

Quarterly Report



Activities Report for the Quarter ended
30 September 2022

31 October 2022

SenSen Announces Record Quarterly Cash Receipts Again

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 30 September 2022 (Q1 FY23).

Highlights for Q3 FY23

- *Record Q1 customer cash receipts of A\$2.6M, a 139% increase over the PCP in Q1 FY22, and the seventh consecutive record PCP customer cash receipts quarter.*
- *Cash and cash equivalents of A\$3.2M (versus A\$6.2M at 30 June 2022) and unused finance facilities available of A\$1.8M as at 30 September 2022.*
- *SenSen’s material foreign currency income is providing additional gains through a period of weakness in the AUD and insulating the business against rises in foreign currency inputs.*
- *Further new contract wins in Canada and USA will leverage this FX benefit as both markets provide future foreign currency earnings.*
- *Annual recurring revenues now at ~A\$7.6M (Monthly Recurring Revenue x 12) and expected to be approaching an annualised ARR of ~A\$10.0M by the end of FY23.*
- *As part of the previously announced ~A\$2.5M reduction in operating costs, SenSen will be implementing ~A\$1.1M in annualised cost savings in the current quarter including staff redundancies and reduced professional services.*
- *The Company will be implementing further reductions in staff costs, professional services, IT, travel and administrative costs over the second half of FY23.*
- *Following the latest cost-saving measures, the cost base is now relatively fixed, and not expected to materially increase in the near term as the Company continues to rapidly expand revenue.*
- *This strategy is expected to see SenSen deliver 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

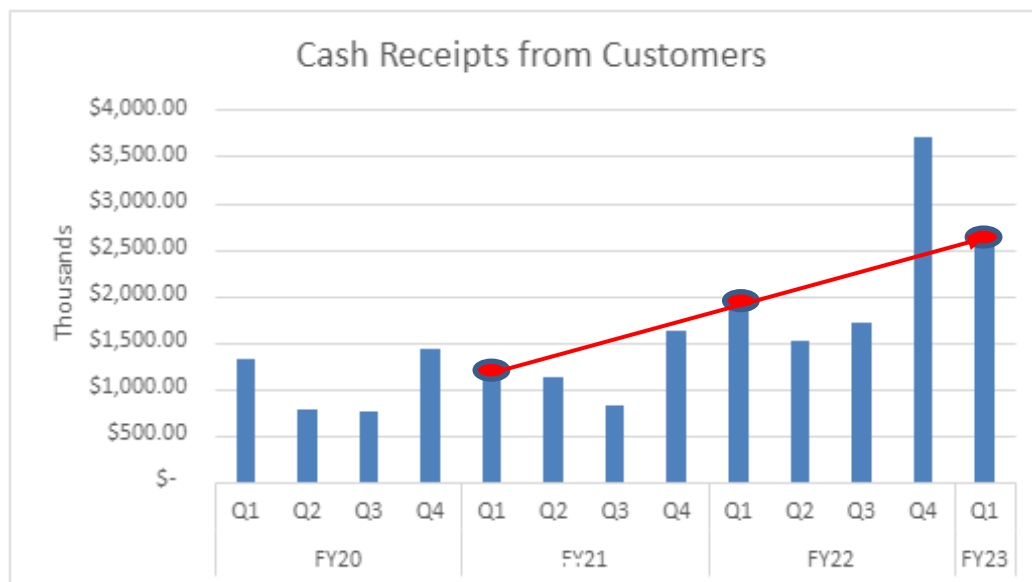
The Company recorded Q1 cash receipts from customers of A\$2.6M, a 139% increase over the PCP in Q1 FY22. This is SenSen’s second highest ever quarterly collections after record collections of A\$3.7m in Q4 FY22.

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As noted in Item 6 of the Company's Appendix 4C Cashflow Statement, net payments made to related parties and their associates totalled A\$931k 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 30 September 2022.

SenSen also reported Net Cash used in Operating Activities of (A\$2.8M) during the quarter as it continues to invest in sales and marketing initiatives and R&D to drive top-line growth. The outcome of this focused investment is already apparent with the recently announced new contracts won in North America with more customers to be announced in coming months.

SenSen finished the quarter with A\$3.2M of cash and cash equivalents, and unused finance facilities of A\$1.8M, versus cash and cash equivalents of A\$6.2M and unused finance facilities of A\$1.8M at 30 June 2022.

Focused investment

With inflation running above 7% in Australia and record low unemployment rates of approximately 3.5%, cost control has become a significant challenge for SenSen. In order to deliver on its strategic goals and ensure the company achieves a cash flow positive position in the shortest amount of time, it has become necessary for the company to streamline its operations under a single platform strategy and focus on initiatives with a direct short- to medium-term revenue linkage.

The implication of this is that longer-term projects have been put on hold until such time as the company is in a position to progress them with clear commercial pathways. As a result, a number of staff associated with future-dated projects will be made redundant in Q2 FY23. The resulting changes will deliver ~\$1.1M annual savings with a one-off cost of \$A0.1M.

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While it is sad to farewell colleagues, the Directors feel this is prudent to ensure the Company becomes self-sufficient as soon as possible. Further, the alignment of the company under a single platform strategy removes inefficiencies associated with operating separate lines of business.

To provide further liquidity in managing hardware purchases to deliver SenSen's software solutions, the Company is investigating a range of working capital facilities that will close the timing gap between ordering capital equipment upfront and being able to bill customers and collect payments for the equipment. Ultimately, this will remove these hardware purchases from SenSen's operational balance sheet and facilitate more rapid deployment of multiple contracts.

