Tesserent which is inconsistent with this requirement.

(c) Employees

Thales Australia recognises that Tesserent's employees are an integral part of the success of Tesserent and are critical to the future growth of the business. It is intended that Mr Kurt Hansen will remain the Chief Executive Officer of Tesserent after the Implementation Date.

If the Share Scheme is implemented, Thales Australia does not intend to make any material changes to Tesserent's employees. However, final decisions on Tesserent's employment arrangements will be made following a review to be undertaken by Thales Australia after the implementation of the Share Scheme. That review will be undertaken with the objective of ensuring Tesserent has the appropriate mix and level of employees and skills to enhance the business going forward and to enable the business to pursue growth opportunities.

(d) Changes to Tesserent's constitution

If the Share Scheme is implemented, Thales Australia intends to replace Tesserent's constitution with one that is appropriate for an Australian proprietary company limited by shares to convert Tesserent into a proprietary company limited by shares following the Implementation Date.

(e) Business, operations and assets

Subject to the findings of the post-acquisition review referred to in this Section 6.5, if the Share Scheme is implemented, Thales Australia's present intention is to continue to operate the Tesserent business substantially in its current form in the near term while actively pursuing growth opportunities available to Tesserent. In particular, Thales Australia currently intends to pursue this strategy by providing access to capital required to invest in Tesserent's operations to further grow and improve the business.

Any further decisions around the future of Tesserent and Thales Australia's intentions for the Tesserent business will be made after, and informed by, the results of the review.

6.6 Intentions if the Option Scheme is not implemented

If the Share Scheme is not approved, regardless of whether the Option Scheme is approved, the Transaction will not proceed and Tesserent will continue to operate as a stand-alone entity, listed on the ASX.

If the Share Scheme is approved but the Option Scheme is not approved, the Share Scheme will still proceed and Thales Australia will acquire all of the Tesserent Shares, but Scheme Optionholders will continue to hold their Scheme Options. In those circumstances, Tesserent would be de-listed from the ASX, meaning that there is unlikely to be an active market for any Tesserent Shares issued to Scheme Optionholders on any exercise of their Scheme Options.

If this occurs, it is the present intention of Thales Australia to seek to compulsorily acquire the Scheme Options under Part 6A.2 of the Corporations Act, but Thales Australia reserves the right to change its intention having regard to the prevailing circumstances.

6.7 Additional information of Thales Australia

(a) Interests in Tesserent Shares

As at the Last Practicable Date, neither Thales Australia nor its Associates has any Relevant Interest in Tesserent Shares or Voting Power in Tesserent.

(b) Dealings in Tesserent Securities in the previous four months

Except for the consideration to be provided under the Schemes and the Option Cancellation Deeds, during the period of four months before the date of this Scheme Booklet, neither Thales Australia nor any of its Associates have provided or agreed to provide consideration for any Tesserent Securities under a purchase or an agreement.

(c) Inducing benefits to shareholders

Except for the consideration to be provided under the Schemes and the Option Cancellation Deeds, during the four months before the date of this Scheme Booklet, neither Thales Australia nor any of its Associates have given, or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to:

- vote in favour of the Schemes; or
- dispose of Tesserent Securities,

where the benefit was not offered to all Tesserent Securityholders.

(d) Inducing benefits to officers

Neither Thales Australia nor any of its Associates will be making any payment or giving any benefit to any current officers of Tesserent or any of Tesserent's subsidiaries as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices dependent on the Schemes being implemented.

(e) No other information

Except as otherwise disclosed in this Scheme Booklet, there is no other Thales Australia Information that is material to the making of a decision in relation to the Schemes, being Thales Australia Information that is within the knowledge of the directors of Thales Australia, at the date of this Scheme Booklet, which has not previously been disclosed to Tesserent Securityholders.

7. Risk factors

7.1 Introduction

In considering the Schemes, you should be aware that there are a number of general and specific risk factors associated with your current investment in Tesseract Securities and with the Schemes. This Section 7 outlines:

- general and specific risk factors relating to the business and operations of Tesseract and which in turn affect the value of your current investment in Tesseract Securities (see Section 7.2);
- risk factors which may prevent the Schemes from becoming Effective or being implemented (see Section 7.3).

The outline of risks in this Section 7 is a summary only and should not be considered exhaustive. This Section 7 does not purport to list every risk that may be associated with an investment in Tesseract now or in the future which may prevent the Schemes from becoming Effective or being implemented. The occurrence or consequences of some of the risks described in this Section 7 may be partially or completely outside the control of Tesseract, Thales Australia or their respective directors and senior management teams.

These risk factors do not take into account the individual investment objectives, financial situation or positional particular needs of Tesseract Securityholders. If you do not understand any part of this Scheme Booklet or are in any doubt as to how to vote in relation to the Schemes, you should seek professional guidance from your stockbroker, solicitor, accountant tax advisor or other independent and qualified professional adviser before deciding how to vote.

You should consider carefully the risk factors discussed in this Section 7, as well as the other information contained in this Scheme Booklet before voting on the Schemes.

7.2 Risk factors relating to the business and operations of Tesseract

This Section outlines some general and specific investment risks relating to your current investment in Tesseract. These risk factors will continue to apply to Tesseract Securityholders if the Schemes are not implemented.

In considering the Schemes, Tesseract Securityholders should be aware of these general and specific risks as they could materially and adversely affect the future operating and financial performance, and value, of Tesseract.

The future operating performance of Tesseract and the value of an investment in Tesseract Securities may be affected by risks relating to Tesseract's business. Some of these risks are specific to Tesseract while others relate to economic conditions and the general industry and markets in which Tesseract operates.

Where practicable, Tesseract seeks to implement risk mitigation strategies to minimise its exposure to some of the risks outlined below. However, there can be no assurance that such strategies will protect Tesseract from these risks. Other risks are beyond Tesseract's control and cannot be mitigated. The occurrence of any such risks could adversely affect Tesseract's financial position and performance and the value of Tesseract Securities. The risks listed below are summaries, do not purport to be exhaustive and are not presented in any order of importance. Further, there is no assurance that the importance of different risks will not change or other risks will not emerge.

(a) General risks associated with your investment in Tesseract

The following are some general risks associated with your investment in Tesseract:

- changes in investor sentiment and the overall performance of the global and Australian securities market;
- changes in general business and industry cycles as well as economic conditions including inflation, interest rates, exchange rates, employment, credit markets, consumer confidence and demand, housing prices and turnover and other industry specific factors;
- changes in fiscal, monetary, taxation, employment and regulatory policies;
- weather conditions, natural disasters, pandemics generally including any resurgence of COVID-19, terrorism and international conflicts; and
- changes in laws and regulations including accounting and financial reporting standards.

(b) Specific risks associated with your investment in Tesseract

There are a number of specific risks associated with an investment in Tesseract, including the following:

Key personnel	<p>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.</p> <p>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.</p>
Technology risks	<p>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's profitability if Tesseract were not able to respond to these developments.</p>
Cyber security breaches	<p>There is a risk that suppliers or clients could be hacked or breached, which could result in losses being suffered by suppliers and clients.</p> <p>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 could have an adverse impact on Tesseract's reputation and growth.</p> <p>To some extent, this risk is mitigated through contractual arrangements Tesseract has entered into with its clients and suppliers which may include limitation of liability clauses and maximum liability caps.</p>
New clients and suppliers	<p>Tesseract'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 Tesseract.</p>

Acquisitions	<p>Tesseract may pursue acquisitions or joint ventures that could present integration obstacles or costs. Tesseract may not realise any of the benefits it anticipates and Tesseract may be exposed to additional liabilities of any acquired business, which could materially adversely impact Tesseract's revenue and results of operations.</p> <p>In addition, future acquisitions or joint ventures may result in the issue of additional Tesseract Shares and other securities, which would dilute the ownership of the existing shareholders immediately prior to the time of acquisition.</p>
Liability and insurance risk	<p>Tesseract's insurance arrangements may not be adequate to protect Tesseract 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.</p> <p>Should Tesseract be unable to maintain adequate insurance to cover these risks, or experience claims for losses in excess of the level of its insurance coverage, Tesseract's financial performance could be materially affected.</p>
Reputation & Market	<p>Tesseract's reputation is important. If Tesseract's reputation is harmed or, the reputation of the cyber security industry and/ or professional services consulting industries are harmed as a whole, Tesseract's business, financial condition and results of operations and cash flow may be materially adversely affected. This may include a reduction in Federal Government spending on external consulting services such as those provided by Tesseract and the associated impact to revenue.</p>
Dividends	<p>If Tesseract does not generate sufficient cash flow to meet certain interest coverage ratios, gearing requirements and other covenants under its debt facilities, Tesseract Shareholders may not receive any dividends. If Tesseract 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 Tesseract group of companies. Tesseract has not previously paid any dividends.</p>
Debt Facility	<p>If Tesseract does not meet its revenue and margin targets, it may breach its financial covenants under its debt facility with the Commonwealth Bank of Australia.</p>
Capital structure	<p>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 Tesseract Securities.</p>
Accounting standards	<p>Australian Accounting Standards are set by the Australian Accounting Standards Board (AASB) and are beyond the control of Tesseract. Changes to accounting standards issued by the AASB could adversely impact the financial performance and position reported in Tesseract's financial statements.</p>
Force majeure events	<p>Events may occur within or outside Australia that could impact upon the Australian economy, the operations of Tesseract and the price or value of Tesseract Securities. 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</p>

	natural or man-made events or occurrences that can have an adverse effect on the demand for Tesserent's products and its ability to conduct business, and on Tesserent's business and earnings. Tesserent has only a limited ability to insure against some of these risks.
Litigation and legal disputes	<p>From time to time, Tesserent may be involved in disputes and/or litigation claims, including with clients or suppliers, industrial action or disputes involving Tesserent's executives and employees or former executives or employees, or relating to matters such as privacy breaches, product liability, intellectual property, contractual, workplace health and safety, or other claims arising in the ordinary course of Tesserent's business.</p> <p>If Tesserent is involved in such litigation, disputes or protracted settlement negotiations, this may disrupt Tesserent's business operations, cause Tesserent to incur significant legal costs and may divert management's attention away from the day-to-day operations of the business. The outcome of any such litigation cannot be predicted with certainty and adverse litigation outcomes could negatively impact Tesserent's business, financial condition and/or reputation.</p>
Taxation	<p>In addition to the corporate income taxation imposed on Tesserent, Tesserent is required to pay direct and indirect taxes and other imposts in the jurisdictions in which Tesserent operates. Tesserent may be affected by changes in government taxation policies or in the interpretation or application of such policies under Australian and overseas laws and the outcome of tax audits.</p> <p>The potential of Tesserent to obtain the benefit of existing franking credits, taxation losses and claim other taxation attributes will depend on ATO rulings, the completion of this transaction, future circumstances and may be affected by changes in ownership of Tesserent, business activities, taxation bases and any other conditions.</p>

7.3 Risk factors that may prevent the Schemes from becoming Effective or being implemented

This Section sets out the risks associated with the Schemes and its implementation.

(a) Conditions

The Schemes are subject to various Conditions. These Conditions are outlined in Section 2.5(a). As at the date of this Scheme Booklet, your Directors are not aware of any circumstances which would cause the Conditions to not be satisfied or (if applicable) waived. Despite this, there is a possibility that one or more of the Conditions will not be satisfied or waived and that the Schemes will not proceed.

(b) Termination rights

Tesserent and Thales Australia respectively each have the right to terminate the Scheme Implementation Deed in certain circumstances (refer to Section 9.5 for a summary of the circumstances which may give rise to termination rights). Accordingly, there is no certainty that the Scheme Implementation Deed will not be terminated by either party before the Schemes are implemented. If the Scheme Implementation Deed is terminated, the Schemes will not proceed.

8. Taxation implications for Tesserent Securityholders

8.1 Introduction

This Section provides a summary of the general Australian taxation consequences for Tesserent Securityholders in relation to the Schemes and should be considered in conjunction with the rest of this Scheme Booklet (including the taxation risks outlined in Section 7.2).

The information contained in this Section is a general guide only and is not intended to be an authoritative or complete statement of the taxation law applicable to the specific circumstances of each Tesserent Securityholder and should not be relied on by Tesserent Securityholders as taxation advice.

Tesserent Securityholders should seek their own professional advice with respect to the taxation implications of the Schemes. Tesserent Securityholders who are tax residents of a country other than Australia (whether or not they are also residents or temporary residents of Australia for tax purposes) should also take into account the tax consequences under the laws of their country of residence.

8.2 Overview

The following is a general summary of the Australian taxation (including capital gains tax (**CGT**), GST and stamp duty) implications for Australian resident and foreign resident Tesserent Securityholders, who hold their Tesserent Shares or Tesserent Options on capital account, of participating in the Schemes.

This summary does not apply to Tesserent Securityholders who:

- hold their Tesserent Shares or Tesserent Options as revenue assets or as trading stock;
- hold their Tesserent Shares or Tesserent Options as assets used in carrying on a business or as part of a profit-making undertaking or scheme;
- are financial institutions, insurance companies, partnerships, taxation exempt organisations, dealers in securities, trusts (except where expressly stated), temporary residents or shareholders who change their taxation residency while holding shares, each of which may be subject to additional or specific taxation rules;
- are subject to the taxation of financial arrangements provisions in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**) or the investment manager regime in Subdivision 842-I of the ITAA 1997;
- are non-residents of Australia who hold their Tesserent Shares or Tesserent Options as an asset in a business that is carried on at or through a permanent establishment in Australia;
- are Australian tax residents but hold their Tesserent Shares or Tesserent Options as part of an business carried on, at or through, a permanent establishment in a foreign country; or
- acquired their Tesserent Shares under an employee share scheme.

This summary has been prepared on the basis of Australian taxation law and administrative practice as at the date of this Scheme Booklet. References to Australian resident Tesserent Securityholders are to Tesserent Securityholders who are residents of Australia for Australian income tax purposes and are not tax resident in any other jurisdiction.

8.3 Australian taxation implications of the Schemes

(a) Taxation consequences of disposal of Tesserent Shares by Australian residents

Under the Share Scheme, Tesserent Shareholders will dispose of their Tesserent Shares to Thales Australia in exchange for the Share Scheme Consideration.

Australian capital gains tax consequences

CGT asset

For Australian CGT purposes, the Tesserent Shares will be treated as CGT assets.

CGT event

The disposal of Tesserent Shares by an Australian resident under the Share Scheme should constitute a CGT event for Australian income taxation purposes on the Implementation Date (namely, CGT event A1).

Under the Share Scheme, Australian resident Tesserent Shareholders should:

- make a capital gain if the capital proceeds from the disposal of their Tesserent Shares are greater than the cost base of their Tesserent Shares; or
- make a capital loss if the capital proceeds from the disposal of their Tesserent Shares are less than the reduced cost base of their Tesserent Shares.

Australian resident Tesserent Shareholders will include all of the capital gains in the income year (including from the sale of the Tesserent Shares) and reduce that amount by any capital losses incurred in the income year (including from the sale of the Tesserent Shares) or any other capital losses from prior income years, subject to satisfaction of the relevant loss recoupment rules. Any remaining capital gain may be discounted (see below) before being included in the Australian resident Tesserent Shareholder's assessable income for the year in which the CGT event occurs.

Australian resident Tesserent Shareholders who make a capital loss on the disposal of their Tesserent Shares can only offset the capital loss against capital gains realised in the same, or subsequent, income years (subject to the relevant satisfaction of the loss recoupment rules). Specific loss recoupment rules may restrict the ability to utilise any such capital losses in a future period.

Capital proceeds

The capital proceeds on the disposal of the Tesserent Shares should be the Share Scheme Consideration received by Tesserent Shareholders.

Cost base and reduced cost base

The cost base of each Tesserent Share should generally include the amount paid to acquire the relevant Tesserent Share, plus any non-deductible costs of acquisition, holding and disposal (e.g. brokerage fees and stamp duty). The cost base will be reduced by any return of capital received in connection with the Tesserent Share during the ownership of the Tesserent Share (if any).

The reduced cost base, used to determine a capital loss, is calculated in a similar manner.

CGT discount

Generally, Australian resident Tesserent Shareholders who are individuals, trusts or complying superannuation funds that have held their Tesserent Shares for at least 12 months at the time

of their disposal (being the Implementation Date) should be entitled to the CGT discount in calculating the amount of capital gain on disposal of their Tesseract Shares.

The CGT discount is applied after available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which should reduce a capital gain arising from the disposal of Tesseract Shares is as follows:

- 50% for individuals and trusts; and
- 33⅓% for a complying superannuation fund.

The CGT discount is not available for Australian resident Tesseract Shareholders who are companies.

(b) Taxation consequences of disposal of Tesseract Shares by foreign residents

Any capital gain or loss derived on the disposal of Tesseract Shares by Tesseract Shareholders who are not Australian residents will be disregarded provided that the Tesseract Shares are not held by the non-resident in carrying on business in Australia at or through a permanent establishment, and provided that the Tesseract Shares are not 'indirect Australian real property interests' for the purposes of the ITAA 1997.

Specifically, the Tesseract Shares will be an *indirect Australian real property* interest, where the following two tests are satisfied:

- the Tesseract Shareholder, together with its 'associates' (as defined in section 318 of the *Income Tax Assessment Act 1936* (Cth)), held a combined interest of at least 10% in Tesseract, respectively, either at the time the Tesseract Shares were disposed of (or were taken to have been disposed of), or for at least 12 months during the 24 month period before the Tesseract Shares were disposed of (for CGT purposes) (the **non-portfolio test**); and
- more than 50% of the market value of Tesseract's assets is attributed to direct or indirect interests in 'taxable Australian real property' (broadly, Australian land interests or mining rights in respect of resources located in Australia) (the **principal asset test**).

Where both of the above requirements are satisfied, foreign Tesseract Shareholders may be liable for tax on gains from the disposal of their Tesseract Shares, and may be required to lodge a tax return in connection with the disposal of the Tesseract Shares.

While Tesseract does not expect the 'principal asset test' to have been satisfied, any non-resident shareholders who own 10% or more of the shares in Tesseract (on an associate inclusive basis) should seek their own independent professional advice in relation to their own particular circumstances.

Foreign resident capital gains withholding regime

Generally, foreign resident capital gains withholding at a rate of 12.5% of the capital proceeds applies to a transaction involving the acquisition of an asset that is an 'indirect Australian real property interest' (i.e. the asset is 'taxable Australian property') from a 'relevant foreign resident'.

For the purposes of these rules, a 'relevant foreign resident' is any registered Tesseract Shareholder, at the time the transaction is entered into, that is:

- known or reasonably believed by Thales Australia to be a foreign resident;

- not reasonably believed by Thales Australia to be an Australian resident, and either has an address outside Australia or has authorised Thales Australia to provide a financial benefit to a place outside Australia; or
- has a connection outside Australia of a kind specified in the regulations.

As mentioned above, Tesserent does not consider that the Tesserent Shares should be characterised as 'indirect Australian real property interests', and therefore, the foreign resident capital gains tax withholding should not apply.

(c) Taxation consequences of cancellation of Tesserent Options held by Australian residents

Under the Option Scheme, Tesserent Optionholders will have their Tesserent Options cancelled in exchange for the Option Scheme Consideration.

The Australian tax consequences will differ depending on whether:

- the Tesserent Optionholder did not acquire their Tesserent Options under an employee share option plan (or similar scheme or arrangement) that is subject to Division 83A of the ITAA 1997 (**ESOP**);
- the Tesserent Optionholder acquired their Tesserent Options under an ESOP to which deferred taxation under Division 83A of the ITAA 1997 applies, and a 'deferred taxing point' (under section 83A-120 of the ITAA 1997) (**DTP**) has not yet occurred for that Tesserent Optionholder in respect of their Tesserent Options; or
- the Tesserent Optionholder acquired their Tesserent Options under an ESOP to which deferred taxation under Division 83A of the ITAA 1997 applies, and a DTP has previously occurred for that Tesserent Optionholder in respect of their Tesserent Options.

Australian CGT consequences where Tesserent Options not acquired under ESOP

CGT asset

For Australian CGT purposes, the Tesserent Options will be treated as CGT assets.

CGT event

The cancellation of Tesserent Options held by an Australian resident under the Option Scheme should constitute a CGT event for Australian income taxation purposes on the Implementation Date (namely, CGT event C2).

Under the Option Scheme, Australian resident Tesserent Optionholders should:

- make a capital gain if the capital proceeds from the disposal of their Tesserent Options are greater than the cost base of their Tesserent Options; or
- make a capital loss if the capital proceeds from the disposal of their Tesserent Options are less than the reduced cost base of their Tesserent Options.

Australian resident Tesserent Optionholders will include all of the capital gains in the income year (including from the cancellation of the Tesserent Options) and reduce that amount by any capital losses incurred in the income year (including from the cancellation of the Tesserent Options) or any other capital losses from prior income years, subject to satisfaction of the relevant loss recoupment rules. Any remaining capital gain may be discounted (see below) before being included in the Australian resident Tesserent Optionholder's assessable income for the year in which the CGT event occurs.

Australian resident Tesserent Optionholders who make a capital loss on the disposal of their Tesserent Options can only offset the capital loss against capital gains realised in the same, or subsequent, income years (subject to the relevant satisfaction of the loss recoupment rules). Specific loss recoupment rules may restrict the ability to utilise any such capital losses in a future period.

Capital proceeds

The capital proceeds on the cancellation of the Tesserent Options should be the Option Scheme Consideration received by Tesserent Optionholders.

Cost base and reduced cost base

The cost base of each Tesserent Option should generally include the amount paid to acquire the relevant Tesserent Option, plus any non-deductible costs of acquisition, holding and disposal (e.g. brokerage fees and stamp duty).

The reduced cost base, used to determine a capital loss, is calculated in a similar manner.

CGT discount

The comments in Section 8.3(a) in relation to qualification for the CGT discount apply equally to Australian resident Optionholders who are individuals, trusts or complying superannuation funds and have held their Tesserent Options for at least 12 months at the time of their cancellation (being the Implementation Date).

Australian Division 83A consequences where Tesserent Options acquired under ESOP and DTP has not yet occurred

Division 83A

Where a Tesserent Optionholder acquired their Tesserent Options under an ESOP to which deferred taxation under Division 83A of the ITAA 1997 applies, and a DTP has not yet occurred in respect of those Tesserent Options, then income tax under Division 83A should arise in respect of the cancellation Tesserent Options on the Implementation Date.

Where the Tesserent Optionholders acquired their Tesserent Options for nil consideration, they should be taxed, at their marginal rate, on the market value of the Tesserent Options on the date their Tesserent Options are cancelled (being the Implementation Date). This should be the case irrespective of the fact that the Tesserent Optionholders will receive the Option Scheme Consideration in exchange for the cancellation and extinguishment of the Tesserent Options.

Capital gains tax

No CGT consequences should arise on the cancellation and extinguishment of the Tesserent Options that are subject to taxation under Division 83A.

Australian tax consequences where Tesserent Options acquired under ESOP and DTP has occurred

Where a Tesserent Optionholder acquired their Tesserent Options under an ESOP and a DTP has already occurred or the Tesserent Options were subject to immediate taxation, then the CGT consequences outlined above will apply in respect of the cancellation of the Tesserent Options.

In determining whether a gain is made, the cost base of the Tesserent Options will be equal to the market value of the Tesserent Options on the date by reference to which income tax was paid under Division 83A (i.e. at the time of the DTP), and the capital proceeds will be the

amount received by the Tesserent Optionholder in respect of the cancellation of their Tesserent Options, being the Option Scheme Consideration.

No income tax under Division 83A should arise in respect of these Tesserent Options on the Implementation Date.

(d) Taxation consequences of cancellation of Tesserent Options held by foreign residents

For Tesserent Optionholders who are not Australian residents and who acquired their Tesserent Options under an ESOP in respect of their employment outside Australia, no income tax under Division 83A should arise in respect of the cancellation of the Tesserent Options.

Alternatively, where the Tesserent Options were granted to a non-Australian Tesserent Optionholder in respect of their employment in Australia, the consequences in respect of the application of Division 83A outlined in Section 8.3(c) above will broadly apply for the Tesserent Optionholder.

For Tesserent Optionholders who are not Australian residents and who did not acquire their Tesserent Options under an ESOP, then the CGT consequences outlined in Section 8.3(b) above will apply in a similar manner in respect of the cancellation of the Tesserent Options.

(e) GST implications

The transfer of Tesserent Shares and the cancellation of the Tesserent Option by Tesserent Securityholders should not be subject to GST because the transfer or cancellation (as applicable) should constitute either an out-of-scope supply or an input taxed financial supply (depending on the circumstances of the Tesserent Securityholder).

Tesserent Securityholders may be charged GST on costs (such as third party brokerage or advisor costs) that relate to their participation in the Schemes. Tesserent Securityholders may not be entitled to claim full input tax credits for the GST included in such costs that relate to the transfer of the Tesserent Shares or cancellation of Tesserent Options (as applicable).

Tesserent Securityholders should obtain independent advice in relation to the impact of GST on their individual circumstances in relation to the Schemes.

(f) Stamp duty implications

No Australian stamp duty will be payable by a Tesserent Securityholder in respect of the acquisition of the Tesserent Shares or the cancellation of the Tesserent Options under the Schemes.

9. The Schemes in Further Detail

9.1 Introduction

This Section:

- discusses the purpose and effect of the Schemes;
- provides a summary of the conditions and approvals required for the Schemes to proceed; and
- provides a summary of the rights of Tesserent and Thales Australia to withdraw from the Schemes.

If the Conditions for the Schemes are satisfied or waived (as applicable), the manner in which the Schemes will be implemented is described in Section 10.

9.2 Elements of the Share Scheme

(a) Purpose

The purpose of the Share Scheme is to give effect to a proposed arrangement between Tesserent and Scheme Shareholders. That arrangement in turn contemplates that Thales Australia will acquire 100% of the shares in Tesserent, being all of the Tesserent Shares held by the Scheme Shareholders, in exchange for payment of the Share Scheme Consideration to the Scheme Shareholders. If the Share Scheme becomes Effective, Tesserent will become a wholly owned subsidiary of Thales Australia and Tesserent will be delisted from ASX.

The terms of the Share Scheme are set out in Appendix 3 to this Scheme Booklet.

(b) Share Scheme Consideration

Under the Share Scheme, the Share Scheme Consideration is \$0.13 per Scheme Share.

(c) Legal effect

If the Share Scheme becomes Effective, it will constitute a binding arrangement between Tesserent and each Scheme Shareholder under which:

- all Scheme Shares held by each Scheme Shareholder (including those who were not present at the Share Scheme Meeting, those who did not vote on the Share Scheme and those who voted against the Share Scheme) will be transferred to Thales Australia, free of any security interest (in accordance with, without limitation, section 32(1) of the *Personal Property Securities Act 2009* (Cth) and Regulation 7.1 of the *Personal Property Securities Act Regulations 2010* (Cth)), without the need for any action on the part of the Scheme Shareholders; and
- each Scheme Shareholder (including those who were not present at the Share Scheme Meeting, those who did not vote on the Share Scheme and those who voted against the Share Scheme) will receive the Share Scheme Consideration, subject to any security interest which attaches to the Share Scheme Consideration in accordance with section 32(1) of the *Personal Property Securities Act 2009* (Cth), as consideration in full for the transfer of all of their Tesserent Shares to Thales Australia.

At the First Court Hearing on 14 August 2023, the Court ordered Tesserent to convene a meeting of Tesserent Shareholders to consider and vote on the Share Scheme.

The resolution to be considered at the Share Scheme Meeting is contained in the Notice of Share Scheme Meeting in Appendix 6 to this Scheme Booklet.

(d) Eligibility to vote at the Share Scheme Meeting

Each person who is registered on the Share Register as a Tesserent Shareholder as at the Voting Entitlement Time (7.00pm on Saturday, 16 September 2023), is entitled to attend and vote at the Share Scheme Meeting either in person, by proxy or attorney or, in the case of a Tesserent Shareholder who is a corporation, by a corporate representative.

Section 4 provides full details of how to vote at the Share Scheme Meeting. The Proxy Form for the Share Scheme Meeting accompanies this Scheme Booklet.

(e) Voting majority required

The Share Scheme will only become Effective and be implemented if it is:

- approved by the requisite majorities of Tesserent Shareholders at the Share Scheme Meeting; and
- approved by the Court at the Second Court Hearing.

Approval of the Share Scheme by Tesserent Shareholders requires the resolution at the Share Scheme Meeting to be passed by:

- a majority in number (more than 50%) of Tesserent Shareholders present and voting at the Share Scheme Meeting (in person or by proxy, attorney, or in the case of a Tesserent Shareholders who is a corporation, by corporate representative) (**Headcount Test**); and
- at least 75% of the total number of votes which are cast at the Share Scheme Meeting (in person or by proxy, attorney, or in the case of a Tesserent Shareholder who is a corporation, by corporate representative).

The Court has the power to approve the Share Scheme even if the Headcount Test has not been satisfied. For example, the Court may do so if there is evidence that the result of the vote has been unfairly influenced by activities such as share splitting.

(f) Your warranties under the Share Scheme

The Share Scheme provides that Tesserent Shareholders who hold Tesserent Shares as at the Scheme Record Date (currently proposed to be 7.00pm on Wednesday, 27 September 2023) are taken to have warranted to Tesserent that:

- all their Tesserent Shares (including any rights and entitlements attaching to those shares) transferred to Thales Australia under the Share Scheme will, at the time of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any security interests within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions of transfer of any kind and that they have full power and capacity to sell and transfer their Tesserent Shares (together with any rights attaching to those shares) to Thales Australia under the Share Scheme; and
- they have no existing right to be issued any Tesserent Shares, options exercisable into Tesserent Shares, Tesserent performance rights, Tesserent convertible notes or any other Tesserent securities.

You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.

(g) Share Scheme Deed Poll

Thales Australia has executed the Share Scheme Deed Poll in favour of the Scheme Shareholders in which it covenants in favour of Scheme Shareholders to perform the actions attributed to it under the Share Scheme and to provide the Share Scheme Consideration in accordance with the Share Scheme. A copy of the Share Scheme Deed Poll is set out in Appendix 2 to this Scheme Booklet.

9.3 Elements of the Option Scheme

(a) Purpose

The purpose of the Option Scheme is to give effect to a proposed arrangement between Tesseract and Scheme Optionholders. That arrangement in turn contemplates that all Scheme Options will be cancelled and extinguished, in exchange for payment of the Option Scheme Consideration to the Scheme Optionholders.

The terms of the Option Scheme are set out in Appendix 5 to this Scheme Booklet.

(b) Option Scheme Consideration

Under the Option Scheme, Scheme Optionholders will receive the Option Scheme Consideration (in cash) calculated based on the following table:

Option tranche	Exercise price of the Tesseract Options in the relevant tranche (A\$)	Number of Tesseract Options in the relevant tranche as at the Last Practicable Date	Option Scheme Consideration per Tesseract Option in the relevant tranche (A\$)
EO1 – ESOP OPT: Options	\$0.2800	12,761,996	\$0.0018
EO2 – ESOP OPT: Options	\$0.3500	12,261,996	\$0.0006
EO3 – ESOP OPT: Options	\$0.2800	6,400,000	\$0.0176
EO8 – ESOP OPT: Options	\$0.1500	46,150,000	\$0.0541
OPW – U/L OPT: Warrant	\$0.1200	18,083,334	\$0.0443
WR2 – WARRANTS: Warrant	\$0.2396 ¹⁴	44,444,445	\$0.0257

The above Option Scheme Consideration has been calculated by reference to the Black-Scholes option valuation model which takes account of factors such as the exercise price, the current level and volatility of the underlying share price and the time to maturity of the

¹⁴ The initial exercise price for this tranche of warrants was \$0.45 and was adjusted to \$0.2396 in accordance with the adjustment mechanism in the relevant underlying warrant deeds with effect from 29 December 2021. The Scheme Implementation Deed was amended to reflect the corresponding change to the Option Scheme Consideration payable for this tranche of warrants from \$0.0101 to \$0.0257.

option/warrant. The Black-Scholes option valuation model recognises that the value of an option/warrant may vary up to its expiry date based on movements in the future price of the underlying share and seeks to assign a theoretical value for the option/warrant based on a number of inputs (including the current price of the underlying share and length of time until the option/warrant expires) and assumptions (including the estimated volatility of the future price of the underlying share during that time). See paragraph 242 of the Independent Expert's Report for an evaluation and the Independent Expert's calculation of the Option Scheme Consideration.

(c) Legal effect

If the Option Scheme becomes Effective, it will constitute a binding arrangement between Tesserent and each Scheme Optionholder under which:

- all Scheme Options held by each Scheme Optionholder (including those who were not present at the Option Scheme Meeting, those who did not vote on the Option Scheme and those who voted against the Option Scheme) will be cancelled and extinguished on the implementation date of the Share Scheme, without the need for any action on the part of the Scheme Optionholders; and
- each Scheme Optionholder (including those who were not present at the Option Scheme Meeting, those who did not vote on the Option Scheme and those who voted against the Option Scheme) will receive the Option Scheme Consideration, subject to any security interest which attaches to the Option Scheme Consideration in accordance with section 32(1) of the *Personal Property Securities Act 2009* (Cth), as consideration in full for the cancellation and extinguishment of their Scheme Options.

At the First Court Hearing on 14 August 2023, the Court ordered Tesserent to convene a meeting of Tesserent Optionholders to consider and vote on the Option Scheme.

The resolution to be considered at the Option Scheme Meeting is contained in the Notice of Option Scheme Meeting in Appendix 7 to this Scheme Booklet.

(d) Eligibility to vote at the Option Scheme Meeting

Each person who is registered on the Option Register as a Tesserent Optionholder as at the Voting Entitlement Time (7.00pm on Saturday, 16 September 2023), is entitled to attend and vote at the Option Scheme Meeting either in person, by proxy or attorney or, in the case of a Tesserent Optionholder who is a corporation, by a corporate representative.

Section 4 provides full details of how to vote at the Option Scheme Meeting. The Proxy Form for the Option Scheme Meeting accompanies this Scheme Booklet.

(e) Voting majority required

The Option Scheme will only become Effective and be implemented if it is:

- approved by the requisite majorities of Tesserent Optionholders at the Option Scheme Meeting; and
- approved by the Court at the Second Court Hearing.

Approval of the Option Scheme by Tesserent Optionholders requires the resolution at the Option Scheme Meeting to be passed by:

- a majority in number (more than 50%) of Tesserent Optionholders present and voting at the Option Scheme Meeting (in person or by proxy, attorney, or in the case of a Tesserent Optionholder who is a corporation, by corporate representative); and

- at least 75% of the total amount of debts and claims of all Tesseract Optionholders present and voting at the Option Scheme Meeting (in person or by proxy, attorney, or in the case of a Tesseract Optionholder who is a corporation, by corporate representative). For this purpose, the amount (or value) of each Tesseract Optionholder's debt and claim will be the same as the Option Scheme Consideration payable for cancellation of the Tesseract Options held by that Tesseract Optionholder under the Option Scheme (expressed in cents).

(f) Your warranties under the Option Scheme

The Option Scheme provides that Tesseract Optionholders who hold Tesseract Options as at the Scheme Record Date (currently proposed to be Wednesday, 27 September 2023) are taken to have warranted to Tesseract that:

- all their Tesseract Options (including any rights and entitlements attaching to those shares) transferred to Thales Australia under the Share Scheme will, at the time of cancellation, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any security interests within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions of transfer of any kind and that they have full power and capacity to agree to the cancellation of their Tesseract Options (together with any rights attaching to those options) under the Option Scheme; and
- they have no existing right to be issued any Tesseract Options, Tesseract performance rights, Tesseract convertible notes or any other Tesseract securities.

You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.

(g) Option Scheme Deed Poll

Thales Australia has executed the Option Scheme Deed Poll in favour of the Scheme Optionholders in which it covenants in favour of Scheme Optionholders to perform the actions attributed to it under the Option Scheme and to provide the Option Scheme Consideration in accordance with the Option Scheme. A copy of the Option Scheme Deed Poll is set out in Appendix 4 to this Scheme Booklet.

(h) Compulsory acquisition of Tesseract Options

If the Share Scheme is not approved, regardless of whether the Option Scheme is approved, the Transaction will not proceed and Tesseract will continue to operate as a stand-alone entity, listed on ASX.

However, if the Share Scheme is approved but the Option Scheme is not approved, the Share Scheme will proceed and Thales Australia will acquire all the Scheme Shares, but Tesseract Optionholders will continue to hold their Tesseract Options. In those circumstances, Tesseract would be de-listed from ASX, meaning there is unlikely to be an active market for any Tesseract Shares issued to Tesseract Optionholders on any exercise of their Tesseract Options.

Thales Australia is likely to seek to compulsorily acquire the Tesseract Options as well as any Tesseract Shares issued to Tesseract Optionholders following the exercise of Tesseract Options using the powers under Part 6A.2 of the Corporations Act (which can only be for a cash sum), but Thales Australia reserves the right to change its intention having regard to the prevailing circumstances.

Under Part 6A.2 of the Corporations Act, a person may compulsorily acquire all the shares and securities convertible into shares in a company where the person's voting power in the company is at least 90% and the person holds, either alone or with a related body corporate, full beneficial interests in at least 90% by value of all the securities of the company that are either shares or convertible into shares. Thales Australia will be in this position immediately after the implementation of the Share Scheme and the cancellation of the Option Cancellation Deed Options. It will then have 6 months after the Implementation Date to proceed with compulsory acquisition.

The consideration paid under compulsory acquisition must represent fair value as assessed by an independent expert nominated by ASIC and it is possible that the consideration paid under compulsory acquisition may be higher than, equal to or lower than the Option Scheme Consideration.

If Thales Australia seeks to compulsorily exercise its compulsory acquisition rights, the Corporations Act sets out procedures and safeguards for Tesserent Optionholders. If people who hold at least 10% of the Tesserent Options and/or Tesserent Shares validly object to the compulsory acquisition, Thales Australia will need to apply to the Court for approval of the compulsory acquisition, and such approval may only be granted by the Court where Thales Australia establishes that the Tesserent Optionholders will receive fair value for their Tesserent Options and/or Tesserent Shares. In accordance with the Corporations Act, Thales Australia is required to bear the legal costs of any proper and reasonable objection made by a Tesserent Optionholder.

(i) Exercise of Tesserent Options

Tesserent Optionholders whose Tesserent Options have vested may elect to:

- participate in the Share Scheme in lieu of receiving the consideration under the Option Scheme set out above by exercising their Tesserent Options; or
- exercise their Tesserent Options then sell the Tesserent Shares that will be issued to them on ASX on or before the Effective Date of the Share Scheme (currently scheduled to be Monday, 25 September 2023).

To exercise vested Tesserent Options in time to participate in the Share Scheme, a valid exercise notice in respect of the Tesserent Options that a Tesserent Optionholder wishes to exercise its Tesserent Options and payment of the relevant exercise price in cleared funds must be received by Tesserent at its registered office in Australia before 5.00pm on the Business Day immediately before the Option Scheme Record Date (currently scheduled to be Wednesday, 27 September 2023). Tesserent Options cannot be exercised after this time and if the Option Scheme proceeds to be implemented, all Tesserent Options will be cancelled on the Implementation Date for the Share Scheme.

In deciding what action to take, Tesserent Optionholders should consider the following matters in relation to their vested Tesserent Options:

- the value of exercising their Tesserent Options compared with the value of the consideration under the Option Scheme set out above. In determining the value of exercising a Tesserent Option, Tesserent Optionholders should compare the exercise price of that Tesserent Option with:
 - the prevailing Tesserent Share price; and
 - the value of the Share Scheme Consideration;

- the tax consequences of exercising their Tesserent Options and receiving the Share Scheme Consideration under the Share Scheme compared with the tax consequences of receiving the consideration under the Option Scheme as set out above. As these tax consequences may vary depending on individual circumstances, Tesserent Optionholders should consider their own tax position and the tax implications of the Share Scheme; and
- whether the Schemes have become Effective.

