



ASX ANNOUNCEMENT | TESSERENT LIMITED

MELBOURNE – 06 MAY 2016

TESSERENT ACQUIRES A LEADING PROVIDER OF EDUCATION CYBER-SECURITY SERVICES

- Tesseract expands leadership position in educational cyber-security.
- Acquisition of Blue Reef further strengthens Tesseract's executive team.
- Increased exposure to Asia and United States.
- Significant synergies anticipated from the deal which, is cashflow positive and earnings accretive.
- Technology acquired is applicable to other Tesseract products.

Tesseract Limited (ASX:TNT) has signed an agreement to acquire the business of Blue Reef Pty. Ltd. (Blue Reef), a leading provider of cyber-security solutions in the education market. The transaction is expected to complete in the next week.

Tesseract will pay \$3,575,000 to Blue Reef, made up \$1.0 million in cash (\$500,000 to be paid on completion of the deal, with two subsequent payments of \$250,000 in six months and twelve months, respectively) and will issue 12,875,000 ordinary fully paid shares valued at \$0.20 per Share (of which 75% are escrowed for 24 months), to acquire all of the business, operations, and intellectual property of Blue Reef.

As part of the acquisition, Robert Smyth, Blue Reef's Managing Director, will join Tesseract as the manager of Tesseract's education business, and Nick Conolly will become Tesseract's CTO. Robert is a seasoned IT professional who has been responsible for driving the growth of Blue Reef through both direct sales and channel strategies. Nick is a software practitioner with over 15 years of experience and holds a Masters of Information Technology in Software Engineering. He has been the architect of Blue Reef's software development for the last four years. They both bring a wealth of experience and talent to Tesseract.

Subject to shareholder approval, Robert will be entitled to receive three tranches of 500,000 three-year call options (at exercise prices of \$0.30, \$0.40, and \$0.50 respectively) as part of his employment terms, while Nick will receive three annual parcels of 700,000 shares (with certain conditions attached) as part of his employment terms. Shareholder approval will be sought at the Company's first AGM to be held in November 2016. The acquisition allows Tesseract to further consolidate its strong position in the education vertical, where cyber-security is a high priority. The deal will add more than 150 education clients to Tesseract's already-impressive education customer list and will provide key technology that Tesseract can use across its world-wide customer base. Furthermore, the deal increases Tesseract's reach through partner relationships in Asia and the United States.

The transaction is immediately earnings accretive for Tesseract, provides a number of synergistic benefits, and is cashflow positive. Speaking about the acquisition, Tesseract CEO Keith Glennan said: "This deal is exciting for us because as well as providing an immediate boost in revenue and earnings, it gives us access to new prospective customers for our existing products and greater opportunities for our partners to deliver a more



comprehensive product range to their customers. Whilst Blue Reef has historically focused on the education market, much of their underlying technology is also directly applicable to areas other than education. But in addition to the technology, we are also gaining a highly-skilled team who will enhance our existing development, sales, and operations capabilities. Tesseract is delighted to welcome the Blue Reef team and, in particular, notes the confidence that Blue Reef and its senior management have shown in the Tesseract business by taking most of the consideration in Tesseract securities. ”

Robert Smyth added: “I’m particularly excited about the significant growth opportunity this acquisition has created for the Tesseract education business. Tesseract’s market leading secure connectivity offering is a perfect fit for many of Blue Reef’s existing customers and this is an area where I expect to see material revenue growth for the company in the coming months”.

About Tesseract

Tesseract is a specialist in managed cyber security. Tesseract has built its own platform for the delivery of managed cyber-security, which it deploys for the management of its own customers and also licenses to partners around the world to enable them to deliver effective cyber-security management to their customers. For more information, please visit the company’s web site at www.tesseract.com.

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