

Quarterly Report



Activities Report for the Quarter ended
31 December 2019

31 January 2020

HIGHLIGHTS

Corporate

- *SenSen received cash inflows of A\$1.744M in the December quarter, comprising:*
 - *contracted customer order cash receipts of A\$770k (A\$1.33M invoiced, A\$601k receivable at 31 December 2019); and*
 - *R&D grant of A\$974k*
- *Net operating cash outflow of A\$384k was the company's lowest ever for a quarter, following the previous September 2019 Quarter record low cash outflow*
- *The company completed a Placement with world-leading casino supplier Angel Japan Co., Ltd, raising ~A\$3.3M at a price of \$0.15 per share (a ~68% premium to previous closing price), with Angel taking a 4.99% stake in SenSen*
- *Cash position of ~A\$4.4M at 31 December 2019*

Retail & Leisure

- *SenSen executed a multifaceted agreement for Angel to spearhead a global expansion drive for SenGAME 3.0 with exclusive distribution rights*
- *Initial five-year Distribution Agreement has been signed, including a total minimum payment to SenSen of US\$5M (~A\$7.3M) over five years, with significant scope for expansion under a SaaS business model*
- *SenSen and Angel to focus on growing the SenGAME 3.0 customer base internationally and further develop SenGAME 3.0 to drive additional revenue streams*

Smart Cities

- *Chicago Parking Meters selected SenSen to trial a sign detection and audit solution to digitize metered parking spaces within Chicago CBD and related applications*
- *SenSen partnered with a major global technology, defence and engineering group based in Singapore to offer a new product line using SenSen AI software to reduce false alarms generated by cameras used extensively by traffic management companies globally*
- *Successful multi-year extension to support and maintain software at Singapore's Changi International Airport with our partner Beaqon Systems*
- *Completed several successful trials for our Gemineye offering globally, with commercial negotiations underway for production roll outs in several locations*
- *In Australia, SenSen secured a three-year deal to supply automated parking enforcement solutions to Geelong City Council in conjunction with distribution partner Duncan Solutions*

SenSen Networks Limited ACN 121 257 412 www.sensennetworks.com (+61) 3 9417 5368

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Sydney: 3 Spring Street, Sydney NSW 2000

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Leading Smart City solution provider SenSen Networks Limited (ASX: SNS, “SenSen” or “the Company”) is pleased to provide an update on its activities for the quarter ended 31 December 2019.

Retail & Leisure

In December 2019, SenSen announced it had executed a global exclusive Distribution Agreement and Placement Agreement with Angel Japan Co Ltd (“Angel”).

The deal will see Angel lead worldwide distribution of SenGAME 3.0, SenSen’s proprietary software for casino gaming tables. SenGAME 3.0 processes video images in real time to determine the number of players at the table and hands dealt per hour, as well as the number, type, and value of all bets placed - information that is then used for business intelligence purposes.

Angel (www.angelplayingcards.com) is a leading player in the casino industry selling high-quality casino equipment including playing cards, chips and other gaming objects and related devices to casinos worldwide.

Angel’s principal business office is in Kyoto, Japan, with manufacturing facilities in Japan and Singapore. It also has offices in the United States, Macau, Australia and the Philippines. To further expand into the United States, Angel acquired Las Vegas-based table game equipment supply company Gaming Partners International (GPI) in May 2019.

Under the Distribution Agreement with SenSen, Angel is appointed exclusive distributor of SenGAME 3.0 worldwide. In return, SenSen receives a fixed monthly per-table price during the initial period of the Agreement, and Angel is responsible for obtaining and maintaining all necessary approvals or licences in each relevant jurisdiction.

The Distribution Agreement is for an initial term of five years, commencing 1 January 2020, and can be extended for a further three years at the end of the initial term.

SenSen will receive a total minimum payment of US\$5M (approximately A\$7.3M) as advance payment during the initial term in accordance with the following payment schedule to be paid in equal quarterly instalments:

- Year 1: US\$408,000 (~A\$598,000);
- Year 2: US\$744,000 (~A\$1,091,000);
- Year 3: US\$980,000 (~A\$1,436,000);
- Year 4: US\$1,316,000 (~A\$1,930,000); and
- Year 5: US\$1,552,000 (~A\$2,277,000).

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Shares under a Placement Agreement with Angel (see Corporate section) were issued on 9 December 2019, with the Distribution Agreement coming into effect the same day.

In January 2020, the SenSen Gaming team travelled to Japan to commence a software integration program with Angel and to jointly plan a worldwide marketing strategy.

Smart Cities

SenSen is earning continued and growing support from Smart City customers, not just in Australia but also in key international markets. Key achievements in this quarter include acquisition of our first US-based customer, and additional multi-year contracts in Singapore and Australia, both of which come with upfront and on-going revenues. Specifically,

