

Quarterly Report



Activities Report for the Quarter ended
31 December 2022

24 January 2023

SenSen delivers record cash receipts while lowering operational costs

Melbourne, Australia – Leading sensor AI software and solution provider SenSen Networks Limited (ASX:SNS) (“**SenSen**” or “**the Company**”) provides an update on its activities for the quarter ended 31 December 2022 (Q2 FY23).

Highlights for Q2 FY23

- *Record Q2 customer cash receipts of A\$2.6M, a 72% increase over the PCP in Q2 FY22, and the eighth consecutive record PCP customer cash receipts quarter.*
- *Record first-half customer cash receipts of \$5.2m, a 54% increase over the PCP in H1 FY22.*
- *Cash and cash equivalents of A\$3.7M (versus A\$3.2M at 30 September 2022) and unused finance facilities available of A\$2.2M as at 31 December 2022.*
- *Annual recurring revenues now at ~A\$8.0M (Monthly Recurring Revenue x 12) and Company expects to be approaching annualised ARR of ~A\$10.0M by end FY23.*
- *Operations restructured in line with the previously announced cost reductions of ~A\$2.5M. The impact of this will be fully evident in Q3 FY23 results and beyond.*
- *The executive team is focused on delivering a cash-flow neutral outcome from now to the end of FY23, with the planned move into cash-flow positivity and profitability shortly thereafter.*

Financial update

All key market segments including smart cities, fuel retail, casinos and surveillance continue to grow strongly supported by continuous innovations and improvement in the Company's processes to deliver its products and support them at scale. The growth is reflected in another record quarterly cash receipts from customers.

The Company recorded Q2 cash receipts from customers of A\$2.6M, a 72% increase over the PCP in Q1 FY22, resulting in a record first-half collections of \$5.2m, which is a 54% increase over previous corresponding period (**PCP**) in H1 FY22.

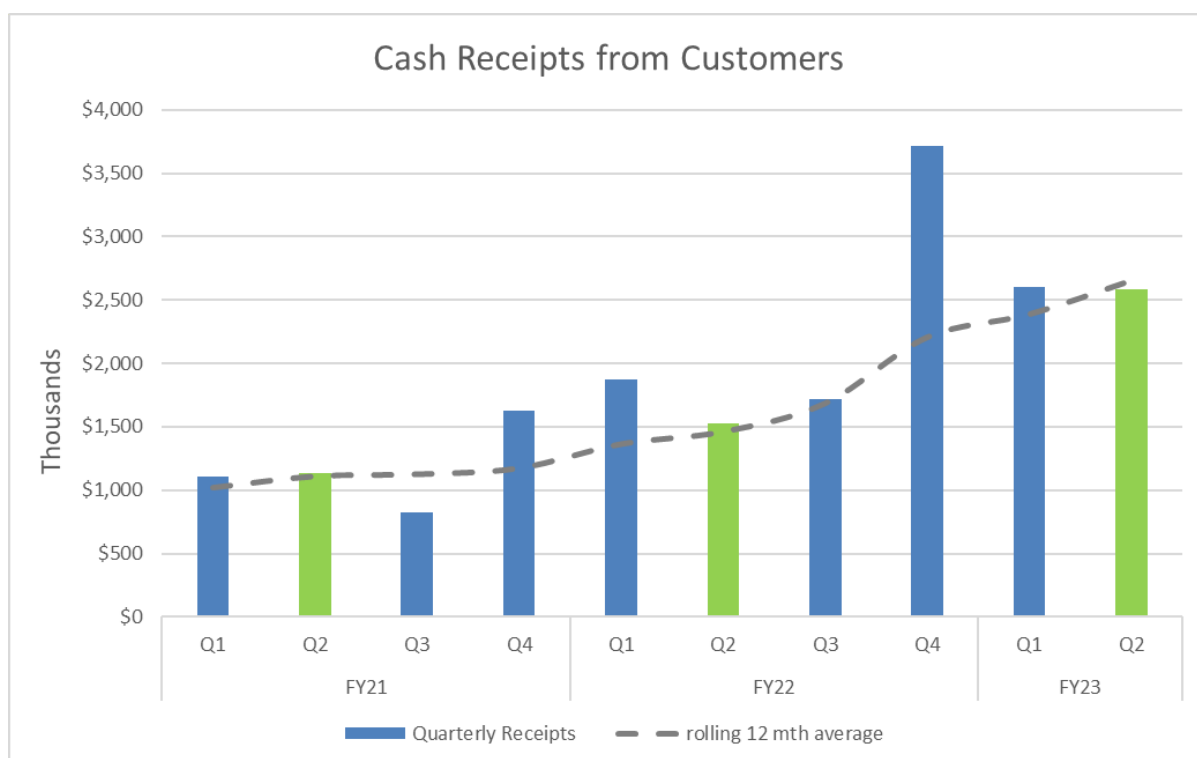
SenSen also reported Net Cash from Operating Activities of A\$0.7M during the quarter, which included the receipt of the Company's annual R&D grant of \$2.3m. Excluding the impact of the R&D grant the net outflow of (\$1.6m) represents an improvement from prior quarter of \$1.2m as the Company transitions to cash flow positivity.