9.4 Conditions to the Schemes

Implementation of the Schemes is subject to the Conditions outlined in Section 2.5. The Schemes will not proceed unless all of the Conditions to the Schemes are satisfied or waived (as applicable) in accordance with the Scheme Implementation Deed.

9.5 Termination rights

Tesserent and Thales Australia are entitled to terminate the Scheme Implementation Deed in certain circumstances, as summarised below (and set out in full in clause 14 of the Scheme Implementation Deed):

(a) Termination by either Tesserent or Thales Australia

Either Tesserent or Thales Australia may terminate the Scheme Implementation Deed (by giving written notice to the other party):

- other than in respect of a breach of either a Tesserent representation and warranty or a Thales Australia representation and warranty, at any time before 8.00am on the Second Court Date, if the other party has materially breached the Scheme Implementation Deed and such breach is not remedied within five Business Days (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date) after the date on which the notice is given;
- if the Court or another Government Agency (including any other court) has taken any action permanently restraining or otherwise prohibiting or preventing the Transaction, or has refused to do anything necessary to permit the Transaction to be implemented by the End Date, and the action or refusal has become final and cannot be appealed or reviewed;
- in the circumstances set out in, and in accordance with, clause 3.4 of the Scheme Implementation Deed (i.e. the non-satisfaction or failure of Conditions); or
- if the Effective Date for the Schemes have not occurred on or before the End Date other than as a result of any breach of this deed by the party purporting to terminate.

(b) Termination by Thales Australia

Thales Australia may, by giving written notice to Tesserent, terminate the Scheme Implementation Deed at any time before 8:00am on the Second Court Date, if:

- any Tesserent Board Member:
 - fails to recommend the Share Scheme;
 - withdraws, adversely changes, adversely modifies or adversely qualifies their support of the Share Scheme or their recommendation that Tesserent Shareholders vote in favour of the Share Scheme; or
 - makes a public statement indicating that he or she no longer recommends the Transaction or recommends, supports or endorses another transaction (including any Competing Proposal, but excluding a statement that no action should be taken by Tesserent Shareholders pending assessment of a Competing Proposal by the Tesserent Board or the completion of the matching right process set out in clause 11.5 of the Scheme Implementation Deed),

other than where:

- any Tesserent Board Member is subject to an Abstain Requirement and merely complies with the Abstain Requirement; or
- the Independent Expert provides a report to Tesserent (including either the Independent Expert's Report or any update of, or any revision, amendment or supplement to, that Report) that concludes that the Share Scheme is not in the best interest of Tesserent Shareholders;
- the Tesserent Board or a majority of the Tesserent Board has changed, withdrawn, modified or qualified its recommendation as permitted under the Scheme Implementation Deed and Tesserent pays the Tesserent Reimbursement Fee to Thales Australia;
- if there is a material breach of a Tesserent representation and warranty and such breach is not remedied within 10 Business Days (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date) after the date on which the notice is given under clause 14.2(a)(1) of the Scheme Implementation Deed and the relevant breach is material in the context of the Share Scheme taken as a whole; or
- in any circumstances if Tesserent enters into any legally binding agreement, arrangement or understanding, excluding a confidentiality or non-disclosure agreement or deed where the entry into such agreement or deed relates to any engagement or action permitted by clause 11.3 of the Scheme Implementation Deed, in relation to the undertaking or giving effect to any actual, proposed or potential Competing Proposal.

(c) Termination by Tesserent

Tesserent may, at any time before 8.00am on the Second Court Date, terminate this deed for breach of a Thales Australia representation and warranty only if:

- Tesserent has given written notice to Thales Australia setting out the relevant circumstances and the relevant breach is not remedied within 10 Business Days (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date) after the date on which the notice is given; and
- the loss that would reasonably be expected to follow from such a breach would be material or the breach would reasonably be expected to lead to Thales Australia not being able to provide the Share Scheme Consideration.

9.6 Status of Conditions and termination rights

As at the date of this Scheme Booklet, your Directors are not aware of any circumstances which would cause any Conditions not to be satisfied or any termination right to be enlivened.

10. Implementation

10.1 Introduction

(a) Share Scheme

If:

- the Share Scheme Resolution is passed by Tesserent Shareholders at the Share Scheme Meeting; and
- all other Scheme Conditions for the Share Scheme as described in Section 2.5(a) (other than Court approval of the Share Scheme) have been satisfied or waived (as applicable),

the further general steps required to implement the Share Scheme are as described in the remainder of this Section.

The description of these general steps is based on the obligations that Tesserent and Thales Australia have under the Scheme Implementation Deed (in relation to the Share Scheme).

Thales Australia has executed a Share Scheme Deed Poll in favour of the Scheme Shareholders in which it covenants in favour of Scheme Shareholders to perform the actions attributed to it under the Share Scheme and to provide the Share Scheme Consideration and in accordance with the Share Scheme. A copy of the Share Scheme Deed Poll is set out in Appendix 2 to this Scheme Booklet.

(b) Option Scheme

If:

- the Option Scheme Resolution is passed by Tesserent Optionholders at the Option Scheme Meeting; and
- all other Scheme Conditions for the Option Scheme as described in Section 2.5(a) (other than Court approval of the Option Scheme and the Share Scheme) have been satisfied or waived (as applicable),

the further general steps required to implement the Option Scheme are as described in the remainder of this Section.

The description of these general steps is based on the obligations that Tesserent and Thales Australia have under the Scheme Implementation Deed (in relation to the Option Scheme).

Thales Australia has executed an Option Scheme Deed Poll in favour of the Scheme Optionholders in which it covenants in favour of Scheme Optionholders to perform the actions attributed to it under the Option Scheme and to provide the Option Scheme Consideration and in accordance with the Option Scheme. A copy of the Option Scheme Deed Poll is set out in Appendix 4 to this Scheme Booklet.

10.2 Apply to Court for approval of the Schemes

At the Second Court Hearing, Tesserent will apply to the Court for orders approving the Schemes. It is proposed that the Second Court Date will be on Friday, 22 September 2023. Any change to this date will be announced through ASX and will be available on ASX's website, www.asx.com.au.

The Court has a wide, overriding discretion whether or not to approve the Schemes under section 411(4)(b) of the Corporations Act. If the Schemes are approved by the requisite majorities of Tesserent Securityholders at the Scheme Meetings, but is not subsequently approved by the Court, the Schemes will not proceed to be implemented.

10.3 Opposing the Schemes

The Second Court Date to approve the Schemes are currently scheduled to Friday, 22 September 2023.

The hearing will be at 10.15am (Sydney time) in the Federal Court of Australia (NSW registry). Further details on how to attend the Second Court Hearing will be released on ASX if the Schemes are approved by the relevant Tesseract Securityholders at the Scheme Meetings or the Share Scheme is approved by the relevant Tesseract Shareholders at the Share Scheme Meeting.

If you wish to oppose approval of either or both the Schemes by the Court at the Second Court Hearing you must file with the Court, and serve on Tesseract, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Tesseract at its address for service at least one day before the Second Court Date.

The address for service is: c/o MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000, Attention: Anthony Sommer (02) 9921 4182. The notice of appearance and affidavit must also be sent by email to anthony.sommer@minterellison.com.

10.4 Receipt of Court orders

If the Court approves the Schemes:

- Tesseract will make an announcement to ASX notifying the market of receipt of Court approval, with that announcement proposed to be made on the day on which the Court approves the Schemes;
- that announcement will specify the Share Scheme Record Date and the Option Scheme Record Date; and
- as soon as possible and in any event by 5.00pm on the first Business Day after the day on which the Court approves the Schemes, Tesseract will lodge an office copy of the Court's orders with ASIC under section 411(10) of the Corporations Act. On that date (currently proposed to be Monday, 25 September 2023, the Schemes will become Effective.

If the Schemes becomes Effective, Tesseract will become bound to implement the Schemes in accordance with the terms of the Scheme Implementation Deed, the Schemes and the Deeds Poll.

Only those persons who are registered as the holders of Tesseract Shares on the Share Scheme Record Date will be Scheme Shareholders, being the only persons who will be bound by, and have the benefit, of the Schemes.

Only those persons who are registered as Optionholders on the Option Scheme Record Date will be the Optionholders, being the only persons who will be bound by, and have the benefit, of the Schemes.

Section 10.5 describes the principles in the Schemes for determining the identity of Scheme Shareholders.

If a Scheme does not become Effective before the End Date, the relevant Scheme will lapse.

10.5 Determination of Scheme Shareholders and Scheme Optionholders

(a) Share Scheme

To establish the identity of the Scheme Shareholders under the Share Scheme, dealings in Tesserent Shares or other alterations to the Share Register will only be recognised if:

- in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Share Register as the holder of the relevant Tesserent Shares on or before the Share Scheme Record Date; and
- in all other cases, registrable transmission applications or transfers are received on or before the Share Scheme Record Date occurs at the place where the Share Register is kept.

Tesserent will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Tesserent Shares received after the Share Scheme Record Date occurs (or if received prior to that time but not in registrable or actionable form, as appropriate), other than to Thales Australia and any subsequent transfer by its successors in title under the Share Scheme.

Under the terms of the Share Scheme, from the Share Scheme Record Date until registration of Thales Australia as the holder of the Tesserent Shares:

- Tesserent Shareholders may not dispose of, or otherwise deal with, any Scheme Shares or any interest in them after the Share Scheme Record Date; and
- any disposals or dealings in Scheme Shares after the Share Scheme Record Date will not be recognised by the Tesserent Registry.

For the purposes of determining entitlements to the Share Scheme Consideration under the Share Scheme, Tesserent must maintain the Share Register in accordance with the provisions set out above until the Share Scheme Consideration has been delivered to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Share Scheme Consideration.

All statements of holding for Scheme Shares will cease to have effect from the Scheme Record Date as documents of title in respect of those shares. As from the Share Scheme Record Date, each entry current at that date on the Share Register will cease to have effect except as evidence of entitlement to the Share Scheme Consideration in respect of the Tesserent Shares relating to that entry.

As soon as practicable after the Share Scheme Record Date and in any event within one Business Day after the Share Scheme Record Date, Tesserent will ensure that details of the names, Registered Addresses and holdings of Tesserent Shares for each Scheme Shareholder are available to Thales Australia in the form they reasonably require.

(b) Option Scheme

To establish the identity of the Scheme Optionholders under the Option Scheme, dealings in Tesserent Options or other alterations to the Option Register will only be recognised if registrable transmission applications or transfers are received on or before the Option Scheme Record Date occurs at the place where the Option Register is kept.

Tesserent will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Tesserent Options received after the Option Scheme Record Date occurs (or if received prior to that time but not in registrable or actionable form, as appropriate).

Under the terms of the Option Scheme, from the Option Scheme Record Date:

- Tesserent Optionholders may not dispose of, or otherwise deal with, any Scheme Options or any interest in them after the Option Scheme Record Date; and
- any disposals or dealings in Scheme Options after the Option Scheme Record Date will not be recognised by the Tesserent Registry.

For the purposes of determining entitlements to the Option Scheme Consideration under the Option Scheme, Tesserent must maintain the Option Register in accordance with the provisions set out above until the Option Scheme Consideration has been delivered to the Scheme Optionholders. The Option Register in this form will solely determine entitlements to the Option Scheme Consideration.

All statements of holding for Scheme Options will cease to have effect from the Option Scheme Record Date as documents of title in respect of those Options. As from the Option Scheme Record Date, each entry current at that date on the Option Register will cease to have effect except as evidence of entitlement to the Option Scheme Consideration in respect of the Tesserent Options relating to that entry.

As soon as practicable after the Option Scheme Record Date and in any event within one Business Day after the Option Scheme Record Date, Tesserent will ensure that details of the names, Registered Addresses and holdings of Tesserent Options for each Scheme Optionholder are available to Thales Australia in the form they reasonably require.

10.6 Implementation of the Schemes

(a) Suspension of trading of Tesserent Shares

It is expected that suspension of trading on ASX in Tesserent Shares will occur from close of trading on the Effective Date. On the current timetable, the Effective Date is proposed to be Monday, 25 September 2023.

(b) Scheme Record Date

Tesserent Securityholders will be entitled to receive the Share Scheme Consideration or the Option Scheme Consideration, if they are registered as the holders of Tesserent Securities on the Share Scheme Record Date or the Option Scheme Record Date, which is the same for both Schemes, with that date currently proposed to be Wednesday, 27 September 2023.

In this Scheme Booklet:

- Tesserent Shareholders, and the Tesserent Shares that they hold, on the Share Scheme Record Date (if the Share Scheme becomes Effective) are referred to as 'Scheme Shareholders' and 'Scheme Shares', respectively; and
- Tesserent Optionholders, and the Tesserent Options that they hold, on the Option Scheme Record Date (if the Option Scheme becomes Effective) are referred to as 'Scheme Optionholders' and 'Scheme Options', respectively.

(c) Transfer and registration of Scheme Shares

Under the Share Scheme, each Scheme Shareholder, without the need for any further act, irrevocably appoints Tesserent and each of its directors, officers and secretaries, jointly and severally, as that Scheme Shareholder's attorney and agent for the purpose of executing any document necessary to give effect to the Share Scheme, including (without limitation) a master transfer of all or part of the Scheme Shares.

On the Implementation Date, the Scheme Shares held by the Scheme Shareholders, together with all rights and entitlements attaching to those securities as at the Implementation Date, will

be transferred to Thales Australia without the need for any further act by any Scheme Shareholder, by Tesserent executing and delivering a valid transfer or transfers of the Scheme Shares to Thales Australia under the Corporations Act.

(d) Cancellation and extinguishment of Scheme Options

Under the Option Scheme, each Scheme Optionholder, without the need for any further act, irrevocably appoints Tesserent and each of its directors, officers and secretaries, jointly and severally, as that Scheme Optionholder's attorney and agent for the purpose of executing any document necessary to give effect to the Option Scheme, including (without limitation) the cancellation and extinguishment of the Scheme Options and all rights and entitlements under the terms of the Scheme Options.

In addition, each Scheme Optionholder:

- releases Tesserent from all obligations in relation to those Scheme Options including under the terms of the Scheme Options (including any obligation to issue Tesserent Shares in connection with such Scheme Options);
- releases and waives any and all rights they may have had (including to be issued Tesserent Shares) in relation to those Scheme Options including under the terms of the Scheme Options or in connection with any failure to comply with the terms of the Scheme Options; and
- agrees that the terms of the Option Scheme prevail over the terms of the Scheme Options to the extent of any inconsistency and any provision in the terms of the Scheme Options which restrict or prohibit the Option Scheme or any provision contained in the Option Scheme is to be disregarded, other than where expressly stated otherwise in the Option Scheme.

On the Implementation Date, the Scheme Options held by the Scheme Optionholders, together with all rights and entitlements attaching to those securities as at the Implementation Date, will be cancelled and extinguished without the need for any further act by any Scheme Optionholders.

(e) Provision of Scheme Consideration

On the Implementation Date, Tesserent will, subject to Thales Australia transferring the Scheme Consideration into the Trust Account, either:

- send (or procure the Tesserent Registry to send) the relevant Scheme Consideration due to each Scheme Securityholder to their Registered Address by cheque in Australian currency drawn out of the Trust Account; or
- deposit (or procure the Tesserent Registry to deposit) the relevant Scheme Consideration due to each Scheme Securityholder by electronic fund transfer to a bank account nominated by the Scheme Securityholder by an appropriate authority to Tesserent (or the Tesserent Registry).

In the case of Scheme Shares and Scheme Options, any Scheme Consideration payable in respect of those Scheme Shares or Scheme Options payable to the joint holders and any cheque required to be sent under the Schemes will be made payable to the joint holders and sent, at the sole discretion of Tesserent, to either the holder whose name appears first in the Securities Register as at the Scheme Record Date or to the joint holders.

Where the calculation of the Scheme Consideration would result in a Scheme Shareholder or Scheme Optionholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded up or down to the nearest whole cent and, fractional entitlements of 0.5 of a cent will be rounded down to the nearest whole cent.

Foreign Tesserent Securityholders should note that foreign banks may not accept cheques in Australian currency. Accordingly, it is recommended that you register your bank account details with the Tesserent Registry (by the Share Scheme Record Date and Option Scheme Record Date) to ensure that you will have your Scheme Consideration credited directly to your bank account. To update your banking instructions, you can do so by visiting the Computershare Easy Update portal.

(f) Delisting of Tesserent

At a time determined by Thales Australia following the implementation of the Share Scheme, Thales Australia will cause Tesserent to apply for the termination of the official quotation of Tesserent Shares on ASX and to have itself removed from the official list of ASX. It is expected that this will occur shortly after the Implementation Date.

11. Additional Information

11.1 Introduction

This Section sets out the statutory information required by section 412(1)(a) of the Corporations Act and Part 3 of Schedule 8 to the Corporations Regulations to be included in this Scheme Booklet, but only to the extent that this information is not otherwise disclosed in other Sections. This Section also includes additional information that your Directors consider material to a decision on how to vote on the resolution for the Schemes to be considered at the Scheme Meetings.

In this Section, the terms 'associate', 'marketable securities', 'related body corporate' and 'subsidiary' have the meanings given to them in the Corporations Act. The term 'executive officer' is used to mean 'senior manager' as defined in the Corporations Act, including the company secretary.

11.2 Directors' interests and dealings in Tesserent securities

The table below sets out the Tesserent securities held as at the date of this Scheme Booklet by or on behalf of the Directors.

Name	Position	Tesserent securities held by or on behalf of the Director	Percentage shareholding (total shares 1,354,182,116)
Geoffrey Lord	Executive Chairman	108,241,456 Shares 10,000,000 Option Cancellation Deed Options	7.99%
Kurt Hansen	Managing Director	10,898,000 Shares 20,000,000 Option Cancellation Deed Options	0.80%
Greg Baxter	Non-Executive Director	5,620,327 Shares 5,000,000 Option Cancellation Deed Options	0.42%
Megan Haas	Non-Executive Director	281,636 Shares 5,000,000 Option Cancellation Deed Options	0.02%
Anthony John William Sheehan	Non-Executive Director	Nil	Nil

11.3 Directors' interest and dealings in Thales Australia

No shares of Thales Australia are currently held by or on behalf of any Tesserent Director.

11.4 Directors' interests in any contracts with Thales Australia

No Tesserent Director has any interest in any contract with Thales Australia other than the Option Cancellation Deeds as described in Section 11.9.

11.5 Retirement benefits

(a) Directors

No payment or other benefit is proposed to be made or given in connection with the Share Scheme to any Director of Tesserent as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office in Tesserent or in any related body corporate of Tesserent.

Kurt Hansen, Managing Director of Tesserent is entitled to a one-off cash retention payment of \$145,151 subject to Mr Hansen remaining with Tesserent until 1 February 2024. If Mr Hansen resigns or is terminated for misconduct prior to 1 February 2024, no retention payment is payable. The retention payment is not contingent on the Share Scheme proceeding. However, if the Share Scheme does not proceed, the payment of the retention payment will be subject to the ultimate discretion of the Tesserent Board. The Board and Mr Hansen respectively consider that, despite the existence and terms of this retention arrangement, it is appropriate for him to make a voting recommendation on the Schemes. In particular, the Board and Mr Hansen respectively consider that, given Mr Hansen's intimate knowledge of Tesserent's business, including its opportunities and risks and the broader industry outlook, Tesserent Shareholders would wish to know Mr Hansen's views on the Schemes.

(b) Other employees

No payment or other benefit is proposed to be made or given in connection with the Share Scheme to any employee of Tesserent as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office in Tesserent or in any related body corporate of Tesserent.

In recognition of the significant roles played by a number of Tesserent executives in connection with the ongoing operations of Tesserent's business, those executives would also be entitled to a one-off cash retention payment subject to those employees remaining with Tesserent until 1 February 2024. If those employees resign or are terminated for misconduct prior to 1 February 2024, no retention payment is payable. These retention payments are not contingent on the Share Scheme proceeding. However, if the Share Scheme does not proceed the payment of the retention payment will be subject to the ultimate discretion of the Tesserent Board. The maximum aggregate of the cash retention payments payable to those executives (excluding the payment to the Managing Director) is \$819,574.

11.6 Directors' intentions regarding the business, assets and employees of Tesserent

If the Share Scheme is approved and implemented, the existing Tesserent Board will be reconstituted.

Accordingly, it is not possible for your current Directors to provide a statement of the intentions of the directors of the reconstituted Tesserent Board regarding:

- the continuation of the business of Tesserent or how Tesserent's existing businesses will be conducted after the Share Scheme is implemented;
- any major changes to be made to the business of Tesserent; or
- the future employment of the present employees of Tesserent,

in each case, after the Share Scheme is implemented.

If the Share Scheme is approved and implemented, Thales Australia will ultimately control Tesserent. For more information regarding Tesserent's intentions if the Share Scheme is implemented, please see Section 6.

11.7 Directors' interests in agreements connected with or conditional on the Schemes

With the exception of the Option Cancellation Deeds described in Section 11.9, no Tesserent Director or any of their associates has entered into, or otherwise has any interest in, any contract that is conditional on the Share Scheme.

11.8 Summary of Scheme Implementation Deed

Overview	<p>On 11 June 2023, Tesserent and Thales Australia entered into the Scheme Implementation Deed. The Scheme Implementation Deed provides a contractual framework for proposing and implementing the Schemes.</p> <p>A summary of the key elements of the Scheme Implementation Deed is set out below. This summary does not cover procedural obligations of the parties with respect to the Schemes.</p>
Conditions	The Scheme Implementation Deed contains Conditions for the Schemes. The Conditions are summarised in Section 2.5(a) and are set out in full in clause 3 of the Scheme Implementation Deed.
Exclusivity	The Scheme Implementation Deed contains certain exclusivity arrangements in favour of Thales Australia. These arrangements are consistent with Australian market practice. They are summarised in Section 2.5(d) and are set out in full in clause 11 of the Implementation Deed.
Reimbursement fees	Under the Scheme Implementation Deed, the parties have agreed to certain reimbursement fee arrangements. These arrangements are consistent with Australian market practice. They are summarised in Section 1.9 and are set out in full in clauses 12 and 13 of the Scheme Implementation Deed.
Representations and warranties	Under the Scheme Implementation Deed, each of Tesserent and Thales Australia has given representations and warranties to the other party which are customary for an agreement of this kind. These representations and warranties are set out in Schedule 2 to the Scheme Implementation Deed (in the case of Thales Australia) and in Schedule 3 to the Scheme Implementation Deed in the case of Tesserent).
Termination rights	The right of each of Tesserent and Thales Australia to terminate the Scheme Implementation Deed is summarised in Section 9.5 and is set out in full in clause 14 of the Scheme Implementation Deed.
Other	The Scheme Implementation Deed contains a number of procedural related obligations and other market standard provisions including conduct of business restrictions that apply to Tesserent between the date of signing and the Implementation Date (or the date the Scheme Implementation Deed is validly terminated), access and information

rights for Thales Australia during this period, a process for Tesserent and Thales Australia engaging with counterparties to contracts entered into by Tesserent, mutual releases and director and officer insurance arrangements.

A copy of the Scheme Implementation Deed (redacted to exclude certain personal information as well as the timetable and the form of the Schemes) is available from the announcements page on ASX's website using the code 'TNT'.

11.9 Summary of Option Cancellation Deeds

Each Tesserent Director who holds Option Cancellation Deed Options (as well as Tesserent's Chief Financial Officer, Mr James Jones), has entered into an option cancellation deed under which, subject to the Share Scheme becoming legally effective, each of their options will be cancelled on the implementation date of the Share Scheme for a cash consideration calculated under the same agreed valuation methodology as the Option Scheme. The Option Cancellation Deeds are not conditional on the Option Scheme proceeding to be implemented. The effect of the Option Cancellation Deeds is that if the Share Scheme proceeds, but the Option Scheme does not proceed, Thales Australia will hold, either alone or with a related body corporate, full beneficial interest in at least 90% by value of all the securities of Tesserent that are either shares or convertible into shares so that Thales Australia may proceed under Part 6A.2 of the Corporations Act to compulsorily acquire any Tesserent Options or Tesserent Shares that are held by Tesserent Optionholders after exercising their Tesserent Options.

Under the Option Cancellation Deeds, the consideration payable to each Tesserent Director who holds Option Cancellation Deed Options will be as set out below:

Name	Option Cancellation Deed Options	Consideration payable
Geoffrey Lord	6,000,000 Option Cancellation Deed Options	\$172,538.57
	4,000,000 Option Cancellation Deed Options	\$225,173.67
Kurt Hansen	20,000,000 Option Cancellation Deed Options	\$1,125,868.35
Greg Baxter	3,000,000 Option Cancellation Deed Options	\$86,269.29
	2,000,000 Option Cancellation Deed Options	\$112,586.84
Megan Haas	3,000,000 Option Cancellation Deed Options	\$125,423.79
	2,000,000 Option Cancellation Deed Options	\$112,586.84
Tony Sheehan	Nil	Nil

11.10 Potential effect of the Schemes on Tesserent's material contracts

If the Share Scheme is implemented, a change of control of Tesserent will occur. It is possible that material contracts to which Tesserent is a party may be subject to pre-emptive rights, review or termination on a change of control due to the implementation of the Share Scheme. As at the Last Practicable Date, Tesserent is not aware of any counterparty that may wish to review or terminate a material contract or that has indicated an intention to do so if the Share Scheme are implemented. If any such contracts are terminated following the Implementation of the Share Scheme, Tesserent would lose the benefit of the contract and may be unable to obtain similar terms on entry into replacement contracts (if such replacement contracts are available).

11.11 Disclosure of fees and other benefits

No person has paid or agreed to pay any amount, or provided or agreed to provide any benefit to a director or proposed director of Tesserent:

- to induce them to become or to qualify as a director of Tesserent; or
- for services provided by that person in connection with the formation or promotion of Tesserent.

Each of the persons named in this Section as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet will be entitled to receive professional fees charged in accordance with their normal basis of charging.

If the Schemes are implemented, Tesserent expects to pay an aggregate of approximately \$2.3m (excluding GST) in transaction costs. These consist of fees and expenses for professional services paid or payable to:

- MinterEllison for acting as legal adviser to Tesserent;
- Deloitte Corporate Finance Pty Limited for acting as financial advisers to Tesserent;
- Lonergan Edwards & Associates Limited for acting as the Independent Expert; and
- other adviser fees and transactional costs including general administrative fees, Scheme Booklet printing and distribution costs, expenses associated with convening and holding the Scheme Meetings, and Tesserent Registry and other expenses.

None of these transaction costs include amounts to be paid to any director, officer or employee of Tesserent.

If the Schemes are not implemented, Tesserent expects to pay an aggregate of approximately \$1.05m (excluding GST) in transaction costs, being costs that have already been incurred as at the date of this Scheme Booklet or will be incurred even if the Schemes are not implemented.

11.12 Regulatory relief

ASX Waiver

ASX Listing Rule 6.23.2 provides that the cancellation of options for consideration requires the approval of shareholders. Tesserent has been granted a waiver of ASX Listing Rule 6.23.2 to permit the Tesserent Options and the Option Cancellation Options to be cancelled without requiring the approval of Tesserent Shareholders, subject to the Share Scheme being approved by the requisite majorities of Tesserent Shareholders and the Court.

The waiver application was made on the basis that Tesserent Shareholders are provided with information of the proposed treatment of Tesserent Options and the Option Cancellation

Options in this Scheme Booklet and therefore able to consider this information when determining whether to vote in favour of the Schemes.

ASIC relief

Clauses 8201(a), (b), (c), (d) and (e) and 8203(a) and (b) of Part 2 of Schedule 8 to the Corporations Regulations set out various content requirements in connection with the Option Scheme, including the requirement to name all of the Tesseract Optionholders and the amounts owing to them.

ASIC has granted relief to Tesseract from compliance with these requirements.

Clause 8302(h) of Part 3 of Schedule 8 to the Corporations Regulations requires the Scheme Booklet to set out whether, within the knowledge of the Tesseract Directors, the financial position of Tesseract has materially changed since the date of the last balance sheet laid before a Tesseract annual general meeting or sent to Tesseract Shareholders in accordance with section 314 or 317 of the Corporations Act, and if so, full particulars of any change.

ASIC has granted Tesseract relief from this requirement on the condition that Tesseract:

- sets out in this Scheme Booklet whether, within the knowledge of the directors of Tesseract, the financial position of Tesseract has materially changed since the financial report for financial half year ended 31 December 2022 – in this respect, please refer to the statement in Section 5.9;
- will provide, free of charge, copies of the documents referred to in the preceding bullet point to anyone who requests them prior to the Share Scheme being approved by the Court;
- has disclosed in this Scheme Booklet, and in announcements to the ASX, all material changes to Tesseract's financial position occurring after the balance date of Tesseract's financial report for the financial half year ended 31 December 2022; and
- discloses all material changes to Tesseract's financial position that occur after the date of this Scheme Booklet, but prior to the Share Scheme being approved by the Court, in announcements to ASX.

11.13 Consents and disclaimers

The following parties have given and have not, before the time of registration of this Scheme Booklet by ASIC, withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- MinterEllison as legal adviser to Tesseract;
- Deloitte Corporate Finance Pty Limited as financial adviser to Tesseract;
- Lonergan Edwards & Associates Limited as the Independent Expert; and
- Computershare as the Tesseract Registry.

Thales Australia has given, and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its consent, to the inclusion of Thales Australia Information in this Scheme Booklet.

Lonergan Edwards & Associates Limited has given, and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its consent, to the inclusion of statements attributed to it in the Chairman's Letter, Sections 2.3 of this Scheme Booklet in the form and context in which they are included and to the inclusion of the Independent Expert's Report set out in Appendix 1 to this Scheme Booklet.

Pure Asset Management Pty Ltd in its capacity as trustee for The Income and Growth Fund have given, and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its consent to the inclusion of the statement of intention as reflected in this Scheme Booklet that it is supportive of the Option Scheme and that it intends to vote the Tesserent Options it holds in favour of the Option Scheme, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Option Scheme is in the best interest of Tesserent Optionholders.

Each of the above persons:

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than a statement or report included in this Scheme Booklet with the consent of that party;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than as described in this Scheme Booklet with the consent of that party; and
- except for Thales Australia, does not assume any responsibility for the accuracy, relevance or completeness of Thales Australia Information. Thales Australia Information has been prepared by, and is the sole responsibility of, Thales Australia.

11.14 Independent advice

Tesserent Securityholders should consult their financial, legal or other professional adviser if they have any queries regarding:

- the Schemes;
- the taxation implications for them if the Schemes are implemented;
- the Directors' recommendations and intentions in relation to the Schemes, as set out in Section 2.3; or
- any other aspects of this Scheme Booklet.

11.15 Other material information

Except as set out in this Scheme Booklet, in the opinion of the Tesserent Board, there is no other information material to the making of a voting decision in relation to the Schemes being information that is within the knowledge of any Tesserent Director or of any related company of Tesserent, which has not been previously disclosed to Tesserent Securityholders.

Tesserent will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- a material statement in this Scheme Booklet that is false or misleading in a material respect;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter that has arisen and that would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Tesserent may circulate and publish any supplementary document by any one or more of the following methods:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to Tesserent Securityholders at their registered address as shown in the Securities Register; and/or
- posting a statement on Tesserent's corporate website,

as Tesserent in its absolute discretion considers appropriate, subject to any approval that may be required from the Court. In particular, where the matter is not materially adverse to Tesserent Securityholders such circulation and publication may be only by an announcement to ASX.

12. Glossary

The following terms used in this Scheme Booklet have the meanings given to them below, unless the context otherwise requires.

Note: a number of terms defined in this Section have the meaning given to them in the Scheme Implementation Deed (redacted to exclude certain personal information as well as the timetable and the form of the Schemes) which may be accessed electronically at

<https://investors.tesseract.com/site/content/default.aspx> or received in hard copy free of charge on request made any time before the Scheme Meetings by calling the Tesseract Securityholder Information Line on 1300 401 939 (within Australia) or +61 9415 4153 (outside Australia) Monday to Friday between 8.30am and 5.00pm (Melbourne time).

\$	Australian dollar.
Abstain Requirement	has the meaning given to that term in the Scheme Implementation Deed.
Affiliates	means, in respect of a person (Primary Person), a person: <ol style="list-style-type: none"> 1. Controlled directly or indirectly by the Primary Person; 2. Controlling directly or indirectly the Primary Person; 3. who is Controlled, directly or indirectly, by a person or persons who Control the Primary Person; or 4. directly or indirectly under the common Control of the Primary Person and another person or persons.
Appendix	an Appendix to this Scheme Booklet.
ASIC	the Australian Securities and Investments Commission.
ATO	the Australian Taxation Office.
Associate	has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this Scheme Booklet and Tesseract was the designated body.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market known as the Australian Securities Exchange that it operates.
ASX Listing Rules	the official listing rules of ASX from time to time as modified by any express written waiver or exemption given by ASX.
Business Day	a day on which banks are open for general banking business in Melbourne, Australia (not being a Saturday, Sunday or public holiday).
CGT	Capital Gains Tax.
CHESS	the Clearing House Electronic Subregister System, the system established and operated by ASX Settlement Pty Ltd ABN 49 008 504 532.

Competing Proposal	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed.
Conditions	the conditions set out in clause 3.1 of the Scheme Implementation Deed in respect of the Share Scheme and the conditions set out in clause 3.1 of the Option Scheme in respect of the Option Scheme, and Condition means any one of them.
Control	has the meaning given in section 50AA of the Corporations Act.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth).
Court	the Federal Court of Australia (New South Wales registry).
Effective	<ol style="list-style-type: none"> 1. when used in relation to the Share Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to the Share Scheme; and 2. when used in relation to the Option Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to the Option Scheme.
Effective Date	the date on which the relevant Scheme becomes Effective. The Effective Date is currently expected to be Monday, 25 September 2023.
End Date	the date being 31 December 2023, or such other later date as agreed in writing by the parties.
Exclusivity Period	<p>the period from and including the date of the Scheme Implementation Deed to the earliest of:</p> <ol style="list-style-type: none"> 1. the date of termination of the Scheme Implementation Deed; 2. the End Date; and 3. the Effective Date.
Financial Adviser	any financial adviser retained by either Tesserent or Thales Australia in relation to the Transaction or a Competing Proposal from time to time.
First Court Date	the Court hearing on 14 August 2023, at which the Court made orders under section 411(1) of the Corporations Act convening the Scheme Meetings.
French Business Day	a day that is not a Saturday, Sunday or a public holiday or a bank holiday in Paris, France.
Government Agency	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed.
GST	Goods and Services Tax.

Headcount Test	<ul style="list-style-type: none"> • in the context of the Share Scheme, the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Share Scheme at the Share Scheme Meeting is passed by a majority in number of Tesserent Shareholders present and voting, either in person or by proxy; and • in the context of the Option Scheme, the requirement under section 411(4)(a)(i) of the Corporations Act that the resolution to approve the Option Scheme at the Option Scheme Meeting is passed by a majority in number of Tesserent Optionholders present and voting, either in person or by proxy.
Implementation Date	the fifth Business Day after the Share Scheme Record Date, or such other date after the Share Scheme Record Date as the parties agree in writing. The Implementation Date is currently expected to be Wednesday, 4 October 2023.
Independent Expert	Lonergan Edwards & Associates Limited.
Independent Expert's Report	the report from the Independent Expert (a full copy of which is set out in Appendix 1 to this Scheme Booklet), and any update to such report that the Independent Expert issues.
ITAA 1997	<i>Income Tax Assessment Act 1997</i> (Cth).
Last Practicable Date	7 August 2023, being the last practicable day before finalising the information to which this definition relates.
Option Cancellation Deeds	the option cancellation deeds entered into between the relevant holders of Option Cancellation Deed Options, Tesserent and Thales Australia on 11 June 2023.
Option Cancellation Deed Options	the 53,000,000 options issued by Tesserent which are subject of the Option Cancellation Deeds.
Optionholder or Tesserent Optionholder	a person who holds Tesserent Options.
Option Register	the register of holders of Tesserent Options and Option Cancellation Deed Options maintained by Tesserent or the Tesserent Registry in accordance with section 168(1)(b) of the Corporations Act.
Option Scheme	<p>the scheme of arrangement under Part 5.1 of the Corporations Act between Tesserent and the Scheme Optionholders, the form set out in Appendix 5, subject to any alterations or conditions that are:</p> <ul style="list-style-type: none"> • agreed to in writing by Tesserent and Thales Australia and approved by the Court; or • made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Tesserent and Thales Australia.
Option Scheme Consideration	the consideration to be provided by Thales Australia to each Scheme Optionholder for the cancellation and extinguishment of each Scheme Option held by each Scheme Optionholder as set out in Section 9.3(b).

Option Scheme Deed Poll	the deed poll executed by Thales Australia on 7 August 2023 in relation to the Option Scheme in which Thales Australia covenants in favour of the Scheme Optionholders to perform the actions attributed to it in accordance with the Option Scheme. A copy of the executed deed poll is reproduced in Appendix 4 to this Scheme Booklet.
Option Scheme Effective Date	the date on which the Option Scheme becomes Effective.
Option Scheme Meeting	the meeting of Tesserent Optionholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on the Option Scheme and includes any meeting convened following any adjournment or postponement to that meeting. The notice convening the Option Scheme Meeting is contained in Appendix 7 to this Scheme Booklet.
Option Scheme Proxy Form	the Proxy Form for the Option Scheme Meeting accompanying this Scheme Booklet or, as the context requires, any replacement or substitute Option Scheme Proxy Form provided by or on behalf of Tesserent.
Option Scheme Record Date	7.00pm on the second Business Day after the Option Scheme Effective Date or such other date as agreed in writing by Tesserent and Tesserent. The Option Scheme Record Date is currently expected to be Wednesday, 27 September 2023.
Option Scheme Resolution	the resolution to be considered and (if thought fit) approved by Tesserent Optionholders at the Option Scheme Meeting.
PPSA	the <i>Personal Property Securities Act 2009</i> (Cth).
Proxy Cut-Off Date	the last day on which proxies must be lodged for the Scheme Meetings being 10.00am on Saturday, 16 September 2023.
Proxy Forms	collectively the Share Scheme Proxy Form and the Option Scheme Proxy Form.
Registered Address	in relation to a Tesserent Shareholder, the address shown in the Share Register as at the Scheme Record Date and in relation to a Tesserent Optionholder, the address shown in the Option Register as at the Option Scheme Record Date.
Related Body Corporate	of a person means a related body corporate of that person under section 50 of the Corporations Act.
Relevant Interest	has the meaning given in the Corporations Act.
RG 60	Regulatory Guide 60 issued by ASIC in September 2020.
RG 76	Regulatory Guide 76 issued by ASIC on 30 March 2011.
Schemes	collectively the Share Scheme and the Option Scheme.
Scheme Booklet	this Scheme Booklet dated 15 August 2023 in relation to the Schemes.
Scheme Consideration	collectively the Share Scheme Consideration and the Option Scheme Consideration.

Scheme Implementation Deed	the deed dated 11 June 2023 between Tesserent and Thales Australia and released to ASX on 13 June 2023 available at https://investors.tesserent.com/site/content/default.aspx . (redacted to exclude certain personal information as well as the timetable and the form of the Schemes), as amended and restated from time to time.
Scheme Meetings	collectively the Share Scheme Meeting and the Option Scheme Meeting.
Scheme Option	a Tesserent Option held on the Option Scheme Record Date.
Scheme Optionholder	a person who holds one or more Scheme Options.
Scheme Resolutions	the resolutions to be considered and (if thought fit) approved by the relevant Tesserent Securityholders at the Scheme Meetings.
Scheme Securityholder	either a Scheme Shareholder or a Scheme Optionholder or both, as the context requires or permits.
Scheme Share	a Tesserent Share held on the Share Scheme Record Date.
Scheme Shareholder	a person who holds one or more Scheme Shares.
Second Court Date	the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Schemes are heard or scheduled to be heard or, if the application is adjourned for any reason, the date on which the adjourned application is heard or scheduled to be heard. This day is currently proposed to be Friday, 22 September 2023.
Section	a section of this Scheme Booklet.
Securities Register	collective the Share Register and the Option Register.
Share Register	the register of shareholders of Tesserent maintained by or on behalf of Tesserent in accordance with section 168(1)(a) of the Corporations Act.
Share Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between Tesserent and Scheme Shareholders substantially in the form set out in Appendix 3, subject to any alterations or conditions that are: <ul style="list-style-type: none"> • agreed to in writing by Tesserent and Thales Australia and approved by the Court; or • made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Tesserent and Thales Australia.
Share Scheme Consideration	\$0.13 cash for each Scheme Share.
Share Scheme Deed Poll	the deed poll executed by Thales Australia on 7 August 2023 in relation to the Share Scheme in which Thales Australia covenants in favour of the Scheme Shareholders to perform the actions attributed to it in accordance with the Share Scheme. A

copy of the executed deed poll is reproduced in Appendix 2 to this Scheme Booklet.