Investments and new sales, along with changes made during the first half, set up the Company to be cash neutral over the period between now and the end of FY23. Further, the organizational restructure will allow the Company to scale its customer base and resulting revenue streams without any incremental operating costs.

Foreign Exchange

SenSen received ~A\$1.0M in USD and CAD during the quarter. In the same period the USD appreciated against the AUD by 6.9%. The benefits from overseas earnings will continue to increase with the latest contracts recently signed in North America.

Having cashflow positive underlying businesses in the USA and Canada provides the Company with a natural hedge over price escalations in USD input costs and also provides further expansion to SenSen's earnings.

Operational Update

SenSen has been busy growing the business internationally and domestically in Q1 FY23.

North America

- Canada – the “cluster effect” seen in South East Queensland whereby neighboring councils adopt the same SenSen technology, has been replicated in Canada. The Company recently announced the signing of the City of Vancouver, as well as neighboring city Abbotsford, to long-term contracts. Additionally, our sales team is in advanced discussions with several Canadian cities and major US municipalities close to the Canadian border.
- USA – SenSen received several new orders from leading hospital chains and school districts in the USA to assist security operations and improve safety of patients and children including deployments in California, Pennsylvania, and Oklahoma. These contracts are a combination of direct sales to customers and also via distribution partners/resellers.
- Las Vegas Airport – Roll out of SenSen technology is currently underway at the Las Vegas Airport. Our multi-camera person of interest tracking solution is being implemented on a 4000-camera network. It's SenSen's first roll-out happening within an Airport in the USA.

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Sydney: 3 Spring Street, Sydney NSW 2000

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Asia

- The Philippines – Off the back of the Q4 FY22 expansion of Solaire Casino’s use of SenSen’s gaming tables solution, the Company continues to expand the number of tables within the Solaire group, adding both upfront and recurring monthly revenues.
- Singapore – two projects that we won for deploying sensor AI solutions for safety of people and traffic within the Port of Singapore are well under way. Successful completion of these high-profile projects is expected to lead to further projects with Ports Singapore Authority.

Australia

- All projects with Australian City Councils that we won just prior to the close of the financial year FY22 including Adelaide, Cockburn, Mackay, Toowoomba and others are under way.
- SenSen is in advanced discussions with numerous existing and new City Council customers in various Australian States looking to purchase SenSen’s solutions.
- Continuing strong roll-out across the domestic retail fuel market with ~430 locations now using SenSen’s anti-fuel theft solution.

Commenting on the Company’s September quarter results, SenSen CEO Dr Subhash Challa said, *“We are pleased to deliver another record quarter for customer cash receipts in Q1 FY23. With a strong focus on minimizing costs while growing revenues, our 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.”*

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.

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")

September 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	2,602	2,602
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,072)	(1,072)
(c) advertising and marketing	(184)	(184)
(d) leased assets		
(e) staff costs	(2,433)	(2,433)
(f) administration and corporate costs	(1,483)	(1,483)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(22)	(22)
1.6 Income taxes paid	(203)	(203)
1.7 Government grants and tax incentives	0	0
1.8 Other (provide details if material)	8	8
1.9 Net cash from / (used in) operating activities	(2,788)	(2,788)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	0	0
(b) businesses		
(c) property, plant and equipment	(49)	(49)
(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	(21)	(21)
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(70)	(70)
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	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	(186)	(186)
3.10	Net cash from / (used in) financing activities	(186)	(186)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,214	6,214
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,788)	(2,788)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(70)	(70)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(186)	(186)

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	(5)	(5)
4.6	Cash and cash equivalents at end of period*	3,165	3,165

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	2,336	5,398
5.2	Call deposits	829	816
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)* <i>*During November and December 2021, SenSen announced it had completed a SPP and placements amounting to \$10.0M.</i>	3,165	6,214

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	(931)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

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	3,775	1,950																											
7.2 Credit standby arrangements																													
7.3 Other (please specify)																													
7.4 Total financing facilities	3,775	1,950																											
7.5 Unused financing facilities available at quarter end		1,825																											
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>\$1,500,000</td> <td>\$1,500,000</td> </tr> <tr> <td>CEO Loan</td> <td>\$500,000</td> <td></td> </tr> <tr> <td>Loan Facility from Speedshield</td> <td>\$1,000,000</td> <td></td> </tr> <tr> <td>Total</td> <td>\$3,775,000</td> <td>\$1,950,000</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	\$1,500,000	\$1,500,000	CEO Loan	\$500,000		Loan Facility from Speedshield	\$1,000,000		Total	\$3,775,000	\$1,950,000
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Loan Facility from Speedshield	\$1,000,000																												
Total	\$3,775,000	\$1,950,000																											

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,788)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,165
8.3 Unused finance facilities available at quarter end (item 7.5)	1,825
8.4 Total available funding (item 8.2 + item 8.3)	4,990
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.8
<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?	
<p>Answer: No, the entity expects to receive its annual R&D grant in Q4 which will significantly improve the cash position. Further the company is undertaking restructuring and cost saving measures.</p>	

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: Yes, the company is investigating working capital facilities to fund the timing difference between COGS being incurred and billed.

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: Yes, the entity expects to continue as a going concern and is targeting being cash flow positive in FY24.

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.

31 October 2022

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.