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SenSen finished the quarter with A\$3.7M of cash and cash equivalents, and unused finance facilities of A\$2.2M, versus cash and cash equivalents of A\$3.2M and unused finance facilities of A\$1.8M at 31 December 2022.



Note: Green bars in chart above identify comparable quarters.

As noted in Item 6 of the Company's Appendix 4C Cashflow Statement, net payments made to related parties and their associates totalled A\$741k for the quarter. The payments comprise intercompany transfer of funds to SenSen VBI Pvt Ltd (India) and a nominal amount to SenSen Networks Canada Ltd early in the quarter to fund working capital for international growth during the quarter ended 31 December 2022.

Business Model Refinement

During the quarter, management took further actions to refine the SenSen operating model around its fully integrated business strategy with shared resources across all customers as opposed to multiple business verticals with dedicated sales, marketing, and delivery operations resources. This positions SenSen to scale efficiently and profitably.

Measures including restricting controllable expenditure and aligning the organisational structure with activities with a direct impact on current or near-term revenue generation are anticipated to generate \$2.5m of annualised savings inclusive of \$1.1m previously announced changes, including a reduction of 26 full-time roles and a further two roles being reduced to a part time capacity in line with current requirements. Several new initiatives are underway to generate further cash savings such as the relocation of SenSen's India office to a serviced office in a nearby technology centre.

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Balance Sheet Reinforcement

During the quarter SenSen entered into new financing arrangements totaling \$1.9m to assist with short-term liquidity as the company navigates the seasonality of its business.

Following the receipt of a A\$2.3M tax return incorporating the company's R&D grant, a loan of \$1.5M from Rocking Horse Capital was fully repaid. To replace this loan, the Company was successful in obtaining an interim facility with Rocking Horse Capital, based on completed R&D of \$1.1M on comparable terms to the facility repaid.

Additionally, the Company was successful in entering into a working capital facility with TP24, providing SenSen with up to A\$0.8m of additional funding for use in managing timing differences between COGS and customer receipts.

Angel Dispute

On 16 December 2022, the Company informed the market that it had been served with Federal Court of Australia proceedings by the solicitors for Angel Group Co., Ltd and Angel Australasia Pty Ltd (Angel) whereby it is alleged that SenSen has infringed two of Angel's Australian patents.

Angel is a former distributor of SenSen's gaming solution and still owes the Company distributor fees. Sensen intends to vigorously defend these proceedings and bring a cross-claim against Angel to claim relief for unjustified threats of patent infringement and invalidity of the Angel patents in suit. The gaming business is a small part of SenSen's overall business, currently contributing less than 10% of revenue and this is not expected to materially impact revenues or business operations.

This type of action is not uncommon in the gaming industry and as such SenSen has been building its own patent portfolio for a number of years and has obtained IP insurance to assist in protecting the Company against such actions.

This release is approved by the Board of SenSen.

For further information, please contact:

David Smith
Executive Director and Company Secretary
Email: info@sensen.ai

About SenSen Networks Limited

SenSen Networks Limited (ASX:SNS) is a leading AI Data Fusion Enterprise that works with people, places and data to solve problems once thought technically impossible. The company's patented network approach enables SenSen to offer customised, real-time and batch processing of data alongside SaaS solutions.