Share Scheme Meeting	the meeting of Tesserent Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Share Scheme and includes any meeting convened following any adjournment or postponement of that meeting. The notice convening the Share Scheme Meeting is contained in Appendix 6 to this Scheme Booklet.
Share Scheme Proxy Form	the proxy form for the Share Scheme Meeting accompanying this Scheme Booklet or, as the context requires, any replacement or substitute Share Scheme Proxy Form provided by or on behalf of Tesserent.
Share Scheme Record Date	means 7.00pm on the second Business Day (or such other Business Day as Tesserent and Thales Australia agree in writing) following the Effective Date. The Share Scheme Record Date is currently expected to be Wednesday, 27 September 2023.
Share Scheme Resolution	the resolution to be considered and (if thought fit) approved by Tesserent Shareholders at the Share Scheme Meeting.
Subsidiary	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
Superior Proposal	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed.
Tesserent	Tesserent Limited ACN 605 672 928.
Tesserent Board	the board of directors of Tesserent and a Target Board Member means any director of Tesserent comprising part of the Tesserent Board.
Tesserent Directors or Directors	the directors of Tesserent.
Tesserent Group	Tesserent and each of its Subsidiaries, and a reference to a Tesserent Group Member or a member of the Tesserent Group is to Tesserent or any of its Subsidiaries.
Tesserent Information	all information in this Scheme Booklet other than: <ul style="list-style-type: none"> (a) the Thales Australia Information; and (b) the Independent Expert's Report.
Tesserent Key Managers	the Tesserent employees as agreed between Tesserent and Thales Australia.
Tesserent Material Adverse Change	has the meaning given to the term Target Material Adverse Change in clause 1.1 of the Scheme Implementation Deed.
Tesserent Option or Options	together: <ol style="list-style-type: none"> 1. an option issued by Tesserent entitling the holder to acquire a specified number of Tesserent Shares for a specified exercise price per Tesserent Share (excluding any Option Cancellation Deed Option); and

2. a warrant issued by Tesserent entitling the holder to acquire a specified number of Tesserent Shares for a specified exercise price per Tesserent Share.

Tesserent Prescribed Occurrence	has the meaning given to the term Target Prescribed Occurrences in clause 1.1 of the Scheme Implementation Deed.
Tesserent Registry	Computershare Investor Services Pty Limited or any replacement provider of share registry services to Tesserent.
Tesserent Regulated Event	has the meaning given to the term Target Regulated Event in clause 1.1 of the Scheme Implementation Deed.
Tesserent Reimbursement Fee	\$1,826,126 (exclusive of GST).
Tesserent Security	a Tesserent Share or Tesserent Option.
Tesserent Securityholders	a person who is registered in the Securities Register as a holder of Tesserent Shares or Tesserent Options.
Tesserent Share or Share	a fully paid ordinary share in the capital of Tesserent.
Tesserent Shareholder	a person who is registered in the Share Register as a holder of one or more Tesserent Shares.
Thales	Thales S.A., being a French company, registered with a French Trade and Companies Registry under number 552 059 024 RCS Nanterre.
Thales Australia	Thales Australia Holdings Pty Ltd ACN 058 583 841.
Thales Australia Information	<p>such information regarding Thales Australia or Thales Group that is provided by or on behalf of Thales Australia or any of its advisers, to Tesserent or the Independent Expert for inclusion in this Scheme Booklet and, for the avoidance of doubt includes:</p> <ul style="list-style-type: none"> • Section 3 at the following "Frequently Asked Questions - Part B – Thales Australia"; and • Section 6 being the profile of Thales Australia, <p>but does not include the Tesserent Information and the Independent Expert's Report.</p>
Thales Group	Thales Australia and each of its Affiliates and its Subsidiaries, and a reference to a Thales Group Member or a member of the Thales Group is to Thales Australia or any of its Affiliates or its Subsidiaries.
Thales Reimbursement Fee	\$1,826,126 (exclusive of GST).
Transaction	the acquisition of the Scheme Shares by Thales Australia through the implementation of the Share Scheme, together with

all associated transactions and steps contemplated by the Scheme Implementation Deed.

Trust Accounts	the Australian dollar denominated trust accounts operated by Tesserent as trustee for the benefit of the Scheme Shareholders (in respect of the Share Scheme Consideration) and the Scheme Optionholders (in respect of the Option Scheme Consideration).
Voting Entitlement Time	the date for determining voting eligibility at the Scheme Meetings, being 7.00pm on Saturday, 16 September 2023.
Voting Power	has the meaning given in section 610 of the Corporations Act.
VWAP	volume weighted average price.

Appendix 1 – Independent Expert's Report

LONERGAN EDWARDS & ASSOCIATES LIMITED

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Sydney NSW 2000 Australia
GPO Box 1640, Sydney NSW 2001

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The Directors
Tesserent Limited
Level 5, 990 Whitehorse Road
Box Hill VIC 3128

14 August 2023

Subject: Proposed acquisition of Tesserent Limited by way of Scheme of Arrangement

Dear Directors

Introduction

- 1 On 13 June 2023, Tesserent Limited (TNT or the Company) announced that it and Thales Australia Holdings Pty Ltd (Thales Australia)¹ had signed a Scheme Implementation Deed on 11 June 2023 (SID) pursuant to which it is proposed that Thales Australia will acquire 100% of the ordinary shares on issue in TNT for cash consideration. As a separate and concurrent transaction, all of the TNT options / warrants on issue are proposed to be cancelled for cash consideration.
- 2 The proposed acquisition of the shares and the cancellation of the options / warrants are to be implemented via two separate and concurrent schemes of arrangement under Part 5.1 of the *Corporations Act 2001* (Cth) (Corporations Act) (collectively, the “Schemes”) as well as private treaty arrangements:
 - (a) **Share Scheme** – a scheme of arrangement between TNT and its shareholders which if approved and implemented will result in Thales Australia acquiring 100% of the ordinary shares on issue in TNT for cash consideration of \$0.13 per TNT share
 - (b) **Option Scheme** – a separate and concurrent scheme of arrangement between TNT and certain of its option / warrant holders (TNT Optionholders), which if approved and implemented, will result in all outstanding options / warrants held by those TNT Optionholders being cancelled in exchange for cash consideration (which is outlined within Section VII of our report)
 - (c) **Option Cancellation Deeds** – each of the TNT Directors that hold options as well as the Chief Financial Officer (CFO) of TNT have entered into a separate option cancellation deed with Thales Australia and TNT under which all of their TNT options (Option Cancellation Deed Options), subject to the Share Scheme becoming legally effective, will be cancelled on the implementation date of the Share Scheme for cash consideration calculated using the same agreed valuation methodology as the Option Scheme (Option Cancellation Deeds).

¹ A wholly owned subsidiary of Euronext Paris listed Thales S.A.

Authorised Representatives:

Hung Chu • Martin Hall • Grant Kepler* • Julie Planinic* • Jorge Resende • Nathan Toscan • Wayne Lonergan • Craig Edwards

* Members of Chartered Accountants Australia and New Zealand and holders of Certificate of Public Practice.
Liability limited by a scheme approved under Professional Standards Legislation

- 3 The Share Scheme will require the approval of TNT shareholders before it can proceed (as well as the satisfaction or waiver of a number of other conditions precedent as summarised in Section I of our report). The Share Scheme will be approved by TNT shareholders if the resolution at the Share Scheme Meeting is passed by a majority in number (more than 50%) of the TNT shareholders present and voting (in person or by proxy), and by 75% of the votes cast on the resolution at that meeting by the TNT shareholders present and voting (in person or by proxy).
- 4 If the resolution is passed by the requisite majorities, and the other conditions of the Share Scheme are satisfied or waived, a second Court hearing will be held to approve the Share Scheme. If approved by the Court, the Share Scheme will become binding on all TNT shareholders, whether or not they voted for the Share Scheme (and even if they voted against the Share Scheme, or were not present at the meeting).
- 5 The Option Scheme is dependent upon the Share Scheme proceeding² as well as the approval of the requisite majorities of TNT Optionholders at the Option Scheme Meeting (more than 50% by number and 75% of the total amount of debts and claims of all TNT Optionholders present and voting at that meeting³). Similar to the Share Scheme, if the resolutions are passed by the requisite majorities, an application will be made to the Court for orders approving the Option Scheme. If that approval is granted, the Option Scheme will become binding on all TNT Optionholders, whether or not they voted for the Option Scheme (and even if they voted against the Option Scheme, or were not present at the meeting at all).
- 6 If the Share Scheme is not approved, regardless of whether the Option Scheme is approved, the proposed acquisition of TNT by Thales Australia will not proceed and TNT will continue to operate as a stand-alone entity, listed on the Australian Securities Exchange (ASX) and all outstanding options and warrants issued by TNT will remain outstanding.
- 7 However, if the Share Scheme is approved but the Option Scheme is not approved, the Share Scheme will proceed and Thales Australia will acquire all of TNT's ordinary shares that are the subject of the Share Scheme and the options subject to the Option Cancellation Deeds will be cancelled, but TNT Optionholders will continue to hold their TNT options / warrants. In this circumstance it is likely that Thales Australia would seek to compulsorily acquire the remaining TNT options / warrants⁴ (for a cash sum) using the powers under Part 6A.2 of the Corporations Act.

TNT

- 8 TNT is a full-service cybersecurity and networking solutions provider to government, midmarket and enterprise clients across Australia and New Zealand. TNT delivers tailored solutions that prevent, detect and mitigate potential cyber-attacks, including security advisory and consulting, technical assurance and testing, cloud services, incident response and 24-hours a day managed services and monitoring. In addition, TNT utilises and resells a range of products from software vendors and hardware suppliers.

² The Share Scheme is not dependent on the Option Scheme proceeding.

³ For this purpose, the amount (or value) of each TNT Optionholder's debt and claim will be the same as the Option Scheme consideration.

⁴ As well as any TNT shares subsequently issued to TNT Optionholders following the exercise of TNT options / warrants.

Thales Group

- 9 Thales S.A. (Thales) and each of its subsidiaries (collectively, Thales Group) is a global leader in advanced technologies within three domains, being Defence & Security, Aeronautics & Space, and Digital Identity & Security. Thales Group has 77,000 employees in 68 countries and reported sales of €17.6 billion in 2022, with more than €1.5 billion in sales from cybersecurity⁵. Thales Group offers an extensive range of cybersecurity services, from risk assessment to protection of critical infrastructure, supported by comprehensive threat detection and response capabilities. Thales Group has a long-standing corporate presence in Australia with 3,800 employees working across 35 sites for a range of government departments and corporate clients.

Purpose of report

- 10 There is no legislative (or regulatory) requirement for TNT to obtain an Independent Expert's Report (IER), however the Schemes are subject to a number of conditions precedent, including an independent expert concluding, and continuing to conclude, that the Schemes are in the best interests of TNT shareholders and TNT Optionholders (together, TNT Securityholders).
- 11 In addition, the Directors' recommendation of the Share Scheme is subject to an independent expert concluding, and continuing to conclude, that the Share Scheme is "in the best interests" of TNT shareholders. The Directors' recommendation of the Option Scheme is also subject to the same condition but as applied to TNT Optionholders.
- 12 Accordingly, the Directors of TNT have requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER stating⁶:
- (a) whether, in our opinion, the Share Scheme is in the best interests of TNT shareholders and the reasons for that opinion; and separately
 - (b) whether, in our opinion, the Option Scheme is in the best interests of TNT Optionholders and the reasons for that opinion.
- 13 LEA is independent of TNT and Thales and has no other involvement or interest in the proposed Schemes.

Summary of opinion on Share Scheme

- 14 In our opinion, the Share Scheme is fair and reasonable to and in the best interests of TNT shareholders, in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Assessment of "fairness"

- 15 We have assessed the value of TNT shares on a 100% controlling interest basis at \$0.098 to \$0.109 per share as shown below:

⁵ Excluding its transport business, which is being divested.

⁶ LEA has not been engaged to (nor does it) express any opinion on the Option Cancellation Deeds.

TNT – valuation summary			
	Paragraph	Low \$m	High \$m
Enterprise value	179	190.0	209.0
Other assets / (liabilities)			
– Deferred consideration	180(a)	(12.8)	(12.8)
– Investments	180(b)	0.5	0.5
– Options / warrants	180(c)	(4.4)	(7.0)
– Tax losses	180(d)	2.5	2.5
Net debt	183	(43.0)	(45.0)
Equity value – controlling interest basis		132.8	147.2
Fully diluted shares on issue (million)	184	1,354	1,354
Value per share – controlling interest basis (\$)		0.098	0.109

- 16 Pursuant to Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) a scheme is “fair” if the value of the scheme consideration is equal to or greater than the value of the securities the subject of the scheme. This comparison for TNT shares is shown below:

Comparison of Share Scheme consideration to value of TNT			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Value of Share Scheme consideration	0.130	0.130	0.130
Value of 100% of TNT	0.098	0.109	0.104
Extent to which the Share Scheme consideration exceeds (or is less than) the value of TNT	0.032	0.021	0.026

- 17 As the Share Scheme consideration exceeds our assessed valuation range for TNT shares on a 100% controlling interest basis, in our opinion, the Share Scheme consideration is “fair” to TNT shareholders when assessed in accordance with the Guidelines set out in RG 111.

Assessment of “reasonableness” and “in the best interests”

- 18 Pursuant to RG 111, a transaction is reasonable if it is fair. Accordingly, in our opinion, the Share Scheme is also “reasonable”.
- 19 There is no legal definition of the expression “in the best interests”. However, RG 111 notes that if an expert concludes that a scheme is “fair and reasonable”, or “not fair but reasonable”, then the expert will also be able to conclude that the scheme is “in the best interests” of members of the company.
- 20 In our experience, if a transaction is “fair” and “reasonable” under RG 111 it will also be “in the best interests” of shareholders. This is because if the consideration payable pursuant to a scheme is fair, shareholders are implicitly receiving consideration for their shares which is consistent with the full underlying value of those shares.
- 21 We therefore consider that the Share Scheme is also “in the best interests” of TNT shareholders in the absence of a superior proposal.

Assessment of the Share Scheme

- 22 We summarise below the likely advantages and disadvantages for TNT shareholders if the Share Scheme proceeds.

Advantages

23 In our opinion, the Share Scheme has the following benefits for TNT shareholders:

- (a) the Share Scheme consideration of \$0.13 cash per TNT share is above the high end of our assessed value range for TNT shares on a 100% controlling interest basis
- (b) the Share Scheme consideration represents a significant premium to the recent market prices of TNT shares prior to the announcement of the Scheme
- (c) furthermore, the premium is well above observed premiums generally paid to target company shareholders in comparable circumstances (reflecting our view that there was a disconnect between the value attributed by share market investors to TNT prior to the announcement of the Schemes and the intrinsic value of the Company)
- (d) if the Share Scheme does not proceed, and in the absence of an alternative offer or proposal, TNT shares are likely to trade at a significant discount to our valuation and the Share Scheme consideration due to, in part, the portfolio nature of individual shareholdings.

Disadvantages

- 24 TNT shareholders should note that if the Share Scheme is implemented they will no longer hold an interest in TNT. TNT shareholders will therefore not participate in any future value created by the Company over and above that reflected in the Share Scheme consideration.
- 25 However, as the high end of our assessed value of TNT shares is below the Share Scheme consideration, in our opinion, the present value of TNT's future potential is reflected in the Share Scheme consideration.

Conclusion

- 26 Given the above analysis, we consider the advantages of the Share Scheme to outweigh the disadvantages. Accordingly, in our view, the acquisition of TNT shares under the Share Scheme is fair and reasonable to and therefore in the best interests of TNT shareholders in the absence of a superior proposal.

Summary of opinion on Option Scheme

- 27 In our opinion, the Option Scheme is fair and reasonable to and in the best interests of TNT Optionholders, in the absence of a superior proposal.
- 28 We have formed this opinion principally because the consideration payable under the Option Scheme either exceeds, or is within our assessed value range for each tranche of option that is the subject of the Option Scheme (i.e. the Option Scheme consideration is considered "fair"). Our analysis of the Option Scheme is set out in full in Section VII.

General

- 29 This report is general financial product advice only and has been prepared without taking into account the personal objectives, financial situations or needs of individual TNT Securityholders. Accordingly, before acting in relation to the Schemes, TNT Securityholders should have regard to their own objectives, financial situation and needs. TNT Securityholders should also read the Scheme Booklet that has been issued by TNT in relation to the Schemes.

- 30 Furthermore, this report does not constitute advice or a recommendation (inferred or otherwise) as to whether TNT Securityholders should vote for, or against the Schemes. This is a matter for individual TNT Securityholders based upon their own views as to value, their expectations about future economic and market conditions and their particular personal circumstances including their risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If TNT Securityholders are in doubt about the action they should take in relation to the Schemes or matters dealt with in this report, TNT Securityholders should seek independent professional advice.
- 31 For our full opinion on the Schemes and the reasoning behind our opinion, we recommend that TNT Securityholders read the remainder of our report.

Yours faithfully



Nathan Toscan
Authorised Representative



Jorge Resende
Authorised Representative

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I Key terms of the Schemes

Terms

32 An overview and key terms of the Schemes are set out at paragraphs 1 to 7.

Conditions

33 The Schemes are subject to the satisfaction or waiver of a number of conditions precedent, including the following which are outlined in the SID between TNT and Thales Australia dated 11 June 2023:

Share Scheme

- (a) respective regulatory approvals from the Foreign Investment Review Board (FIRB) and New Zealand Overseas Investment Office (OIO), and consents or approvals as are necessary from ASIC and the ASX have been received before 8:00am on the Second Court Date (or before 5.00pm on the business day before the Second Court Date in the context of FIRB approval). Approval from OIO was obtained by Thales Australia on 18 July 2023
- (b) an independent expert issues a report which concludes that the Share Scheme is in the best interests of TNT shareholders and has not publicly withdrawn, qualified or changed that opinion as at 8:00am on the Second Court Date
- (c) TNT shareholder approval of the Share Scheme at the Share Scheme meeting by the requisite majorities
- (d) no temporary restraining order, preliminary or final injunction or other order, decision or decree issued by any Government Agency or court of competent jurisdiction in Australia or New Zealand or other material legal restraint or prohibition preventing the transaction is in effect at 8.00am on the Second Court Date
- (e) no “Target Prescribed Occurrence” (as defined in clause 1.1 of the SID) occurs in respect of TNT on or before 8.00am on the Second Court Date
- (f) no “Target Regulated Event” (as defined in clause 1.1 of the SID) occurs in respect of TNT on or before 8.00am on the Second Court Date
- (g) no “Target Material Adverse Change” (as defined in clause 1.1 of the SID) occurs in respect of TNT on or before 8.00am on the Second Court Date
- (h) not less than 85% of the “Target Key Managers” (as defined in clause 1.1 of the SID) employed by TNT remain employed as at 8:00am on the Second Court Date; and
- (i) the Court approves the Share Scheme in accordance with s411(4)(b) of the Corporations Act

Option Scheme

- (j) all of the conditions of the Share Scheme (other than Court approval of the Share Scheme) being satisfied or waived by at 8:00am on the Second Court Date
- (k) the Court approves the Share Scheme in accordance with s411(4)(b) of the Corporations Act

- (l) the ASX granting a waiver from rule 6.23 of the Listing Rules in relation to the Option Scheme or TNT shareholders giving any necessary approvals under rule 6.23 of the Listing Rules in relation to the Option Scheme
- (m) TNT Optionholders approval of the Option Scheme at the Option Scheme Meeting by the requisite majorities; and
- (n) the Court approves the Option Scheme in accordance with s411(4)(b) of the Corporations Act.

34 In addition, TNT has agreed that during the Exclusivity Period⁷ it will not:

- (a) solicit, invite, encourage or initiate any competing transaction
- (b) continue or participate in any discussions or negotiations which may reasonably be expected to lead to a competing transaction
- (c) enter into any agreement, arrangement or understanding in relation to a competing transaction or any agreement, arrangement or understanding which may reasonably be expected to lead to the completion of a competing transaction; or
- (d) provide any information to a third party for the purposes of enabling that party to table a competing transaction.

35 The “no talk” and “no due diligence” exclusivity obligations do not apply if TNT has complied with various obligations set out in the SID and the TNT Board determines:

- (a) after consultation with its advisers, such actual, proposed or potential competing proposal is a superior proposal or could reasonably be expected to become a superior proposal⁸; and
- (b) after receiving written legal advice from its external legal advisers, compliance with those exclusivity obligations would, or would be reasonably likely to, constitute a breach of any of the fiduciary or statutory duties of the TNT Board.

36 A break fee of approximately \$1.8 million is payable by TNT to Thales Australia in certain circumstances as specified in the SID. A reverse break fee of the same amount is also payable by Thales Australia to TNT if the Schemes become effective but Thales Australia does not pay the Share Scheme and Option Scheme consideration in accordance with the terms and conditions of the SID.

Resolution

37 TNT shareholders and TNT Optionholders will be asked to vote on the Schemes (at separate scheme meetings) in accordance with the resolutions contained in the notices of meeting accompanying the Scheme Booklet:

⁷ That is, the period from the date of the SID until the earliest of the date of termination of the SID, 31 December 2023 (or such later date as agreed between the parties), and the date the Share Scheme becomes effective.

⁸ TNT must notify Thales Australia within 48 hours or one business day (whichever is later) if it receives a superior competing proposal and give Thales Australia five French business days to match that competing proposal.

- (a) **Share Scheme** – the Share Scheme will be approved by TNT shareholders if the resolution at the Share Scheme Meeting is passed by a majority in number (more than 50%) of the TNT shareholders present and voting (in person or by proxy), and by 75% of the votes cast on the resolution at that meeting by the TNT shareholders present and voting (in person or by proxy).

If the resolution is passed by the requisite majorities, and the other conditions of the Share Scheme are satisfied or waived, a second Court hearing will be held to approve the Share Scheme. If approved by the Court, the Share Scheme will become binding on all TNT shareholders, whether or not they voted for the Share Scheme (and even if they voted against the Share Scheme, or did not attend the Scheme meeting at all)

- (b) **Option Scheme** – the Option Scheme is dependent upon the Share Scheme proceeding⁹ as well as the approval of the requisite majority of TNT Optionholders at the Option Scheme Meeting (more than 50% by number and 75% of the total amount of debts and claims of all TNT Optionholders present and voting at that meeting¹⁰).

Similar to the Share Scheme, if the resolution is passed by the requisite majorities, an application will be made to the Court for orders approving the Option Scheme. If that approval is granted, the Option Scheme will become binding on all TNT Optionholders, whether or not they voted for the Option Scheme (and even if they voted against the Option Scheme, or were not present at the meeting at all).

- 38 If the Share Scheme is not approved, regardless of whether the Option Scheme is approved, the proposed acquisition of TNT by Thales Australia will not proceed and TNT will continue to operate as a stand-alone entity, listed on the ASX and all outstanding options and warrants issued by TNT will remain outstanding.
- 39 However, if the Share Scheme is approved but the Option Scheme is not approved, the Share Scheme will proceed and Thales Australia will acquire all of TNT's ordinary shares that are the subject of the Share Scheme and the options subject to the Option Cancellation Deeds will be cancelled, but TNT Optionholders will continue to hold their TNT options / warrants. In this circumstance it is likely that Thales Australia would seek to compulsorily acquire the remaining TNT options / warrants¹¹ (for a cash sum) using the powers under Part 6A.2 of the Corporations Act.

⁹ The Share Scheme is not dependent on the Option Scheme proceeding.

¹⁰ For this purpose, the amount (or value) of each TNT Optionholder's debt and claim will be the same as the Option Scheme consideration.

¹¹ As well as any TNT shares subsequently issued to TNT Optionholders following the exercise of TNT options / warrants.

II Scope of our report

Purpose

- 40 The Schemes are proposed pursuant to Part 5.1 of the Corporations Act, which governs schemes of arrangement. Part 2 of Schedule 8 to the *Corporations Regulations 2001* (Cth) (Corporations Regulations) prescribes information to be sent to optionholders in relation to a creditors' scheme of arrangement pursuant to s411 of the Corporations Act, and Part 3 of Schedule 8 to the Corporations Regulations prescribes information to be sent to shareholders in relation to a members' (i.e. shareholders') scheme of arrangement pursuant to s411 of the Corporations Act.
- 41 Paragraph 8303 of Schedule 8 to the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER assessing whether the proposed scheme is in the best interests of securityholders and state reasons for that opinion.
- 42 Thales (including Thales Australia) has no current shareholding in TNT and has no representation on the TNT Board. Accordingly, there is no legislative (or regulatory) requirement for an IER to be prepared.
- 43 However, the Schemes are subject to a number of conditions precedent, including an independent expert concluding, and continuing to conclude, that the Schemes are in the best interests of TNT shareholders and TNT Optionholders.
- 44 In addition, the Directors' recommendation of the Share Scheme is subject to an independent expert concluding, and continuing to conclude, that the Share Scheme is "in the best interests" of TNT shareholders. The Directors' recommendation of the Option Scheme is also subject to the same condition but as applied to TNT Optionholders.
- 45 Accordingly, the Directors of TNT have appointed LEA to prepare an IER stating¹²:
 - (a) whether, in our opinion, the Share Scheme is in the best interests of TNT shareholders and the reasons for that opinion; and separately
 - (b) whether, in our opinion, the Option Scheme is in the best interests of TNT Optionholders and the reasons for that opinion.
- 46 Our report is proposed to accompany the Scheme Booklet to be sent to TNT Securityholders.
- 47 It should be noted this report is general financial product advice only and has been prepared without taking into account the personal objectives, financial situations or needs of individual TNT Securityholders. Accordingly, before acting in relation to the Schemes, TNT Securityholders should have regard to their own objectives, financial situation and needs. TNT Securityholders should also read the Scheme Booklet that has been issued by TNT in relation to the Schemes.

¹² LEA has not been engaged to (nor does it) express any opinion on the Option Cancellation Deeds.

- 48 Furthermore, this report does not constitute advice or a recommendation (inferred or otherwise) as to whether TNT Securityholders should vote for, or against the Schemes. This is a matter for individual TNT Securityholders based upon their own views as to value, their expectations about future economic and market conditions and their particular personal circumstances including their risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If TNT Securityholders are in doubt about the action they should take in relation to the Schemes or matters dealt with in this report, TNT Securityholders should seek independent professional advice.

Basis of assessment

- 49 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111.
- 50 When an IER is prepared for a scheme that involves a change of control (essentially, where one party acquires more than a 20% equity interest in another party), ASIC expects the form of the analysis undertaken by the expert to be substantially the same as for a takeover bid. That is, the expert is required to assess and provide an opinion on whether the scheme is “fair” and “reasonable” to the securityholders of the company which is the subject of the scheme (in addition to the inclusion of a statement as to whether the scheme is “in the best interests” of securityholders, being the opinion required under Part 3 of Schedule 8 to the Corporations Regulations).
- 51 **Fairness** involves the application of a strict quantitative test that compares the value of the consideration offered against the value of the securities that are the subject of the scheme¹³. A scheme is “fair” if the value of the scheme consideration is equal to, or greater than, the value of the securities that are the subject of the scheme. Fairness effectively measures whether securityholders (in the company the subject of the scheme) are being adequately compensated for the actual (or deemed) change of “control” in ownership.
- 52 **Reasonableness** involves the consideration of other significant quantitative and qualitative factors that securityholders might consider prior to accepting a proposal. A scheme is considered “reasonable” if it is “fair”. A scheme may also be considered “reasonable” if, despite being “not fair”, the expert believes there are sufficient reasons for securityholders to vote in favour of the scheme, in the absence of a superior proposal.
- 53 There is no legal definition of the expression “in the best interests”. However, RG 111 notes that if an expert concludes that a scheme is “fair and reasonable”, or “not fair but reasonable”, then the expert will also be able to conclude that the scheme is “in the best interests” of members of the company. Similarly, RG 111 notes that if an expert concludes that a scheme is “not fair and not reasonable”, then the expert would need to conclude that the scheme is “not in the best interests” of members of the company.
- 54 In our opinion, if the Share Scheme and Option Scheme are “fair” and “reasonable” under RG 111 they will also be “in the best interests” of TNT Securityholders. This is because, if the consideration payable pursuant to a transaction is fair, the securityholders are implicitly

¹³ Assuming 100% ownership of the target company and a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length, noting that any special value that may be derived by a particular “bidder” should not be taken into account (e.g. synergies that are not available to other bidders).

receiving consideration for their securities which is consistent with the full underlying value of those securities.

55 Our report has therefore considered:

Fairness

- (a) the market value of:
 - (i) the ordinary shares in TNT on a 100% controlling interest basis; and
 - (ii) the individual tranches of options / warrants on issue in TNT
- (b) the value of the consideration offered by Thales Australia for:
 - (i) the ordinary shares; and
 - (ii) the individual tranches of options / warrants
- (c) the extent to which (a)(i) and (b)(i) differ (in order to assess whether the Share Scheme is fair under RG 111) and separately, the extent to which (a)(ii) and (b)(ii) differ (in order to assess whether the Option Scheme is fair under RG 111¹⁴)

Reasonableness

- (d) the extent to which a control premium is being paid to TNT securityholders
- (e) the extent to which TNT securityholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
- (f) the listed market price of the shares in TNT, both prior to and subsequent to the announcement of the proposed Schemes
- (g) the value of TNT to an alternative offeror and the likelihood of a higher alternative offer being made for TNT prior to the date of the Scheme meeting(s)
- (h) the likely market price of TNT shares if the proposed Share Scheme is not approved
- (i) the advantages and disadvantages of the Share Scheme and Option Scheme from the perspective of the relevant TNT Securityholders; and
- (j) other qualitative and strategic issues associated with the Share Scheme and Option Scheme.

Limitations and reliance on information

56 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

57 Our report is also based upon financial and other information provided by TNT and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

¹⁴ Noting that each tranche is separately assessed.

- 58 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Schemes from the perspective of TNT Securityholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 59 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 60 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 61 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 62 In forming our opinion, we have also assumed that:
- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
 - (b) if the Schemes become legally effective, they will be implemented in accordance with the terms set out in the SID and the terms of the Schemes themselves.

III Profile of TNT

Overview

- 63 TNT is a full-service cybersecurity and networking solutions provider to government, midmarket and enterprise clients across Australia and New Zealand. TNT delivers tailored solutions that prevent, detect and mitigate potential cyber-attacks, including security advisory and consulting, technical assurance and testing, cloud services, incident response and 24-hours a day managed services and monitoring. In addition, TNT utilises and resells a range of products from software vendors and hardware suppliers.

History

- 64 Founded in Melbourne, TNT listed on the ASX in 2016. At the time of listing, TNT operated primarily as a managed security services provider, delivering services from its ISO certified¹⁵ security operations centre (SOC) to medium-sized enterprises, local government and educational institutions.
- 65 In 2019, TNT implemented its Cyber 360 strategy, which included growth through strategic acquisitions. The series of acquisitions made by TNT since 2019 are set out below:

TNT – acquisition history			
Date ⁽¹⁾	Target	EV ⁽²⁾ \$m	Description
Apr 19	Rivium	2.9	Specialising in consulting, implementation and managed services for the enterprise security solution Splunk
Oct 19	Pure Security	14.0	Offers cybersecurity consulting such as security advisory, technical assurance, managed services and Splunk services
Dec 19	North	5.7	Specialist consultancy that delivers a range of information technology (IT) services, including cybersecurity
Jul 20	Seer Security	19.5	Offers IT security solutions, which includes consulting, assessment and development services
Aug 20	Ludus Cybersecurity	1.7	Offers bespoke offensive cybersecurity consultancy services to the Federal Government
Aug 20	Airloom	17.6	Provides IT services, including network, endpoint, application, identity and cloud security services
Sep 20	IQ3	15.4	Provides secure cloud infrastructure and related services to a number of government agencies
Dec 20	Lateral Security	6.1	Provides tailored IT security testing and advisory services in New Zealand
Mar 21	Secure Logic	17.9	Provides managed security services and operates a 24-hours a day SOC located in Sydney
Aug 21	Loop Secure	12.3	Provides managed security and offensive security services as well as governance, risk and compliance services
Dec 21	Pearson Corporation	22.2	Offers IT consulting, cybersecurity and testing services, primarily to Federal Government clients
Dec 21	Claricent	5.2	Offers IT consulting, cybersecurity and testing services, primarily to Federal Government clients
Jan 23	ALC Training	5.5	Leading provider of cybersecurity training services for business and government

¹⁵ ISO certified refers to a product, process, or system that has been independently assessed and found to meet the standards set by the International Organization for Standardization (ISO).

Note:

- 1 Date of announcement.
 - 2 Enterprise value on a 100% basis. Includes 50% of any earn out consideration payable to allow for the inherent uncertainty of this potential payment.
-

Current operations

- 66 TNT operates from a Box Hill, Melbourne head office with other offices located in Sydney, Brisbane, Canberra, Auckland, Wellington and Christchurch. The Company employs some 505 personnel, with around 206 of these having Australian Government baseline security clearance or higher¹⁶. TNT is the largest ASX listed specialist provider of cybersecurity services to the Federal Government and midmarket to enterprise clients. The Company has reseller arrangements with major software and hardware companies and is also focused on developing and investing in new cyber technologies and products.
- 67 The service lines provided by TNT include:
- (a) **strategy and advisory** – governance, risk management, compliance and security strategy services
 - (b) **assurance and testing** – penetration testing, red teaming, physical testing, application security, intelligence services and cloud architecture assessment
 - (c) **architecture and engineering** – designing technological capability for clients’ security priorities and security uplift needs, deploying and integrating the capability, and delivering “as built and operations” documentation with client training and handover sessions
 - (d) **data and analytics** – consulting, integration, health assessment and management services for clients’ security information and event management
 - (e) **incident response and research** – designed to assist companies critically plan and prepare responses to a significant cyber intrusion or other incidents that affect key information and IT systems
 - (f) **critical security controls** – services such as device control, encryption, multi-factor authentication, URL filtering and environment monitoring provided for email, end point, identity, web and cloud technologies
 - (g) **secure digital eye** – managed SOC and managed detection and response, with complete user and end point security provided for a monthly fee. As part of its SOC services, TNT proactively monitors, detects and responds to clients’ cyber threats on a continuous basis
 - (h) **secure managed IT / cloud services** – suite of multi-cloud services which encompasses architecture, migration, management and optimisation, underpinned by an ISO-certified 24-hours a day operations service desk and SOC.

¹⁶ Under the Australian Government Protective Security Policy Framework, personnel that need ongoing access to security classified resources require a security clearance at the appropriate level. Baseline is the lowest clearance level and provides access to classified resource up to and including “protected”.

- 68 TNT provides its enterprise customers and government clients with access to a team of cybersecurity experts and the latest technology solutions. Its cybersecurity consultants work with these organisations to assess their current security posture, identify potential vulnerabilities, and develop strategies and solutions to mitigate those risks. TNT continues to evolve its cybersecurity offering and also helps organisations stay up-to-date with the latest technologies, tools, and techniques to secure cloud infrastructure and data.
- 69 The Company operates the TNT Academy business unit, which aims to improve the cyber talent ecosystem by actively developing talent and addressing the skills shortage in the sector. As mentioned above, TNT recently acquired ALC Training, a provider of training for business and government. Other TNT Academy capabilities include internal training, client training and graduate programs.
- 70 TNT has undertaken to increase the level of cross selling of services to its existing clients. This has resulted in a significant increase in the number of services provided to individual clients in the first half of FY23 (1HY23) in comparison to FY22, as shown below:

TNT – clients by service line		
Service lines	FY22 Client no.	1HY23 Client no.
Four or more service lines	12	19
Three service lines	35	43
Two service lines	60	131
One service line	1,200+	1,300+

- 71 TNT services both the government sector and business sector and its clients cover a wide range of industries. Its top 10 clients currently account for around 30% of total revenue, and this level has increased in 1HY23 due to the higher rates of cross selling referred to above. A summary of the Company's client profile as at 30 June 2022 is set out below:

TNT – client profile	
	Number
Government	
Federal and state departments and agencies	53
Local councils	25
Financial	
Banks in Australia and New Zealand	8
Top financial services firms	6
Foreign banks	14
Critical infrastructure	
Energy firms in Australia and New Zealand	21
Enterprise	
S&P/ASX 100 companies (works with)	51
Tier 1 retail and logistics supply chain organisations	50% of all

Financial performance

72 The financial performance of TNT for the three years ended 30 June 2022 (FY22) and 1HY23 is set out below:

TNT – statement of financial performance⁽¹⁾				
	FY20	FY21	FY22	1HY23
	\$000	\$000	\$000	\$000
Consulting services revenue	12,112	50,964	84,715	52,754
Managed services revenue	5,938	7,216	13,907	4,275
Software licence revenue	1,327	7,844	11,426	3,958
Other revenue	846	1,365	2,929	970
Total revenue	20,223	67,389	112,977	61,957
Employee benefits expense	(12,044)	(35,567)	(59,884)	(35,973)
Software licence and connectivity fees	(5,449)	(9,654)	(13,526)	(6,714)
Other expenses ⁽²⁾	(5,500)	(12,583)	(21,014)	(12,645)
Total operating expenses	(22,993)	(57,804)	(94,424)	(55,332)
Normalised EBITDA⁽³⁾	(2,770)	9,585	18,553	6,625
Depreciation and amortisation	(1,523)	(4,975)	(7,841)	(4,593)
Normalised EBIT⁽³⁾	(4,293)	4,610	10,712	2,032
Net finance costs	(815)	(1,929)	(3,361)	(1,411)
Non-recurring items ⁽⁴⁾	(3,046)	(11,792)	(18,769)	(1,971)
Profit before tax	(8,153)	(9,111)	(11,417)	(1,350)
Income tax benefit	841	4,578	2,634	271
Profit after tax	(7,312)	(4,533)	(8,783)	(1,079)
<i>Revenue growth (%)</i>	<i>284.4%</i>	<i>233.2%</i>	<i>67.6%</i>	<i>41.2%</i>
<i>Normalised EBITDA margin (%)</i>	<i>(13.7%)</i>	<i>14.2%</i>	<i>16.4%</i>	<i>10.7%</i>

Note:

- 1 Rounding differences may exist.
- 2 Includes other income predominantly relating to government grant income and sublease income.
- 3 Earnings before interest, tax, depreciation and amortisation (EBITDA) and earnings before interest and tax (EBIT).
- 4 Non-recurring items relate to the following:

Acquisition costs and fair value expenses on contingent consideration	(1,995)	(4,934)	(1,192)	(750)
Share based payment / option expense	(265)	(4,462)	(2,401)	(298)
Impairment of financial instruments	(786)	-	(4,303)	(923)
Unamortised warrants write-off	-	(2,396)	(9,398)	-
Debt facility exit fee	-	-	(1,750)	-
Fair value gain on investment	-	-	597	-
Loss on equity accounted associates	-	-	(322)	-
Total non-recurring items	(3,046)	(11,792)	(18,769)	(1,971)

Description of revenue

73 A summary of the revenue types offered by TNT is as follows:

- (a) **consulting services** – these are the largest part of TNT’s revenue and largely relate to the provision of the services covered in paragraph 67 above. Consulting services are based on time and materials used and are recognised over the period that the services are delivered

- (b) **managed services** – these are derived through licensing arrangements for customers who subscribe to TNT’s security infrastructure platform with revenue derived from the connectivity and related support services (including installation and setup of hardware) recognised over time as services are delivered
- (c) **software licences** – software licences revenue is recognised on an agency basis as TNT acts as a reseller. TNT recognises this revenue on a net basis, which represents the commission earned by the Company¹⁷
- (d) **other revenue** – this predominantly includes:
 - (i) hardware equipment – revenue derived from the sale of hardware equipment is recognised on an agency basis as TNT acts as a reseller. TNT recognises this revenue on a net basis, which represents the commission earned by the Company¹⁷
 - (ii) maintenance and support renewals – revenue from the sale of maintenance and support renewals is recognised based on the performance obligations identified in the sales contracts.