- SenSen entered into a collaborative services agreement with Chicago Parking Meters, LLC (CPM) to improve parking space management efficiency in the City of Chicago. SenSen will earn project revenue following a successful Proof of Concept (POC) trial. Building on the initial relationship, SenSen will also provide on a trial basis a combination of products and solutions including our leading cloud-hosted back office software. As part of this trial SenSen is collecting on-street data about parking signs in and around metered parking spaces to facilitate digitization of CPM's assets.
- The first international commercial order was received for SenSen's AI-FARM software – Artificial Intelligence-based False Alarm Reduction and Management. While the customer's name is withheld for commercial reasons, the entity is a global technology, defence and engineering group based in Singapore. AI-FARM reduces false alarms from incident detection cameras on highways throughout Singapore and the solution is expected to generate an additional recurring revenue stream for SenSen. The four-year Agreement commenced in January 2020.
- SenSen secured a three-year deal to supply automated parking enforcement solutions to Geelong City Council in conjunction with distribution partner Duncan Solutions. The contract initially covers the City's purchase of two SenFORCE mobile parking enforcement units with SenSen earning revenue for the systems, software and commissioning of the unit as well as annual recurring revenues and fees for the software licence, maintenance and support services. The contract includes a provision to supply additional services with the potential to generate revenue, including parking sign audits and parking zone maps.
- SenSen was successful in winning a multi-year extension to support and maintain software at Changi International Airport with our partner Beaqon Systems. SenSen provides software to detect abandoned baggage, illegally parked vehicles and illegal U-turns made by taxis and other commercial vehicles.

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- SenSen completed several successful trials for our Gemineye offering globally. The successful trials were held in Qatar, Dubai, Canada, USA, Singapore, Australia and New Zealand. Commercial negotiations are underway for production roll outs in several of these locations.

As part of our global expansion push, SenSen is presenting at multiple conferences this year including:

- March 2020: Parking Industry Expo, San Diego, USA
- April 2020: Intertraffic, Amsterdam, The Netherlands
- June 2020: International Parking & Mobility Institute, San Antonio, Texas, USA

CORPORATE

Placement

As part of its agreement with Angel Japan Co., Ltd, SenSen completed a ~A\$3.3M Private Placement to Angel for a total of 22,195,100 shares, equal to approximately 4.99% of the total post-Placement issued shares of SenSen. The Placement was conducted at \$0.15 per share, an ~68% premium to the closing price of SenSen shares on 4 December 2019.

Placement Shares were issued under SenSen's ASX Listing Rule 7.1 placement capacity and rank equally with the other SenSen shares on issue. SenSen is using Placement funds to further develop SenGAME 3.0 and for general working capital.

Newsletter

In December 2019, SenSen released a newsletter summarising our recent progress and corporate outlook. Investors can view the newsletter at www.sensennetworks.com, under 'Media' in the Investor Centre.

Results of AGM

At our Annual General Meeting of shareholders held on 29 November 2019, all resolutions put to the meeting passed on a show of hands. Resolutions were as follows:

- Resolution 1: Adoption of Remuneration Report
- Resolution 2: Re-election of Mr Jason Ko
- Resolution 3: Approval of 10% Placement Facility (special resolution).

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For further information, please contact:

David Smith, Executive Director and Company Secretary
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Tim Dohrmann, Investor and Media Relations
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About SenSen Networks Limited

SenSen is focused principally on the development, commercialisation and supply of innovative, data-driven business process enhancement solutions, designed to assist customers in their business operations and significantly improve business efficiency and productivity.

SenSen provides video analytics and artificial intelligence data analytics software solutions to customers in the intelligent transportation systems and gaming sectors located in Australia, Canada, Singapore, Europe, India, and UAE.

Disclaimer – Forward-looking statements

This release may contain forward-looking statements. These statements are based upon management's current expectations, estimates, projections and beliefs in regards to 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.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

SENSEN NETWORKS LIMITED

ABN

67 121 257 412

Quarter ended ("current quarter")

December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	770	2,094
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(308)	(636)
(c) advertising and marketing	(20)	(28)
(d) leased assets		
(e) staff costs	(1037)	(2,005)
(f) administration and corporate costs	(708)	(1,382)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	9
1.5 Interest and other costs of finance paid	(22)	(34)
1.6 Income taxes paid	(49)	(49)
1.7 Government grants and tax incentives	974	974
1.8 Other (provide details if material)	15	(5)
1.9 Net cash from / (used in) operating activities	(384)	(1,062)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(30)	(38)
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(30)	(38)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	3,329	3,329
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	180	180
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	3,509	3,509

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	1,317	2,003
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(384)	(1,062)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(30)	(38)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	3,509	3,509
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	4,412	4,412

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	3,637	542
5.2 Call deposits	775	775
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)	4,412	1,317

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

141

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

Comprises payments to 5 directors

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

79

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

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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*	2,275	950
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.

Loans

Cashflow facility and credit cards of \$775k available from Commonwealth Bank of which \$450k is currently drawn down. Related parties of CEO Subhash Challa have executed an arms-length loan arrangement in the sum of A\$500k, at a 4.95% interest rate of which \$500k is currently drawn down.

*Also includes a low-interest A\$1 million loan facility (as announced on 31 October 2019), provided by related parties of long-term SenSen strategic investor, Speedshield Technologies Pty Ltd, for working capital – which remains undrawn and only incurs interest when drawn on.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs*	(410)
9.3 Advertising and marketing	(95)
9.4 Leased assets	-
9.5 Staff costs**	(1,423)
9.6 Administration and corporate costs	(479)
9.7 Other (acquisition costs)	-
Other (loan repayments)***	(138)
9.8 Total estimated cash outflows	(2,545)

*Please note that these costs relate to billable contracts and are incurred before receipts from customers invoiced are received. Most of SenSen's customers are city councils and government bodies who tend to have 60-day payment terms.

**Please note this also includes \$414,000 in one-off repayments of deferred remuneration since March 2019 to Board members and Executives.

***Refers to loan repayments to related parties of CEO Subhash Challa, as outlined in Section 8.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.



Sign here:
(Director/Company secretary)

Date: 31 January 2020

Print name: David Smith

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.