The Company's technology fuses complex video and sensor datasets at high speeds across multiple networks to assess and inform strategic actions to its customers across its enterprise verticals: Smart Cities, Casinos, Airports and Retail. SenSen has clients on four continents and can be found in Australia, New Zealand, Singapore, USA, Canada, India and UAE.

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Disclaimer – forward-looking statements

This release may contain forward-looking statements. These statements are based upon management's current expectations, estimates, projections and beliefs regarding future events in respect to SenSen's business and the industry in which it operates. These forward-looking statements are provided as a general guide and should not be relied upon as an indication or guarantee of future performance. The bases for these statements are subjected to risk and uncertainties that might be out of control of SenSen Networks Limited and may cause actual results to differ from the release. SenSen Networks Limited takes no responsibility to make changes to these statements to reflect change of events or circumstances after the release.

Appendix 4C

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

Name of entity

SENSEN NETWORKS LIMITED

ABN

67 121 257 412

Quarter ended ("current quarter")

December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,589	5,191
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(714)	(1,786)
(c) advertising and marketing	(59)	(243)
(d) leased assets		
(e) staff costs	(2,013)	(4,446)
(f) administration and corporate costs	(1,370)	(2,852)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(140)	(162)
1.6 Income taxes paid	94	(109)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	2,276	2,284
1.9 Net cash from / (used in) operating activities	666	(2,122)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(51)	(100)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(g) entities		
	(h) businesses		
	(i) property, plant and equipment		
	(j) investments		
	(k) intellectual property		
	(l) other non-current assets		
2.3	Cash flows from loans to other entities	(17)	(38)
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(69)	(139)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	0
3.5	Proceeds from borrowings	1,480	1,480
3.6	Repayment of borrowings	(1,500)	(1,500)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	(86)	(272)
3.10	Net cash from / (used in) financing activities	(106)	(292)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,165	6,214
4.2	Net cash from / (used in) operating activities (item 1.9 above)	666	(2,122)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(70)	(139)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(106)	(292)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	80	75
4.6	Cash and cash equivalents at end of period*	3,736	3,736

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,869	2,336
5.2	Call deposits	867	829
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,736	3,165

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(740)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000																														
7.1 Loan facilities	4,175	1,930																														
7.2 Credit standby arrangements																																
7.3 Other (please specify)																																
7.4 Total financing facilities	4,175	1,930																														
7.5 Unused financing facilities available at quarter end		2,245																														
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.																																
<table border="1"> <thead> <tr> <th>Financing Facilities</th> <th>Facility</th> <th>Drawn</th> </tr> </thead> <tbody> <tr> <td>CBA Credit Cards</td> <td>\$100,000</td> <td></td> </tr> <tr> <td>CBA Business Loan</td> <td>\$450,000</td> <td>\$450,000</td> </tr> <tr> <td>CBA Overdraft</td> <td>\$225,000</td> <td></td> </tr> <tr> <td>Subtotal</td> <td>\$775,000</td> <td>\$450,000</td> </tr> <tr> <td>Rocking Horse Loan</td> <td>\$1,100,000</td> <td>\$1,100,000</td> </tr> <tr> <td>CEO Loan</td> <td>\$500,000</td> <td>\$200,000</td> </tr> <tr> <td>TP24 Trade Facility</td> <td>\$800,000</td> <td>\$180,000</td> </tr> <tr> <td>Loan Facility from Speedshield</td> <td>\$1,000,000</td> <td></td> </tr> <tr> <td>Total</td> <td>\$4,175,000</td> <td>\$1,930,000</td> </tr> </tbody> </table>			Financing Facilities	Facility	Drawn	CBA Credit Cards	\$100,000		CBA Business Loan	\$450,000	\$450,000	CBA Overdraft	\$225,000		Subtotal	\$775,000	\$450,000	Rocking Horse Loan	\$1,100,000	\$1,100,000	CEO Loan	\$500,000	\$200,000	TP24 Trade Facility	\$800,000	\$180,000	Loan Facility from Speedshield	\$1,000,000		Total	\$4,175,000	\$1,930,000
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8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	666
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,736
8.3 Unused finance facilities available at quarter end (item 7.5)	2,245
8.4 Total available funding (item 8.2 + item 8.3)	5,981
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	

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

Answer:

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

Compliance statement

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

24 January 2023

Date:

By the Board of SenSen Networks Limited

Authorised by:

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

Notes

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