Historical results

74 Regarding the historical results for TNT we note that:

- (a) given the number of acquisitions undertaken by TNT recently, and the resulting significant growth in number of services provided, we do not consider the revenue and Normalised EBITDA results for TNT prior to FY22 to be representative of future financial performance for the Company
- (b) the financial performance of the Company is seasonal, with a higher proportion of revenue and earnings reported in the second half of the financial year and in particular in the last quarter of the year. This is due to a number of factors, including the timing of client spend from TNT’s government and commercial clients (and the related increased utilisation of the Company’s staff), as well as the timing of software renewals (which generally fall in the final quarter of the year)
- (c) due to the number and size of normalisation adjustments as detailed in the table above (many of which are non-cash charges), TNT has reported losses in recent periods
- (d) the sum of the EBITDA that TNT has acquired from its acquisitions is higher than TNT’s Normalised EBITDA, and accordingly there has been some earnings leakage. Additionally, there also appears to be a lack of material cost savings (i.e. synergies) obtained from the addition of these acquired businesses.

75 During FY22, TNT experienced strong growth in revenue and Normalised EBITDA due to the integration of acquisitions¹⁸, as well the repricing of certain contracts (leading to margin recovery) and the restructuring of service offerings to improve resource allocation efficiency.

¹⁷ TNT also reports “turnover” in its quarterly reports and other financial disclosures. Turnover includes the gross sales value (as opposed to the net sales value) for the sale of software licences and hardware equipment.

¹⁸ The integration and reorganisation of TNT’s business acquisitions has strengthened the Company’s capability offering and its commercial position in the market. This has enabled TNT to enhance its value proposition to existing and new clients.

- 76 During 1HY23, TNT integrated the public and private sector consulting services, managed services and specialised product expertise acquired from Loop Secure, Claricent and Pearson, which were all acquired in 1HY22. In 1HY23 the Company also reported increased revenue and Normalised EBITDA, which improved by 41% and 19% respectively, due to both acquisitions and organic growth. However, the Company's EBITDA margins were impacted in 1HY23 by:
- (a) investment in its new incident response capability (TNT expects the incident response capability to provide high margin retainer-based revenue)
 - (b) underperformance in the SOC, due to a migration away from underperforming legacy client services and management changes
 - (c) a refocus of its managed detection and response service based on the Microsoft and Splunk monitoring platforms.
- 77 The acquisition of ALC Training completed on 22 March 2023 and around this time ALC Training had been awarded a significant volume contract with government to provide a range of cyber related training for key staff across various state and local government teams.
- 78 As at the date of this report, TNT had not released its audited FY23 Annual Report and the most recent indication of its financial performance was provided in its Operational Update released to the ASX on 28 April 2023, concurrently with its third quarter cash flow report for FY23 (3Q FY23)¹⁹. The Operational Update for 3Q FY23 included the Company's turnover and Operating EBITDA, as well as related operational commentary (as was customary in TNT's quarterly Operational Updates). Accordingly a summary of TNT's turnover and Operating EBITDA for the nine months to 3Q FY23 (YTD 3Q23), as well as for the 12 months to 3Q FY23 (LTM23)²⁰ is set out below:

TNT – YTD 3Q23 and LTM23 results			
	FY22	YTD 3Q23⁽¹⁾	LTM23
	\$000	\$000	\$000
Turnover	165,567	132,700	191,300
Operating EBITDA⁽²⁾⁽³⁾	16,312	8,900	16,700
AASB 16 adjustment ⁽³⁾	2,241	2,676	3,236
Normalised EBITDA⁽⁴⁾	18,553	11,576	19,936

Note:

- 1 As provided in the Operational Update released with the 3Q FY23 cash flow report.
- 2 Excludes non-recurring items such as share based payments, acquisition and restructuring costs, impairments of financial assets (such as Daltry, refer paragraph 90(b)) and other non-recurring items.
- 3 Operating EBITDA allows for the cash rent incurred by the Company, i.e. it is before allowing for Australian Accounting Standard AASB 16 – *Leases* (AASB 16). AASB 16 provides an uplift to EBITDA as it replaces cash rent expenses with depreciation of the "right of use" assets as well as interest expense associated with lease liabilities recognised (both of which are recognised below the EBITDA line).
- 4 The AASB 16 adjustment is undertaken to show a comparable Normalised EBITDA to that shown in the table at paragraph 72 above.

¹⁹ Whilst TNT released its 4Q results on 28 July 2023, this ASX announcement did not provide an Operational Update and hence was limited to its quarterly cash flow report for 4Q FY23.

²⁰ Sourced from the four Operational Updates provided with the Q4 FY22, Q1 FY23, Q2 FY23 and Q3 FY23 reports.

- 79 In its 3Q FY23 Operational Update, TNT stated that (inter alia) Operating EBITDA for 3Q FY23 was consistent with 3Q FY22 and that this reflected the margin impact of its investment in building and growing a new incident response service offering, plus underperformance and one-off costs associated with its SOC business. TNT also noted that:
- (a) there was further growth in the incident response division, with four new retainers signed during the quarter; and
 - (b) the SOC was returning to scale, however its refreshed offering and transformation was still ongoing.

Strategy and outlook

- 80 In February 2023, TNT undertook a comprehensive strategic review of its business which addressed the Company's current service offering, operational structure, technical and non-technical resources and outlook for the market and the business over FY24 to FY26. The strategic review identified and assessed numerous organic growth initiatives that the Company is expecting to implement in the short to medium term, including (inter alia) the following:
- (a) finalising integration toward "One TNT" and continuing to improve its cross service line selling
 - (b) refreshing its functional organisation, pricing of service offerings, marketing strategy and options for automation in order to deliver operational improvements, increase efficiency and enhance margins
 - (c) growth in TNT's SOC capability and scale
 - (d) targeting high impact clients such as the defence and critical infrastructure industries
 - (e) expanding the TNT Academy business, as both a profit centre in its own right and as a development engine for bringing new cybersecurity talent into TNT and its clients
 - (f) executing acquisitions which complement TNT's product and service offering.

Financial position

- 81 The financial position of TNT as at 31 December 2022 is set out below:

TNT – statement of financial position⁽¹⁾	
	31 Dec 22
	\$000
Cash and cash equivalents	7,255
Debtors, inventories and prepayments	25,639
Contract assets net of contract liabilities	3,892
Creditors, provisions and other payables	(29,541)
Net working capital (including cash)	7,245
Plant and equipment	3,621
Intangible assets (including goodwill)	167,954
Financial assets / equity accounted associates	3,765
Other assets net of other liabilities (non-current)	191
Right of use assets net of associated lease liabilities	(429)
Deferred tax liabilities (non-current)	(6,108)
Deferred settlement liabilities (non-current)	(6,654)
Interest bearing liabilities (non-current)	(44,535)
Net assets attributable to TNT shareholders	125,051

Note:

- 1 Rounding differences may exist.
-

Going concern

- 82 TNT has reported losses in the last three years to FY22 and its latest half year to 1HY23. However, operating cash flows have been positive in the two years to FY22 and 1HY23.

- 83 Regarding the going concern status of the Company, the Directors of TNT provided the following commentary in the Company's 1HY23 report:

"For the half-year ended 31 December 2022, the Group made a net loss of \$1.1m (2021: loss of \$3.3m), had net cash from operating activities of \$0.4m (2021: \$3.2m) and a net current liability position of \$2.7m (30 June 2022: \$16.0m). The Group had cash reserves of \$7.3m at 31 December 2022 (30 June 2022: \$14.3m) and undrawn facilities of \$13.0m (30 June 2022: \$24.0m).

The directors have prepared projected cash flow information for 24 months from the date of approval of these financial statements taking into consideration how current events and conditions impact its operations, in particular, its revenue, expenses, funding and liquidity, with the key focus being whether it will have sufficient liquidity to continue to meet its obligations as they fall due.

These forecasts indicate that, taking into account of reasonably possible downsides, the Group is expected to continue to operate, with headroom, within available cash levels and also within the terms of its debt facilities. Accordingly, the directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt that basis of accounting for the preparation of the financial report."

- 84 In addition to the above, we also note that as at 30 June 2023 (based on the 4Q FY23 quarterly cash flow report released on 28 July 2023), TNT held a cash balance of \$16.7 million²¹ and also had access to undrawn debt facilities of \$10 million (as detailed in paragraph 96 below).

Net working capital

- 85 Consistent with TNT's operations, the Company's working capital position can vary materially during the financial year due to the timing of product sales, the receipt of cash for these sales and payments to suppliers.
- 86 In TNT's 3Q FY23 Operational Update, released on 28 April 2023, the Company reported that there had been an operating cash outflow of \$1.6 million over the nine months to 31 March 2023, primarily due to unbilled work in progress of \$6.5 million as well as a drawdown of working capital of \$1.8 million. The Company stated that the increase in unbilled work in progress was expected and reflects an increase in activity in its consulting business (particularly in the government advisory business), and will unwind towards the end FY23, as billing / project milestones are met. TNT also stated that it expected to report strong operating cash inflows in respect of product sales for the fourth quarter of FY23.

²¹ Based on unaudited management accounts.

- 87 As stated above, based on the 4Q FY23 quarterly cash flow report released on 28 July 2023, TNT's cash position was \$16.7 million as at 30 June 2023²¹.

Intangible assets

- 88 The carrying value of TNT's intangible assets as at 31 December 2022 is set out below:

TNT – intangible assets⁽¹⁾	
	31 Dec 22
	\$000
Goodwill	129,634
Customer contracts	36,005
Intellectual property	2,315
Total	167,954

- 89 All of TNT's intangible assets were acquired from acquisitions. Regarding these intangible assets we note that:
- (a) goodwill is carried at cost less accumulated impairment losses and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired
 - (b) customer contracts and intellectual property are initially recognised at fair value at the acquisition date. Subsequent to initial recognition, customer relationships are amortised over a 10 year expected useful life.

Financial assets / equity accounted investments

- 90 Financial assets relate to:

- (a) a 14.8% interest in Trust Grid Holdings Pty Ltd (TrustGrid), valued at \$0.4 million as at 31 December 2022²². TrustGrid operates an innovative and patent-protected advance blockchain technology used to provide privacy preserved, secure and private digital trust services
 - (b) a 7.68% interest in Daltry Pty Ltd (Daltry), which was valued at \$3.3 million as at 31 December 2022. However, during April 2023, Daltry appointed administrators and subsequent to this (on 22 June 2023) TNT announced that its investment in Daltry would be written off following the company being placed into liquidation. Accordingly, the investment in Daltry was nil as at 30 June 2023.
- 91 The Company's investment in AttackBound Holdings Pty Ltd (Attackbound) is reported as an equity accounted associate, with a value of \$0.1 million as at 31 December 2022²². AttackBound is an artificial intelligence-based cyber threat intelligence platform that provides organisations (both in the private and public sector) a holistic view of the attack surface from a hacker perspective.

²² Based on unaudited management accounts.

Tax assets

- 92 As at 31 December 2022, TNT had net deferred tax liabilities of \$6.1 million, the majority of which are associated with the net contract assets held by the Company²³. Within these net deferred liabilities, however, TNT has recognised a carry forward tax asset (arising from past tax losses) of some \$4.6 million (as at 31 December 2022).

Deferred settlement liabilities

- 93 Deferred settlement liabilities represent deferred purchase consideration payable for acquisitions once certain conditions have been met as stipulated in the respective acquisition contracts. TNT reports these at the discounted value of the best estimate of the cash payable based on conditions existing at each respective balance date.
- 94 As at 30 June 2023, TNT had deferred settlement liabilities associated with the acquisitions of Pearson Corporation, Claricent and ALC Training totalling \$12.8 million²⁴.

Interest bearing debt

- 95 In the fourth quarter of FY22, TNT completed a refinancing and upsizing of its debt facilities with a new \$59 million loan provided by the Commonwealth Bank of Australia. This replaced the existing facilities (for \$35 million) provided by PURE Asset Management Pty Limited²⁵ (PURE). As a part of these new debt facilities, TNT was required to comply with quarterly covenants requirements commencing 30 September 2022, which cover a leverage ratio and minimum EBITDA and minimum net worth requirements.
- 96 As at 30 June 2023, TNT had \$48.6 million²⁶ in interest bearing debt and \$6 million in undrawn acquisition debt, plus \$4 million undrawn ancillary facilities.

Share capital and performance

- 97 As at 25 July 2023, TNT had 1.354 billion fully paid ordinary shares on issue. These shares will be subject to the Share Scheme.
- 98 As at 25 July 2023, TNT also had some 77.6 million outstanding options that had been issued (across various tranches) pursuant to its employee share option plan (ESOP)²⁷ and approximately 62.5 million warrants that had been issued to PURE. These options / warrants, which are subject to the Option Scheme, are summarised below:

²³ Noting that deferred tax assets and liabilities (including tax benefits) are not recognised on a present value basis in the financial statements.

²⁴ Based on unaudited management accounts.

²⁵ The refinancing of the debt facilities resulted in exit fees paid (\$1.75 million) and the accelerated amortisation of warrants interest (\$7.5 million), both of which have been treated as non-recurring items for the purpose of determining Normalised EBITDA.

²⁶ Based on the 4Q FY23 quarterly cash flow report released on 28 July 2023.

²⁷ Excluding options that have been issued to TNT's CFO.

Options Scheme – options / warrants			
Tranche	Exercise price (\$)	Expiry date	Number on issue (m) ⁽¹⁾⁽²⁾
Options			
TNTAH (described as EO1 in the SID)	0.28	2 Nov 23	12.8
TNTAI (described as EO2 in the SID)	0.35	2 Nov 23	12.3
TNTAJ (described as EO3 in the SID)	0.28	31 Jan 25	6.4
TNTAN (described as EO8 in the SID)	0.15	16 Aug 26	46.2
Warrants			
TNTAE (described as OPW in the SID)	0.12	18 Sep 24	18.1
TNTAM (described as WR2 in the SID)	0.24	12 Apr 25	44.4

Note:

- 1 The number of options on issue differ to those disclosed within Schedule 5 of the SID due to a number of options subsequently lapsing (EO1 0.950 million, EO2 0.700 million, and EO8 0.750 million).
- 2 TNT expects a further 7.950 million options (EO1 1.550 million, EO2 1.050 million, EO3 1.000 million and EO8 4.350 million) to be cancelled on 28 August 2023 as a result of former TNT Optionholders ceasing to be employees of TNT.

99 In respect of the above, we note that:

(a) ESOP options:

- (i) the TNT Board implemented its ESOP on 12 October 2018 with a view to assisting in the reward, retention and motivation of employees²⁸. Under the ESOP, options are offered to eligible persons, being full and part time employees and contractors of TNT (except Directors). The options do not carry any voting or dividend rights and each (vested) option confers the holder the entitlement to acquire one share at the exercise price payable by the optionholder
- (ii) the options are not subject to any performance hurdles, and EO2 and EO8 vest only after an employee completes 12 and 18 months of continued service (respectively) with TNT from the date the options were granted
- (iii) if the optionholder ceases to be employed or engaged by TNT²⁹, unvested options lapse on the date of cessation and vested options lapse one month after the date of cessation, unless otherwise determined by the TNT Board. Otherwise, all vested options that are not exercised by the expiry date lapse
- (iv) the TNT Board is able to make a determination that some or all of a participant's options vest if TNT becomes, or in the opinion of the TNT Board is likely to become, subject to a change of control event

²⁸ The ESOP was approved by TNT shareholders at TNT's annual general meeting on 19 November 2021. The terms of the ESOP were subsequently updated in 2022 (shareholder approval for which was granted at TNT's annual general meeting on 18 November 2022).

²⁹ 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.

(b) warrants:

- (i) on 28 July 2020, TNT signed an agreement with its existing debt provider PURE to secure an new \$15 million debt facility (to replace the Company's then existing \$5 million loan). As part of the agreement, PURE and certain entities and persons affiliated or associated with PURE were granted 43.7 million warrants (now 18.1 million at the date of this report) with an expiry of 18 September 2024 and an exercise price of \$0.12 (OPW)
- (ii) on 19 April 2021, TNT signed a further agreement with PURE to secure a second debt facility for \$20 million. As part of the agreement, PURE and certain entities and persons affiliated or associated with PURE were granted 44.4 million warrants with an expiry of 12 April 2025 and an exercise price of \$0.24 (WR2)³⁰.

100 In addition, TNT had some 53.0 million options on issue to its Directors (and TNT's CFO). Each of the TNT Directors that hold options as well as TNT's CFO have entered into a separate option cancellation deed with Thales Australia and TNT under which all their options (Option Cancellation Deed Options), subject to the Share Scheme becoming legally effective, will be cancelled on the implementation date of the Share Scheme for cash consideration calculated using the same agreed valuation methodology as the Option Scheme (Option Cancellation Deeds). These options are summarised in the following table (noting for the avoidance of doubt, that these options are not subject to the Option Scheme):

Option Cancellation Deeds – Options			
Tranche	Exercise price (\$)	Expiry date	Number on issue (m)
TNTAK	0.2400	9 Jun 25	1.0
TNTAF	0.2480	21 Sep 25	9.0
TNTAO	0.2136	6 Jul 26	3.0
TNTAN (EO8 options issued to TNT's CFO)	0.1500	16 Aug 26	12.0
TNTAL	0.1500	18 Nov 26	28.0

Substantial shareholders

101 As at 25 July 2023, there was one substantial shareholder in TNT, being Mr Geoffrey Lord (and his associated entities) holding 108.1 million TNT shares (8.0% of the total shares on issue).

Share price performance

102 The following chart illustrates the movement in the share price of TNT from 1 January 2022 to 9 June 2023³¹:

³⁰ The initial exercise price for the WR2 warrants was \$0.45 and this was adjusted to \$0.24 in accordance with the exercise mechanism set out in the relevant warrant deeds with effect from 29 December 2021.

³¹ Being the last trading day prior to the announcement of the Schemes.

TNT – share price history⁽¹⁾

1 January 2022 to 9 June 2023



Note:

1 Based on closing prices up to the last trading date prior to the announcement of the Schemes on 9 June 2023. The S&P/ASX 200 Information Technology Index has been rebased to TNT's last traded price on 1 January 2022.

Source: Bloomberg and LEA analysis.

- 103 From 1 January 2022 through to late January 2023 the movements in the TNT share price were broadly consistent with the decline in the S&P/ASX 200 Information Technology Index over this period. However, from late January 2023 up to the trading date prior to the announcement of the Schemes the TNT share price has materially underperformed the S&P/ASX 200 Information Technology Index, with this date coinciding with the announcement of the second quarter results for FY23³² (inferring that the results announced at this time were below market expectations).
- 104 Over the period set out in the chart above, there have also been a number of ASX announcements that have resulted in a material movement in the TNT share price, these are as follows:
- (a) **25 February 2022** – the release of the 1HY22 results, which reported that Normalised EBITDA had increased by 102% to \$5.6 million³³ in comparison to the previous comparable period (i.e. the first half of FY22)
 - (b) **28 April 2022** – the release of the third quarter results for FY22, which showed that EBITDA for the nine months to 31 March 2022 had increased to \$8.5 million
 - (c) **19 December 2022** – TNT announced a significant contract win with the State Library of Queensland, as well as providing a trading update that stated that for the five months to November 2022 the Company had reported a 25% increase in turnover and had a strong pipeline of work in comparison to the same time in the previous year

³² Refer to annotation (d) in the chart above, with further details in paragraph 104(d) below.

³³ Normalised EBITDA increased by \$1 million in comparison to the Operating EBITDA reported in the second quarter results for FY22, released on 28 January 2022.

- (d) **31 January 2023** – the release of the second quarter results for FY23, which reported that Normalised EBITDA for the half year was \$5 million and that this was 9% above the previous comparable period in FY22. However, this seems to have been below market expectations given the TNT share price reaction.

Liquidity in TNT shares

- 105 The liquidity in TNT shares based on trading on the ASX over the 12 month period up to and including 9 June 2023³⁴ is set out below:

TNT – liquidity in shares						
Period	Start date	End date	No of shares traded 000	WANOS ⁽¹⁾ outstanding 000	Implied level of liquidity Period ⁽²⁾ %	Annual ⁽³⁾ %
1 month	10 May 23	9 Jun 23	95,558	1,354,182	7.1	84.7
3 months	10 Mar 23	9 Jun 23	271,155	1,354,182	20.0	80.1
6 months	10 Dec 22	9 Jun 23	504,542	1,354,182	37.3	74.5
1 year	10 Jun 22	9 Jun 23	863,105	1,320,333	65.4	65.4

Note:

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

Source: Bloomberg and LEA analysis.

- 106 The implied level of liquidity in TNT shares (on an annualised basis) has increased over the observed period, with annualised liquidity indicating a reasonable level of liquidity for TNT shares.

³⁴ Being the last trading day prior to the announcement of the Schemes.

IV Industry overview

Overview

107 TNT is a full-service cybersecurity and networking solutions provider to government, midmarket and enterprise clients across Australia and New Zealand. TNT's primary operations fall within the cybersecurity services segment of the broader IT industry, however the Company also provides IT services and resells a range of IT security products from software vendors and hardware suppliers. The following industry section provides an overview of the IT industry, in addition to a more detailed outline of the cybersecurity subsector.

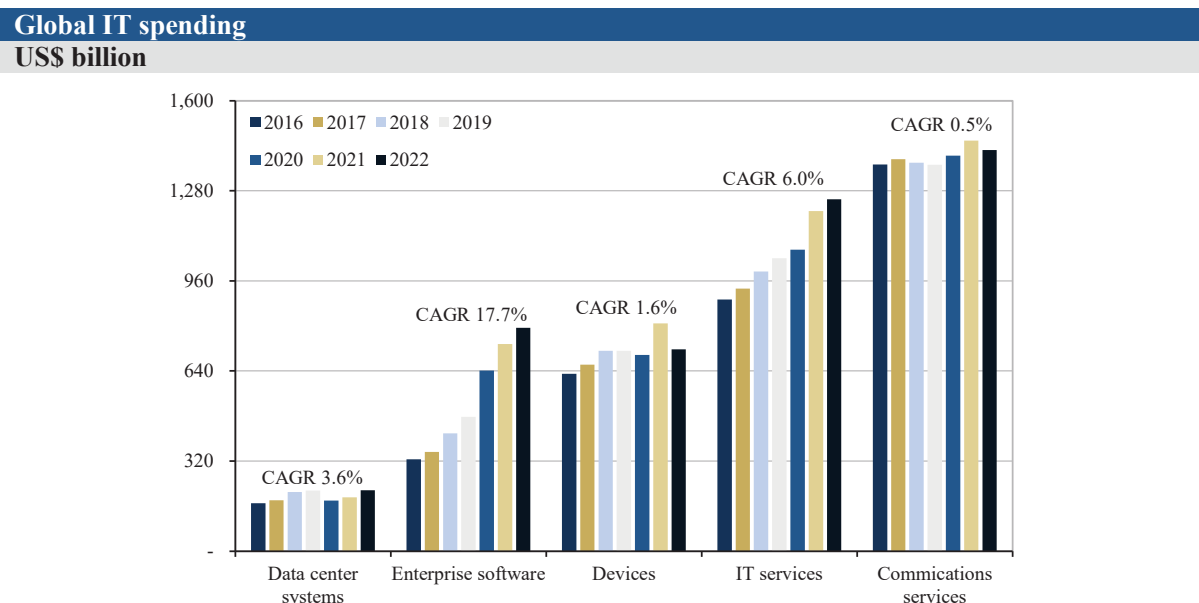
IT industry

108 IT is the use of computers to store, retrieve, transmit and manipulate data or information, often in the context of a business or other enterprise. IT, and the hardware and software associated with the IT industry, is an integral part of nearly every major global industry, and plays a key role in driving economic growth by increasing productivity. The IT industry can be broadly divided into:

- (a) **infrastructure** – hardware networks, data centres, facilities and related equipment used to develop, test, operate, monitor, manage and/or support IT services
- (b) **software** – system software such as operating systems and application software that performs specific functions separate from the computer itself
- (c) **services** – including consulting, implementation of hardware and software, IT outsourcing, user experience, infrastructure support, cybersecurity and managed services.

Global IT industry

109 Over the five years to 2022, global IT spend grew at a compound annual growth rate (CAGR) of 4.6% to US\$4.4 trillion. Certain sectors outperformed others, with enterprise software the standout with a CAGR of 17.7% over the five years to 2022, whilst IT services growth was relatively strong, with a CAGR of 6.0%, as shown in the graphic below:



Source: Gartner (2017 to 2023): *IT spending forecast press releases*. The above CAGRs represent the five years to 2022.

- 110 Global IT spending is projected to increase by 5.5% to US\$4.6 trillion in 2023, driven by strong growth in the software segment, as enterprises prioritise spending to capture competitive advantages through increased productivity, automation, and other software-driven transformation initiatives. Spending on IT related devices, which has been recently impacted by global supply chain disruptions, decreased by 11.4% in 2022, and is expected to decrease a further 4.6% in 2023, as consumers continue to defer purchases due to a decline in purchasing power.
- 111 Notwithstanding the decline in device expenditure, the global IT industry is expected to benefit from increased expenditure across all other categories in 2023 due to, inter alia:
- (a) increased expenditure on IT services from enterprises, as organisations faced with a tight labour market struggle to hire skilled IT staff, and instead engage external service providers for the implementation and ongoing support of critical IT systems³⁵
 - (b) government organisations continuing to invest in modernising critical IT infrastructure and application systems, and more generally, initiatives that improve digital solutions across their critical services. The IT services and software segments are expected to benefit most from future government expenditure, with 2023 government spending on these services expected to increase by 8.9% and 13.5% respectively relative to 2022³⁶
 - (c) higher expenditure from the banking and investment services sectors, which is expected to increase by 8.1% to US\$625.1 billion in 2023, primarily directed towards cybersecurity, data and analytics, integration technologies and cloud services³⁷.
- 112 More broadly, future growth is expected to be driven by the continued investment in artificial intelligence and related services, digital business, blockchain, the “internet of things”, cloud applications and the progression from big data and algorithms to machine learning.

Cybersecurity

- 113 In an increasingly digitised world, cybersecurity is one of the most important defensive measures, comprising everything that pertains to protecting sensitive data, including personally identifiable information, intellectual property, government data, and industry information systems from theft and damage attempted by criminals and adversaries.
- 114 Cybersecurity is a subset of the IT industry, encompassing the practice of protecting computer information systems, operational technology, hardware, networks, and data from cyber-attacks. Cybersecurity companies help organisations protect their systems through the provision of security related IT services (e.g. IT security consulting and implementation, incident response) in addition to firewalls and cybersecurity software that helps detect and prevent malicious activity.

³⁵ Source: <https://www.gartner.com/en/newsroom/press-releases/2023-01-18-gartner-forecasts-worldwide-it-spending-to-grow-2-percent-in-2023>.

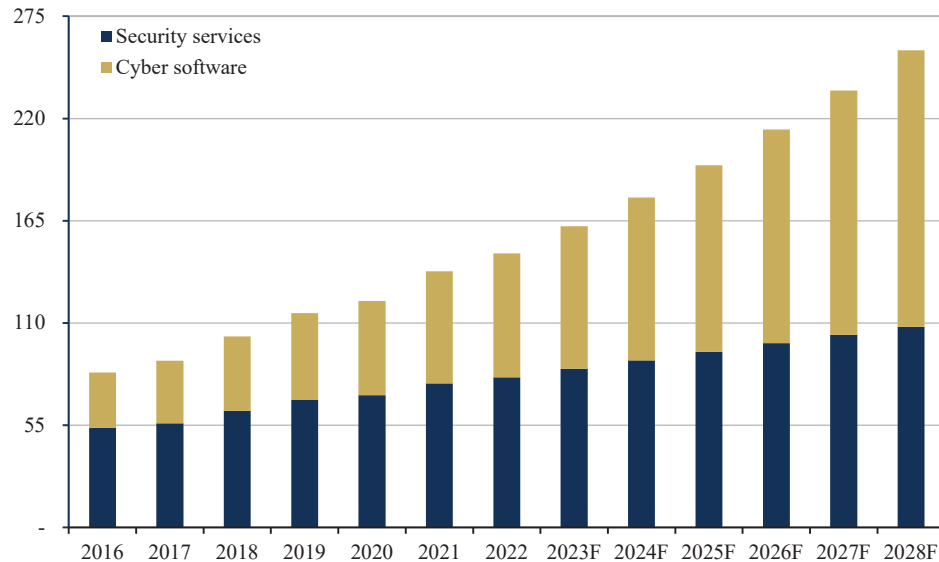
³⁶ Source: <https://www.gartner.com/en/newsroom/press-releases/2023-05-24-gartner-forecasts-worldwide-government-it-spending-to-grow-8-percent-in-2023#>.

³⁷ Source: <https://www.gartner.com/en/newsroom/press-releases/2023-06-21-gartner-forecasts-worldwide-banking-and-investment-services-it-spending-to-reach-652-billion-in-2023>.

- 115 A graph of both historical and forecast cybersecurity revenue split into security related services (54.8% of 2022 global cybersecurity revenue) and cybersecurity software (45.2% of 2022 global cybersecurity revenue) is set out below:

Global cybersecurity revenue

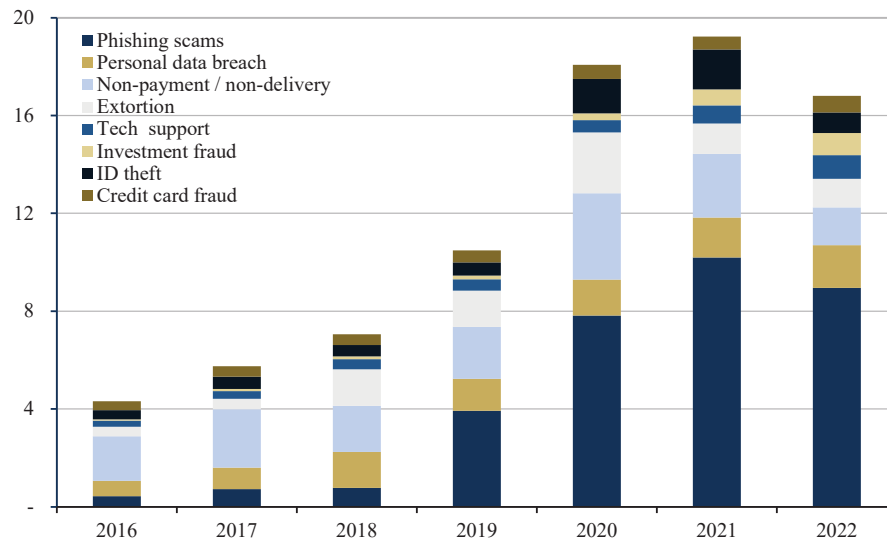
US\$ billion



Source: Statista (2023): *Cybersecurity – Worldwide*, market data published March 2023.

- 116 In the five years to 2022, cybersecurity software revenue has grown at a CAGR of 14.6% and has outpaced global security services revenue, which increased at a CAGR of 7.6% over the same period. The two revenue sources are expected to exhibit similar growth rates over the medium term, with total industry revenue forecast to increase at a CAGR of 9.7% over the six years to 31 December 2028. Forecast growth in industry revenue is expected to be underpinned by, inter alia, the increasing number of cyber-attacks on business and government enterprises, higher levels of retail and financial transactions processed online, and the continued integration and interconnection of business and government controlled systems and infrastructure.
- 117 Given increasing global connectivity, driven by usage of cloud services to store sensitive data and personal information, combined with the widespread poor configuration of cloud services, the number of cyber-attacks and successful data breaches is growing. In particular, phishing scams have become increasingly prevalent in recent years, and have been the primary driver of growth in the total number of global cyber-attacks, which increased from approximately 5.8 million in 2017 to approximately 16.8 million in 2022, as shown below:

Global recorded cyber-attacks by type millions

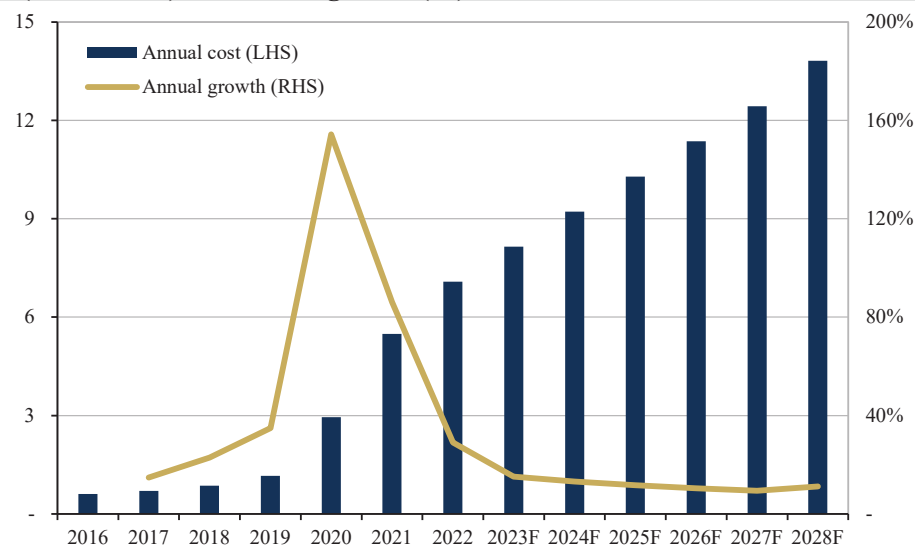


Source: Statista (2023): *Cybersecurity – Worldwide*, market data published March 2023.

- 118 Following the outbreak of COVID-19, there was a significant increase in the global volume of cyber-attacks, as cyber criminals took advantage of inadequately structured and configured networks associated with organisations moving to remote work environments. The level of e-commerce activity also increased significantly, resulting a sharp rise in “non-payment / non-delivery” attacks³⁸ in 2020, which increased by approximately 67% relative to the prior year. Whilst the number of total attacks decreased, the total cost of cybercrime increased by some 30% in 2022, and is expected to continue to increase each year over the next five years, as shown below:

Global cost of cybercrime

Annual cost (US\$ trillion) and annual growth (%)



Source: Statista (2023): *Cybersecurity – Worldwide*, market data published March 2023.

³⁸ Non-payment attacks refer to a vendor not receiving payment for the sale of online goods, whilst non-delivery attacks are related to a purchaser not receiving goods that they have paid for online.

- 119 Cybersecurity has become an organisation-wide business risk (rather than just an IT-specific risk), and organisations and government agencies have become increasingly aware of the importance of cybersecurity and cyber threats. With the consistent growth in cybersecurity threats and attacking tools, demand for advanced cybersecurity solutions to deal with such attacks has also increased significantly.
- 120 At present, the underlying drivers of cybersecurity for organisations include (and these are covered in further detail below):
- (a) increased digitisation of organisations
 - (b) increasing government regulation and requirements; and
 - (c) increasing number and sophistication of cyber-attacks.

Increased digitisation of organisations

- 121 Organisations have digitally transformed themselves over the years to create faster, easier, and more plentiful access points to their customers. In addition, organisations have come to rely on technology to stay connected at all times and conduct work effectively (e.g. remote work, email correspondence, and collaborative work documents). However, when these access points or lines of communication are threatened or even compromised, it can have a disastrous effect.
- 122 Security concerns arise from the use of the internet to store and access information and from enterprises increasingly allowing employees to access company information and applications on their own mobile devices. Growth in the “internet of things” has specific security issues as organisations often do not have control over the source and nature of the software and hardware being used by devices connected via the internet.
- 123 Accompanying the growing use of technology has been a rise in cybercrime. For cyber threat actors, the possibilities have increased exponentially, along with the potential rewards. Security issues now influence brand reputation, brand trust, and consumer trust, which forces organisations to make a fundamental shift in thinking about the role of cybersecurity in customer experience, marketing, and business operations.

Increased government regulation and requirements

- 124 Organisations are increasingly being impacted by a range of government regulations and requirements such as the General Data Protection Regulation (GDPR)³⁹ and Payment Card Industry Data Security Standard (PCI DSS).

General Data Protection Regulation (GDPR)

- 125 The GDPR and other laws mean that cybersecurity is no longer an issue that businesses (of any size) can ignore. The GDPR primarily aims to give individuals control over their personal data, in addition to simplifying the regulatory environment for international business by unifying regulation within the European Union (EU) and the European Economic Area (EEA). Further, the GDPR (and the related privacy requirements) has become a model for many national laws outside the EU, including Argentina, Australia, Brazil, Chile, China,

³⁹ The GDPR is a regulation on data protection and privacy in the EU and the EEA. It also addresses the transfer of personal data outside the EU and EEA areas. The GDPR was adopted on 14 April 2016, and became enforceable from 25 May 2018.

Japan, Kenya, and South Korea, and some states in the United States of America (US), such as California.

- 126 Under the GDPR, controllers and processors of personal data must put in place appropriate technical and organisational measures to implement data protection principles and provide safeguards to protect data. Data controllers must design information systems with privacy in mind, including using the highest possible privacy settings by default, so that datasets are not publicly available and cannot be used to identify a subject. No personal data may be processed unless this processing is done under one of six lawful bases specified by the regulation (consent, contract, public task, vital interest, legitimate interest or legal requirement).
- 127 Data controllers must clearly disclose any data collection, declare the lawful basis and purpose for data processing, and state how long data is being retained and if it is being shared with any third parties or outside of the EEA. Data subjects have the right to request a portable copy of the data collected by a controller in a common format, and the right to have their data erased under certain circumstances.
- 128 Organisations must report data breaches to national supervisory authorities within 72 hours if they have an adverse effect on user privacy. In some cases, violators of the GDPR may be fined up to €20 million or up to 4% of the annual worldwide turnover of the preceding financial year, whichever is greater.
- 129 The GDPR applies to the data processing activities of organisations, regardless of size, that are data processors or controllers with an establishment in the EU and the EEA. However, as noted above, many countries have used it as a model to implement similar laws. Further, the GDPR has extra-territorial scope, which means that websites outside of the EU that process the data of people inside the EU are obligated to comply with the GDPR. Therefore, if organisations have a website in Australia that obtains visitors from the EU, the GDPR applies to the Australian website and organisations are required to meet GDPR requirements and conditions for processing data⁴⁰.

Payment Card Industry Data Security Standard (PCI DSS)

- 130 The PCI DSS⁴¹ was developed to encourage and enhance cardholder data security and facilitate the broad adoption of consistent data security measures globally. The PCI DSS applies to all entities involved in payment card processing, including merchants, processors, acquirers, issuers, and service providers. The PCI DSS also applies to all other entities that store, process, or transmit cardholder data and/or sensitive authentication data.

Increasing number and sophistication of cyber-attacks

- 131 As noted at paragraph 117 above, the number of global cyber-attacks has increased significantly over the past five years, and the total cost of cybercrime to organisations is expected to continue to increase over the near term.
- 132 Cyber criminals continue to evolve the sophistication of their attack methods, from tailored ransomware and custom coding, to sharing infrastructure to maximise their opportunities. Cyber-attacks occur regularly and the goals of threat actors could be as simple as stealing

⁴⁰ While similar GDPR laws have yet to be enacted in the US, there have been calls for federal legislation to extend the privacy protections of the GDPR to citizens of the US.

