

QUARTERLY UPDATE AND APPENDIX 4C

Highlights

- **Record receipts from customers of \$2.28 million, representing a 125% year-on-year increase**
- **New high in net operating cash flows of \$0.78 million, achieving six consecutive quarters of positive cash flow**
- **Strong cash balance of \$1.67 million allows the Company to meet its C10 payment obligations without relying on exercise of options or additional external funding**
- **Next quarter contracted sales continue the free cash flow trend**

For the quarter ended 30 June 2019, Transaction Solutions International Limited (TSN or the Company) again achieved strong growth in both receipts from customers and net operating cash flow.

This strong financial performance supports the Company's new direction and reinforces its commitment to build fundamentally strong, profitable and high growth businesses in cloud and cyber security.

More importantly, the strong operating cash flow has a significant positive impact on TSN's ability to make the staged payments to the Cloudten (C10) vendors from free cash flow, not relying on the exercise of existing options or securing additional external funding.

RECEIPTS FROM CUSTOMERS

TSN achieved record high cash receipts from customers of \$2.28 million. This represents, a 14% increase from last quarter (March 2019) and a 125% increase compared to the same period last year (June 2018).

Figure 1: Receipts from Customers – Growth trajectory for the last 8 quarters



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OPERATING CASH FLOW

The increase in customer receipts resulted in an increase in TSN's net quarterly operating cash flow from \$286k for March to \$777k, which includes \$168k income tax reimbursed to TSN (paid in the previous quarter). The operating cash flow after removing the reimbursed income tax payment is \$609k.

This is a new high for the Company and the sixth consecutive quarter of positive operating cash flow, reflecting the strong business fundamentals underpinning the cloud and cyber security businesses.

Figure 2: Operating Cash Flow – Growth trajectory for the last 8 quarters



CASH BALANCE AND NEXT QUARTER

The strong operating cash flow achieved in the quarter contributed to the \$1.67 million cash balance as at 30 June 2019.

Based on the current Sold Backlog, which is the **currently contracted revenue** to be recognised in the future, management is expecting the current strong financial performance to continue through the September 2019 quarter. Management provides the following estimates for the September 2019 quarter:

Figure 3: Management Estimates for quarter ending 30 September 2019

	Sep 2019 Quarter
Opening Cash Balance as at 1 July 2019	\$1.7 million
Cash Receipts from customers	\$4.4 million
Less Payments to employees and suppliers	<u>\$3.1 million</u>
+ Net Cash Flow from Operations	\$1.3 million
- Net Cash Flow from Investing (payment to Tranche 3 to Cloudten vendors)	(\$1.5 million)
= Closing Cash Balance as at 30 September 2019	\$1.5 million

With the current cash balance and the cash flow from just the existing contracts, the **Company expects to have sufficient cash to fund the next two payments to the C10 vendors without necessarily relying on the exercise of outstanding options or additional external funding.**

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TSN's Chairman, Mr Gary Foster, commented on the results: "TSN's growth trajectory in the last two years reflects the success of the strategy undertaken by Company.

More importantly, it highlights the Company is built on strong financial fundamentals underpinned by a solid core business in cloud and cyber security.

The Company will build on this early success and we intend to continue achieving strong growth through cross-selling and closer collaboration between the two businesses."

For more information:

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About TSN

Transaction Solutions International (TSN) is a technology-based company focused on cybersecurity and cloud. The Company has a 100% ownership of Decipher Works, a Sydney-based cybersecurity specialist that provides consulting and managed services to its loyal client base of financial institutions and large corporations. In addition, TSN owns 100% of Cloudten Industries, a cloud and cloud security specialist that assists the government, financial institutions and large corporations migrate, secure and manage their infrastructure in the cloud.

TSN also holds a 24.89% interest in TSI India, a company having 400 employees, which has created a scalable operation in the field of e-transactions and payments in India. TSI India owns and manages ATMs for over 30 major banks and offers Bill Payment services to a number of utility companies in India.

Forward Looking Statements

Certain statements contained in this document constitute forward looking statements. Such forward-looking statements are based on a number of estimates and assumptions made by the Company and its consultants in light of experience, current conditions and expectations of future developments which the Company believes are appropriate in the current circumstances. These estimates and assumptions while considered reasonable by the Company are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, achievements and performance of the Company to be materially different from the future results and achievements expressed or implied by such forward-looking statements. Forward looking statements include, but are not limited to, statements preceded by words such as "planned", "expected", "projected", "estimated", "may", "scheduled", "intends", "anticipates", "believes", "potential", "could", "nominal", "conceptual" and similar expressions. Investors are cautioned that forward looking information is no guarantee of future performance and accordingly, investors are cautioned not to place undue reliance on these forward-looking statements.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

ABN

98 057 335 672

Quarter ended ("current quarter")

30 JUNE 2019

Consolidated statement of cash flows

Current quarter

\$A'000

Year to date

(3 months)

\$A'000

1. Cash flows from operating activities

1.1	Receipts from customers	2,281	2,281
1.2	Payments		
	(a) to staff	(1,326)	(1,326)
	(b) to suppliers	(304)	(304)
	(c) for research and development	(45)	(45)
1.3	Dividends received	-	-
1.4	Interest received	3	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes received from Cludten vendors	168	168
1.7	Government grants and tax incentives	-	-
1.8	Other	-	-
1.9	Net cash from / (used in) operating activities	777	777

2. Cash flows from investing activities

2.1	Payments to acquire:		
	(a) property, plant and equipment	(18)	(18)
	(b) businesses	(1,497)	(1,497)
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(1,515)	(1,515)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,410	2,410
4.2	Net cash from / (used in) operating activities (item 1.9 above)	777	777
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,515)	(1,515)

Consolidated statement of cash flows		Current quarter	Year to date (3 months)
		\$A'000	\$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(4)	(4)
4.6	Cash and cash equivalents at end of quarter	1,668	1,668

5.	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
		\$A'000	\$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts			
5.1	Bank balances	1,668	2,410
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,668	2,410

6.	Payments to directors of the entity and their associates	Current quarter
		\$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	73
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Managing Director's salary & directors' fees including PAYG and Super

Appendix 4C
Quarterly report for entities subject to Listing Rule 4.7B

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.2 Staff payments	1,560
9.3 Supplier payments	1,500
9.4 Research and development	45
9.5 Other (Tranche 3 for Cloudten acquisition – see explanation in note 3 below)	1,500
9.8 Total estimated cash outflows	4,605

Receipts from customers for next quarter are estimated to be \$4.4m
Supplier payments includes a one-off of \$1.2m due to seasonal resales to customers

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10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Cloudten Industries Pty Ltd	
10.2 Place of incorporation or registration	Australia	
10.3 Consideration for acquisition or disposal	Refer Annual Financial Report 28 June 2019	
10.4 Total net assets	1,911,195	
10.5 Nature of business	Cloud based computing consulting firm, specialising in cloud infrastructure solutions & security	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.
- 3 Tranche 3 Cash consideration to the previous owners of Cloudten as per the Acquisition Agreement (refer announcement 13 December 2018).

Sign here:

Director

Date: 15 July 2019

Print name: Jeffrey Lai

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