⁴¹ Source: https://www.pcisecuritystandards.org/pci_security/.

personal information from people using public wi-fi, or could be more devastating such as shutting down a city or country's power grid. At one end of the scale, there are smaller operators hoping for a modest payday from unleashing ransomware on a single computer. At the other end of the scale, there are state-sponsored attackers who have switched to cybercrime as a method of warfare, viewing it as cheaper, faster and easier than traditional conflict. In addition, there is research that points to the potential uses of artificial intelligence to engineer more potent cyber-attacks⁴².

- 133 Some examples of high profile cyber-attacks in recent years (including those in Australia and internationally) include:
- (a) **Medibank** – in October 2022, Australia's largest health insurer announced that it had experienced a cyber-attack resulting in the personal details of 9.7 million current and former customers being leaked, including names, birth dates, passport numbers, and information on claims. As a result of the attack, in June 2023, the Australian Prudential Regulatory Authority advised Medibank that it would be required to hold an additional \$250 million in capital as a buffer against any issues associated with future data breaches
 - (b) **HWL Ebsworth** – one of Australia's largest law firms announced in April 2023 that it had been the victim of a ransomware attack. The attack resulted in the theft of approximately 3.6 terabytes of data, including sensitive information about clients, employees, and the firm itself. In June 2023, after HWL Ebsworth refused to pay threat actors a ransom, approximately one terabyte of data was published on the dark web
 - (c) **Optus** – in September 2022, the data for some 10 million people in Australia was exposed (about 40% of the Australian population), with customers' names, dates of birth, phone numbers and email addresses compromised
 - (d) **First American Corporation** – had 885 million records exposed in a May 2019 data breach that included bank account information, social security numbers, wire transactions, and mortgage paperwork
 - (e) **the United Kingdom (UK) National Health Service** – faced a relatively rudimentary ransomware attack in August 2022, which resulted in cancelled operations and considerable clean-up costs. This specific attack became particularly embarrassing for the UK Government, when it emerged that basic IT security could have prevented it
 - (f) **Yahoo!** – the web giant suffered a breach affecting every one of its 3 billion customer accounts over multiple dates. Direct costs of the breach ran to around US\$350 million.

Australian IT industry

- 134 The Australian IT industry has expanded rapidly over the past five years due to regular upgrades and enhancements and increased online connectivity and cloud based applications. There are also a number of key trends, including⁴³:

⁴² For instance, cyber threat intelligence experts Check Point Research expect the number of cyber-attacks to accelerate in 2023 due to artificial intelligence technology such as ChatGPT, which can be used by less-skilled threat actors to, inter alia, generate malicious code, write convincing phishing emails, and create realistic synthetic media that could be used to scam victims.

⁴³ Parts of this paragraph are sourced from the Atturra Limited prospectus, dated 17 November 2021.

- (a) increased demand for IT services, such as:
 - (i) **data and integration** – increases in the volume of operational data being generated, as well as investments in cloud computing and artificial intelligence are driving demand for data visualisation, integration and analytics services
 - (ii) **consulting / advisory** – as more companies undertake digital transformation processes, IT consulting and advisory services such as system design, reviews and risk assessments, security consulting, testing, and implementation / transformation support are increasing in demand
 - (iii) **enterprise resource planning solutions** – cloud-based enterprise resource planning solutions, which are supported by operational priorities around enhanced visibility, real-time decision making and greater efficiency are growing at a faster pace than traditional on-premises enterprise resource planning
- (b) **increased reliance on outsourcing IT** – growing IT complexity compels businesses to outsource solutions management to expert third parties to improve business agility and more effectively manage digital transformation. Enterprise customers increasingly need support in dealing with cybersecurity threats, ensuring network reliability, automating business processes, managing enterprise mobility, managing multi-vendor solutions and legacy systems integration
- (c) **increased demand for services to enable remote working** – the shift to hybrid work environments catalysed by COVID-19 has driven demand for enterprise videoconferencing infrastructure, unified communications software as well as digital collaboration tools and workflows.

135 IT services is the largest sector of the Australian IT market, whilst software is the fastest growing sector. According to Gartner, Australian IT spending was expected to have increased by 6.4% to \$111.2 billion in 2022 and is forecast to grow by 5.8% to \$117.7 billion in 2023. Australian IT spend is expected to continue to grow across the board in 2023, primarily driven by strong growth in software (growth of 10.9%) and IT services (growth of 6.1%).

Australian cybersecurity market

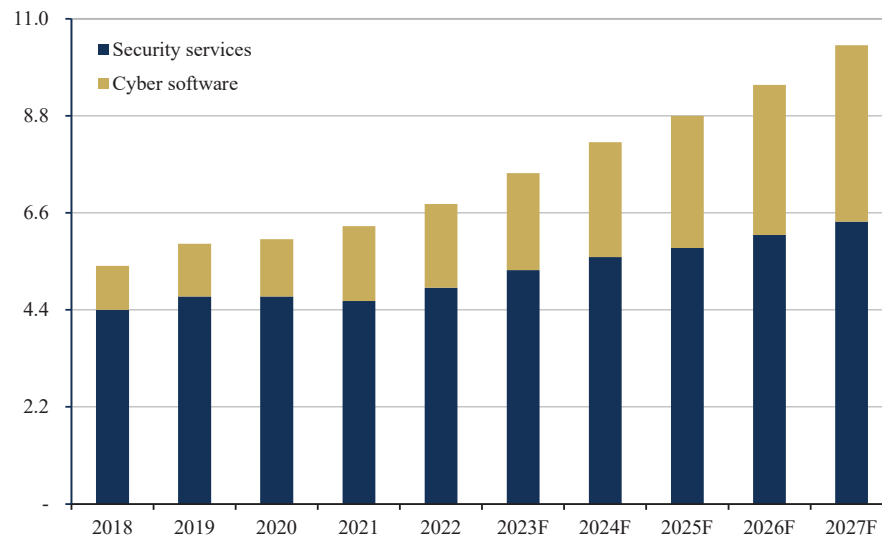
136 Australia has reported a number of high profile cybersecurity breaches in recent times (some of which are highlighted at paragraph 133 above) and in the quarter ended 31 December 2022, Australia was reported as the most frequently hacked nation in the world, with data breaches having surged by 1,550% in this quarter⁴⁴. Australia also currently ranks sixth in the world as targets of “significant” cyber-attacks, having reported 16 major incidents since 2010⁴⁴.

137 The Australian cybersecurity market has followed a similar trend to the global cybersecurity sector over recent years, with annual growth in cybersecurity software revenue outpacing security services revenue over the five years to 31 December 2022, as shown below:

⁴⁴ Sourced from the TNT 1HY23 report, based on data compiled by the Centre for Strategic and International Studies.

Australian cybersecurity revenue

US\$ billion

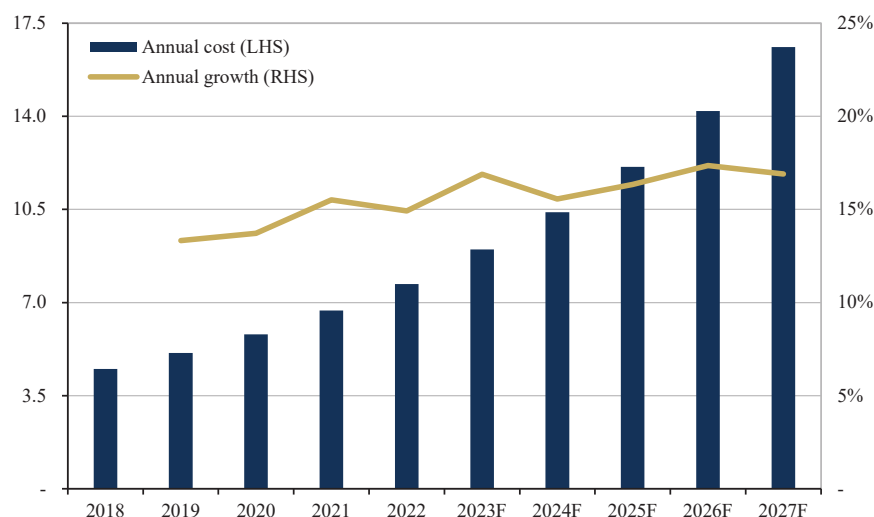


Source: Statista (2023): *Cybersecurity – Australia*, market data accessed February 2023 sourced from TNT's 1HY23 Investor Presentation dated 27 February 2023.

- 138 The cybersecurity industry is expected to continue to exhibit strong growth over the five years to 31 December 2027, with revenue forecast to increase at a CAGR of 8.9% over the period. Unlike the global market, security services are expected to remain the primary source of industry revenue over the forecast period, representing approximately 62% of Australian revenue in 2027 (compared to approximately 44% of global revenue).
- 139 Australia's widespread internet connectivity, high per-capita wealth, and relatively high delivery of services through online channels (e.g. online banking / investment services) make it an attractive target for cyber threat actors. The estimated cost of cybercrime in Australia reached US\$7.7 billion in 2022, representing a CAGR of 14.4% per annum over the period since 2018. Cybercrime costs are expected to continue to grow at similar rates up to 2027, reaching US\$16.6 billion at this time, as shown below:

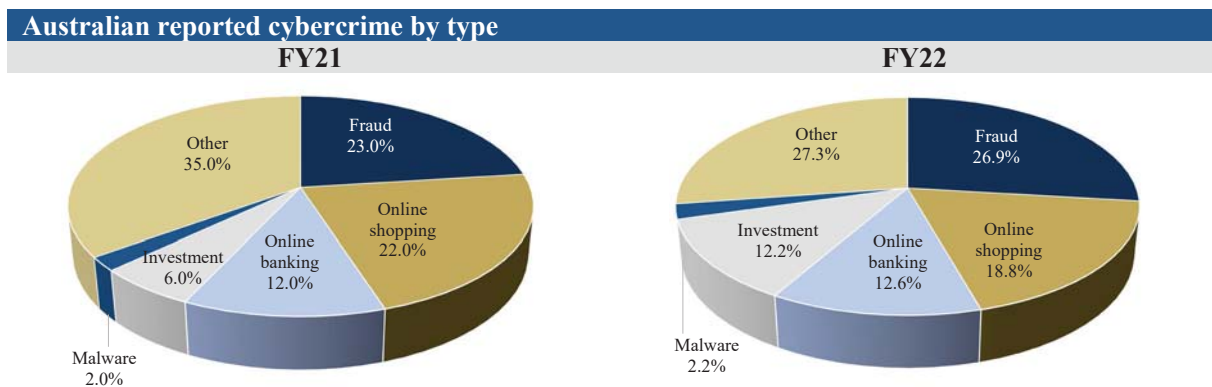
Australian cost of cybercrime

Annual cost (US\$ billion) and annual growth (%)



Source: Statista (2023): *Cybersecurity – Australia*, market data accessed February 2023 sourced from TNT's 1HY23 Investor Presentation dated 27 February 2023.

- 140 The third annual Australian Cyber Security Centre (ACSC) Cyber Threat report indicates that the ACSC received over 76,000 cybercrime reports over FY22, an increase of approximately 13% relative to the prior year⁴⁵. Fraud related cybercrime remains the most reported threat, followed by “non-payment / non-delivery” attacks and online banking related cybercrime. The three categories represented over 50% of total cybercrime reports in FY21 and FY22, as shown below:



Source: ACSC: *Annual Cyber Threat Report* for FY21 and FY22.

- 141 Whilst ransomware related cybercrime reports represent a relatively small proportion of total reported cybercrime, ransomware attacks are considered the most serious cybercrime threat in Australia. This is due to the high financial impact and potential disruption that attacks cause to individual victim organisations (e.g. business disruption from the encryption of data, reputational damage related to the release of stolen data etc.) as well as the wider community (e.g. from the public release of personal data).
- 142 ACSC also reports the annual number of cybersecurity incidents, which refer to an event, or series of events, that have a significant probability of compromising an organisation’s operations. In FY22, the ACSC responded to over 1,100 cybersecurity incidents, of which 34% were reported by government organisations, with the next highest sectors, health care and social assistance, representing a combined 9% of total incidents.
- 143 The government sector is expected to be a primary source of total cybersecurity spend over the near term, as local and federal governments aim to increase Australia’s cybersecurity position by improving service delivery and modernising legacy platforms and IT systems. The Federal Government recently announced a round of cybersecurity investment measures in the Federal Budget 2023-24, including⁴⁶:
- (a) **protection against scams and data breaches** – an allocation of \$86.5 million to establish a National Anti-Scam Centre, enhance ASIC’s efforts to disrupt investment scams, and establish an SMS Sender ID Register to help prevent scammers imitating trusted brand names

⁴⁵ Source: ACSC: *Annual Cyber Threat Report* for FY22.

⁴⁶ Source: <https://www.australiacloud.com.au/news/federal-budget-2023-24/>.

- (b) **expansion of Digital ID** – Digital ID is a secure and convenient way to verify a person’s identity online whilst providing some protection to personal information. The Federal Government is investing \$26.9 million to expand Digital IDs to help improve efficiency and protection, and reduce fraud from the unauthorised use of Digital IDs
- (c) **Consumer Data Right** – the Federal Government has committed to invest a further \$88 million over two years to support the Consumer Data Right⁴⁷ in banking, energy, and the non-banking lending sectors
- (d) **enhancing cybersecurity measures** – more generally, the Federal Government will provide \$101.6 million to support and improve cybersecurity in Australia over a range of projects.

144 In addition to the above, the Federal Government announced a significant cybersecurity package in the Federal Budget 2022-23, entitled the Resilience, Effects, Defence, Space, Intelligence, Cyber and Enables (REDSPICE) package. The REDSPICE package includes \$9.9 billion of government investment in the Australian Signals Directorate (ASD)⁴⁸ over the 10 years ended 2030-31⁴⁹.

145 Whilst specific details of REDSPICE projects are classified, the package aims to expand ASD’s agency by doubling its staff count, tripling its cyber offensive capabilities, and doubling its cyber hunt and response activities. The ASD will rely on Australian expertise and technology to deliver cybersecurity, telecommunication and cloud computing components, and for strategic partnerships to deliver workforce and facility solutions. As a result, it is expected that REDSPICE will provide approximately \$5 billion in opportunities for businesses operating in the Australian IT and cybersecurity industries in the period to 2030-31⁵⁰.

⁴⁷ The Consumer Data Right is the name of a legislative, regulatory, and standards framework for consumer data portability in Australia. The framework has been created and introduced by the Federal Government, and is being rolled out in stages on a sector-by-sector basis.

⁴⁸ The ASD is a federal statutory agency within the Department of Defence that is responsible for foreign signals intelligence, support to military operations, cyber warfare, and information security.

⁴⁹ Source: https://www.aph.gov.au/About_Parliament/Parliamentary_departments/Parliamentary_Library/pubs/rp/BudgetReview202223/CybersecurityPackage.

⁵⁰ ASD (2022): *REDSPICE: A Blueprint For Growing ASD’s Capabilities* report.

V Valuation of TNT

Overview

- 146 The market value of the shares in TNT has been assessed by aggregating the market value of its business operations (on a “control” basis), together with the realisable value of any surplus assets / (liabilities) and deducting net borrowings. The valuation of TNT’s business operations has been made on the basis of market value as a going concern, defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length within a reasonable timeframe.
- 147 An overview of generally accepted valuation approaches used in the determination of market value is set out in Appendix C. The capitalisation of EBITDA method has been adopted as our primary valuation method for TNT’s business operations. Under this method the underlying EBITDA (before significant / non-recurring items) of the business is capitalised at an EBITDA multiple that reflects the risk and growth prospects of that business.
- 148 The resulting equity values have been cross-checked by reference to:
- (a) recent offers received for TNT as part of the process undertaken by the Company in response to its receipt of an indicative non-binding offer from Thales Australia; and
 - (b) the share market trading in TNT shares prior to the announcement of the Schemes, adjusted for a premium for control.

Underlying EBITDA

- 149 In order to assess the appropriate level of EBITDA for valuation purposes we have had regard to the historic and budgeted results of TNT, and have discussed the recent financial performance, operating environment and prospects with TNT management.

Historic results

- 150 We set out below a summary of the historical EBITDA for TNT for FY22 and LTM23⁵¹ on a normalised (proforma) basis:

TNT – revenue and EBITDA⁽¹⁾			
	Paragraph reference	FY22 \$m	LTM23 \$m
Revenue	72	113.0	139.3
Proforma revenue adjustments ⁽²⁾	152	23.3	7.2
Underlying revenue		136.3	146.5
 Normalised EBITDA	 72 / 78	 18.6	 19.9
Remove impact of AASB 16	154	(2.2)	(3.2)
Operating EBITDA	78	16.3	16.7

⁵¹ As stated in paragraph 74(a), given the number of acquisitions undertaken by TNT recently, and the resulting significant growth in number of services provided, we do not consider the revenue and Normalised EBITDA results for TNT prior to FY22 to be representative of future financial performance for the Company.

TNT – revenue and EBITDA⁽¹⁾			
	Paragraph reference	FY22 \$m	LTM23 \$m
Other significant items / adjustments			
Proforma EBITDA adjustments ⁽²⁾	152	4.6	1.4
Share based payments	155	(1.3)	(1.3)
Growth initiatives and cost reductions	157	0.4	3.6
Total significant items / adjustments		3.7	3.7
Underlying EBITDA			
		20.0	20.3
<i>Underlying EBITDA margin</i>		<i>14.7%</i>	<i>13.7%</i>

Note:

- 1 Rounding differences may exist.
- 2 Relates to the acquisitions of Loop Secure, Pearson Corporation, Claricent and ALC Training.

- 151 As shown above, to determine Underlying EBITDA we have made a number of adjustments to the Normalised EBITDA reported by TNT. These adjustments are as follows.

Proforma adjustments

- 152 During FY22, TNT acquired Loop Secure, Pearson Corporation and Claricent, and in FY23 TNT acquired ALC Training. Accordingly, FY22 did not reflect a full year earnings contribution from Loop Secure, Pearson Corporation and Claricent. Additionally, the full year earnings contribution from ALC Training was not reflected in FY22, nor LTM23.
- 153 To allow for the revenue and EBITDA contribution for the period in which these businesses did not contribute to the Company's financial results, we have added their proforma revenue and EBITDA to the reported historical results of TNT. The proforma calculations are as follows:

TNT – proforma adjustments⁽¹⁾				
	Period of adjustment		FY22 \$m	LTM23 \$m
	From	To⁽²⁾		
Revenue adjustment for:				
Loop Secure	1 Jul 21	1 Oct 21	4.6	-
Pearson Corporation	1 Jul 21	16 Dec 21	10.0	-
Claricent	1 Jul 21	23 Dec 21	1.4	-
ALC Training	1 Jul 21	22 Mar 23	7.4	7.2 ⁽³⁾
Total proforma revenue adjustment			23.3	7.4
EBITDA adjustment for:				
Loop Secure	1 Jul 21	1 Oct 21	0.6	-
Pearson Corporation	1 Jul 21	16 Dec 21	2.2	-
Claricent	1 Jul 21	23 Dec 21	0.4	-
ALC Training	1 Jul 21	22 Mar 23	1.4	1.4 ⁽³⁾
Total proforma EBITDA adjustment			4.6	1.4

Note:

- 1 The proforma adjustments are based on the revenue and earnings announced to the ASX.
- 2 Being the effective acquisition date.
- 3 Noting that this period is from 1 April 2022 to 22 March 2023.

AASB 16 adjustments

- 154 Consistent with the Operating EBITDA⁵² reported by TNT, the FY22 and LTM23 results have been adjusted to exclude the impact of changes required under AASB 16. As stated in paragraph 78, AASB 16 provides an uplift to EBITDA as it replaces cash rent expenses with depreciation of “right of use” assets as well as interest expense associated with lease liabilities (both of which are recognised below the EBITDA line). In our view, this EBITDA uplift should be excluded as it is simply an accounting treatment which has no cash flow impact or impact on the underlying profitability of TNT.

Share based payments

- 155 Share based payment expenses associated with the issue of options to key employees over recent years were \$4.5 million, \$2.4 million and \$0.3 million in FY21, FY22 and 1HY23 respectively. In determining Normalised EBITDA, TNT has added back the above share based payment expenses given these are non-cash costs.
- 156 However, in the absence of these option issues the Company would be required to increase its remuneration to these employees in order to retain these staff. This additional (notional) cost has been estimated by TNT management at between \$1.0 million and \$1.5 million per annum (with the midpoint of this range adopted in the calculation of Underlying EBITDA above).

Growth initiatives and cost reductions

- 157 TNT has a number of initiatives underway that are expected to increase earnings for the Company, including:
- (a) investment and the rollout of its new incident response capability, which provides relatively high margin retainer-based revenue
 - (b) rolling out the ALC Training offering to its existing client base
 - (c) additional sales of products and services, which are expected to increase future earnings
 - (d) the turnaround of the SOC business, which was impacted by underperformance due to a migration away from underperforming legacy contracts and management changes
 - (e) removing excess headcount, consolidating its Melbourne offices and other cost savings.

FY23 management accounts

- 158 We have reviewed TNT’s FY23 unaudited management accounts and note that Operating EBITDA for 4Q FY23 shows a reduction in comparison to the (record) 4Q FY22 Operating EBITDA. As a result, Operating EBITDA for FY23 is lower than the Operating EBITDA for LTM23 shown above. Notwithstanding this, and as noted in paragraph 157 above, there are a number of initiatives in currently place which are aimed at improving the earnings of the Company.

EBITDA adopted for valuation purposes

- 159 Having regard to the FY22 and LTM23 Underlying EBITDA set out above, as well as the unaudited management accounts for FY23, we have adopted EBITDA of \$19.0 million for valuation purposes.

⁵² Which includes the actual cash rent expenses incurred by TNT.

EBITDA multiple

160 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

- | | |
|---|---|
| <ul style="list-style-type: none"> • The stability and quality of earnings • The quality of the management and the likely continuity of management • The nature and size of the business • The spread and financial standing of customers • The financial structure of the company and gearing level • The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors • The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors | <ul style="list-style-type: none"> • The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc. • The cyclical nature of the industry • Expected changes in interest rates • The asset backing of the underlying business of the company and the quality of the assets • The extent to which a premium for control is appropriate • Whether the assessment is consistent with historical and prospective earnings |
|---|---|

161 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for TNT.

Listed company multiples

162 As there have been a number of acquisitions of Australian listed IT services companies (predominantly by international companies), there are only two relevant Australian IT services companies currently listed on the ASX with a value less than \$1 billion. As a result, we have also considered the EBITDA multiples for international IT services companies (including those with cybersecurity operations) with a market capitalisation of less than (or around) \$1 billion. The EBITDA multiples for these companies are as follows (refer to Appendix D for company descriptions):

Listed company trading multiples ⁽¹⁾					
	Enterprise value ⁽²⁾ A\$m	EBITDA multiples ⁽³⁾			Forecast growth ⁽⁶⁾ %
		FY23 ⁽⁴⁾⁽⁵⁾ x	FY24 ⁽⁵⁾ x	FY25 ⁽⁵⁾ x	
Australian IT services companies					
Atturra	163.9	9.5	8.2	7.0	16.1
COSOL	139.5	11.9	10.0	8.6	17.3
Median		10.7	9.1	7.8	
International IT services companies					
NCC Group	663.3	10.5	8.1	6.7	25.5
Allgeier	644.4	7.4	6.3	5.3	17.7
Information Services Group	448.0	6.7	6.2	na	8.1
Izertis	336.9	15.7	11.8	9.9	26.0
CY4GATE	325.2	10.1	7.6	6.8	26.2
Mastech Digital	169.5	8.2	7.4	na	10.6
Median		9.8	7.9	7.2	

Note:

- 1 Enterprise value and earnings multiples calculated as at 21 July 2023.
- 2 Enterprise value includes net debt (interest bearing liabilities less non-restricted cash), net derivative liabilities and excludes surplus assets. Net debt excludes AASB 16 / US GAAP / IFRS lease liabilities. Foreign currencies have been converted to Australian dollars at the exchange rate prevailing as at 21 July 2023.
- 3 The EBITDA multiples for the Australian companies have been adjusted to remove the impact of AASB 16, whilst the EBITDA multiples for the international companies have been adjusted to remove the estimated impact of the relevant equivalents to AASB 16 (i.e. IFRS 16).
- 4 Historic EBITDA is based on latest statutory full year accounts and exclude non-recurring items, significant write downs, realised investment gains or losses and restructuring charges.
- 5 Forecast earnings are based on Bloomberg average analyst forecasts (excluding outliers and outdated forecasts). Results for companies with a 31 December financial year end have been “calendarised” to reflect financial year ends to be consistent with the TNT financial year end.
- 6 Forecast growth is the CAGR for the FY23 to FY25 years, with the exception of Information Services Group and Mastech Digital, which are for the FY23 to FY24 years.

Source: Bloomberg, company announcements and LEA analysis.

na – not available.

163 In relation to the above, we note that:

- (a) the listed company multiples are based on the listed market price of each company’s shares (and therefore exclude a premium for control). Empirical research undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover)⁵³. This broadly translates to a premium of 20% to 25% at the EBITDA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company
- (b) regarding the Australian IT services companies (i.e. COSOL and Atturra):
 - (i) neither of these companies provide cybersecurity services, however they both offer IT consulting services that are similar to the IT consulting services provided by TNT
 - (ii) both of these companies have grown revenue and profits significantly in the last three years (which is expected to continue), and the respective companies have higher implied EBITDA multiples as a reflection of this
- (c) regarding the international listed IT services companies:
 - (i) NCC Group and CY4GATE are focused on cybersecurity services, whilst Izertis offers cybersecurity services in addition to other IT services
 - (ii) all but one of the international listed companies are larger and have more diverse operations than TNT. In this regard, we note that smaller listed companies often trade on lower multiples than larger listed companies provided other variables such as expected earnings growth are similar

⁵³ LEA has analysed the control premiums paid in successful takeovers and other change in control transactions involving cash consideration in Australia over the period 2000 to 2022. LEA’s study covered around 500 transactions in all sectors excluding real estate investment trusts, based on data sourced from Bloomberg, Connect4 and public company transaction documents and ASX announcements. Scrip transactions were excluded from the analysis because the value of the scrip consideration can vary materially depending on the date of measurement.

- (d) the median EBITDA multiples for the:
- (i) Australian listed companies are 10.7 times (FY23) and 9.1 times (FY24). After adjusting for a theoretical control premium⁵⁴, the implied controlling interest EBITDA multiples are 14.4 times (FY23) and 12.2 times (FY24)
 - (ii) international listed companies are 9.2 times (FY23) and 7.5 times (FY24). After adjusting for a theoretical control premium⁵⁴, the implied controlling interest EBITDA multiples are 12.3 times (FY23) and 10.1 times (FY24).

TNT acquisitions

164 TNT has made a number of acquisitions since 2019. The EBITDA multiples for these transactions are summarised in the table below, with a description set out in Section III (paragraph 65):

Transaction (EBITDA) multiples			
Date ⁽¹⁾	Target	Enterprise value ⁽²⁾ \$m	EBITDA multiples ⁽³⁾ x
Jan 23	ALC Training	5.5	3.8 H
Dec 21	Claricent	5.2	6.9 F
Dec 21	Pearson Corporation	22.2	4.6 F
Aug 21	Loop Secure	12.3	5.4 H
Mar 21	Secure Logic	17.9	4.3 H
Dec 20	Lateral Security	6.1	7.6 H
Sep 20	IQ3	15.4	5.1 H
Aug 20	Airloom	17.6	6.5 H
Aug 20	Ludus Cybersecurity	1.7	5.0 H
Jul 20	Seer Security	19.5	8.9 H
Dec 19	North	5.7	3.1 F
Oct 19	Pure Security	14.0	4.5 H
Apr 19	Rivium	2.9	4.5 F

Note:

1 Date of announcement.

2 Enterprise value on a 100% basis.

3 H – multiple based on historical EBITDA. F – multiple based on forecast EBITDA.

Source: Company announcements and LEA analysis.

165 The EBITDA multiples implied by the TNT transactions range from 3.1 times to 8.9 times, with a median of 5.0 times. In addition, the EBITDA multiples for the transaction multiples with an enterprise value of less than \$10 million are 4.7 times, whilst those above \$10 million are 5.1 times. Overall, given (inter alia) the difference in size and diversification, in our opinion, the appropriate EBITDA multiple for TNT should be materially higher than these respective transactions.

Australian IT services transactions

166 There have been a number of transactions in the IT services sector involving Australian listed companies over recent years, the acquisition terms and related EBITDA multiples for which are readily available. A summary of the larger more relevant transactions to TNT (with a

⁵⁴ Based on an assumed control premium of 32.5%.

value greater than or around \$100 million) is set out below, with a description of the target companies provided in Appendix E:

Transaction (EBITDA) multiples			Enterprise value ⁽²⁾	EBITDA multiples ⁽³⁾
Date ⁽¹⁾	Target	Acquirer	\$m	x
Jul 21	Empired	Capgemini	230	9.6 F
Nov 20	RXP Services	Capgemini	115	8.2 F
Sep 20	DWS	HCL Technologies	200	7.7 H
Sep 20	Citadel Services ⁽⁴⁾	Pacific Equity Partners	~ ⁽⁴⁾	7.0 F ⁽⁴⁾
May 17	SMS Management & Technology	Nomura Research Institute	132	14.2 H
Sep 16	ASG Group	Nomura Research Institute	348	10.6 F
Oct 15	UXC	CSC	470	10.2 F
Aug 14	Oakton	Dimension Data Holdings	171	10.6 F

Note:

- 1 Date of announcement.
- 2 Enterprise value on a 100% basis.
- 3 H – multiple based on historical EBITDA. F – multiple based on forecast EBITDA.
- 4 The Citadel Group Limited (Citadel) comprised a Software division and a (smaller) Services division (which provided technology and professional consulting services and is referred to as Citadel Services). The EBITDA multiple for Citadel Services of 7.0 is based on our best estimate of the relative value of both divisions implied by the offer consideration for Citadel.

Source: Company announcements, press commentary and LEA analysis.

167 In relation to the transaction evidence, we note that:

- (a) the transactions relate to the acquisition of 100% of the businesses and therefore implicitly incorporate a premium for control
- (b) some transactions may reflect a strategic premium
- (c) none of the above companies that are the subject of the transaction are directly comparable to the TNT business, i.e. they do not specifically provide cybersecurity services and they also differ in terms of their size
- (d) the transaction multiples are calculated based on the most recent actual earnings (historical multiples) or expected future earnings for the current year at the date of the transaction (forecast multiples). The multiples are therefore not necessarily reflective of the multiple which would be derived from an assessment of each target company's "maintainable" earnings
- (e) the implied EBITDA multiples for all of the transactions range from 7.0 times to 14.2 times, with a median of 9.9 times.

International cybersecurity services transactions

168 There has been a number of international transactions involving companies that offer cybersecurity services of a broadly similar size to TNT in recent years, which are summarised below:

Transaction (EBITDA) multiples				
Date ⁽¹⁾	Target	Acquirer	Enterprise value ⁽²⁾ \$m	EBITDA multiples ⁽³⁾ x
Apr 23	K-Businesscom	CANCOM Group	334.0	7.2 H
Jan 21	Evros Technology Group	Eir	126.4	8.8 H
Dec 19	Nasstar	GCI	152.2	15.0 H
Jan 19	Fulcrum IT Services	Huntington Ingalls Industries	270.6	11.4 H
Mar 15	Accumuli	NCC Group	110.5	16.2 H
Dec 13	Dynamics Research Corporation	Engility Holdings	252.6	9.7 F

Note:

1 Date of announcement.

2 Enterprise value on a 100% basis. Foreign currencies have been converted to Australian dollars at the exchange rate prevailing as at the date of announcement.

3 H – multiple based on historical EBITDA. F – multiple based on forecast EBITDA.

Source: Company announcements, press commentary and LEA analysis.

169 In relation to the transaction evidence (and also considering paragraphs 167(a) to 167(d) above) we note that:

- (a) aside from Accumuli, all of the above companies that are the subject of the transactions provide a range of other IT services in addition to cybersecurity services. All of these companies also operate in a range of countries
- (b) the implied EBITDA multiples for the cybersecurity services transactions:
 - (i) range from 7.2 times to 16.2 times, with a median of 10.6 times
 - (ii) are higher than the implied EBITDA multiples for the transactions for Australian IT services companies (shown above) as well as the international IT services companies (shown below).

International IT services transactions

170 There has been a number of international transactions involving IT services companies of a broadly similar size to TNT in recent years, which are summarised below:

Transaction (EBITDA) multiples				
Date ⁽¹⁾	Target	Acquirer	Enterprise value ⁽²⁾ \$m	EBITDA multiples ⁽³⁾ x
Oct 18	FusionStorm	Computacenter	173.0	10.3 H
Jun 18	ProData Consult	Polaris	122.9	8.6 F
Feb 18	Realdolmen	Gfi Informatique	252.0	9.9 F
Jan 18	SingleHop	Internap Corporation	163.1	8.3 H
Aug 17	Affecto	CGI Group	149.9	11.9 F
Jul 17	OnX Enterprise Solutions	Cincinnati Bell	264.3	9.1 H
Jun 16	Trustmarque Solutions	Capita	112.1	7.8 H
Feb 13	Sigma AB	Danir AB	102.8	7.2 H

Note:

- 1 Date of announcement.
- 2 Enterprise value on a 100% basis. Foreign currencies have been converted to Australian dollars at the exchange rate prevailing as at the date of announcement.
- 3 H – multiple based on historical EBITDA. F – multiple based on forecast EBITDA.

Source: Company announcements, press commentary and LEA analysis.

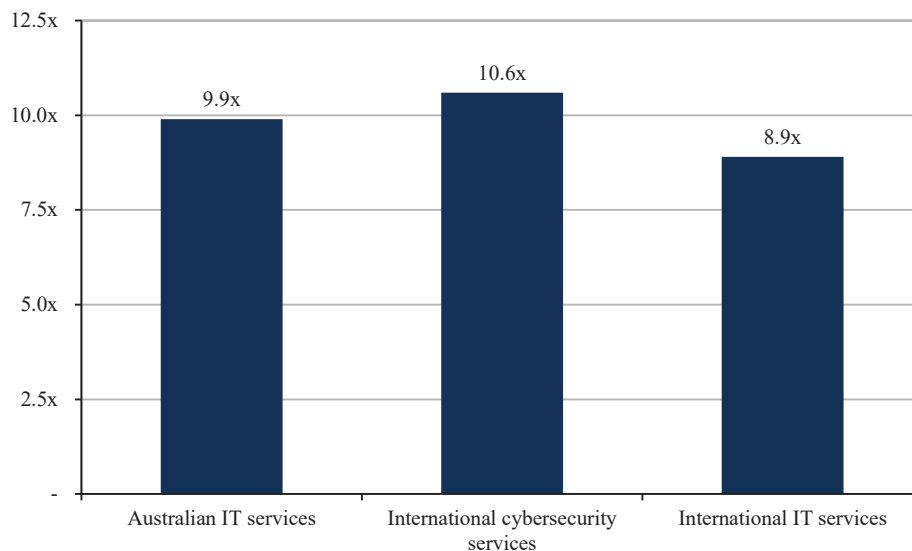
171 In relation to the transaction evidence (and also considering paragraphs 167(a) to 167(d) above) we note that:

- (a) the above companies that are the subject of the transactions operate in the IT services sector in a range of countries and are therefore exposed to different market and geographic idiosyncrasies to TNT
- (b) the implied EBITDA multiples for the IT services transactions:
 - (i) range from 7.2 times to 11.9 times, with a median of 8.9 times
 - (ii) are lower than the implied EBITDA multiples for the transactions for both Australian IT services companies and the international IT cybersecurity services companies (shown above).

Summary of implied transaction multiples

172 A chart summarising the median implied transaction multiples for IT services described above is as follows:

Transaction (EBITDA) multiples



173 As the chart shows, the implied EBITDA multiples for the international cybersecurity services transactions are the highest of the three cohorts of IT services. This indicates that potential acquirers place a premium on companies that operate in the cybersecurity services sector.

Potential synergies

- 174 Thales has not provided any specific guidance on the level of synergies it expects to realise from the acquisition of TNT. However, if the Share Scheme is approved and implemented, TNT will be delisted from the ASX, resulting in the elimination of listed public company costs (e.g. director fees, listing fees, share registry fees, shareholder communication costs etc.). Depending upon the identity of the acquirer, it is conceivable that other synergies (e.g. back office costs savings) could also be generated.
- 175 However, we note that the existence of public company cost savings as well as other cost (and revenue) synergies that arise from acquisitions / privatisations are one of the key reasons why bidders pay a premium to acquire a company.
- 176 Accordingly, in our opinion, it is inappropriate (in the circumstances of TNT) to incorporate a separate value for synergies over and above that implicitly reflected in the controlling interest multiple applied.

Other factors

- 177 In assessing the EBITDA multiple for TNT for valuation purposes we have also had regard to (inter alia):
- (a) **client relationships** – TNT is the largest ASX listed specialist provider of cybersecurity services to the Federal Government and midmarket to enterprise clients. In addition, TNT provides a range of services (from the businesses it has acquired) and has the potential to continue to cross sell its services to its existing client base
 - (b) **revenue composition** – whilst the majority of the Company's revenue is derived from consulting, TNT provides some higher margin services, such as its managed cloud services, which includes a subscription model for access to its security infrastructure platform
 - (c) **IT services industry** – demand for cybersecurity services in Australia is particularly strong at present (refer Section IV) and is envisaged to continue for some time as Australian organisations catch up to the world's best practice in cybersecurity.

EBITDA multiple adopted for valuation purposes

- 178 Having regard to the analysis above, we have adopted an EBITDA multiple range of 10.0 to 11.0 times for TNT. This range is:
- (a) broadly consistent with the EBITDA multiples for the international cybersecurity transaction evidence, which we consider appropriate as potential acquirers have placed a premium on companies that operate in the cybersecurity services sector in comparison to IT services transactions in Australia and internationally
 - (b) lower than the implied EBITDA multiples for the trading multiple evidence (after the application of a theoretical control premium) for the Australian and international listed companies, noting that:
 - (i) for the Australian listed companies, there are only two companies in this sample and both of these companies have a proven track record of reporting earnings above expectations and therefore we would expect these companies to trade at a premium

- (ii) for the international listed companies, all but one company is larger than TNT and as stated above, all else being equal, smaller listed companies often trade on lower multiples than larger listed companies
- (c) materially higher than the implied EBITDA multiples for the acquisitions undertaken by TNT since 2019 (which we consider appropriate).

Enterprise value

179 On this basis, we have assessed the value of TNT's business operations (on a cash and debt free basis) as follows:

TNT – enterprise value			
	Paragraph	Low \$m	High \$m
EBITDA	159	19.0	19.0
EBITDA multiple (times)	178	10.0	11.0
Enterprise value		190.0	209.0

Other assets / liabilities

180 TNT has a number of other assets / (liabilities) that are not reflected in our assessed enterprise value (or within our assessed net debt as at 30 June 2023) for which an allowance must be made. The assets / (liabilities) that were identified are as follows:

- (a) **Deferred consideration** – as at 30 June 2023, TNT had deferred consideration owing to the vendors of ALC Training, Pearson Corporation and Claricent of \$12.8 million (based on unaudited management accounts)
- (b) **Investments** – as set out in paragraphs 90 and 91, TNT has interests in two companies, TrustGrid and Attackbound, that have a (relatively immaterial) combined value of approximately \$0.5 million as at 31 December 2022 and we understand that these values remain unchanged as at 30 June 2023 (based on unaudited management accounts)⁵⁵
- (c) **Options / warrants** – TNT has some 193.1 million outstanding options and warrants which are subject to the Option Scheme and Option Cancellation Deeds⁵⁶ (noting that TNT expects this figure to reduce by some 7.95 million by 28 August 2023⁵⁷). The total consideration that is offered for the cancellation of these options (after allowing for the further reduction in the options through to 28 August 2023) is \$7.0 million. A large proportion of these options / warrants have been issued to TNT's key employees which, in our view, an acquirer would seek to retain. Accordingly, and notwithstanding that the majority of these options / warrants are "out-of-the-money", we have assumed that a similar outcome and value would be negotiated by another acquirer. Given this, we have adopted range of \$4.4 million (being our assessment of the market value of the options / warrants) to \$7.0 million (being the negotiated outcome with Thales)

⁵⁵ TNT's investment in Daltry has been written off (given that administrators were appointed to this company and that it is now being liquidated).

⁵⁶ Some 77.6 million options and approximately 62.5 million warrants are subject to the Option Scheme. Some 53.0 million options are subject to the Option Cancellation Deeds.

⁵⁷ As a result of TNT Optionholders ceasing to be employees of TNT.

- (d) **Tax losses** – as set out in paragraph 92, TNT recognised a carry forward tax asset (arising from past tax losses) of some \$4.6 million⁵⁸ as at 31 December 2022⁵⁹. For the purposes of our report, we have valued the tax asset at \$2.5 million. In determining our value we have considered:
- (i) the time period over which any utilisation of these tax asset could reasonably be utilised (based on TNT's earnings)
 - (ii) the reluctance by purchasers generally to pay significant value for tax losses due to, inter alia, the inherent uncertainty associated with their ability to utilise the tax losses (in particular, following a change of control).

Net debt

- 181 As at 30 June 2023, TNT had debt (excluding AASB 16 operating lease liabilities) of \$48.4 million and cash of \$16.7 million (based on unaudited management accounts).
- 182 As noted in paragraph 74(b), the financial performance of the Company is seasonal, with a higher proportion of revenue and earnings reported in the second half of the financial year and in particular in the last quarter of the year. As a result, TNT's net cash position can vary materially during the financial year. Given this, we have considered (inter alia) the Company's net cash together with its working capital requirements over time.
- 183 Based on this review, we consider that as at 30 June 2023 a significant proportion of cash is required for working capital purposes (and is therefore not surplus) and have adopted net debt for valuation purposes of \$43 million to \$45 million as at 30 June 2023.

Shares on issue

- 184 TNT has 1.354 billion million fully paid ordinary shares on issue. As we have separately dealt with TNT's outstanding options / warrants above, for the purposes of our valuation, we have adopted 1.354 billion fully diluted shares on issue.

Valuation summary

- 185 Based on the above, we have assessed the value of 100% of the equity in TNT on a controlling interest basis as follows:

TNT – valuation summary			
	Paragraph	Low \$m	High \$m
Enterprise value	179	190.0	209.0
Other assets / (liabilities)			
– Deferred consideration	180(a)	(12.8)	(12.8)
– Investments	180(b)	0.5	0.5
– Options / warrants	180(c)	(4.4)	(7.0)
– Tax losses	180(d)	2.5	2.5
Net debt	183	(43.0)	(45.0)
Equity value – controlling interest basis		132.8	147.2
Fully diluted shares on issue (million)	184	1,354	1,354
Value per share – controlling interest basis (\$)		0.098	0.109

⁵⁸ It should be noted that deferred tax assets and liabilities (including tax benefits) are not recognised at their present value in financial statements.

⁵⁹ At the date of this report, the updated tax loss calculations for the period to 30 June 2023 had not been undertaken.

Valuation cross-checks

Sale process

- 186 As a cross-check on our valuation of TNT, we have considered the indicative offers received for the Company from interested parties following a sale process undertaken by TNT in response to its receipt of an indicative non-binding offer from Thales Australia.
- 187 We have discussed the sale process with the management of TNT and its external advisers. In relation to the sale process we note that:
- (a) indicative proposals for 100% of TNT were received from a number of parties
 - (b) the offer from Thales Australia (that has given rise to the Share Scheme) was considered more favourable than the other offers received, having regard to a range of factors, including the certainty provided by the Share Scheme and the ability to execute a binding implementation deed with Thales Australia on terms acceptable to the TNT board.
- 188 The high end of our valuation range is broadly consistent with the range of offers received.

Comparison with listed market price

- 189 We have also considered the listed market prices of TNT shares up to and including 9 June 2023 (being the last trading day prior to the announcement of the Schemes). These market prices are shown below:

TNT share prices prior to the announcement of the Schemes	
	\$
Closing price on 9 June 2023	0.049
VWAP ⁽¹⁾ for 1 month up to and including 9 June 2023	0.051
VWAP for 3 months up to and including 9 June 2023	0.060

Note:

- 1 Volume weighted average price (VWAP).

- 190 For the purpose of our share price comparison we have had more regard to the VWAPs rather than the share price on the last trading day prior to the announcement of the Schemes, noting also the gradual decline in the prices at which TNT shares traded over the period. Accordingly, for comparison purposes we have adopted an TNT share price in the range of \$0.05 to \$0.06 per share (based on the one to three month VWAPs).
- 191 Empirical research undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover, and after adjusting the pre-bid market price as appropriate for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover)⁶⁰.

⁶⁰ LEA has analysed the control premiums paid in successful takeovers and other change in control transactions involving cash consideration in Australia over the period 2000 to 2022. LEA's study covered around 500 transactions in all sectors excluding real estate investment trusts, based on data sourced from Bloomberg, Connect4

192 Adding a 30% to 35% premium for control to our adopted share price range of \$0.05 to \$0.06 would therefore result in a theoretical “control” value of \$0.065 to \$0.081 per share. Whilst our assessed valuation of TNT shares (on a 100% controlling interest basis) lies above this theoretical range, we consider our valuation range to be appropriate, noting that:

- (a) in our view, TNT shares were undervalued (based on share market trading) prior to the announcement of the Schemes and there was an apparent disconnect between the value attributed by share market investors to TNT and the intrinsic value of the Company. We further note that it is not uncommon for control premiums to exceed the average premium implied by empirical research, particularly for smaller companies such as TNT that are not covered by investment analysts and do not form part of any ASX Index (which naturally limits the level of institutional investor interest)
- (b) as noted above, the high end of our valuation range is broadly consistent with the offers received for TNT as a result of the process conducted in response to its receipt of an indicative non-binding offer from Thales Australia.

and public company transaction documents and ASX announcements. Scrip transactions were excluded from the analysis because the value of the scrip consideration can vary materially depending on the date of measurement.

VI Evaluation of the Share Scheme

- 193 In our opinion, the Share Scheme is fair and reasonable to and in the best interests of TNT shareholders, in the absence of a superior proposal. We have formed this opinion for the following reasons.

Assessment of fairness

- 194 As set out in Section V, we have assessed the value of TNT on a 100% controlling interest basis at between \$0.098 and \$0.109 per share.
- 195 If the Share Scheme is approved and implemented, TNT shareholders will receive \$0.13 cash for each TNT share they hold on the Share Scheme Record Date.
- 196 Pursuant to RG 111, a scheme is “fair” if the value of the scheme consideration is equal to, or greater than the value of the securities the subject of the scheme. This comparison is shown below:

Comparison of Share Scheme consideration to value of TNT			
	Low	High	Mid-point
	\$ per share	\$ per share	\$ per share
Value of Share Scheme consideration	0.130	0.130	0.130
Value of 100% of TNT	0.098	0.109	0.104
Extent to which the Share Scheme consideration exceeds (or is less than) the value of TNT	0.032	0.021	0.026

- 197 As the Share Scheme consideration exceeds our assessed valuation range for TNT shares on a 100% controlling interest basis, in our opinion, the Share Scheme consideration is “fair” to TNT shareholders when assessed in accordance with the guidelines set out in RG 111.

Assessment of “reasonableness” and “in the best interests”

- 198 Pursuant to RG 111, a transaction is reasonable if it is fair. Accordingly, in our opinion, the Share Scheme is also “reasonable”.
- 199 There is no legal definition of the expression “in the best interests”. However, RG 111 notes that if an expert concludes that a scheme is “fair and reasonable”, or “not fair but reasonable”, then the expert will also be able to conclude that the scheme is “in the best interests” of members of the company.
- 200 In our experience, if a transaction is “fair” and “reasonable” under RG 111 it will also be “in the best interests” of shareholders. This is because if the consideration payable pursuant to a scheme is fair, shareholders are implicitly receiving consideration for their shares which is consistent with the full underlying value of those shares.
- 201 We therefore consider that the Share Scheme is also “in the best interests” of TNT shareholders in the absence of a superior proposal.

Other considerations

202 In assessing whether the Share Scheme is reasonable and in the best interests of TNT shareholders LEA has also considered, in particular:

- (a) the extent to which a control premium is being paid to TNT shareholders
- (b) the extent to which TNT shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
- (c) the listed market price of the shares in TNT, both prior to and subsequent to the announcement of the proposed Schemes
- (d) the likely market price of TNT shares if the proposed Share Scheme is not approved
- (e) the value of TNT to an alternative offeror and the likelihood of a higher alternative offer being made for TNT prior to the date of the Scheme meeting(s)
- (f) the advantages and disadvantages of the Share Scheme from the perspective of TNT shareholders; and
- (g) other qualitative and strategic issues associated with the Share Scheme.

203 These issues are discussed in detail below.

Extent to which a control premium is being paid

204 Research undertaken by LEA indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares⁶¹ three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price)⁶². This premium range reflects the fact that:

- (a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder
- (b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds
- (c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company
- (d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

⁶¹ After adjusting the pre-bid market prices for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover.

⁶² LEA has analysed the control premiums paid in successful takeovers and other change in control transactions involving cash consideration in Australia over the period 2000 to 2022. LEA's study covered around 500 transactions in all sectors excluding real estate investment trusts, based on data sourced from Bloomberg, Connect4 and public company transaction documents and ASX announcements. Scrip transactions were excluded from the analysis because the value of the scrip consideration can vary materially depending on the date of measurement.

- 205 We have calculated the premium implied by the Share Scheme consideration by reference to the market prices of TNT shares (as traded on the ASX) for periods up to and including 9 June 2023 (being the last trading day prior to the announcement of the Schemes).

Implied offer premium relative to recent TNT share prices		
	TNT share price \$	Implied control premium %
Closing share price on 9 June 2023 ⁽¹⁾	0.049	165.3
1 month VWAP to 9 June 2023 ⁽¹⁾	0.051	157.4
3 month VWAP to 9 June 2023 ⁽¹⁾	0.060	116.3

Note:

- 1 Being the last trading day prior to the announcement of the Schemes.

- 206 Based on the above share prices we note that the Share Scheme consideration provides TNT shareholders with an implied premium that significantly exceeds observed premiums generally paid in comparable circumstances (and an implied premium close to the highest observed by LEA in transactions where we have provided an IER).
- 207 As stated in Section V, this reflects our view that TNT shares were undervalued (based on share market trading) prior to the announcement of the Schemes and there was an apparent disconnect between the value attributed by share market investors to TNT and the intrinsic value of the Company. We further note that it is not uncommon for control premiums to exceed the average premium implied by empirical research, particularly for smaller companies such as TNT that are not covered by investment analysts and do not form part of any ASX Index (which naturally limits the level of institutional investor interest).
- 208 As noted above, the Share Scheme consideration exceeds the high end of the range of our valuation of TNT shares, and accordingly, in our view, TNT shareholders are being fully compensated for the fact that 100% of control of TNT will pass to Thales Australia if the Share Scheme is approved.

Extent to which TNT shareholders are being paid a share of synergies

- 209 If the Share Scheme is approved by TNT shareholders, Thales Australia will acquire a 100% interest in TNT. As TNT will be privatised, listed company costs will be eliminated with associated cost savings to the merged group. Such cost savings are inherent when listed companies are acquired and privatised and are typically one of the reasons why acquirers pay a control premium to target company shareholders.
- 210 In terms of potential operational synergies, Thales Australia is also a key participant in the cybersecurity services sector in Australia and therefore provides some services which are similar and/or complementary to those of TNT. The potential therefore exists for operational synergies between the two business operations (which may be significant). However, we understand that this potential was not a major consideration in negotiations between the parties and to date has not been the subject of detailed review from both a qualitative and quantitative perspective.
- 211 As noted above, the Share Scheme consideration exceeds the high end of our assessed value range of TNT (on a 100% controlling interest basis). We are therefore of the view that TNT

shareholders are being paid an appropriate share of the value of any synergy benefits which may potentially arise from the acquisition.

Recent share prices subsequent to the announcement of the Schemes

- 212 TNT shareholders should note that TNT shares have traded on the ASX in the range of \$0.118 to \$0.128 per share in the period since the Schemes were announced up to 25 July 2023 (and closed at \$0.125). The VWAP over the period was \$0.122 per share.
- 213 These share prices are marginally lower than the Share Scheme consideration. In our view, the trading suggests that in the absence of a superior proposal the consensus market view is that the Share Scheme is likely to be successful.

Likely price of TNT shares if the Share Scheme is not implemented

- 214 If the Share Scheme is not implemented and no alternative proposal emerges (the potential for which is discussed below), we expect that, at least in the short term, TNT shares will trade at a significant discount to our valuation and the Share Scheme consideration due to the difference between the value of TNT shares on a portfolio basis and their value on a 100% takeover basis.
- 215 In this regard we note that TNT shares last traded at \$0.049 per share on 9 June 2023 (being the trading day prior to the announcement of the Schemes). We also note that over the one month to 9 June 2023, TNT shares traded within a range of \$0.046 (low) and \$0.077 (high) with a VWAP of \$0.051. However, as noted above, there appeared to be a disconnect between share market trading in TNT (prior to the announcement of the Schemes) and the intrinsic value of the Company. Accordingly, if the Share Scheme is not implemented, the trading range of TNT shares may not fall as far as these historical levels.
- 216 Notwithstanding, if the Share Scheme is not implemented, those TNT shareholders who wish to sell their TNT shares are therefore likely, at least in the short term, to realise a significantly lower price for their shares than will be payable under the Share Scheme.

Likelihood of an alternative offer / superior proposal

- 217 We have been advised by the Directors of TNT that no superior alternative proposal for TNT has been received since the announcement of the Schemes on 13 June 2023.
- 218 Whilst there has effectively been (and remains) an opportunity for other third parties contemplating an acquisition of TNT (or an alternative transaction) to table a proposal, TNT shareholders should note:
- (a) the exclusivity (and break fee of \$1.8 million) obligations on TNT pursuant to the SID, which are summarised in Section I of this report and discussed in further detail in the Scheme Booklet
 - (b) the Share Scheme represents the outcome of a process undertaken by TNT in response to its receipt of an indicative non-binding offer from Thales Australia. Whilst the process resulted in the receipt of other offers from other parties, these were ultimately considered by the TNT Board to be less favourable than the Share Scheme, having regard to a range of factors, including the certainty provided by the Share Scheme and the ability to execute a binding implementation deed with Thales Australia on terms acceptable to the TNT Board

- (c) the TNT business is similar and complementary to Thales' Australian operations and the potential exists for operational synergies between the two businesses.

219 Although it is possible that an alternative offer may emerge, in our opinion, the factors set out above diminish the likelihood of this outcome.

Summary of opinion on the Share Scheme

220 We summarise below the likely advantages and disadvantages for TNT shareholders if the Share Scheme proceeds.

Advantages

221 In our opinion, the Share Scheme has the following benefits for TNT shareholders:

- (a) the Share Scheme consideration of \$0.13 cash per TNT share is above the high end of our assessed value range for TNT shares on a 100% controlling interest basis
- (b) the Share Scheme consideration represents a significant premium to the recent market prices of TNT shares prior to the announcement of the Scheme
- (c) furthermore, the premium is well above observed premiums generally paid to target company shareholders in comparable circumstances (reflecting our view that there was a disconnect between the value attributed by share market investors to TNT prior to the announcement of the Schemes and the intrinsic value of the Company)
- (d) if the Share Scheme does not proceed, and in the absence of an alternative offer or proposal, TNT shares are likely to trade at a significant discount to our valuation and the Share Scheme consideration due to, in part, the portfolio nature of individual shareholdings.

Disadvantages

222 TNT shareholders should note that if the Share Scheme is implemented they will no longer hold an interest in TNT. TNT shareholders will therefore not participate in any future value created by the Company over and above that reflected in the Share Scheme consideration.

223 However, as the high end of our assessed value of TNT shares is below the Share Scheme consideration, in our opinion, the present value of TNT's future potential is reflected in the Share Scheme consideration.

Conclusion

224 Given the above analysis, we consider the advantages of the Share Scheme to outweigh the disadvantages. Accordingly, in our view, the acquisition of TNT shares under the Share Scheme is fair and reasonable to and therefore in the best interests of TNT shareholders in the absence of a superior proposal.

VII Evaluation of the Option Scheme

Overview

225 There is also proposed a scheme of arrangement between TNT and certain of its option / warrant holders (TNT Optionholders) which, if approved and implemented, will result in the following options / warrants being cancelled in exchange for the following cash payments from Thales Australia:

Option Scheme options / warrants – cash consideration offered ⁽¹⁾					
Tranche	Exercise price (\$)	Expiry date	Number on issue (m) ⁽²⁾⁽³⁾	Cash consideration Cents per security	\$000 ⁽³⁾
Options					
TNTAH (described as EO1 in the SID)	0.28	2 Nov 23	12.8	0.18	20.2
TNTAI (described as EO2 in the SID)	0.35	2 Nov 23	12.3	0.06	6.7
TNTAJ (described as EO3 in the SID)	0.28	31 Jan 25	6.4	1.76	95.0
TNTAN (described as EO8 in the SID)	0.15	16 Aug 26	46.2	5.41	2,261.4
Warrants					
TNTAE (described as OPW in the SID)	0.12	18 Sep 24	18.1	4.43	801.1
TNTAM (described as WR2 in the SID)	0.24	12 Apr 25	44.4	2.57	1,142.2

Note:

- 1 Rounding differences may exist.
- 2 The number of options on issue differ to those disclosed within Schedule 5 of the SID due to a number of options subsequently lapsing (EO1 0.950 million, EO2 0.700 million, and EO8 0.750 million).
- 3 TNT expects a further 7.950 million options (EO1 1.550 million, EO2 1.050 million, EO3 1.000 million and EO8 4.350 million) to be cancelled on 28 August 2023 as a result of former TNT Optionholders ceasing to be employees of TNT. This will reduce the consideration payable by approximately \$0.256 million (relative to that set out above).

Valuation of the options / warrants subject to the Option Scheme

226 There are a number of accepted valuation methodologies available with which to value options and warrants⁶³ over shares in a company. The two most commonly used of these models are the Black-Scholes option valuation model and the Binomial option pricing model. These models value an option based on a model (log normal variation) of the behaviour of the value of the asset (shares) over which options are held. The value of an option is then calculated as an output of the following fundamental determinants of option value:

- (a) the current market value of the underlying asset (share)
- (b) the exercise price of the option
- (c) the time to expiry of the option
- (d) the prevailing level of the risk-free interest rate

⁶³ Noting that technically options give rights over existing shares (and can be traded between external investors) whereas warrants give rights to additional shares (and can only be issued by the company itself). However, grants to employees are often called options, even if they will be met by issuing additional shares.

- (e) the expected volatility of the value of the underlying asset (share) over the period until the expiry of the option
- (f) the level of dividends expected to be paid on the asset (share) in the period until the expiry of the option and their timing.

227 The Black-Scholes option valuation model is not designed to take into account dividends expected to be received on the underlying shares. Given TNT's current situation (and consistent with the valuation basis adopted for TNT's financial reporting for the option grants), we have assumed that no dividends will be paid during the term of the options. We note that if dividends were assumed, this would reduce the value of the options (since the options are not entitled to participate in any dividends prior to exercise). Furthermore, in the absence of any dividends payable during the option terms, there is no incentive for TNT Optionholders to exercise early. We have therefore calculated the value of the options using the Black-Scholes option pricing model.

228 We comment below on each of the fundamental determinants of an option's value.

The current market value of the underlying asset

229 The underlying asset is TNT shares. This is because, for every option exercised, the holder will receive one new ordinary share in TNT.

230 Consistent with the opinion expressed in Section VI, we have assessed the value of TNT shares (on a 100% controlling interest basis) at between \$0.098 and \$0.109 per share⁶⁴.

The exercise prices and expiry dates of the options

231 The exercise prices and the expiry dates of all options are set out in paragraph 225.

232 We note that in some cases (especially for the most recently issued tranches of employee options) the options may not have fully vested. However, the requirement to maintain continued service is necessarily an individual factor (since it depends on the future actions of each TNT Optionholder). In our opinion, it would not be appropriate to make allowance for failure to meet this vesting requirement when assessing the fairness of the price offered for the options.

The risk-free interest rate

233 The risk-free rate used to value an option is generally defined to be the interest rate on government bonds of a maturity equivalent to the term of the option. This rate is used to take into account the fact that a call optionholder will not have to pay the exercise price until the call option (being the right, but not the obligation, to buy an asset at a specified price) is exercised, and the fact that the present value of the exercise price is therefore less than the exercise price due to the time value of money. Instead, the call optionholder can invest the cash (which they would otherwise need to exercise the option) "risk-free" until expiry or exercise of the option.

⁶⁴ In our opinion, it is appropriate to adopt a share value assessed on a controlling interest basis (rather than on a portfolio basis) as the purchaser of the shares and options under the Share Scheme and Option Scheme will obtain 100% control of TNT.

- 234 For the purposes of our valuation we have adopted the yield to maturity at the close of business on 21 July 2023 on the Commonwealth Government Bonds of similar durations⁶⁵. On this basis the following risk-free rates have been adopted:

Options and warrant valuation – risk free rates		
Tranche	Expiry date	Risk free rate (%)
EO1	2 Nov 23	4.1223
EO2	2 Nov 23	4.1223
EO3	31 Jan 25	4.0090
EO8	16 Aug 26	3.9462
OPW	18 Sep 24	4.1883
WR2	12 Apr 25	4.0090

Volatility

- 235 Option pricing models require estimation of the future volatility of the underlying asset price (in this case shares in TNT).
- 236 Volatility is a measure of the level of fluctuation in the value of the underlying asset and is measured as the standard deviation of the underlying asset's returns. The more volatile the underlying asset's returns the higher the value of the option⁶⁶.
- 237 In order to estimate the future volatility of a share, its historical volatility is often used as a guide to the future volatility over the term of the option. This approach is necessary as it is often not possible to measure future volatility. However, volatility measured on an historic basis will not necessarily reflect future volatility and different investors may have different expectations about future volatility. In the current situation, the most appropriate measure of volatility would be the expected future volatility of TNT shares in the eyes of potential purchasers of the option.
- 238 The historic volatility of TNT shares traded on the ASX over various periods (up to the last trading day prior to the announcement of Schemes) is shown below:

TNT – historic share price volatility		
Date range	Volatility measured	
	Weekly	Monthly
	%	%
6 months to 9 June 2023 ⁽¹⁾	69.7	81.1
1 year to 9 June 2023 ⁽¹⁾	60.9	67.8
2 years to 9 June 2023 ⁽¹⁾	58.0	58.4
5 years to 9 June 2023 ⁽¹⁾	87.0	78.8
7 years to 9 June 2023 ⁽¹⁾	85.5	72.9

Note:

- 1 Being the last trading day prior to the announcement of the Schemes.

⁶⁵ We have used the bond yields (sourced from Bloomberg) for terms of 3 months, 1 year, 2 years and 3 years and applied the rate for the period closest to the term of the option.

⁶⁶ This is because the more volatile the underlying asset's returns, the greater the value associated with the outcomes where the option is in the money, i.e. share price exceeds exercise price at expiry.

239 The above volatility rates are relatively high. The longer periods include the volatility associated with COVID-19⁶⁷. Furthermore, these measured volatilities are for minority interests, rather than for the whole entity on a controlling interest basis. In addition, the relatively low share price for TNT means even small movements in price are a large percentage movement, for instance, a movement from \$0.05 to \$0.06 per share represents a 20% increase in value⁶⁸.

240 Having regard to these factors, we have adopted a volatility rate of 70% for valuation purposes. In our view, this is an appropriate volatility rate to apply when valuing the options and warrants, having regard to both TNT's historic share price volatility and the volatility of other listed comparable companies.

Dividends

241 As discussed above, we have assumed no dividend will be payable over the term of the options.

Summary valuation

242 Based on the above, the value of each option tranche compared with the consideration payable under the Option Scheme is as set out below:

Options and warrants – summary valuation					
Tranche	Value of options		Consideration cents	Excess / (Shortfall)	
	Low cents	High cents		Low cents	High cents
EO1	0.004	0.011	0.180	0.176	0.169
EO2	0.001	0.002	0.060	0.059	0.058
EO3	0.822	1.106	1.760	0.938	0.654
EO8	3.709	4.434	5.410	1.701	0.976
OPW	2.359	3.015	4.430	2.071	1.415
WR2	1.280	1.666	2.570	1.290	0.904

243 As set out in paragraph 230, the above values of each option tranche are based on our assessment of the value of TNT shares (on a 100% controlling interest basis). The value of the option tranches, if calculated using an assumed value per TNT share equal to the \$0.13 per consideration offered under the Share Scheme, would be broadly consistent with the consideration offered under the Option Scheme.

Opinion on the Option Scheme

Assessment of “fairness”

244 Pursuant to RG 111, a scheme is “fair” if the value of the scheme consideration is equal to, or greater than the value of the securities the subject of the scheme. As indicated above, the respective consideration payable under the Option Scheme either exceeds, or is within our assessed value range for each tranche. Accordingly, in our opinion, the Option Scheme is

⁶⁷ For instance, excluding the months of March and April 2020 (which experienced the greatest share market volatility due to COVID-19), reduces the monthly average volatility (over the seven years to 9 June 2023) from 72.9% to 62.7%.

⁶⁸ We note that this factor is more significant for measured volatility using weekly data than for monthly data. Conversely, monthly data is unreliable when measured over short periods since there are so few data points.

“fair” to TNT Optionholders when assessed in accordance with the guidelines set out in RG 111.

Assessment of “reasonableness” and “in the best interests”

- 245 Pursuant to RG 111, a transaction is reasonable if it is fair. Accordingly, in our opinion, the Option Scheme is also “reasonable”.
- 246 There is no legal definition of the expression “in the best interests”. However, RG 111 notes that if an expert concludes that a scheme is “fair and reasonable”, or “not fair but reasonable”, then the expert will also be able to conclude that the scheme is “in the best interests” of members of the company.
- 247 In our experience, if a transaction is “fair” and “reasonable” under RG 111 it will also be “in the best interests” of shareholders. This is because if the consideration payable pursuant to a scheme is fair, shareholders are implicitly receiving consideration for their shares which is consistent with the full underlying value of those shares.
- 248 We therefore consider that the Option Scheme is also “in the best interests” of TNT Optionholders in the absence of a superior proposal.
- 249 In assessing whether the Option Scheme is reasonable to and in the best interests of TNT Optionholders LEA has also considered, in particular:
- (a) in the case of vested options, TNT Optionholders could instead choose to exercise into the Share Scheme (if this proceeds), however this will produce a worse result for TNT Optionholders (since the option value for all tranches includes a material amount of time value, reflecting the benefit of delaying the choice until expiry). We also note that option exercise and sale into the Share Scheme may have disadvantageous tax consequences (TNT Optionholders should take tax advice in respect of their individual situation)
 - (b) our calculated option values do not reflect any discount to reflect their lack of marketability, on the basis that our valuation is being prepared in response to a proposal to cancel the options for a cash payment. However, TNT Optionholders should note that, in the absence of the Option Scheme (or an alternative proposal):
 - (i) it is likely that most TNT Optionholders could not sell their options (to the extent that such sale would be permitted under the underlying rules or warrant deeds) as there is no secondary market for them and most exercise prices are significantly above the current value of TNT shares
 - (ii) as a result of (i), TNT Optionholders are likely to have to exercise the options in order to crystallise any value for them. This would be valuable for some options but might have adverse tax consequences, as noted above
 - (c) furthermore, we have not applied any discount to our calculated option values for the risk that the continuation in service requirement for vesting would not be met
 - (d) given that there is no market for these options, a potential uncertainty as to whether unvested options will vest and a high risk that the TNT share price will fall below our controlling interest valuation range if the Share Scheme does not proceed, in our view it would be reasonable to accept the Option Scheme even if the consideration were slightly below fair value

- (e) if the Share Scheme proceeds but the Option Scheme is rejected, then TNT would be delisted and TNT Optionholders would hold options / warrants over unlisted shares. In this circumstance, it is likely that Thales Australia would exercise its rights under Part 6A.2 of the Corporations Act to compulsorily acquire the outstanding options / warrants (for a cash sum) within six months. However, TNT Optionholders would have no control over this process. Furthermore, while these compulsory acquisitions would need to be at fair values, it is uncertain what prices would be paid (and in particular whether the prices would be as high as those offered under the Option Scheme).

Conclusion

250 Given the above, in our opinion, the Option Scheme is fair and reasonable to and in the best interests of TNT Optionholders, in the absence of a superior proposal.

Appendix A

A Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532, which authorises it to provide a broad range of financial services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

Financial Services Guide

- 3 LEA has been engaged by TNT to provide general financial product advice in the form of an IER in relation to the Schemes. The *Corporations Act 2001 (Cth)* (Corporations Act) requires that LEA include this Financial Services Guide (FSG) with our IER.
- 4 This FSG is designed to assist retail clients in their use of the general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

General financial product advice

- 5 The IER contains general financial product advice only and has been prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 6 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$120,000 plus GST.
- 7 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.
- 8 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of

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performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

- 9 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 10 If you have a complaint, please raise it with us first. LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

- 11 We will endeavour to satisfactorily resolve your complaint in a timely manner. Please note that LEA is only responsible for the preparation of this IER. Complaints or questions about the Scheme Booklet should not be directed toward LEA as it is not responsible for the preparation of this document.
- 12 If we are not able to resolve your complaint to your satisfaction within 30 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Compensation arrangements

- 13 LEA has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of the Corporations Act.

Appendix B

B Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Nathan Toscan and Mr Jorge Resende, who are each authorised representatives of LEA. Mr Toscan and Mr Resende have over 21 years' and 22 years' experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Directors of TNT to accompany the Scheme Booklet to be sent to TNT Securityholders. It is not intended that this report serve any purpose other than as an expression of our opinion as to whether in our opinion⁶⁹:
 - (a) the Share Scheme is in the best interests of TNT shareholders; and separately
 - (b) the Option Scheme is in the best interests of TNT Optionholders.
- 4 To the maximum extent permitted by law, LEA expressly disclaims any liability to any TNT shareholder or TNT option / warrant holder who relies or purports to rely on our report for any other purpose and to any other party who relies or purports to rely on our report for any purpose whatsoever.

Interests

- 5 At the date of this report, neither LEA, Mr Toscan nor Mr Resende has any interest in the outcome of the Schemes. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 6 LEA has not had within the previous two years, any business or professional relationship with TNT or Thales or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Schemes.
- 7 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.
- 8 LEA has had no part in the formulation of the Schemes. Its only role has been the preparation of this report.

⁶⁹ LEA has not been engaged to (nor does it) express any opinion on the Option Cancellation Deeds.

Appendix B

Indemnification

- 9 As a condition of LEA's agreement to prepare this report, TNT agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of TNT which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 10 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.

C Valuation methodologies

- 1 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
 - (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses in which the company or its profit centres are engaged or the industries in which they operate, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis; and
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 2 Under the DCF methodology the value of the business is equal to the net present value of the estimated future cash flows including a terminal value. In order to arrive at the net present value the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 3 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 4 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, earnings before interest, tax, and amortisation of acquired intangibles (EBITA), EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

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- 5 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company is adjusted for the time, cost and taxation consequences of realising the company's assets.

D Listed company descriptions

Australian companies

Atturra Limited

- 1 Atturra is an Australian technology business providing a range of enterprise advisory, consulting, IT services and solutions with a focus on local government, utilities, education, defence, federal government, financial services and manufacturing industries. Atturra has partnerships with leading global providers including Microsoft, Boomi, Software AG, OpenText, Smartsheet, QAD, Infor and Solace and offers its services to a diverse range of public and private sector clients.

COSOL Limited

- 2 COSOL is a global provider of digital and IT solutions, partnering with asset intensive businesses in the mining, utility, defence and public infrastructure industries to drive business improvements through the enhanced use of data and data analysis. The company's proprietary digital solutions include enterprise asset management and enterprise resource planning systems, data management platforms, subscription based solutions designed to keep enterprise systems current and business productivity tools associated with bulk data management.

International companies

NCC Group Plc

- 3 Headquartered in the UK, NCC Group provides cybersecurity research and advice through its two divisions, being Assurance and Software Resilience. The Assurance division includes cybersecurity services that help businesses assess, develop and manage the cybersecurity risks they face. The Software Resilience division protects the development, supply and use of business-critical technology and software applications. NCC Group has 26 offices worldwide and over 2,000 staff, serving a client base of around 15,000 globally.

Allgeier SE

- 4 Based in Germany, Allgeier provides a comprehensive IT and software services portfolio, ranging from high-end software development to business efficiency solutions. The company implements end-to-end IT solutions for business-critical processes and offers flexible personnel services and project solutions. Allgeier also provides innovative software development, architecture and IT consulting. The company employs more than 3,300 staff across offices in Germany, Austria, Switzerland, France, Spain, Portugal, Poland, Czechia, India, Vietnam and the US.

Information Services Group Inc.

- 5 Information Services Group is a global technology research and advisory firm. The company specialises in digital transformation services, including automation, cloud and data analytics, sourcing advisory, managed governance and risk services, network carrier services, technology strategy and operations design, change management, market intelligence and

Appendix D

technology research and analysis. Operating in more than 20 countries, Information Services Group's approximately 1,600 strong workforce services over 900 clients.

Izertis SA

- 6 Izertis is a global technology consulting company headquartered in Spain. The company provides digital transformation consulting services in areas such as artificial intelligence, data and intelligence, cybersecurity, blockchain and business solutions. Izertis serves clients in a wide range of industries, including healthcare, financial services, insurance, energy, industry, technology and telecommunications. The company has a 26 year history and employs approximately 1,600 people across 21 offices in nine countries.

CY4GATE SPA

- 7 CY4GATE specialises in the design, development and production of technologies, systems and services in the cybersecurity and cyber intelligence space. The company's principal clients are the armed and police forces, however it also extends its services to companies and public institutions. Employing 442 professionals, CY4GATE is based in Italy and primarily operates in Europe.

Mastech Digital Inc.

- 8 Based in the US, Mastech Digital is global IT firm that provides digital transformation services, including data and analytics solutions, digital learning and IT staffing services for both digital and mainstream technologies. The company employs approximately 1,700 staff across a broad spectrum of industry verticals and has recruitment centres located in the US and India that deliver a full range of recruiting and sourcing services.

E IT services transaction company descriptions

Australian IT services transactions

Empired Limited

- 1 Empired focused on delivering enterprise digital solutions for medium to large corporate and government organisations within key industries, including public sector, energy and natural resources, financial services and insurance, utilities and transport. The company offered end-to-end business solutions, including managed services and digital transformation, consulting services, system integration, digital customer relationship management and engagement strategies and IT security.

RXP Services Limited

- 2 RXP Services specialised in providing digital expertise and support across current and emerging channels. The company offered end-to-end solutions from the initial design phase through to the final build and implementation stage. RXP Services also provided digital marketing services and assisted organisations with innovation by fusing brand, insight, design and technology. Based in Melbourne, the company employed more than 550 professionals.

DWS Limited

- 3 DWS provided IT consulting services to large corporate entities and Australian government agencies. Services provided included consulting, digital advisory, program and project management, and managed application services. At the time of the acquisition, DWS employed over 750 staff and contractors and had offices in Melbourne, Sydney, Brisbane, Adelaide and Canberra.

Citadel Services

- 4 Citadel Services was a division of The Citadel Group. The division had two key verticals, being Technology and Professional Services. The Technology vertical designed, supplied and implemented technology systems to meet business and government requirements. The Professional Services vertical was an advisory business that offered strategic advice, improved practice methodology, technologies and managed services to large enterprises and government departments.

SMS Management & Technology Limited

- 5 SMS Management & Technology, provided business and IT advisory, technology solutions, managed services and recruitment to a range of large corporations and government bodies. Around the time of the acquisition, the company employed over 1,300 professional staff (including contractors) predominantly in Australia, with a presence in Hong Kong, Singapore and the Philippines. It consisted of two businesses, SMS Consulting and M&T Resources.

ASG Group Limited

- 6 ASG Group specialised in the provision of professional IT business solutions to medium to large-scale enterprises and had expertise and experience in IT outsourcing, computer infrastructure, application development, systems integration and the provision of specialist

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technical services and support. The company was founded in 1996 and was also an accredited partner of Oracle and SAP.

UXC Limited

- 7 UXC provided integrated services across the IT value chain from design to implementation and enhancement, and operation and management of IT systems. It operated three divisions, being Advisory and Consulting, Enterprise Applications (by far the largest business unit) and IT Infrastructure. It employed 2,300 staff in offices in Brisbane, Sydney, Canberra, Melbourne, Hobart, Adelaide and Perth, and supported around 2,500 clients in Australia and internationally.

Oakton Limited

- 8 Oakton worked with its clients to develop a broad range of solutions leveraging business and industry insight, intellectual property, the latest technologies and partnerships with cloud-based infrastructure and software providers. Oakton generated revenue through rate per hour roles and project based engagements, which focused on the delivery of particular aspects of an in-house IT department's IT capital expenditure requirements.

International cybersecurity services transactions

K-Businesscom AG

- 9 K-Businesscom was Austria's leading information and communications technology solutions and services provider and digitalisation partner. The company combined certified technology expertise with industry know-how and assisted its customers in cloud transformations, the development of smart offices, and cybersecurity services (through its KBC Cyber Defense Center, which provided 24-hours a day seven days a week protection against cyber-attacks).

Evros Technology Group

- 10 Established in 1990, Evros Technology Group specialised in IT managed services and systems integration, including cloud services and cybersecurity. The company had a number of subsidiaries including Digital Planet, itContracting, Comsys, eSource and mySoftware. Employing more than 450 people, Evros Technology Group had an extensive partnership network with brands such as Microsoft, Dell and Citrix.

Nasstar plc

- 11 Based in the UK, Nasstar provided consulting services and the design and implementation of multi-cloud solutions, cybersecurity and communications tools. The company's partners included Hewlett Packard, Microsoft, Cisco and Mimecast and they served a wide array of UK based clients such as National Rail, the National Health Service, the University of West England and Sports Direct.

Fulcrum IT Services LLC

- 12 Headquartered in Virginia in the US, Fulcrum specialised in providing IT consulting services primarily to US Federal Government customers in the defence, intelligence, education and healthcare sectors. The company had specific capabilities in software development, data analytics, cybersecurity and advanced engineering across the C5ISR (C5ISR is an acronym

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for Command, Control, Computers, Communications, Cyber, Intelligence, Surveillance, and Reconnaissance⁷⁰).

Accumuli plc

- 13 Accumuli, a UK-based company, specialised in offering independent IT security and risk management consultancy services. The company assisted enterprises in effectively managing the risks associated with major IT trends, including cybercrime, the consumerisation of IT, and Big Data. With a team of over 170 professionals, Accumuli catered to clients across the UK, operating from its offices located in Leeds, Glasgow, and London.

Dynamics Research Corporation

- 14 Dynamics Research Corporation provided technology and management consulting solutions focused on driving performance, process and results for government clients. Founded in 1955, the company provided technical and consulting expertise around high-performance computing, cybersecurity and IT modernisation. Dynamics Research Corporation had over 1,100 employees across 25 offices in the US.

International IT services transactions

FusionStorm Inc.

- 15 FusionStorm provided IT solutions in global logistics, support services, staff augmentation and cloud services. The company offered the design and implementation of web-scale data centres for large scale logistics and multi-technology rollouts. Its partners included Juniper, VMware, Citrix and the company was a Titanium Black Partner of Dell. Based in San Francisco in the US, FusionStorm had eight US offices as well as offices in the Netherlands and China.

ProData Consult A/S

- 16 ProData Consult was a Danish IT consulting company that offered a range of IT services, business and management consulting, and managed services. The group operated in a range of sectors including finance, IT, energy, telecommunications, media and transport, as well as the public sector. ProData Consult had access to a network of over 30,000 consultants across 4,500 different competencies that served close to 500 clients.

Realdolmen NV / SA

- 17 Realdolmen operated as a single-source IT integrator, supporting clients by combining support services in both infrastructure and applications with product offerings. The company's primary offerings included IT business consulting services and IT business support services. Realdolmen employed 1,250 professionals and provided services to over 1,000 customers in Belgium and Luxembourg.

⁷⁰ C5ISR represents a comprehensive system used by the US military and other US organisations. It involves technologies, strategies, and processes that enable effective communication, data processing, situational awareness, and intelligence gathering.

Appendix E

SingleHop LLC

- 18 SingleHop provided bare metal dedicated servers⁷¹, public and private clouds, as well as managed IT infrastructure services to over 4,000 clients in 114 countries. The company operated in the infrastructure-as-a-service segment and was backed by high levels of automation. SingleHop was headquartered in Chicago and operated data centres in Chicago, Arizona and the Netherlands.

Affecto plc

- 19 Based in Finland, Affecto specialised in data-intensive technologies such as enterprise information management and artificial intelligence solutions. The company had a wide range of customers that operated in multiple industries in both the public and private sectors. Affecto employed over 1,000 staff across its 18 offices and its operations were primarily focused on Northern Europe.

OnX Enterprise Solutions Ltd

- 20 Based in Canada, OnX Enterprise Solutions provided technology services and solutions with specific expertise in cloud and managed services, digital application services and infrastructure solutions. The company operated as an infrastructure-as-a-service business and assessed, designed, built, and managed complete technology environments. OnX Enterprise Solutions had over 500 IT professionals working throughout its offices in North America and the UK.

Trustmarque Solutions Ltd

- 21 Trustmarque Solutions operated in the IT services industry, providing software resale, licensing and technology services. Adopting an enterprise-as-a-service model, the company helped customers transform, integrate, and simplify their technology services. Headquartered in London in the UK, Trustmarque Solutions had a network of more than 900 partners and served clients primarily in the UK Government and healthcare sectors.

Sigma AB

- 22 Sigma, headquartered in Malmo in Sweden, offered a wide range of consulting services in IT, information logistics, engineering and technical research, industry development and social structure. The company had a workforce of over 1,400 individuals, distributed across its operating divisions, being Sigma Technology, Sigma Connectivity, Sigma Industry, Sigma Civil and Sigma Software.

⁷¹ Bare metal services refer to a form of cloud services in which users rent a physical machine from a provider.

F Glossary

Term	Meaning
1HY	Six months to 31 December
1Q / 2Q / 3Q / 4Q	Three months to 30 September, 31 December, 31 March and 30 June respectively
AASB 16	Australian Accounting Standard AASB 16 – <i>Leases</i>
ACSC	Australian Cyber Security Centre
AFCA	Australian Financial Complaints Authority
ASD	Australian Signals Directorate
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Attackbound	AttackBound Holdings Pty Ltd
CAGR	Compound annual growth rate
CFO	Chief Financial Officer
Citadel	The Citadel Group Limited
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Corporations Regulations	<i>Corporations Regulations 2001</i>
Daltry	Daltry Pty Ltd
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax depreciation and amortisation
EEA	European Economic Area
ESOP	Employee share option plan
EU	European Union
FIRB	Foreign Investment Review Board
FSG	Financial Services Guide
FY	Financial year
GAAP	Generally accepted accounting principles
GDPR	General Data Protection Regulation
IER	Independent expert's report
IFRS	International Financial Reporting Standards
ISO	International Organization for Standardization
IT	Information technology
LEA	Lonerган Edwards & Associates Limited
LTM	Last 12 months
LTM 3Q	Last 12 months results to 31 March 2023
Normalised EBITDA	EBITDA reported by TNT on a normalised basis
OIO	New Zealand Overseas Investment Office
Operating EBITDA	Normalised EBITDA adjusted to remove cash rent expenses, which are excluded in the calculation of Normalised EBITDA due to the impact of adopting AASB 16
Option Cancellation Deed	Option Cancellation Deed between each of the TNT Directors that hold options as well as the CFO of TNT, Thales Australia and TNT under which their TNT options will be cancelled on the implementation date of the Share Scheme (should it become effective) for cash consideration
Option Cancellation Deed Options	Options held by the TNT Directors and the CFO of TNT to be cancelled subject to the implementation of the Share Scheme
Option Scheme	Separate and concurrent scheme of arrangement between TNT and certain of its option / warrant holders under which all of the TNT options / warrants on issue are proposed to be cancelled for cash consideration as set out in Section VII

Appendix F

Term	Meaning
OPW	43.7 million warrants with an expiry of 18 September 2024 and an exercise price of \$0.12 granted by TNT to PURE and certain entities and persons affiliated or associated with PURE
PCI DSS	Payment Card Industry Data Security Standard
PURE	PURE Asset Management Pty Limited
REDSPICE	Resilience, Effects, Defence, Space, Intelligence, Cyber and Enables
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Schemes	The Share Scheme and the Option Scheme, collectively
Share Scheme	Separate and concurrent scheme of arrangement between TNT and its shareholders under which 100% of the ordinary shares in TNT will be acquired by Thales Australia for cash consideration of \$0.13 per TNT share
SID	Scheme Implementation Deed between TNT and Thales Australia dated 11 June 2023, as amended and restated from time to time
SOC	Security operations centre
Thales	Thales SA
Thales Australia	Thales Australia Holdings Pty Ltd
TNT / the Company	Tesserent Limited
TNT Optionholder	Certain TNT option / warrant holders
TNT Securityholders	TNT shareholders and TNT Optionholders, collectively
TrustGrid	Trust Grid Holdings Pty Ltd
UK	United Kingdom
US	United States of America
VWAP	Volume weighted average price
WANOS	Weighted average number of shares outstanding
YTD 3Q23	Nine months to 3Q FY23

Appendix 2 – Share Scheme Deed Poll



HERBERT
SMITH
FREEHILLS

Deed

Share scheme deed poll

Thales Australia Holdings Pty Ltd



Share Scheme Deed Poll

Date ► 7 August 2023

This deed poll is made

By Thales Australia Holdings Pty Ltd
ACN 058 583 841 of Level 2, 3-7 Murray Rose Avenue, Sydney
Olympic Park NSW 2127
(Bidder)

in favour of each person registered as a holder of fully paid ordinary shares in
Target in the Share Register as at the Scheme Record Date.

Recitals Target and Bidder entered into the Implementation Deed.
In the Implementation Deed, Bidder agreed to make this deed poll.
Bidder is making this deed poll for the purpose of covenanting in
favour of the Scheme Shareholders to perform its obligations under
the Implementation Deed and the Scheme.

This deed poll provides as follows:

1 Definitions and interpretation

1.1 Definitions

(a) The meanings of the terms used in this deed poll are set out below.

Term	Meaning
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Implementation Deed	the scheme implementation deed dated 11 June 2023 between Target and Bidder relating to the implementation of the Scheme.



Term	Meaning
Scheme	<p>the scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders, the form of which is attached as Attachment 2 of the Implementation Deed, subject to any alterations or conditions that are:</p> <ol style="list-style-type: none"> 1 agreed to in writing by Bidder and Target and approved by the Court; or 2 made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Bidder and Target.
Target	Tesserent Limited ABN 13 605 627 928 of Level 5, 990 Whitehorse Road, Box Hill VIC 3128.
(b)	Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Sections 2, 3 and 4 of Schedule 1 of the Scheme apply to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

Bidder acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder.

2 Conditions to obligations

2.1 Conditions

This deed poll and the obligations of Bidder under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Bidder under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective on or before the End Date,



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unless Bidder and Target otherwise agree in writing (and, if required, as approved by the Court).

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Bidder is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against Bidder in respect of any breach of this deed poll which occurred before it was terminated.

3 Scheme obligations

Subject to clause 2, Bidder undertakes in favour of each Scheme Shareholder to:

- (a) deposit, or procure the deposit of, in cleared funds, by no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders under the Scheme into an Australian dollar denominated trust account with an ADI operated by Target or the Target Registry as trustee for the Scheme Shareholders, except that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account; and
- (b) take all other actions, and give each acknowledgement, representation and warranty (if any), attributed to it under the Scheme,

subject to and in accordance with the terms of the Scheme.

4 Warranties

Bidder represents and warrants in favour of each Scheme Shareholder, in respect of itself, that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.



5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

6 Notices

6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

- (a) in writing and in English and signed by or on behalf of the sending party; and
- (b) addressed to Bidder in accordance with the details set out below (or any alternative details nominated by Bidder by Notice).

Attention	James Couche – Vice President Legal & Contracts
Address	Level 2, 3-7 Murray Rose Avenue, Sydney Olympic Park NSW 2127
Email address	james.couche@thalesgroup.com.au
Copy to	Attention: Lauren de Luca Email: lauren.deluca@thalesgroup.com.au
Copy to	Herbert Smith Freehills Attention: Tony Damian Email: Tony.Damian@hsf.com

6.2 How Notice must be given and when Notice is received

- (a) A Notice must be given by one of the methods set out in the table below.
- (b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.



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Method of giving Notice	When Notice is regarded as given and received
By hand to the nominated address	When delivered to the nominated address
By pre-paid post to the nominated address	At 9.00am (addressee's time) on the second Business Day after the date of posting
By email to the nominated email address	<p>The first to occur of:</p> <ol style="list-style-type: none"> 1 the sender receiving an automated message confirming delivery; or <p>two hours after the time that the email was sent (as recorded on the device from which the email was sent) provided that the sender does not, within the period, receive an automated message that the email has not been delivered.</p>

6.3 Notice must not be given by electronic communication

A Notice must not be given by electronic means of communication (other than email as permitted in clause 6.2).

7 General

7.1 Stamp duty

Bidder:

- (a) will pay all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under the Scheme and this deed poll; and
- (b) indemnifies each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in Victoria, Australia.
- (b) Bidder irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria, Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. Bidder irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.



7.3 Waiver

- (a) Bidder may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) No Scheme Shareholder may rely on words or conduct of Bidder as a waiver of any right unless the waiver is in writing and signed by Bidder, as appropriate.
- (c) The meanings of the terms used in this clause 7.3 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this deed poll and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.4 Variation

A provision of this deed poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by Target; or
- (b) if on or after the First Court Date, the variation is agreed to by Target and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Bidder will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5 Cumulative rights

The rights, powers and remedies of Bidder and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.6 Assignment

- (a) The rights created by this deed poll are personal to Bidder and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Bidder.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Further action


Bidder must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.



Signing page

Executed as a deed poll

Signed sealed and delivered for
Thales Australia Holdings Pty Ltd
by its authorised individual on its behalf
pursuant to section 126 of the *Corporations Act 2001* (Cth)

sign here ► 
D4DB3F2CED2491...

Authorised individual
Philippe More
print name _____

Appendix 3 – Share Scheme



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Scheme of arrangement - share scheme

Tesserent Limited

Scheme Shareholders

Scheme of arrangement – share scheme

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

Tesseract Limited ABN 13 605 627 928 of Level 5, 990
Whitehorse Road, Box Hill VIC 3128 (**Target**)

The Scheme Shareholders

1 Definitions, interpretation and scheme components

1.1 Definitions

Schedule 1 contains definitions used in this Scheme.

1.2 Interpretation

Schedule 1 contains interpretation rules for this Scheme.

1.3 Scheme components

This Scheme includes any schedule to it.

2 Preliminary matters

- (a) Target is a public company limited by shares, registered in Victoria and has been admitted to the official list of the ASX. Target Shares are quoted for trading on the ASX.
- (b) As at the date of the Implementation Deed:
 - (1) 1,354,182,116 Target Shares;
 - (2) 142,501,771 Target Options; and
 - (3) 53,000,000 Option Cancellation Deed Options,were on issue.
- (c) Bidder is a proprietary company limited by shares registered in New South Wales, Australia.
- (d) If this Scheme becomes Effective:

- (1) Bidder must provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and
- (2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to Bidder and Target will enter the name of Bidder in the Share Register in respect of the Scheme Shares.
- (e) Target and Bidder have agreed, by executing the Implementation Deed, to implement this Scheme.
- (f) This Scheme attributes actions to Bidder but does not itself impose an obligation on it to perform those actions. Bidder has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Shareholders.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions in clause 3 of the Implementation Deed (other than the condition in the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Court Date;
- (b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Bidder and Target;
- (d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by Bidder and Target having been satisfied or waived; and
- (e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date Target and Bidder agree in writing).

3.2 Effect of conditions precedent

The satisfaction of the conditions referred to in clause 3.1 is a condition precedent to the operation of clause 4.2 and 5, and the binding effect of this Scheme.

3.3 Certificate

- (a) Target and Bidder will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect



of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.

- (b) The certificate referred to in clause 3.3(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

3.4 End Date

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless Target and Bidder otherwise agree in writing.

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

If the conditions set out in clauses 3.1(a) to 3.1(d) inclusive are satisfied, Target must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible after the Court approves this Scheme and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Scheme.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clauses 5.1(b) and 5.1(c), the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by Target as attorney and agent for Scheme Shareholders under clause 8.5), by:
 - (1) Target delivering to Bidder a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by Target, for registration; and
 - (2) Bidder duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to Target for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), but subject to the stamping of the Scheme Transfer (if required), Target must enter, or procure the entry of, the name of Bidder in the Share Register in respect of all the Scheme Shares transferred to Bidder in accordance with this Scheme.

5 Scheme Consideration

5.1 Provision of Scheme Consideration

- (a) Bidder must, and Target must use its best endeavours to procure that Bidder does, by no later than the Business Day before the Implementation Date, deposit, or procure the deposit, in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders, into an Australian dollar denominated trust account with an ADI operated by Target as trustee for the Scheme Shareholders, (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account).
- (b) On the Implementation Date, subject to funds having been deposited in accordance with clause 5.1(a), Target must pay or procure the payment of the Scheme Consideration to each Scheme Shareholder from the trust account referred to in clause 5.1(a).
- (c) The obligations of Target under clause 5.1(b) will be satisfied by Target (in its absolute discretion, and despite any election referred to in clause 5.1(c)(1) or authority referred to in clause 5.1(c)(2) made or given by the Scheme Shareholder):
 - (1) if a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Target Registry to receive dividend payments from Target by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
 - (2) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Shareholder by an appropriate authority from the Scheme Shareholder to Target; or
 - (3) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).
- (d) To the extent that, following satisfaction of Target's obligations under clause 5.1(b), there is a surplus in the amount held by Target as trustee for the Scheme Shareholders in the trust account referred to in that clause, that surplus may be paid by Target to Bidder.

5.2 Joint holders

In the case of Scheme Shares held in joint names:

- (a) subject to clause 5.1(c), the Scheme Consideration is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Target, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders; and



- (b) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Target, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

5.3 Fractional entitlements and splitting

Where the calculation of the Scheme Consideration to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

5.4 Unclaimed monies

- (a) Target may cancel a cheque issued under this clause 5 if the cheque:
 - (1) is returned to Target; or
 - (2) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target (or the Target Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Target must reissue a cheque that was previously cancelled under this clause 5.4.
- (c) The *Unclaimed Money Act 2008* (Vic) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in sections 3 and 12 of the *Unclaimed Money Act 2008* (Vic)).

5.5 Orders of a court or Government Agency

If written notice is given to Target (or the Target Registry) or Bidder (or the Bidder Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by Target in accordance with this clause 5, then Target shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents Target from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, Target shall be entitled to retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration until such time as provision of the Scheme Consideration in accordance with this clause 5 is permitted by that (or another) order or direction or otherwise by law.

The provision or the retention of the relevant Scheme Consideration by Target (or the Target Registry on Target's behalf) in accordance with clause 5.5(a) or 5.5(b)(b) (as applicable) will constitute the full discharge of Bidder's obligations under this clause 5.5.



6 Dealings in Target Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Target Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Target Shares before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received before the Scheme Record Date at the place where the Share Register is kept,

and Target must not accept for registration, nor recognise for any purpose (except a transfer to Bidder pursuant to this Scheme and any subsequent transfer by Bidder or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

6.2 Register

- (a) Target must register registrable transmission applications or transfers of the Scheme Shares that are received in accordance with clause 6.1(b) before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires Target to register a transfer that would result in a Target Shareholder holding a parcel of Target Shares that is less than a 'marketable parcel' (for the purposes of this clause 6.2(a) 'marketable parcel' has the meaning given in the Operating Rules).
- (b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them on or after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Target shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Target must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Target Shares (other than statements of holding in favour of Bidder) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of Bidder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Target Shares relating to that entry.
- (e) As soon as possible on or after the Scheme Record Date, and in any event by 5.00pm on the first Business Day after the Scheme Record Date, Target will ensure that details of the names, Registered Addresses and holdings of Target Shares for each Scheme Shareholder as shown in the Share Register are available to Bidder in the form Bidder reasonably requires.

7 Quotation of Target Shares

- (a) Target must apply to ASX to suspend trading on the ASX in Target Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by Bidder, Target must apply:
 - (1) for termination of the official quotation of Target Shares on the ASX; and
 - (2) to have itself removed from the official list of the ASX, with effect on and from close of trading on that date.

8 General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Target may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Bidder has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which Target has consented to.

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (1) agrees to the transfer of their Target Shares together with all rights and entitlements attaching to those Target Shares in accordance with this Scheme;
 - (2) agrees to the variation, cancellation or modification of the rights attached to their Target Shares constituted by or resulting from this Scheme;
 - (3) agrees to, on the direction of Bidder, destroy any holding statements or share certificates relating to their Target Shares;
 - (4) who holds their Target Shares in a CHESS Holding agrees to the conversion of those Target Shares to an Issuer Sponsored Holding and irrevocably authorises Target to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion; and
 - (5) acknowledges and agrees that this Scheme binds Target and all Scheme Shareholders (including those who do not attend the Scheme Meeting and those who do not vote, or vote against this Scheme, at the Scheme Meeting).
- (b) Each Scheme Shareholder is taken to have warranted to Target and Bidder on the Implementation Date, and appointed and authorised Target as its attorney and agent to warrant to Bidder on the Implementation Date, that:
 - (1) all their Target Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the



date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Target Shares to Bidder together with any rights and entitlements attaching to those shares. Target undertakes that it will provide such warranty to Bidder as agent and attorney of each Scheme Shareholder; and

- (2) they have no existing right to be issued any Target Shares, Target Options, Target performance rights, Target convertible notes or any other Target securities, other than the right to be issued Target Shares upon the exercise of Target Options. Target undertakes that it will provide such warranty to Bidder as agent and attorney of each Scheme Shareholder.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Bidder will, at the time of transfer of them to Bidder vest in Bidder free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.1(b) and 5.1(c), Bidder will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Target of Bidder in the Share Register as the holder of the Scheme Shares.

8.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.1(b) and 5.1(c), and until Target registers Bidder as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed Bidder as attorney and agent (and directed Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution or document;
- (b) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), Bidder and any director, officer, secretary or agent nominated by Bidder under clause 8.4(a) may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

8.5 Authority given to Target

Each Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Bidder and Target undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Bidder on behalf of and as agent and attorney for each Scheme Shareholder; and
- (b) on the Implementation Date, irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and Target accepts each such appointment. Target as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

8.6 Binding effect of Scheme

This Scheme binds Target and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Target.

9 General

9.1 Stamp duty

Bidder will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under this Scheme and the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

9.2 Consent

Each of the Scheme Shareholders consents to Target doing all things necessary or incidental to, or to give effect to, the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Target or otherwise.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date



and time (if any) on which it is actually received at Target's registered office or at the office of the Target Registry.

- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Target Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law

- (a) This Scheme is governed by the laws in force in Victoria, Australia.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria, Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

9.5 Further action

Target must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

9.6 No liability when acting in good faith

Each Scheme Shareholder agrees that neither Target, Bidder nor any director, officer, secretary or employee of any of those companies shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Schedule 1

Definitions and interpretation

1 Definitions

The meanings of the terms used in this Scheme are set out below.

Term	Meaning
ADI	authorised deposit-taking institution (as defined in the <i>Banking Act 1959</i> (Cth)).
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market known as the Australian Securities Exchange that it operates.
Bidder	Thales Australia Holdings Pty Ltd ACN 058 583 841 of Level 2, 3-7 Murray Rose Avenue, Sydney Olympic Park NSW 2127.
Business Day	a day that is not a Saturday, Sunday or a public holiday or bank holiday in Melbourne, Australia.
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.
CHESS Holding	has the meaning given in the Settlement Rules.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Court	the Federal Court of Australia or any other court of competent jurisdiction nominated by Target.
Deed Poll	the deed poll substantially in the form of Attachment 3 to the Implementation Deed under which Bidder covenants in favour of the Scheme Shareholders to perform the obligations attributed to Bidder



Term	Meaning
	under this Scheme.
Effective	when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme.
Effective Date	the date on which this Scheme becomes Effective.
End Date	has the meaning given to it in the Implementation Deed.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.
Implementation Date	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as the parties agree in writing.
Implementation Deed	the scheme implementation deed dated 11 June 2023 between Target and Bidder relating to the implementation of this Scheme.
Issuer Sponsored Holding	has the meaning given in the Settlement Rules.
Listing Rules	the official listing rules of ASX.
Operating Rules	the official operating rules of ASX.
Option Cancellation Deed Options	has the meaning given to it in the Implementation Deed.
Registered Address	in relation to a Target Shareholder, the address shown in the Target Share Register as at the Scheme Record Date.
Scheme	this scheme of arrangement under Part 5.1 of the Corporations Act

Term	Meaning
	<p>between Target and the Scheme Shareholders subject to any alterations or conditions that are:</p> <ol style="list-style-type: none"> 1 agreed to in writing by Bidder and Target and approved by the Court; or 2 made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Bidder and Target.
Scheme Consideration	the consideration to be provided by Bidder to each Scheme Shareholder for each Target Share held by a Scheme Shareholder as at the Scheme Record Date, being an amount of \$0.13 per Target Share in cash.
Scheme Meeting	the meeting of Target Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Record Date	7.00pm on the second Business Day after the Effective Date or such other date as agreed in writing by Target and Bidder.
Scheme Shareholder	a holder of Target Shares recorded in the Target Share Register as at the Scheme Record Date.
Scheme Shares	all Target Shares held by the Scheme Shareholders as at the Scheme Record Date.
Scheme Transfer	a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Bidder as transferee, which may be a master transfer of all or part of the Scheme Shares.
Second Court Date	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.
Settlement Rules	the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.
Share Register	the register of members of Target maintained by Target or the Target Registry in accordance with the Corporations Act.



Term	Meaning
Subsidiary	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
Target	Tesserent Limited ABN 13 605 672 928 of Level 5, 990 Whitehorse Road, Box Hill VIC 3128
Target Option	together: <ol style="list-style-type: none">1 an option issued by Target entitling the holder to acquire a specified number of Target Shares for a specified exercise price per Target Shares (other than the Option Cancellation Deed Options); and2 a warrant issued by Target entitling the holder to acquire a specified number of Target Shares for a specified exercise price per Target Share.
Target Registry	Computershare Investor Services Pty Ltd.
Target Share	a fully paid ordinary share in the capital of Target.
Target Shareholder	each person who is registered as the holder of a Target Share in the Share Register.

2 Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them (whether passed by the same or another Government Agency with legal power to do so);



- (h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Melbourne, Australia;
- (k) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1 of this Schedule 1, has the same meaning when used in this Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;
- (n) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- (o) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (p) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (q) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (r) if an act prescribed under this Scheme to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day; and
- (s) a reference to the Listing Rules, Operating Rules or the Settlement Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

3 Interpretation of inclusive expressions

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

Appendix 4 - Option Scheme Deed Poll



Deed

Option scheme deed poll

Thales Australia Holdings Pty Ltd



HERBERT
SMITH
FREEHILLS

Option Scheme Deed Poll

Date ► 7 August 2023

This deed poll is made

By Thales Australia Holdings Pty Ltd
ACN 058 583 841 of Level 2, 3-7 Murray Rose Avenue, Sydney
Olympic Park NSW 2127
(Bidder)

in favour of each Scheme Optionholder.

Recitals

- 1 Target and Bidder entered into the Implementation Deed.
- 2 Bidder is making this deed poll for the purpose of covenanting in favour of the Scheme Optionholders to perform its obligations under the Option Scheme.

This deed poll provides as follows:

1 Definitions and interpretation

1.1 Definitions

(a) The meanings of the terms used in this deed poll are set out below.

Term	Meaning
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Option Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Implementation Deed	the scheme implementation deed dated 11 June 2023 between Target and Bidder.



Term	Meaning
Option Scheme	<p>the proposed scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Optionholders, substantially in the form of Attachment 1, subject to any alterations or conditions that are:</p> <ol style="list-style-type: none"> 1 agreed to in writing by Bidder and Target and approved by the Court; or 2 made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Bidder and Target.
Target	Tesserent Limited ABN 13 605 627 928 of Level 5, 990 Whitehorse Road, Box Hill VIC 3128.
(b)	Unless the context otherwise requires, terms defined in the Option Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Sections 2, 3 and 4 of Schedule 1 of the Option Scheme apply to the interpretation of this deed poll, except that references to 'this Option Scheme' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

Bidder acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Optionholder in accordance with its terms even though the Scheme Optionholders are not party to it; and
- (b) under the Option Scheme, each Scheme Optionholder irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder.

2 Conditions to obligations

2.1 Conditions

This deed poll and the obligations of Bidder under this deed poll are subject to the Option Scheme becoming Effective.

2.2 Termination

The obligations of Bidder under this deed poll to the Scheme Optionholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or



- (b) the Option Scheme is not Effective on or before the End Date, unless Bidder and Target otherwise agree in writing (and, if required, as approved by the Court).

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Bidder is released from its obligations to further perform this deed poll; and
- (b) each Scheme Optionholder retains the rights they have against Bidder in respect of any breach of this deed poll which occurred before it was terminated.

3 Option Scheme obligations

Subject to clause 2, Bidder undertakes in favour of each Scheme Optionholder to:

- (a) deposit, or procure the deposit of, in cleared funds, by no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Option Scheme Consideration payable to all Scheme Optionholders under the Option Scheme into an Australian dollar denominated trust account with an ADI operated by Target or the Target Registry as trustee for the Scheme Optionholders, except that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account; and
- (b) take all other actions, and give each acknowledgement, representation and warranty (if any), attributed to it under the Option Scheme,

subject to and in accordance with the terms of the Option Scheme.

4 Warranties

Bidder represents and warrants in favour of each Scheme Optionholder, in respect of itself, that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.



5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

6 Notices

6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

- (a) in writing and in English and signed by or on behalf of the sending party; and
- (b) addressed to Bidder in accordance with the details set out below (or any alternative details nominated by Bidder by Notice).

Attention	James Couche – Vice President Legal & Contracts
Address	Level 2, 3-7 Murray Rose Avenue, Sydney Olympic Park NSW 2127
Email address	james.couche@thalesgroup.com.au
Copy to	Attention: Lauren de Luca Email: lauren.deluca@thalesgroup.com.au
Copy to	Herbert Smith Freehills Attention: Tony Damian Email: Tony.Damian@hsf.com

6.2 How Notice must be given and when Notice is received

- (a) A Notice must be given by one of the methods set out in the table below.
- (b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.



Method of giving Notice	When Notice is regarded as given and received
By hand to the nominated address	When delivered to the nominated address
By pre-paid post to the nominated address	At 9.00am (addressee's time) on the second Business Day after the date of posting
By email to the nominated email address	<p>The first to occur of:</p> <ol style="list-style-type: none"> 1 the sender receiving an automated message confirming delivery; or 2 two hours after the time that the email was sent (as recorded on the device from which the email was sent) provided that the sender does not, within the period, receive an automated message that the email has not been delivered.

6.3 Notice must not be given by electronic communication

A Notice must not be given by electronic means of communication (other than email as permitted in clause 6.2).

7 General

7.1 Stamp duty

Bidder:

- (a) will pay all stamp duty and any related fines and penalties in respect of the Option Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under the Option Scheme and this deed poll; and
- (b) indemnifies each Scheme Optionholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in Victoria, Australia.
- (b) Bidder irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria, Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. Bidder irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.



7.3 Waiver

- (a) Bidder may not rely on the words or conduct of any Scheme Optionholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Optionholder granting the waiver.
- (b) No Scheme Optionholder may rely on words or conduct of Bidder as a waiver of any right unless the waiver is in writing and signed by Bidder, as appropriate.
- (c) The meanings of the terms used in this clause 7.3 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this deed poll and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.4 Variation

A provision of this deed poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by Target; or
- (b) if on or after the First Court Date, the variation is agreed to by Target and the Court indicates that the variation would not of itself preclude approval of the Option Scheme,

in which event Bidder will enter into a further deed poll in favour of the Scheme Optionholders giving effect to the variation.

7.5 Cumulative rights

The rights, powers and remedies of Bidder and the Scheme Optionholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.6 Assignment

- (a) The rights created by this deed poll are personal to Bidder and each Scheme Optionholder and must not be dealt with at law or in equity without the prior written consent of Bidder.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Further action


Bidder must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.



Signing page

Executed as a deed poll

Signed sealed and delivered for
Thales Australia Holdings Pty Ltd
by its authorised individual on its behalf
pursuant to section 126 of the *Corporations Act 2001* (Cth)

sign here ► 
D4DB33F2CED2491...
Authorised individual

print name Philippe More

Attachment 1

Option Scheme

Not reproduced here. Refer to Appendix 5 of Scheme Booklet

Appendix 5 - Option Scheme



HERBERT
SMITH
FREEHILLS

Scheme of arrangement - option scheme

Tesserent Limited

Scheme Optionholders

Scheme of arrangement – option scheme

This option scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

Tesserent Limited ABN 13 605 627 928 of Level 5, 990
Whitehorse Road, Box Hill VIC 3128 (**Target**)

The Scheme Optionholders

1 Definitions, interpretation and scheme components

1.1 Definitions

Schedule 1 contains definitions used in this Option Scheme.

1.2 Interpretation

Schedule 1 contains interpretation rules for this Option Scheme.

1.3 Option Scheme components

This Option Scheme includes any schedule to it.

2 Preliminary matters

- (a) Target is a public company limited by shares, registered in Victoria and has been admitted to the official list of the ASX. Target Shares are quoted for trading on the ASX.
- (b) As at the date of the Implementation Deed:
 - (1) 1,354,182,116 Target Shares;
 - (2) 142,501,771 Target Options; and
 - (3) 53,000,000 Option Cancellation Deed Options,were on issue.
- (c) Bidder is a proprietary company limited by shares registered in New South Wales, Australia.

- (d) If this Option Scheme becomes Effective:
 - (1) Bidder must provide or procure the provision of the Option Scheme Consideration to the Scheme Optionholders in accordance with the terms of this Option Scheme and the Option Scheme Deed Poll; and
 - (2) all the Scheme Options, and all the rights and entitlements attaching to them including under the terms of, or under any applicable agreement or other document in relation to, the grant or issue of the Scheme Options (**Option Terms**) as at the Option Scheme Implementation Date, must be cancelled and extinguished and Target will remove the names of all Scheme Optionholders from the Option Register.
- (e) Target and Bidder have agreed, by executing the Implementation Deed, to implement this Option Scheme.
- (f) This Option Scheme attributes actions to Bidder but does not itself impose an obligation on it to perform those actions. Bidder has agreed, by executing the Option Scheme Deed Poll, to perform the actions attributed to it under this Option Scheme, including the provision or procuring the provision of the Option Scheme Consideration to the Scheme Optionholders.

3 Conditions

3.1 Conditions precedent

This Option Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions in clause 3 of the Implementation Deed (other than the condition in the Implementation Deed relating to Court approval of the Share Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Court Date;
- (b) neither the Implementation Deed, the Deed Poll, nor the Option Scheme Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) agreement to this Option Scheme by the Scheme Optionholders in accordance with subparagraph 411(4)(a)(i) of the Corporations Act, at the Option Scheme Meeting;
- (d) approval of this Option Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Bidder and Target;
- (e) approval of the Share Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Bidder and Target;
- (f) the ASX granting a waiver from rule 6.23 of the Listing Rules in relation to the Option Scheme or Target Shareholders giving any necessary approvals under rule 6.23 of the Listing Rules in relation to the Option Scheme;

- (g) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to either or both of the Share Scheme or this Option Scheme and agreed to by Bidder and Target having been satisfied or waived;
- (h) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Option Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date Target and Bidder agree in writing); and
- (i) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving the Share Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date Target and Bidder agree in writing).

3.2 Effect of conditions precedent

The satisfaction of the conditions referred to in clause 3.1 is a condition precedent to the operation of clause 4.2 and 5, and the binding effect of this Option Scheme.

3.3 Certificate

- (a) Target and Bidder will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.
- (b) The certificate referred to in clause 3.3(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

3.4 End Date

This Option Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Implementation Deed, the Deed Poll or the Option Scheme Deed Poll is terminated in accordance with its terms,

unless Target and Bidder otherwise agree in writing.

4 Implementation of this Option Scheme

4.1 Lodgement of Court orders with ASIC

If the conditions set out in clause 3.1(a) to 3.1(g) inclusive are satisfied, Target must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Option Scheme as soon as possible after the Court approves this Option Scheme and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Option Scheme.

4.2 Cancellation and extinguishment of Scheme Options

- (a) On the Option Scheme Implementation Date, subject to the provision of the Option Scheme Consideration in the manner contemplated by clauses 5.1(b)

and 5.1(c), the Scheme Options, together with all rights and entitlements attaching to them as at the Option Scheme Implementation Date, must be cancelled and extinguished, without the need for any further act by any Scheme Optionholder (other than acts performed by the Target as attorney and agent for Scheme Optionholders under clause 7.4), and each Scheme Optionholder:

- (1) releases the Target from all obligations in relation to those Scheme Options including under the Option Terms (including any obligation to issue Target Shares in connection with such Scheme Options);
- (2) releases and waives any and all rights they may have had (including to be issued Target Shares) in relation to those Scheme Options including under the Option Terms or in connection with any failure to comply with the Option Terms;
- (3) agrees that the terms of this Option Scheme prevail over the Option Terms to the extent of any inconsistency and any provision in the Option Terms which restrict or prohibit the Option Scheme or any provision contained in this Option Scheme is to be disregarded, other than where expressly stated otherwise in this Option Scheme; and
- (4) authorises the Target to update the Option Register recording the cancellation and extinguishment of the Scheme Options,

and, in consideration for the cancellation and extinguishment of their Scheme Options, each Scheme Optionholder will be entitled to receive the Option Scheme Consideration in accordance with clause 5.

- (b) Pursuant to clause 4.2(a), Target must ensure the cancellation and extinguishment of the Scheme Options

5 Option Scheme Consideration

5.1 Provision of Option Scheme Consideration

- (a) Bidder must, and Target must use its best endeavours to procure that Bidder does, by no later than the Business Day before the Option Scheme Implementation Date, deposit, or procure the deposit, in cleared funds an amount equal to the aggregate amount of the Option Scheme Consideration payable to all Scheme Optionholders, into an Australian dollar denominated trust account with an ADI operated by Target as trustee for the Scheme Optionholders (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account).
- (b) On the Option Scheme Implementation Date, subject to funds having been deposited in accordance with clause 5.1(a), Target must pay or procure the payment of the Option Scheme Consideration to each Scheme Optionholder from the trust account referred to in clause 5.1(a).
- (c) The obligations of Target under clause 5.1(b) will be satisfied by Target either (in its absolute discretion, and despite any authority referred to in clause 5.1(c)(2) given by the Scheme Optionholder):
 - (1) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Optionholder by prepaid post to their Registered Address (as at the Option Scheme Record Date), such cheque being drawn in the name of the Scheme

- Optionholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2); or
- (2) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Optionholder by an appropriate authority from the Scheme Optionholder to Target.
 - (d) To the extent that, following satisfaction of Target's obligations under clause 5.1(b), there is a surplus in the amount held by Target as trustee for the Scheme Optionholders in the trust account referred to in that clause, that surplus may be paid by Target to Bidder.

5.2 Joint holders

In the case of Scheme Options held in joint names:

- (a) the Option Scheme Consideration is payable to the joint holders and any cheque required to be sent under this Option Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Target, the holder whose name appears first in the Option Register as at the Option Scheme Record Date or to the joint holders; and
- (b) any other document required to be sent under this Option Scheme, will be forwarded to either, at the sole discretion of Target, the holder whose name appears first in the Option Register as at the Option Scheme Record Date or to the joint holders.

5.3 Fractional entitlements and splitting

Where the calculation of the Option Scheme Consideration to be issued to a particular Scheme Optionholder would result in the Scheme Optionholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

5.4 Unclaimed monies

- (a) Target may cancel a cheque issued under this clause 5 if the cheque:
 - (1) is returned to Target; or
 - (2) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Option Scheme Implementation Date, on request in writing from a Scheme Optionholder to Target (or the Target Registry) (which request may not be made until the date which is 20 Business Days after the Option Scheme Implementation Date), Target must reissue a cheque that was previously cancelled under this clause 5.4.
- (c) The *Unclaimed Money Act 2008* (Vic) will apply in relation to any Option Scheme Consideration which becomes 'unclaimed money' (as defined in sections 3 and 12 of the *Unclaimed Money Act 2008* (Vic)).

5.5 Orders of a court or Government Agency

If written notice is given to Target (or the Target Registry) or Bidder of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Options held by a particular Scheme Optionholder, which would otherwise be payable or required to be issued to that Scheme Optionholder by Target in accordance with this clause 5, then Target shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents Target from providing consideration to any particular Scheme Optionholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, Target shall be entitled to retain an amount, in Australian dollars, equal to the number of Scheme Options held by that Scheme Optionholder multiplied by the Option Scheme Consideration until such time as provision of the Option Scheme Consideration in accordance with this clause 5 is permitted by that (or another) order or direction or otherwise by law.

The provision or the retention of the relevant Option Scheme Consideration by Target (or the Target Registry on Target's behalf) in accordance with clause 5.5(a) or 5.5(b)(b) (as applicable) will constitute the full discharge of Bidder's obligations under this clause 5.5.

6 Dealings in Options

6.1 Exercise prior to Option Scheme Record Date

To establish the identity of the Scheme Optionholders, Target will not accept as valid, nor recognise for any purpose, any notice of assignment, transfer, novation (or similar) or exercise of a Target Option registered in the name of a Target Optionholder that is either or both of:

- (a) received after 5.00pm on the day which is the Business Day immediately before the Option Scheme Record Date; or
- (b) not in accordance with the Option Terms.

6.2 Registration as holder of Target Shares

- (a) Target will issue, and register the Target Optionholder as the holder of, a Target Share in respect of any valid exercise of a Target Option registered in the name of the Target Optionholder permitted by, and received by the time specified in, clause 6.1 and in accordance with the Option Terms, and the Target Optionholder acknowledges and agrees that, if the Share Scheme becomes Effective and the Target Optionholder has validly exercised a Target Option in accordance with the foregoing, the Target Optionholder will be bound by the terms of the Share Scheme in respect of each such Target Share and, accordingly, each such Target Share will be transferred to Bidder in accordance with the terms of the Share Scheme on the Implementation Date.
- (b) If this Option Scheme becomes Effective, a holder of Scheme Options (and any person claiming through that holder) must not dispose of, or purport or agree to

dispose of, any Scheme Options or any interest in them on or after the Option Scheme Record Date otherwise than pursuant to this Option Scheme, and any attempt to do so will have no effect and Target shall be entitled to disregard any such disposal.

6.3 Option Register

- (a) For the purpose of determining entitlements to the Option Scheme Consideration, Target must maintain the Option Register in accordance with the provisions of this clause 6 until the Option Scheme Consideration has been paid to the Scheme Optionholders. The Option Register in this form will solely determine entitlements to the Option Scheme Consideration.
- (b) Target must procure that, as soon as possible on or after the Option Scheme Record Date, and in any event by 5.00pm on the first Business Day after the Option Scheme Record Date, details of the names, Registered Addresses and holdings of Target Options of every Scheme Optionholder as shown in the Option Register at the Option Scheme Record Date are available to Bidder in such form as Bidder reasonably requires.
- (c) As from the Option Scheme Record Date, all Target Option certificates (or equivalent documents) will cease to have any effect and each entry at that date on the Option Register will cease to have any effect except as evidence of entitlement to the Option Scheme Consideration.

7 General Option Scheme provisions

7.1 Consent to amendments to this Option Scheme

If the Court proposes to approve this Option Scheme subject to any alterations or conditions:

- (a) Target may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Bidder has consented; and
- (b) each Scheme Optionholder agrees to any such alterations or conditions which Target has consented to.

7.2 Scheme Optionholders' agreements and warranties

- (a) Each Scheme Optionholder:
 - (1) agrees to the cancellation and extinguishment of their Target Options together with all rights and entitlements attaching to those Target Options including under the Option Terms in accordance with this Option Scheme; and
 - (2) acknowledges and agrees that this Option Scheme binds Target and all Scheme Optionholders (including those who do not attend the Option Scheme Meeting and those who do not vote, or vote against this Option Scheme, at the Option Scheme Meeting).
- (b) Each Scheme Optionholder is taken to have warranted to Target and Bidder on the Option Scheme Implementation Date, and appointed and authorised Target as its attorney and agent to warrant to Bidder on the Option Scheme Implementation Date, that:

- (1) all their Target Options (including any rights and entitlements attaching to those Target Options) which are cancelled and extinguished under this Option Scheme will, at the date of cancellation and extinguishment, be free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, that they have full power and capacity to agree to the cancellation and extinguishment of their Target Options together with any rights and entitlements attaching to those Target Options. Target undertakes that it will provide such warranty to Bidder as agent and attorney of each Scheme Optionholder; and
- (2) they have no existing right to be issued any Target Options, Target performance rights, Target convertible notes or any other Target securities. Target undertakes that it will provide such warranty to Bidder as agent and attorney of each Scheme Optionholder.

7.3 Appointment of sole proxy

Immediately upon the provision of the Option Scheme Consideration to each Scheme Optionholder in the manner contemplated by clauses 5.1(b) and 5.1(c), and until all Scheme Options are cancelled and extinguished, each Scheme Optionholder:

- (a) is deemed to have appointed Bidder as attorney and agent (and directed Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the Scheme Options or votes attaching to them (if any) registered in their name and sign any shareholders' resolution or document;
- (b) must not exercise the Scheme Options, attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 7.3(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Options as Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 7.3(a), Bidder and any director, officer, secretary or agent nominated by Bidder under clause 7.3(a) may act in the best interests of Bidder.

7.4 Authority given to Target

Each Scheme Optionholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Option Scheme Deed Poll against Bidder and Target undertakes in favour of each Scheme Optionholder that it will enforce the Option Scheme Deed Poll against Bidder on behalf of and as agent and attorney for each Scheme Optionholder; and
- (b) on the Option Scheme Implementation Date, irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Option Scheme and the transactions contemplated by it, including (without

limitation) the cancellation and extinguishment of the Scheme Options and any and all rights and entitlements under the Option Terms,

and Target accepts each such appointment. Target as attorney and agent of each Scheme Optionholder, may sub-delegate its functions, authorities or powers under this clause 7.4 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

7.5 Binding effect of Option Scheme

This Option Scheme binds Target and all of the Scheme Optionholders (including those who did not attend the Option Scheme Meeting to vote on this Option Scheme, did not vote at the Option Scheme Meeting, or voted against this Option Scheme at the Option Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Target and the Option Terms.

8 General

8.1 Stamp duty

Bidder will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Option Scheme and the Option Scheme Deed Poll, the performance of the Option Scheme Deed Poll and each transaction effected by or made under this Option Scheme and the Option Scheme Deed Poll; and
- (b) indemnify each Scheme Optionholder against any liability arising from failure to comply with clause 8.1(a).

8.2 Consent

Each of the Scheme Optionholders consents to Target doing all things necessary or incidental to, or to give effect to, the implementation of this Option Scheme, whether on behalf of the Scheme Optionholders, Target or otherwise.

8.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Option Scheme is sent by post to Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Target's registered office or at the office of the Target Registry.
- (b) The accidental omission to give notice of the Option Scheme Meeting or the non-receipt of such notice by a Target Optionholder will not, unless so ordered by the Court, invalidate the Option Scheme Meeting or the proceedings of the Option Scheme Meeting.

8.4 Governing law

- (a) This Option Scheme is governed by the laws in force in Victoria, Australia.

- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria, Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this Option Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

8.5 Further action

Target must do all things and execute all documents necessary to give full effect to this Option Scheme and the transactions contemplated by it.

8.6 No liability when acting in good faith

Each Scheme Optionholder agrees that neither Target, Bidder nor any director, officer, secretary or employee of any of those companies shall be liable for anything done or omitted to be done in the performance of this Option Scheme or the Option Scheme Deed Poll in good faith.

Schedule 1

Definitions and interpretation

1 Definitions

The meanings of the terms used in this Scheme are set out below.

Term	Meaning
ADI	authorised deposit-taking institution (as defined in the <i>Banking Act 1959</i> (Cth)).
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market known as the Australian Securities Exchange that it operates.
Bidder	Thales Australia Holdings Pty Ltd ACN 058 583 841 of Level 2, 3-7 Murray Rose Avenue, Sydney Olympic Park NSW 2127.
Business Day	a day that is not a Saturday, Sunday or a public holiday or bank holiday in Melbourne, Australia.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Court	the Federal Court of Australia or any other court of competent jurisdiction nominated by Target.
Deed Poll	the deed poll substantially in the form of Attachment 3 of the Implementation Deed under which Bidder covenants in favour of the Scheme Shareholders to perform the obligations attributed to Bidder under the Share Scheme.
Effective	1 when used in relation to this Option Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of

Term	Meaning
	<p>the Court made under paragraph 411(4)(b) of the Corporations Act in relation to this Option Scheme; and</p> <p>2 when used in relation to the Share Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to the Share Scheme.</p>
Effective Date	<p>1 when used in relation to the Option Scheme, the date on which the Option Scheme becomes Effective; and</p> <p>2 when used in relation to the Share Scheme, the date on which the Share Scheme becomes Effective.</p>
End Date	has the meaning given to it in the Implementation Deed.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.
Implementation Date	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as the parties agree in writing.
Implementation Deed	the scheme implementation deed dated 11 June 2023 between Target and Bidder relating to the implementation of the Share Scheme and this Option Scheme.
Listing Rules	the official listing rules of ASX.
Operating Rules	the official operating rules of ASX.
Option Cancellation Deed Options	has the meaning given to it in the Implementation Deed.
Option Register	the registers of holders of Target Options maintained by Target or the Target Registry in accordance with the Corporations Act.

Term	Meaning
Option Scheme	<p>this scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Optionholders subject to any alterations or conditions that are:</p> <ol style="list-style-type: none"> 1 agreed to in writing by Bidder and Target and approved by the Court; or 2 made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Bidder and Target.
Option Scheme Consideration	the consideration to be provided to each Scheme Optionholder for the cancellation and extinguishment of each Scheme Option held by each Scheme Optionholder, as set out in Schedule 2.
Option Scheme Deed Poll	the deed poll dated 7 August 2023 under which Bidder covenants in favour of the Scheme Optionholders to perform the obligations attributed to them under this Option Scheme.
Option Scheme Implementation Date	the fifth Business Day after the Option Scheme Record Date, or such other date after the Option Scheme Record Date as the parties agree in writing.
Option Scheme Meeting	the meeting of Target Optionholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Option Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Registered Address	in relation to a Target Optionholder, the address shown in the Target Option Register as at the Option Scheme Record Date.
Scheme Optionholder	a holder of a Target Option granted in a tranche which is listed in Schedule 2, who is recorded in the Option Register as at the Option Scheme Record Date.
Scheme Options	all Target Options held by the Scheme Optionholders as at the Option Scheme Record Date.
Scheme Record Date	7.00pm on the second Business Day after the Effective Date or such other date as agreed in writing by Target and Bidder.
Scheme Shareholder	a holder of Target Shares recorded in the Target Share Register as at the Scheme Record Date.

Term	Meaning
Scheme Shares	all Target Shares held by the Scheme Shareholders as at the Scheme Record Date.
Second Court Date	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Option Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.
Share Register	the register of members of Target maintained by Target or the Target Registry in accordance with the Corporations Act.
Share Scheme	<p>the scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders, the form of which is attached as Attachment 2 of the Implementation Deed, subject to any alterations or conditions that are:</p> <ol style="list-style-type: none"> 1 agreed to in writing by Bidder and Target and approved by the Court; or 2 made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Bidder and Target.
Target	Tesserent Limited ABN 13 605 672 928 of Level 5, 990 Whitehorse Road, Box Hill VIC 3128
Target Option	<p>together:</p> <ol style="list-style-type: none"> 1 an option issued by Target entitling the holder to acquire a specified number of Target Shares for a specified exercise price per Target Share (other than the Option Cancellation Deed Options); and 2 a warrant issued by Target entitling the holder to acquire a specified number of Target Shares for a specified exercise price per Target Share.
Target Optionholder	a holder of a Target Option granted in a tranche which is listed in Schedule 2, who is recorded in the Option Register.
Target Registry	Computershare Investor Services Pty Ltd.
Target Share	a fully paid ordinary share in the capital of Target.

Term	Meaning
Target Shareholder	each person who is registered as the holder of a Target Share in the Share Register.

2 Interpretation

In this Option Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Option Scheme;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Option Scheme have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Option Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them (whether passed by the same or another Government Agency with legal power to do so);
- (h) a reference to a document (including this Option Scheme) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Melbourne, Australia;
- (k) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1 of this Schedule 1, has the same meaning when used in this Option Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Option Scheme will be construed adversely to a party because that party was responsible for the preparation of this Option Scheme or that provision;
- (n) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;

- (o) a reference to a body, other than a party to this Option Scheme (including an institute, association or authority), whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (p) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (q) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (r) if an act prescribed under this Option Scheme to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day; and
- (s) a reference to the Listing Rules and the Operating Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

3 Interpretation of inclusive expressions

Specifying anything in this Option Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

Schedule 2

Option Scheme Consideration

Option tranche	Exercise price of the Target Options in the relevant tranche (A\$)	Expiry Date	Number of Target Options in the relevant tranche as at the date of this deed	Option Scheme Consideration per Target Option in the relevant tranche (A\$)
EO1 – ESOP OPT: Options	\$0.2800	2 November 2023	13,711,996	\$0.0018
EO2 – ESOP OPT: Options	\$0.3500	2 November 2023	12,961,996	\$0.0006
EO3 – ESOP OPT: Options	\$0.2800	31 January 2025	6,400,000	\$0.0176
EO8 – ESOP OPT: Options	\$0.1500	16 August 2026	46,900,000	\$0.0541
OPW – U/L OPT: Warrant	\$0.1200	18 September 2024	18,083,334	\$0.0443
WR2 – WARRANTS: Warrant	\$0.2396	12 April 2025	44,444,445	\$0.0257

Appendix 6 – Notice of Share Scheme Meeting

TESSERENT LIMITED
ACN 605 672 928
NOTICE OF COURT ORDERED
MEETING OF TESSERENT LIMITED SHAREHOLDERS

Notice is given that, by an Order of the Federal Court of Australia (**Court**) made on Monday, 14 August 2023 under sections 411(1) and 1319 of the Corporations Act and r. 3.3(2) of the *Federal Court (Corporations) Rules 2002* (Cth), the Court has directed that a meeting of the holders of fully paid ordinary shares of Tesserent be held at 10:00am (Melbourne time) on Monday, 18 September 2023 as a virtual (online only) meeting conducted on the online platform at <https://meetnow.global/M6PYRPY>.

The Court has also directed that Geoffrey Lord, or, if he is unable or unwilling to participate in the meeting, Megan Haas, act as Chairperson of the meeting.

PURPOSE OF THE MEETING

The purpose of the meeting is to consider and, if thought fit, to agree (with or without any alterations or conditions agreed to in writing between Tesserent and Thales Australia or any alterations or conditions required by the Court to which Tesserent and Thales Australia agree) to a scheme of arrangement proposed to be made between Tesserent and the holders of its ordinary shares (**Share Scheme**).

A copy of the Share Scheme and a copy of the Explanatory Statement required by section 412 of the Corporations Act in relation to the Share Scheme are contained in the Scheme Booklet of which this notice forms part.

RESOLUTION

The meeting will be asked to consider and, if thought fit, pass the following resolution:

"That under and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the members agree to the arrangement proposed between Tesserent and the holders of its fully paid ordinary shares, designated the Share Scheme, as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting (with or without any alterations or conditions agreed or any alterations or conditions required by the Court) and the Board of Directors of Tesserent is authorised to implement the Share Scheme with any such alterations or conditions."

DATED 15 August 2023

BY ORDER OF THE COURT



Paul Taylor

Company Secretary

Explanatory notes for the Share Scheme Meeting

1. General

- (a) Capitalised words and phrases contained in this Notice of Meeting (including the proposed resolution) have the same meaning as set out in the Glossary in Section 12 of the Scheme Booklet, of which this notice forms part.
- (b) This notice should be read in conjunction with the entire Scheme Booklet of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the proposed resolution. The Scheme Booklet includes a copy of the Share Scheme (refer to Appendix 3) and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Share Scheme (the explanatory statement being all Sections of this Scheme Booklet, other than the Appendices).

2. Voting entitlements

For the purposes of the Share Scheme Meeting, only those persons registered in the Share Register as a holder of Tesserent Shares at 7:00pm (Melbourne time) on Saturday, 16 September 2023 are entitled to participate and vote at the Share Scheme Meeting in respect of each Tesserent Share held by them at that time, either personally, by proxy or attorney or, in the case of a Tesserent Shareholder or proxy who is a corporation, by corporate representative.

3. Required voting majority

- (a) The resolution to approve the Share Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the Corporations Act.
- (b) The resolution to approve the Share Scheme must be passed by:
 - (i) unless the Court orders otherwise, a majority in number (more than 50%) of Tesserent Shareholders present and voting at the Share Scheme Meeting (whether personally, by proxy, attorney or, in the case of a Tesserent Shareholder or a proxy who is a corporation, by corporate representative); and
 - (ii) at least 75% of the total number of votes which are cast at the Share Scheme Meeting by Tesserent Shareholders (whether personally or by proxy, attorney, or in the case of a Tesserent Shareholder or a proxy who is a corporation, corporate representative).
- (c) The vote at the Share Scheme Meeting will be conducted by poll.

4. Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the Share Scheme (with or without any alterations or conditions agreed between Tesserent and Thales Australia or any alterations or conditions required by the Court to Tesserent and Thales Australia agree) must also be approved by an order of the Court and an office copy of the orders must be lodged with ASIC. If the Share Scheme is approved by

the requisite majorities of Tesserent Shareholders at the Share Scheme Meeting, Tesserent intends to apply to the Court for orders approving the Share Scheme.

5. How to vote

Tesserent Shareholders who are entitled to vote at the Share Scheme Meeting may vote:

- (a) by participating in the meeting held virtually, or by appointing an attorney to participate in the virtual meeting and vote on their behalf or, in the case of a Tesserent Shareholder or proxy who is a corporation, a corporate representative to attend the meeting and vote on its behalf; or
- (b) by appointing a proxy to participate and vote on their behalf, using the Share Scheme Proxy Form accompanying this notice or by appointing a proxy online. A proxy may be an individual or a body corporate.

6. Jointly held Tesserent Shares

If you hold Tesserent Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the Share Scheme Meeting, only the vote of the holder whose name appears first on the Share Register will be counted.

7. Voting virtually (or by attorney or corporate representative)

- (a) Eligible Tesserent Shareholders wishing to vote personally or their attorneys or, in the case of a Tesserent Shareholder or proxy who is a corporation, corporate representatives are strongly encouraged to log in online to participate virtually in the Share Scheme Meeting by using the following link:
<https://meetnow.global/M6PYRPY>.
 Please refer to Section 4.3 of the Scheme Booklet for further details on how to participate in the Share Scheme Meeting online.
- (b) The relevant parties who plan to virtually participate in the Share Scheme Meeting are asked to log in online 30 minutes prior to the time designated for the commencement of the Share Scheme Meeting, if possible, to register. The online platform will be open 1 hour prior to the commencement of the Share Scheme Meeting.
- (c) The power of attorney appointing your attorney to participate in and vote at the Share Scheme Meeting must be duly executed by you in the presence of at least one witness, and specify your name, the company (that is, Tesserent), and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.
- (d) To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Tesserent Registry before the Share Scheme Meeting in any of the following ways:

By post in the enclosed reply paid envelope (or the self-addressed envelope, for Tesserent Shareholders whose registered address is outside Australia) provided to the Tesserent Registry:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By fax to the Tesserent Registry on 1800 783 447 within Australia or +61 3 9473 2555 outside Australia.

- (e) Your appointment of an attorney does not preclude you from participating and voting at the Share Scheme Meeting. The appointment of your attorney is not revoked merely by your participation and taking part in the Share Scheme Meeting, but if you vote on a resolution, the attorney is not entitled to vote, and must not vote, as your attorney on that resolution.
- (f) To vote at the Share Scheme Meeting, you or your attorney or, in the case of a Tesserent Shareholder or proxy who is a corporation, corporate representative are strongly encouraged to log in online to participate virtually in the Share Scheme Meeting to be held at 10.00am (Melbourne time) on Monday, 18 September 2023 by using the following link <https://meetnow.global/M6PYRPY>.
- (g) A vote cast in accordance with the appointment of a power of attorney is valid even if before the vote was cast the appointor:
 - (i) died;
 - (ii) became mentally incapacitated;
 - (iii) revoked the power; or
 - (iv) transferred the shares in respect of which the vote was cast,
 unless Tesserent received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, the resumption of any adjourned meeting.
- (h) To vote by corporate representative at the meeting, a Tesserent Shareholder or proxy who is a corporation should obtain a *Certificate of Appointment of Corporate Representative* from the Tesserent Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged with the Tesserent Registry before the Share Scheme Meeting.
- (i) The appointment of a representative may set out restrictions on the representative's powers.
- (j) The original *Certificate of Appointment of Corporate Representative*, a certified copy of the *Certificate of Appointment of Corporate Representative*, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

8. Voting by proxy

Eligible Tesserent Shareholders wishing to appoint a proxy to vote on their behalf at the Share Scheme Meeting must:

- (a) complete and sign or validly authenticate the Share Scheme Proxy Form accompanying the Scheme Booklet and deliver the signed and completed Share Scheme Proxy Form (and an original or certified copy of any power of attorney

under which it is signed, unless already provided) to the Tesserent Registry by 10.00am (Melbourne time) on Saturday, 16- September 2023; or

- (b) appoint a proxy online by 10.00am (Melbourne time) on Saturday, 16 September 2023,

in accordance with the instructions below.

9. Submitting proxies

Eligible Tesserent Shareholders wishing to appoint a proxy to participate and vote on their behalf at the Share Scheme Meeting must return the provided Share Scheme Proxy Form to the Tesserent Registry in any of the following ways:

By post in the enclosed reply paid envelope (or the self-addressed envelope, for Tesserent Securityholders whose registered address is outside Australia) provided to the Tesserent Registry:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By fax to the Tesserent Registry on 1800 783 447 within Australia or +61 3 9473 2555 outside Australia.

As the cut-off date for receipt of proxies is 10.00am (Melbourne time) on Saturday, 16 September 2023 you should ensure that it is posted, delivered or lodged online in sufficient time for it to be received by the Tesserent Registry by that time.

Alternatively, Tesserent Shareholders may choose to appoint a proxy online as follows:

Online: if you wish to appoint your proxy online, you should do so by visiting www.investorvote.com.au and by following the instructions on that website. Online appointments of proxies must be done by 10.00am (Melbourne time) on Saturday, 16 September 2023.

10. Notes for proxy appointments

- (a) Proxies participating virtually in the Share Scheme Meeting will need to enter the unique username and password that will be provided by Computershare prior to the Share Scheme Meeting and select login.
- (b) A Tesserent Shareholder entitled to participate in and vote at the meeting is entitled to appoint not more than two proxies to participate in and vote at the meeting on behalf of that Tesserent Shareholder.
- (c) A proxy need not be a Tesserent Shareholder.
- (d) You are entitled to appoint up to two proxies to participate in the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy you must specify the names of each proxy and the percentage of votes or number of securities for each proxy on the Share Scheme Proxy Form. Replacement Share Scheme Proxy Forms can also be obtained from the Tesserent Registry.

- (e) If you hold Tesserent Shares jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the Share Scheme Proxy Form.
- (f) Your appointment of a proxy does not preclude you from attending the Share Scheme Meeting personally. The appointment of your proxy is not suspended merely by attending the Share Scheme Meeting, but if you vote on a resolution, the proxy is not entitled to vote, and must not vote, as your proxy on that resolution.
- (g) A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:
 - (i) if the proxy is the Chairperson - the proxy must vote on the poll and must vote in the way directed; and
 - (ii) if the proxy is not the Chairperson - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed. In circumstances where the proxy does not vote on the poll or does not attend the meeting, the Chairperson will act in place of the nominated proxy and will vote in accordance with any directions on the proxy form.
- (h) If a proxy appointment is signed or validly authenticated by a Tesserent Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairperson or any other director of Tesserent or the company secretary, as nominated by the Chairperson, will act as proxy in respect of the resolution to be considered at the Share Scheme Meeting.
- (i) If:
 - (i) a Tesserent Shareholder nominates the Chairperson of the meeting as their proxy; or
 - (ii) the Chairperson is otherwise appointed to act as proxy,
 then the person acting as Chairperson in respect of an item of business at the meeting must act as proxy in respect of the resolution to be considered at the Share Scheme Meeting.
- (j) The Chairperson intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution to approve the Share Scheme (in the absence of a Superior Proposal from another party prior to the date of the Share Scheme Meeting and subject to the Independent Expert continuing to conclude that the Share Scheme is in the best interest of Tesserent Shareholder). If the Chairperson of the Meeting changes his voting intention on the resolution, an ASX announcement will be made.
- (k) A vote cast in accordance with the appointment of a proxy is valid even if before the vote was cast the appointor:
 - (i) died;
 - (ii) became mentally incapacitated;
 - (iii) revoked the proxy; or
 - (iv) transferred the shares in respect of which the vote was cast,

unless Tesserent received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, before the resumption of any adjourned meeting.

11. Advertisement

Where this notice of meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to participate in the Share Scheme Meeting from Tesserent website <https://investors.tesserent.com/site/investor-information/investor-welcome> or by contacting the Company Secretary of Tesserent or the Tesserent Registry.

Appendix 7 – Notice of Option Scheme Meeting

TESSERENT LIMITED
ACN 605 672 928
NOTICE OF COURT ORDERED
MEETING OF TESSERENT LIMITED OPTIONHOLDERS

Notice is given that, by an Order of the Federal Court of Australia (**Court**) made on Monday, 14 August 2023 under sections 411(1) and 1319 of the Corporations Act and r. 3.3(2) of the *Federal Court (Corporations) Rules 2002* (Cth), the Court has directed that a meeting of the holders of Tesserent Optionholders be held at 10:30am (Melbourne time) on Monday, 18 September 2023 or as soon as practicable after the conclusion or adjournment of the Share Scheme Meeting, whichever is later, as a virtual (online only) meeting conducted on the online platform at <https://meetnow.global/MDAH2VQ>.

The Court has also directed that Geoffrey Lord, or, if he is unable or unwilling to participate in the meeting, Megan Haas, act as Chairperson of the meeting.

PURPOSE OF THE MEETING

The purpose of the meeting is to consider and, if thought fit, to agree (with or without any alterations or conditions agreed to in writing between Tesserent and Thales Australia or any alterations or conditions required by the Court to which Tesserent and Thales Australia agree) to a scheme of arrangement proposed to be made between Tesserent and the holders of certain of the outstanding Tesserent options and warrants for the cancellation of Tesserent options and warrants (**Option Scheme**).

A copy of the Option Scheme and a copy of the Explanatory Statement required by section 412 of the Corporations Act in relation to the Option Scheme are contained in the Scheme Booklet of which this notice forms part.

RESOLUTION

The meeting will be asked to consider and, if thought fit, pass the following resolution:

"That under and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the creditors agree to the arrangement proposed between Tesserent and the holders of certain of the outstanding Tesserent options and warrants for the cancellation of Tesserent options and warrants, designated the Option Scheme, as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting (with or without any alterations or conditions agreed or any alterations or conditions required by the Court) and the Board of Directors of Tesserent is authorised to implement the Option Scheme with any such alterations or conditions."

DATED 15 August 2023

BY ORDER OF THE COURT



Paul Taylor
 Company Secretary

Explanatory notes for the Option Scheme Meeting

1. General

- (a) Capitalised words and phrases contained in this Notice of Meeting (including the proposed resolution) have the same meaning as set out in the Glossary in Section 12 of the Scheme Booklet, of which this notice forms part.
- (b) This notice should be read in conjunction with the entire Scheme Booklet of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the proposed resolution. The Scheme Booklet includes a copy of the Option Scheme (refer to Appendix 5) and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Option Scheme (the explanatory statement being all Sections of this Scheme Booklet, other than the Appendices).

2. Voting entitlements

For the purposes of the Option Scheme Meeting, only those persons registered in the Option Register as a holder of Tesserent Options at 7:00pm (Melbourne time) on Saturday, 16 September 2023 are entitled to participate and vote at the Option Scheme Meeting in respect of each Tesserent Options held by them at that time, either personally, by proxy or attorney or, in the case of a Tesserent Optionholder or proxy who is a corporation, by corporate representative.

3. Required voting majority

- (a) The resolution to approve the Option Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the Corporations Act.
- (b) The resolution to approve the Option Scheme must be passed by:
 - (i) a majority in number (more than 50%) of Tesserent Optionholders present and voting at the Option Scheme Meeting (whether personally, by proxy, attorney or, in the case of a Tesserent Optionholders or a proxy who is a corporation, by corporate representative); and
 - (ii) at least 75% of the total number of debts and claims of all Tesserent Optionholders present and voting at the Option Scheme Meeting by Tesserent Optionholders (whether personally or by proxy, attorney, or in the case of a Tesserent Optionholders or a proxy who is a corporation, corporate representative).
- (c) The vote at the Option Scheme Meeting will be conducted by poll.

4. Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the Option Scheme (with or without any alterations or conditions agreed between Tesserent and Thales Australia or any alterations or conditions required by the Court to Tesserent and Thales Australia agree) must also be approved by an order of the Court and an office copy of the orders must be lodged with ASIC. If the Option Scheme is approved by the requisite majorities of Tesserent Optionholders at the Option Scheme Meeting, Tesserent intends to apply to the Court for orders approving the Option Scheme.

5. How to vote

Tesserent Optionholders who are entitled to vote at the Option Scheme Meeting may vote:

- (a) by participating in the meeting held virtually, or by appointing an attorney to participate in the virtual meeting and vote on their behalf or, in the case of a Tesserent Optionholder or proxy who is a corporation, a corporate representative to attend the meeting and vote on its behalf; or
- (b) by appointing a proxy to participate and vote on their behalf, using the Option Scheme Proxy Form accompanying this notice or by appointing a proxy online. A proxy may be an individual or a body corporate.

6. Jointly held Tesserent Options

If you hold Tesserent Options jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the Option Scheme Meeting, only the vote of the holder whose name appears first on the Option Register will be counted.

7. Voting virtually (or by attorney or corporate representative)

- (a) Eligible Tesserent Optionholders wishing to vote personally or their attorneys or, in the case of a Tesserent Optionholder or proxy who is a corporation, corporate representatives are strongly encouraged to log in online to participate virtually in the Option Scheme Meeting by using the following link:
<https://meetnow.global/MDAH2VQ>. Please refer to Section 4.3 of the Scheme Booklet for further details on how to participate in the Option Scheme Meeting online.
- (b) The relevant parties who plan to virtually participate in the Option Scheme Meeting are asked to log in online 30 minutes prior to the time designated for the commencement of the Option Scheme Meeting, if possible, to register. The online platform will be open 1 hour prior to the commencement of the Option Scheme Meeting.
- (c) The power of attorney appointing your attorney to participate in and vote at the Option Scheme Meeting must be duly executed by you in the presence of at least one witness, and specify your name, the company (that is, Tesserent), and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.
- (d) To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Tesserent Registry before the Option Scheme Meeting in any of the following ways:

By post in the enclosed reply paid envelope (or the self-addressed envelope, for Tesserent Securityholders whose registered address is outside Australia) provided to the Tesserent Registry:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By fax to the Tesserent Registry on 1800 783 447 within Australia or +61 3 9473 2555 outside Australia.

- (e) Your appointment of an attorney does not preclude you from participating and voting at the Option Scheme Meeting. The appointment of your attorney is not revoked merely by your participation and taking part in the Option Scheme Meeting, but if you vote on a resolution, the attorney is not entitled to vote, and must not vote, as your attorney on that resolution.
- (f) To vote at the Option Scheme Meeting, you or your attorney or, in the case of a Tesserent Optionholder or proxy who is a corporation, corporate representative are strongly encouraged to log in online to participate virtually in the Option Scheme Meeting to be held at 10.30am (Melbourne time) on Monday, 18 September 2023 or as soon as reasonably practicable after the conclusion of the Share Scheme Meeting, whichever is later, by using the following link <https://meetnow.global/MDAH2VQ>.
- (g) A vote cast in accordance with the appointment of a power of attorney is valid even if before the vote was cast the appointor:
 - (i) died;
 - (ii) became mentally incapacitated;
 - (iii) revoked the power; or
 - (iv) transferred the shares in respect of which the vote was cast,
 unless Tesserent received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, the resumption of any adjourned meeting.
- (h) To vote by corporate representative at the meeting, a Tesserent Optionholder or proxy who is a corporation should obtain a *Certificate of Appointment of Corporate Representative* from the Tesserent Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged with the Tesserent Registry before the Option Scheme Meeting.
- (i) The appointment of a representative may set out restrictions on the representative's powers.
- (j) The original *Certificate of Appointment of Corporate Representative*, a certified copy of the *Certificate of Appointment of Corporate Representative*, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

8. Voting by proxy

Eligible Tesserent Optionholders wishing to appoint a proxy to vote on their behalf at the Option Scheme Meeting must:

- (a) complete and sign or validly authenticate the Option Scheme Proxy Form accompanying the Scheme Booklet and deliver the signed and completed Option Scheme Proxy Form (and an original or certified copy of any power of attorney under which it is signed, unless already provided) to the Tesserent Registry by 10.00am (Melbourne time) on Saturday, 16 September 2023; or

- (b) appoint a proxy online by 10.00am (Melbourne time) on Saturday, 16 September 2023,

in accordance with the instructions below.

9. Submitting proxies

Eligible Tesserent Optionholders wishing to appoint a proxy to participate and vote on their behalf at the Option Scheme Meeting must return the provided Option Scheme Proxy Form to the Tesserent Registry in any of the following ways:

By post in the enclosed reply paid envelope (or the self-addressed envelope, for Tesserent Optionholders whose registered address is outside Australia) provided to the Tesserent Registry:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By fax to the Tesserent Registry on 1800 783 447 within Australia or +61 3 9473 2555 outside Australia.

As the cut-off date for receipt of proxies is 10.00am (Melbourne time) on Saturday, 16 September 2023 you should ensure that it is posted, delivered or lodged online in sufficient time for it to be received by the Tesserent Registry by that time.

Alternatively, Tesserent Optionholders may choose to appoint a proxy online as follows:

Online: if you wish to appoint your proxy online, you should do so by visiting www.investorvote.com.au and by following the instructions on that website.

Online appointments of proxies must be done by 10.00am (Melbourne time) on Saturday, 16 September 2023.

10. Notes for proxy appointments

- (a) Proxies participating virtually in the Option Scheme Meeting will need to enter the unique username and password that will be provided by Computershare prior to the Option Scheme Meeting and select login.
- (b) A Tesserent Optionholder entitled to participate in and vote at the meeting is entitled to appoint not more than two proxies to participate in and vote at the meeting on behalf of that Tesserent Optionholder.
- (c) A proxy need not be a Tesserent Optionholder.
- (d) You are entitled to appoint up to two proxies to participate in the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy you must specify the names of each proxy and the percentage of votes or number of securities for each proxy on the Option Scheme Proxy Form. Replacement Option Scheme Proxy Forms can also be obtained from the Tesserent Registry.
- (e) If you hold Tesserent Option jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the Option Scheme Proxy Form.

- (f) Your appointment of a proxy does not preclude you from attending the Option Scheme Meeting personally. The appointment of your proxy is not suspended merely by attending the Option Scheme Meeting, but if you vote on a resolution, the proxy is not entitled to vote, and must not vote, as your proxy on that resolution.
- (g) A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:
 - (i) if the proxy is the Chairperson - the proxy must vote on the poll and must vote in the way directed; and
 - (ii) if the proxy is not the Chairperson - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed. In circumstances where the proxy does not vote on the poll or does not attend the meeting, the Chairperson will act in place of the nominated proxy and will vote in accordance with any directions on the proxy form.
- (h) If a proxy appointment is signed or validly authenticated by a Tesserent Optionholder but does not name the proxy or proxies in whose favour it is given, the Chairperson or any other director of Tesserent or the company secretary, as nominated by the Chairperson, will act as proxy in respect of the resolution to be considered at the Option Scheme Meeting.
- (i) If:
 - (i) a Tesserent Optionholder nominates the Chairperson of the meeting as their proxy; or
 - (ii) the Chairperson is otherwise appointed to act as proxy,
 then the person acting as Chairperson in respect of an item of business at the meeting must act as proxy in respect of the resolution to be considered at the Option Scheme Meeting.
- (j) The Chairperson intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution to approve the Option Scheme (in the absence of a Superior Proposal from another party prior to the date of the Option Scheme Meeting and subject to the Independent Expert continuing to conclude that the Option Scheme is in the best interest of Tesserent Optionholder). If the Chairperson of the Meeting changes his voting intention on the resolution, an ASX announcement will be made.
- (k) A vote cast in accordance with the appointment of a proxy is valid even if before the vote was cast the appointor:
 - (i) died;
 - (ii) became mentally incapacitated;
 - (iii) revoked the proxy; or
 - (iv) transferred the shares in respect of which the vote was cast,
 unless Tesserent received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, before the resumption of any adjourned meeting.

11. Advertisement

Where this notice of meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to participate in the Option Scheme Meeting from Tesserent website <https://investors.tesserent.com/site/investor-information/investor-welcome> or by contacting the Company Secretary of Tesserent or the Tesserent Registry.

Corporate Directory

Tesserent Limited

**Level 5, 990 Whitehorse Road, Box Hill,
VIC 3128**

Telephone: +61 3 9880 5555

Website: www.tesserent.com

Directors

Mr Geoff Lord

(Executive Chairman)

Mr Kurt Hansen

(Managing Director)

Mr Gregory David Baxter

(Non-executive Director)

Ms Megan Haas

(Non-executive Director)

Mr Anthony Sheehan

(Non-executive Director)

Company Secretary

Paul Taylor

Auditor

BDO Audit Pty Ltd

Collins Square, Tower Four

Level 18, 727 Collins Street

Melbourne, VIC 3008

Legal adviser

MinterEllison

Level 20, Collins Arch

447 Collins Street

Melbourne, VIC 3000

Telephone: +61 3 8606 2000

Financial adviser

Deloitte Corporate Finance Pty Limited

477 Collins Street, Melbourne, VIC 3000

Telephone: +61 3 9671 7000

Independent Expert

Loneragan Edwards & Associates Limited

Level 7, 64 Castlereagh Street, Sydney,
NSW 2000

Telephone: +61 2 8235 7500

Share Registry

Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnston Street

Abbotsford, VIC 3067

Telephone: 1300 850 505 (within Australia or
+ 61 3 9415 5000 (outside Australia))

TNT

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030**Need assistance?****Phone:**
1300 401 939 (within Australia)
+61 3 9415 4153 (outside Australia)**Online:**
www.investorcentre.com/contact**YOUR VOTE IS IMPORTANT**

For your proxy appointment to be effective it must be received by **10:00am (Melbourne time) Saturday, 16 September 2023.**

Share Scheme Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

**Control Number: 999999**
SRN/HIN: I999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Share Scheme Proxy Form

Please mark ☒ to indicate your directions

Step 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Tesseract Limited hereby appoint

☐ the Chairperson of the Meeting

OR

PLEASE NOTE: Leave this box blank if you have selected the Chairperson of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairperson of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Share Scheme Meeting of Tesseract Limited to be held at virtually on Monday, 18 September 2023 at 10:00am (Melbourne time) and at any adjournment or postponement of that meeting.

Step 2

Item of Business

PLEASE NOTE: If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

SHARE SCHEME RESOLUTION	For	Against	Abstain
The meeting will be asked to consider and, if thought fit, pass the following resolution: "That under and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the members agree to the arrangement proposed between Tesseract and the holders of its fully paid ordinary shares, designated the Share Scheme, as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting (with or without any alterations or conditions agreed or any alterations or conditions required by the Court) and the Board of Directors of Tesseract is authorised to implement the Share Scheme with any such alterations or conditions."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairperson of the Meeting intends to vote undirected proxies in favour of the Share Scheme Resolution (in the absence of a Superior Proposal from another party prior to the date of the Share Scheme Meeting and subject to the Independent Expert continuing to conclude that the Share Scheme is in the best interest of Tesseract Shareholders). If the Chairperson of the Meeting changes his or her voting intention on the Share Scheme Resolution, an ASX announcement will be made.

Step 3

Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

TNT

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030**Need assistance?****Phone:**
1300 401 939 (within Australia)
+61 3 9415 4153 (outside Australia)**Online:**
www.investorcentre.com/contact**YOUR VOTE IS IMPORTANT**

For your proxy appointment to be effective it must be received by **10:00am (Melbourne time) Saturday, 16 September 2023.**

Option Scheme Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING**Corporate Representative**

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:**XX****Online:**

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

**Control Number: 999999**
SRN/HIN: I999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Option Scheme Proxy Form

Please mark ☒ to indicate your directions

Step 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a holder of options or warrants issued by Tesserent Limited hereby appoint

☐ the Chairperson of the Meeting

OR

PLEASE NOTE: Leave this box blank if you have selected the Chairperson of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairperson of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Option Scheme Meeting of Tesserent Limited to be held at virtually on Monday, 18 September 2023 at 10:30am (Melbourne time) or as soon as practicable after the conclusion or adjournment of the Share Scheme Meeting (whichever is later) and at any adjournment or postponement of that meeting.

Step 2

Item of Business

PLEASE NOTE: If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

OPTION SCHEME RESOLUTION	For	Against	Abstain
The meeting will be asked to consider and, if thought fit, pass the following resolution: "That under and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the creditors agree to the arrangement proposed between Tesserent and the holders of certain of the outstanding Tesserent options and warrants for the cancellation of Tesserent options and warrants, designated the Option Scheme, as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting (with or without any alterations or conditions agreed or any alterations or conditions required by the Court) and the Board of Directors of Tesserent is authorised to implement the Option Scheme with any such alterations or conditions."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairperson of the Meeting intends to vote undirected proxies in favour of the Option Scheme Resolution (in the absence of a Superior Proposal from another party prior to the date of the Option Scheme Meeting and subject to the Independent Expert continuing to conclude that the Option Scheme is in the best interest of Tesserent Optionholders). If the Chairperson of the Meeting changes his or her voting intention on the Option Scheme Resolution, an ASX announcement will be made.

Step 3

Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
<input type="text"/>	<input type="text"/>	<input type="text"/>	/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically