SenSen Networks Limited

And Controlled Entities

ABN 67 121 257 412

Appendix 4D (rule 4.3A)
Preliminary final report for the half year ended 31 December 2020

Results for announcement to the market
(all comparisons to half year ended 31 December 2019)

	2020 $'000	Up/(down) $'000	% Movement
Revenue from ordinary activities	2,499	613	33%
Loss from ordinary activities after income tax attributable to shareholders	(449)	1,409	76%
Net loss for the period attributable to shareholders	(449)	1,409	76%

Note 1:

	2020 $'000	2019 $'000
Net loss for the period attributable to shareholders	(449)	(1,858)
Non-core adjustments		
Share based payment expense (non-cash)	-	118
Underlying net loss for the period attributable to shareholders after adjustment for significant non-core items	**(449)**	**(1,740)**

Dividend Information

The company did not pay any dividends during the period.

Net Tangible Assets

	2020 $	2019 $
Net tangible assets per ordinary share	0.0007	0.0028

SenSen Networks Ltd
ABN 67 121 257 412
Level 1, 9 Harper Street, Abbotsford
Melbourne, VIC 3067 Australia
T: +61 3 9417 5368
www.sensennetworks.com

SenSen Networks Limited

And Controlled Entities

ABN 67 121 257 412

HALF-YEAR REPORT
AND
FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

Contents

Directors' Report

The directors present their report with the consolidated financial report of SenSen Networks Limited ("the Company") and the entities it controlled ('the Group") at the end of, or during, the half year ended 31 December 2020 and the auditor's review report thereon.

DIRECTORS

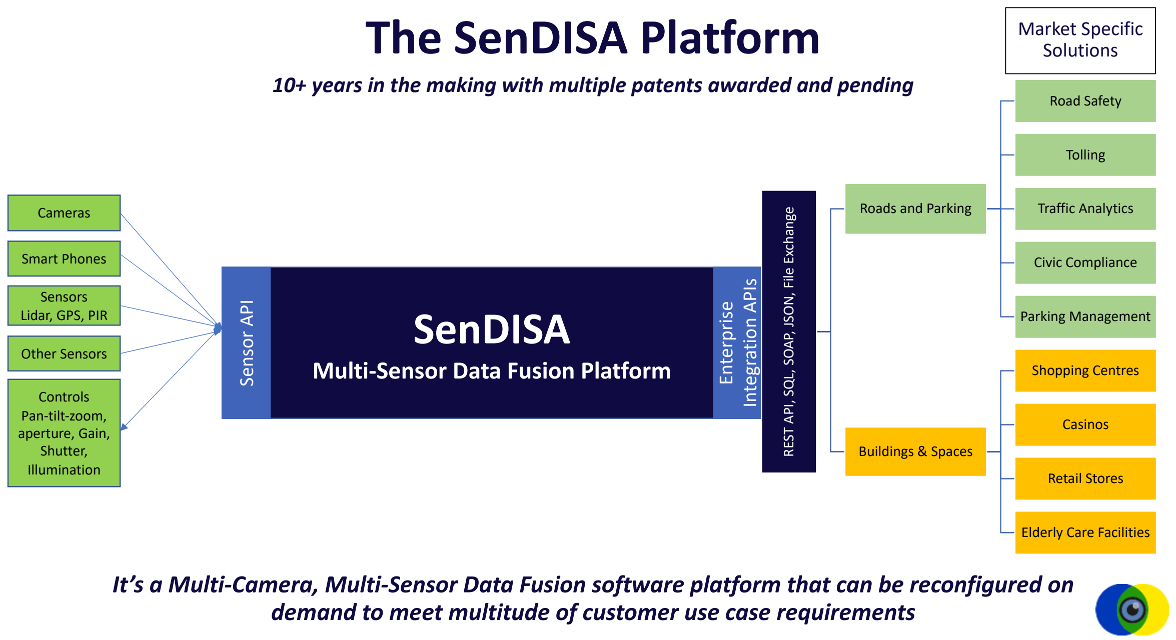
The names of the directors who held office during or since the end of the half year are:

Mr Subhash Challa, Executive Director
Mr Zenon Pasieczny, Non-Executive Director
Mr David Smith, Executive Director and Company Secretary
Ms Heather Scheibenstock, Non-Executive Director

Review of Operations

We are the world leaders in delivering AI powered productivity and safety solutions to Cities, Citizens and Corporations. Our solutions improve business operations and deliver insights to customers that are impossible to obtain by other means. Our customers often describe our solutions as "ingenious by design" or "too good to be true – but they are true". This is achieved by combining out-of-the-box thinking with deep tech expertise in AI including multi-camera, multi-sensor data fusion, deep machine learning, computer vision, and expertise in Internet of Things ('IoT;), edge computing and cloud technologies.

We deliver ground-breaking solutions to customer problems through a software platform that we have been developing for well over a decade (SenDISA - illustrated below) with multiple patents protecting the intellectual property associated with it.



The platform gathers data from multiple live camera feeds as well as data from disparate sensors such as GPS, Lidar and other IoT devices in real time, then analyses the data to find patterns and trends hidden within the data. Three critical components - data fusion, AI algorithms, software - work together to produce results that improve the productivity and safety of our customers' operations and deliver business insights that are otherwise impossible to obtain from traditional data sources. We are currently focused on two market segments: 1) Roads and Parking with customers in city councils, transport agencies, tolling companies and parking management operators; and 2) Buildings and Spaces with customers in casinos, airports, retail stores and shopping centres.

Directors' Report (cont'd)

While these two market segments are both very large and offer significant growth opportunities for our company in coming years, it is important to note that our long-term vision is to launch more products and services into new market verticals to truly realise the full potential of the SenDISA platform. We are a software platform company, not just a product company.

We have proven the accuracy and scalability of our platform and introduced products in diverse use cases such as parking enforcement in Smart Cities; security and safety in some of the world's busiest airports; and live customer activity tracking at casino gaming tables. These disparate markets and use cases, while delivering growing annual recurring revenue to SenSen, are also funding further development of the platform to support our vision to be the software platform of choice to solve multiple industry problems vital to real-time monitoring of business operations, staff and customers.

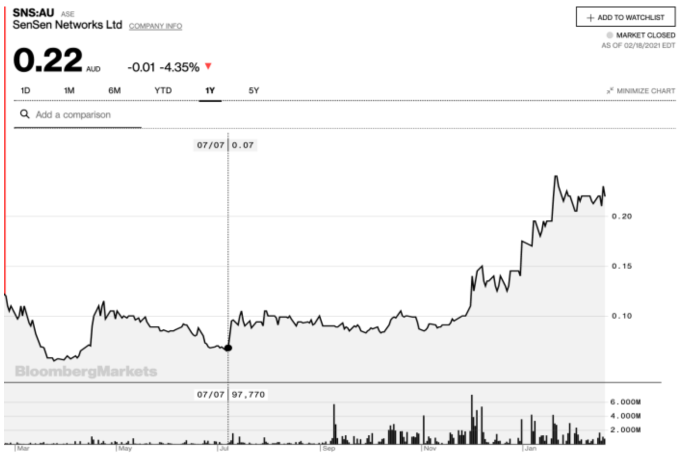
Business Update

Despite unprecedented events triggered by COVID-19 leading to worldwide lockdowns, economic recession and unstable political events, SenSen made extraordinary strides as a company across multiple dimensions throughout the second half of the 2020 calendar year. Key highlights for the half-year reporting period of FY 2021 ending 31 Dec 2020 are outlined below.

Financial Performance

SenSen recorded its best ever half-yearly result since listing on the ASX:

1. Record half-yearly revenues of $2.5M representing 33% YoY growth compared to $1.88M reported for the Dec 2019 reporting period.
2. Based on new clients added in FY 2021, contract renewals and additional orders received from existing customers, we estimate that ARR in FY 2022 is likely to be approximately $4.1M, an increase of 24% YoY. Additional orders are expected to further accelerate ARR beyond these estimates.
3. Post reporting period, SenSen completed a capital raise of $7.15M to accelerate our sales, marketing and product delivery capabilities.
4. Our strong financial performance and support from shareholders has been clearly reflected in the positive performance of our stock price with greater than 300% increase on the price since the start of FY 2021.



Corporate Activity

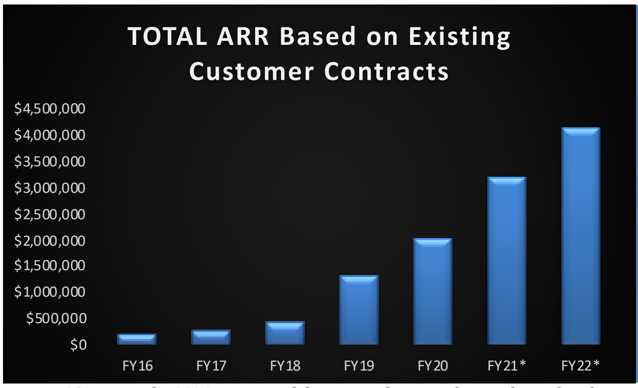
Since the start of this financial year several key initiatives have occurred, including listing the company on the US OTC markets, completing SenSen's first ever acquisition, and completing a capital raise with a high-profile institution and high-conviction global equities fund manager VGI Partners. Together, these events have elevated SenSen to a higher level of market recognition in line with the company's strategic vision to become a globally recognised AI company.

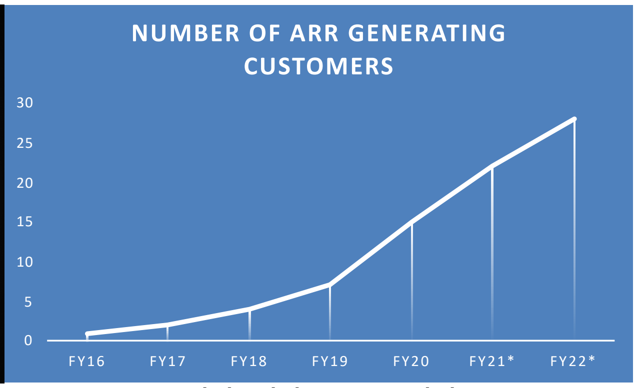
Directors' Report (cont'd)

New Customer Orders & ARR Contract Renewals

Several new customers were added since July 2020 contributing to both upfront revenues and ARR to the company.

1. New ARR-generating customers added this half year include multiple city councils in Australia and New Zealand, multiple private car park monitoring operators, and two new customers from Singapore in the intelligent security vertical.
2. All existing customer contracts that were due for renewal were renewed including Brisbane City Council, City of Calgary and Changi International Airport (via our partner Beacon) continuing our record of near-zero churn.





FY21* and FY22* are subject to change based on further new contracts awarded and changes to existing contracts

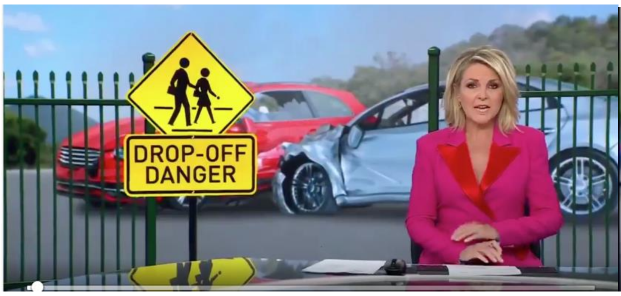
Successful Completion of Technology Trials

At any one time, SenSen is undertaking dozens of technology trials around the world. Several high-profile technology trials have recently successfully completed, and we are currently working with the customers and partners involved in these trials to explore ways to take them into production:

1. Queensland Department of Transport and Main Roads (TMR) distracted driver detection – trials for detecting people using smart phones while driving.
2. Canterbury-Bankstown Trial 1 – School zone safety.
3. Canterbury- Bankstown Trial 2 – Off-street parking monitoring & management.
4. Transport for NSW - Powering a better citizen parking experience with UbiPark.
5. Brisbane City Council – Environmental Mapping Technology to further enhance the city's operations.
6. Chicago Parking Meters – Environmental Mapping Technology for Chicago's city applications.

SenSen attracted significant media coverage from mainstream media in relation to one of these trials:

1. https://www.linkedin.com/posts/subhash-challa-951a1916_safetyschools-artificialintelligence-dataanalytics-activity-6766679870496997377-zhtx
2. https://www.linkedin.com/posts/subhash-challa-951a1916_confused-by-street-signs-youre-not-alone-activity-6768808443924111360-tAOH



Directors' Report (cont'd)

New Technology Trials Initiated

Some of the new trials initiated in this financial year and still under progress are outlined below:

1. Multiple paid trials with a city council in Victoria (details subject to client confidentiality)
2. Bus lane enforcement, Singapore.
3. New technology trials in City of Las Vegas and other cities in partnership with a leading US telco operator.
4. New technology trials are in progress with existing Casino customers, As we rollout additional modules and features to our existing SenGAME product
5. New technology trials for our Casino gaming solutions at a prestige UK casino: Hippodrome.

In our experience nearly 70% of our technology trials are paid trials with approximately 90% converting to multi-year ARR contracts.

New Staff Hires to Accelerate Growth

On the back of our recent capital raise, we have completed hiring several key staff across the globe to accelerate sales/marketing and project delivery:

1. Sales and Marketing – two senior staff have been added in USA, one in Canada and one in Australia.
2. Project delivery and customer support – one senior staff added in India, one in Philippines, one in USA and one in Australia.
3. R&D and product development – two staff added in Australia.
4. Ten staff added in India to support product development and testing.

The group now has over 140 employees and contractors across multiple locations in Australia, India, Singapore and North America; 100 are based in the Indian country HQ: Hyderabad.

R&D Investment

We continued to invest strongly into new product innovation to lower the cost of adoption by our customers and offered new high-value features to increase our margins. Some of these innovations include:

1. Distributed AI processing to further reduce the cost of solutions.
2. Adding new features to help address Anti-Money Laundering problems within casinos.
3. An all-in-one 'Vision Zero' product line to cost-effectively reduce accidents and save lives on roads and highways.
4. Integrating SNAP Surveillance and SenSen software for a fully autonomous multi-camera person tracking solution for large-scale surveillance networks.
5. Environmental mapping technology to determine the exact location of moving objects when GPS accuracy is poor using image analytic solutions.
6. Working with University of Melbourne on a joint ARC research grant for digitization and asset audit applications.

Several new patent applications are being pursued to protect ground-breaking new innovations under development.

Annual General Meeting

At our Annual General Meeting of shareholders held on 2 December 2020, all resolutions put to the meeting were unanimously passed on a poll. Resolutions were as follows:

Resolution 1: Adoption of Remuneration Report
Resolution 2: Re-election of Dr Subhash Challa
Resolution 3: Re-election of Mr David Smith
Resolution 4: Amendment to Constitution
Resolution 5: Renewal or proportional takeover approval provisions

Directors' Report (cont'd)

Shares and Options

The following shares were issued during the year

No. of Shares	
Balance at 30 June 2020	**447,236,086**
Shares issued to ESOP LTI on 23 July 2020	3,371,052
Shares issued in consideration for the acquisition of the business and business assets of Snap Network Surveillance Pty Ltd on 1 Dec 2020	9,881,423
Shares issued in consideration for commercial advisory services on 1 Dec 2020	368,421
Shares issued in consideration for commercial advisory services on 22 Dec 2020	101,250
Balance at 31 December 2020	**460,958,232**

Unissued ordinary shares of SenSen Networks Limited under option at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price	Number of Options
2 October 2018	2 October 2021	$0.155(i)	15,854,256

(i) Performance Options exercise price was based on estimated 5-day VWAP of the Company's shares, following the ASX release of the Company's Annual Report, for the financial year ended 30 June 2018.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

No shares were issued on exercise of options during the year.

Below is a summary of share options that expired during the 6 months ending 31 December 2020:

Grant Date	Expiry Date	Exercise Price	Number of Options
30 November 2017	4 December 2020	$0.25	5,200,000
30 November 2017	4 December 2020	$0.35	5,200,000
30 November 2017	4 December 2020	$0.45	5,200,000
		TOTAL	**15,600,000**

Subsequent events

Placement

In January 2021, SenSen completed a A$7.15M placement to private and institutional investors for a total of 57,200,000 shares, equal to approximately 11% of the total post-Placement issued shares of SenSen. The Placement was conducted at $0.125 cents per share, a discount of 9.29% to the 30-day Volume Weighted Average Price (VWAP) of SenSen shares.

The funds raised from the Placement will be used to add new key executives in Sales & Marketing and Project Management, as well as for Marketing and Business Development Management initiatives. In addition, the funds will allow the Company to extend its COGS inventory for rapid project deployment and very importantly, provide additional funds for ongoing R&D and technology development to maintain and enhance SenSen's leading position in its business segments.

As part of the capital raising, SenSen welcomed high-conviction global equities fund manager VGI Partners, with the VGI Partners Asian Investments Limited Fund (ASX:VG8) joining the SenSen register as a Substantial Shareholder.

Directors' Report (cont'd)

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 9.

This directors' report is signed in accordance with a resolution of the Board of Directors.

Subhash Challa, CEO and Chairman

Date: 26 February 2021

Auditor's Independence Declaration

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF SENSEN NETWORKS LIMITED

As lead auditor for the review of SenSen Networks Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of SenSen Networks Limited and the entities it controlled during the period.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 26 February 2021

sensennetworks® Ingenuity by Design

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2020

		Consolidated	
	Note	31-Dec-20 $	31-Dec-19 $
Revenue from contracts with customers			
Sales Revenue	2	2,499,394	1,886,271
Cost of Sales		(867,853)	(904,715)
Gross Profit		1,631,541	981,556
Other income	2	1,632,632	1,107,987
Interest income	2	2,593	9,053
Expenses			
Consulting expense		(648,267)	(596,341)
Research and development expense		(1,109,224)	(1,822,454)
Staff costs – share based payments		-	(118,237)
Occupancy expense		(5,636)	(69,685)
Marketing expense		(102,360)	(44,806)
Administration expense		(1,773,202)	(1,233,120)
Finance costs		(78,685)	(71,149)
Loss before income tax		**(450,608)**	**(1,857,196)**
Income tax expense		1,510	(1,121)
Loss for the period		**(449,098)**	**(1,858,317)**
Loss attributable to members of the parent entity		(449,098)	(1,858,317)
		(449,098)	**(1,858,317)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign controlled entities		5,533	(33,682)
Total other comprehensive income/(loss)		**5,533**	**(33,682)**
Total comprehensive loss for the period attributable to:			
- Members of the parent entity		**(443,565)**	**(1,891,999)**
Loss per share:			
Basic and diluted loss per share (cents)	12	**(0.10)**	**(0.44)**

The accompanying notes form part of these financial statements.

sensennetworks® Ingenuity by Design

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	Consolidated 31-Dec-20 $	Consolidated 30-Jun-20 $
ASSETS			
Current Assets			
Cash and cash equivalents		1,540,207	2,462,642
Trade and other receivables	4	831,077	743,703
Contract assets		414,613	558,169
Inventory	5	857,727	802,908
Other assets		134,878	138,310
Total Current Assets		**3,778,502**	**4,705,732**
Non-Current Assets			
Intangibles	14	1,000,000	-
Goodwill	14	383,399	-
Right of use Asset		265,931	386,672
Other assets		60,292	53,338
Property, plant and equipment		322,970	352,911
Deferred tax assets		3,932	-
Total Non-Current Assets		**2,036,524**	**792,921**
TOTAL ASSETS		**5,815,026**	**5,498,653**
LIABILITIES			
Current Liabilities			
Trade and other payables		958,128	1,094,691
Tax liabilities		-	17,170
Contract liabilities		1,039,978	1,399,926
Other liabilities		208,562	119,935
Employee benefits		551,932	321,868
Lease Liabilities		187,000	234,878
Borrowings	6	943,109	1,312,767
Total Current Liabilities		**3,888,709**	**4,501,235**
Non-Current Liabilities			
Employee benefits		78,680	78,680
Lease liabilities		122,624	197,288
Total Non-Current Liabilities		**201,304**	**275,968**
TOTAL LIABILITIES		**4,090,013**	**4,777,203**
NET ASSETS		**1,725,013**	**721,450**
EQUITY			
Issued capital	7	34,606,821	33,159,693
Reserves		3,487,253	3,481,720
Accumulated losses		(36,369,061)	(35,919,963)
TOTAL EQUITY		**1,725,013**	**721,450**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Consolidated	Issued Capital $	Accumulated Losses $	Reserves $	Total Equity $
Balance at 1 July 2019	**29,463,614**	**(32,214,728)**	**3,210,629**	**459,515**
Loss for the period	-	(1,858,317)	-	(1,858,317)
Other comprehensive income for the period	-	-	(33,682)	(33,682)
Total comprehensive loss for the period	**-**	**(1,858,317)**	**(33,682)**	**(1,891,999)**
Transactions with owners in their capacity as owners				
Share based payments	-	-	118,237	118,237
Shares issued during the year	2,586,177	-	-	2,586,177
Balance at 31 December 2019	**32,049,791**	**(34,073,045)**	**3,295,184**	**1,271,930**
Opening Balance 1 July 2020	**33,159,693**	**(35,919,963)**	**3,481,720**	**721,450**
Loss for the period	-	(449,098)	-	(449,098)
Other comprehensive income for the period	-	-	5,533	5,533
Total comprehensive loss for the period	**-**	**(449,098)**	**5,533**	**(443,565)**
Transactions with owners in their capacity as owners				
Shares issued during the year	1,447,128	-	-	1,447,128
Total transactions with owners for the period	**1,447,128**	**-**	**-**	**1,447,128**
Balance at 31 Dec 2020	**34,606,821**	**(36,369,061)**	**3,487,253**	**1,725,013**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Note	Consolidated	
		31-Dec-20	31-Dec-19
		$	$
Cash flows from operating activities			
Receipts from customers		2,231,935	2,044,681
Payments to suppliers and employees		(4,128,056)	(4,007,511)
Interest received		578	9,053
Finance costs		(93,170)	(71,149)
Government grants received		1,615,746	974,654
Income tax (paid)/received		49,892	(1,122)
Net cash used in operating activities		**(323,075)**	**(1,051,394)**
Cash flows from investing activities			
Purchase of plant and equipment		(131,528)	(1,980)
Net cash used in investing activities		**(131,528)**	**(1,980)**
Cash flows from financing activities			
Proceeds from issue of shares	7	-	3,329,265
Repayment of lease liabilities		(138,028)	(59,646)
Proceeds from borrowings	6	880,000	180,000
Repayment of borrowings	6	(1,209,804)	
Net cash provided by/(used in) financing activities		**(467,832)**	**3,449,619**
Net increase/(decrease) in cash and cash equivalents		(922,435)	2,396,245
Cash and cash equivalents at beginning of the half year		2,462,642	1,972,205
Cash and cash equivalents at end of the half year		**1,540,207**	**4,368,450**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2020 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

SenSen Networks Limited is a public company, incorporated and domiciled in Australia.

These half year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the group as the full financial statements. Accordingly, these half year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2020 and any public announcements made by SenSen Networks Limited during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half year financial statements as compared with the most recent annual financial statements, except for the adoption of new standards effective from 1 July 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

During the reporting period ended 31 December 2020, SenSen did not experience any material interruptions or delays to customer deliveries and support due to COVID-19, highlighting the Company's excellent execution capabilities even while 90% of staff worked remotely.

These half-year financial statements were authorised for issue on 26 February 2021.

Significant Accounting Judgements, estimates and Assumptions

In applying the Company's accounting policies, management continually evaluates judgements, estimates and assumptions based on historical experience and other factors, including expectation of future events that may have an impact on the Company. All judgements, estimates, and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. There have been no changes to significant accounting estimates, judgements, assumptions or accounting policies from the 30 June 2020 annual financial statements. The most significant judgment, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Determining the lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows associated with lease option extension have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).
The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Revenue Recognition
AASB 15 applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Significant Accounting Judgements, estimates and Assumptions (cont'd)

The Group is in business of developing and selling SenDISA platform-based products and services into two major customer markets:

- Smart Cities: civic compliance, traffic data and law enforcement solutions to city councils, national parks, road authorities and transit agencies across the globe.

- Retail and Leisure: delivering accurate actionable insights to casinos about table occupancy, hands per hour, bet type and value for every bet placed on the gaming floor.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Going Concern

As disclosed in the financial statements, the group has net operating cash outflows for the half-year of $323,075 (31 December 2019: net operating outflows of $1,051,394 and as at 31 Dec 2020 has a net current asset Deficit of $110,207 (30 June 2020: net current asset surplus of $204,497). The Group also generated a loss after tax for the half-year of $449,098 (31 December 2019: $1,858,317).

The ability of the Group to continue as a going concern is principally dependent upon on one or more of the following conditions:

- The expected fulfilment of the current pipeline of customer contracts in a manner that generates sufficient operating cash inflows;
- The continued ability to obtain research & development refunds; and
- The ability of the Group to raise sufficient capital and when necessary, refer to the Subsequent Events note in the Directors' Report in which SenSen completed a placement of A$7.15M to Private and institutional investors in January 2021,

These conditions give rise to material uncertainty, which may cast significant doubt over the Groups ability to continue as a going concern. The directors believe that the going concern basis of preparation is appropriate due to its recent history of expanding into the overseas market and continued interest in the Groups products.

The Board is confident based on past experience that an equity raising can be completed if required. In the event that the Group encounters any difficulties in raising capital the board is comfortable that the expenditure can be scaled back to preserve cash.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

sensennetworks® Ingenuity by Design

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accounting Policies

AASB 15 Revenue from Contracts with Customers

Sale of Hardware, Software Licence and Customised Installation
In relation to the sale of Hardware and Software Licences, the Group concludes that these sales are highly interrelated and interdependent with the installation therefore not capable of being distinct. The performance obligation in relation to sales is satisfied when the installation is complete. Further, the Group sells the software licences in some cases bundled with a maintenance period. After the initial period of maintenance, the customer has the option to sign-up for additional periods of maintenance.

The maintenance is distinct on its own. The software remains functional after installation without updates, support and software maintenance and therefore is not integrated with the other goods or services. Further, the customer can continue to utilise the software without the maintenance (the customer can still retain continued functionality of the software for a reasonable period of time after instillation). Thus, the Group concludes that the customer can benefit from the maintenance on its own and the criterion in paragraph 27(a) of AASB 15 is met. In addition, the maintenance is distinct within the context of the contract and the criterion in paragraph 27(b) of AASB 15 is met. Maintenance is recognised over the period the services are provided. Revenue is measured on a straight-line basis, which best depicts the Group's performance.

Service contracts

Identifying performance obligations
Service contracts generally include a number of key deliverables. The Group observed that these key deliverables are considered tasks and not distinct on their own. That is, the customer cannot benefit from the good or service either on its own or together with other resources that are readily available to the customer. Therefore, the criterion in paragraph 27(a) of AASB 15 is not met. Further, the tasks are considered inputs to produce the combined output (i.e. software development of customer's new/existing software) specified in the contract (paragraph 29(a) of AASB 15). Therefore, the criterion in paragraph 27(b) of AASB 15 (on the basis of the factors in paragraph 29 of AASB 15) is not met. The Group concludes that there is one performance obligation which is the service contracts. Revenue on service contracts is measured on a straight-line basis, which best depicts the Group's performance.

Customer contracts with multiple performance obligations
Where a customer enters into a contract for multiple performance obligations, these are accounted for based on the relative stand-alone selling price for the individual obligation. Contracts for software licences that feature integrated business solution applications, may include additional charges for professional services. Revenues of this nature are considered distinct and are individually accounted for as separate performance obligation. Fees are based on standard hourly rates and have been allocated according to their respective stand-alone selling price.

Customer contracts for transaction services are also treated as a separate performance obligation as business transactions are processed on behalf of the customer for a determined fee. In all cases, the total transaction price for a customer contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Cost of obtaining a customer contracts
AASB 15 requires that incremental costs associated with acquiring a customer contract, such as sales commissions, are recognised as an asset and amortised over a period that corresponds with the period of benefit.

Unsatisfied performance obligations
The Group continues to recognise its 'contract liabilities' under AASB 15 in respect of any unsatisfied performance obligations. These liabilities are disclosed as in the consolidated statement of financial position.

Financing components
The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accounting Policies (cont'd)

Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

sensennetworks® Ingenuity by Design

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 2. REVENUE AND OTHER INCOME

	Consolidated	
	31-Dec-20 $	31-Dec-19 $
Revenue from contracts with customers		
Sale of hardware/software – recognised at a point in time	1,557,369	838,338
Sale of services – recognised over time	942,025	1,047,933
	2,499,394	1,886,271
Other Income		
Gain on loan conversion to equity	-	133,333
Government subsidy/grant	44,484	-
Research and Development Grant	1,588,148	974,654
Interest income	2,593	9,053
Total Other Income	1,635,225	1,117,040
Total revenue and other income	**4,134,619**	**3,003,311**

NOTE 3. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports that are regularly reviewed by the executive team in order to allocate resources to the segment and assess its performance.

AASB 8 *Operating Segments* states that similar operating segments can be aggregated to form one reportable segment.

The principal areas of operation of the group are as follows:

- Smart Cities
- Retail &Leisure

Segment Revenues and Results

The following is an analysis of the group's revenue and results by reportable operating segment for the periods under review.

sensennetworks® Ingenuity by Design

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 3. SEGMENT REPORTING (CONTINUED)

	Smart Cities	Retail & Leisure	Consolidated	Smart Cities	Retail & Leisure	Consolidated
	$	$	$	$	$	$
	Half-Year Ended 31 December 2020			Year ended 31 December 2019		
Segment performance revenue						
Sale of hardware/services	1,549,447	7,922	1,557,369	819,544	18,794	838,338
Sale of software	879,059	62,966	942,025	773,252	274,681	1,047,933
Other income	851,864	783,361	1,635,225	1,117,040	-	1,117,040
Total Revenue	**3,280,370**	**854,249**	**4,134,619**	**2,709,836**	**293,475**	**3,003,311**
Segment expenses	3,044,676	1,540,551	4,585,227	4,277,920	582,587	4,860,507
Segment result before tax	235,694	(686,302)	(450,608)	(1,568,084)	(289,112)	(1,857,196)
Income tax	787	723	1,510	(1,121)	-	(1,121)
Net Loss	**236,481**	**(685,579)**	**(449,098)**	**(1,569,205)**	**(289,112)**	**(1,858,317)**
Depreciation and amortisation	124,629	114,607	239,236	185,450	-	185,450
Share-based payment expense	-	-	-	118,237	-	118,237

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 3. SEGMENT REPORTING (CONTINUED)

	Smart Cities	Retail & Leisure	Consolidated	Smart Cities	Retail & Leisure	Consolidated
	$	$	$	$	$	$
	Half-Year Ended 31 December 2020			Year ended 30 June 2020		
Segment Assets:						
Segment assets	4,598,365	1,216,662	5,815,026	3,746,819	1,749,011	5,495,830
Inter segment eliminations	-	-	-	-	-	-
Consolidated Total Assets	**4,598,365**	**1,216,662**	**5,815,026**	**3,746,819**	**1,749,011**	**5,495,830**
Segment Liabilities:						
Segment liabilities	(2,786,912)	(1,303,101)	(4,090,013)	(3,548,265)	(1,226,115)	(4,774,380)
Inter segment eliminations	-	-	-	-	-	-
Consolidated Total Liabilities	**(2,786,912)**	**(1,303,101)**	**(4,090,013)**	**(3,548,265)**	**(1,226,115)**	**(4,774,380)**

NOTE 4. TRADE AND OTHER RECEIVABLES

	Note	Consolidated	
		31 Dec 2020	30 Jun 2020
		$	$
CURRENT			
Trade Receivables		831,077	743,703
Allowance for expected credit losses		-	-
		831,077	**743,703**
Other receivables – owing on sale of subsidiaries		7,982,767	7,982,767
Allowance for expected credit losses		(7,982,767)	(7,982,767)
		-	**-**
		831,077	**743,703**

sensennetworks® Ingenuity by Design

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 5. INVENTORY

	Note	Consolidated 31 Dec 2020 $	30 Jun 2020 $
Inventory		857,727	802,908
		857,727	**802,908**

Accounting policy for inventories

Raw materials and stores, work in progress and finished goods are valued at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the weighted average cost formula and include expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

NOTE 6. BORROWINGS

		Consolidated 31-Dec-20 $	30-Jun-20 $
(i)	Loans from related parties – unsecured	111,235	400,101
(ii)	Bank and other loans	831,874	912,666
Total Current Borrowings		**943,109**	**1,312,767**

(i) Director's loan

On 29 May 2019, a loan agreement was executed with Subhash Challa (director) to provide the Company an unsecured loan facility of $500,000. Loans outstanding from this facility as at 31 December 2020 amounted to $111,235 (30 June 2020: $400,101).

The Borrowings balance at 31 December 2020 has also reduced due to a foreign exchange benefit of $39,852 as the Director's loan is held in Indian Rupee.

(ii) Includes a bank debt secured by an account set-off arrangement with a matching term deposit and a first ranking charge over present and after acquired property.

A short-term working capital loan of $380,000 was agreed with Rocking Horse Nominees Pty Ltd in December 2020. This loan is expected to be repaid prior to 30 June 2021.

NOTE 7. ISSUED CAPITAL

Share capital movement during the period:

	Note	Consolidated 31-Dec-20 $	Consolidated 30-Jun-20 $
Ordinary shares	(a)	34,606,821	33,159,693

(a) Share capital movement during the period

	Consolidated			
	31 Dec 2020		30-Jun-20	
	No.	$	No.	$
Balance at beginning of the reporting period	447,236,086	33,159,693	418,554,418	29,463,614
Shares issued during the year (i)	13,722,146	1,447,128	25,348,335	3,329,412
Share Issue Costs (ii)	-	-	-	-
Historical Loan Conversion to Equity (iii)	-	-	3,333,333	366,667
Balance at end of period	**460,958,232**	**34,606,821**	**447,236,086**	**33,159,693**

Share capital movement during the period:

(i) SenSen issued the following shares in the six months to 31 December 2020:

- Employee Incentive Plan: 3,371,052 shares in July 2020. The expense in relation to this share issue was expensed as part of share based payments in the 30 June 2020 financial year.
- Snap Surveillance Pty Ltd: 9,881,423 shares issued as part of the consideration, based on the published share price on 1 December 2020 of $0.14 per share.
- External advisors: 364,408 shares in December 2020 at $0.095 per share. The share price on the date of transaction was $0.14 per share. This is the value of the equity granted, and the difference (i.e. the discount) has been accounted for as an expense in the consolidated statement of profit or loss and other comprehensive income.
- Contractor: 105,263 shares in December 2020 at $0.095 per share. The share price on the date of transaction was $0.125 per share. This is the value of the equity granted, and the difference (i.e. the discount) has been accounted for as an expense in the consolidated statement of profit or loss and other comprehensive income.

NOTE 8. SHARE BASED PAYMENTS

There were no share-based payments in the 6 months to 31 December 2020 other than those already noted in relation to contractors and external advisors above in note 7.

NOTE 9. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 10. RELATED PARTY TRANSACTIONS

On 29 May 2019, a loan agreement was executed with Subhash Challa (director) to provide the Company (Note 6) an unsecured loan facility of $500,000. Loans outstanding from this facility as at 31 December 2020 amounted to $111,235 (30 June 2020: $400,101)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 11. INTEREST IN SUBSIDIARIES

Information about Principal Subsidiaries
The consolidated financial statements include the financial statements of SenSen Networks Limited and the subsidiaries listed below. The subsidiaries have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		At 31 Dec 2020	At 30 June 2020	At 31 Dec 2020	At 30 June 2020
SenSen Networks Group Pty Ltd	Australia	100%	100%	-	-
PT Orpheus Energy	Indonesia	100%	100%	-	-
SenSen Networks Singapore Pte Ltd	Singapore	100%	100%	-	-
SenSen Networks (Hong Kong) Limited	Hong Kong	100%	100%	-	-
SenSen Video Business Intelligence	India	100%	100%	-	-
SenSen Networks, Inc.	United States	100%	0%	-	-
SenSen Networks Operations Pty Ltd	Australia	100%	0%	-	-
SenSen Networks Gaming Pty Ltd	Australia	100%	0%	-	-

Subsidiaries' financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

NOTE 12. LOSS PER SHARE

	Note	Consolidated 31 Dec 2020 $	Consolidated 31 Dec 2019 $
Basic and diluted loss per share (cents)		**(0.10)**	**(0.44)**

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

Loss for the half-year attributable to the owners of the Company		**(449,098)**	**(1,858,317)**
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share		**456,860,686**	**424,037,269**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

NOTE 13. EVENTS SUBSEQUENT TO REPORTING DATE

Placement

In January 2021, SenSen completed a A$7.15M Private and institutional investors for a total of 57,200,000 shares, equal to approximately 11% of the total post-Placement issued shares of SenSen. The Placement was conducted at $0.125 cents per share, a discount of 9.29% to the 30-day Volume Weighted Average Price (VWAP) of SenSen shares.

The funds raised from the Placement will be used to add new key executives in Sales & Marketing and Project Management, as well as for Marketing and Business Development Management initiatives. In addition, the funds will allow the Company to extend its COGS inventory for rapid project deployment and very importantly, provide additional funds for ongoing R&D and technology development to maintain and enhance SenSen's leading position in its business segments.

As part of the capital raising, SenSen welcomed high-conviction global equities fund manager VGI Partners, with the VGI Partners Asian Investments Limited Fund (ASX:VG8) joining the SenSen register as a Substantial Shareholder.

NOTE 14. BUSINESS COMBINATIONS

On 1 December 2020, SenSen Networks Limited completed a business combination transaction, acquiring the business of Snap Network Surveillance Pty Ltd, a software company. The acquisition has significantly increased the group's market share in this industry and complements the group's existing software division.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$
Purchase consideration, consisting of:	
Ordinary shares issued	1,383,399
Total purchase consideration	1,383,399

The fair value of the 9,881,423 shares issued as part of the consideration paid for Snap Network Surveillance Pty Ltd was based on the published share price on 1 December 2020 of $0.14 per share.

The assets and liabilities recognised as a result of the acquisition are as follows:

Net identifiable assets acquired	1,383,399
Add: acquired intangible asset (Patents)	1,000,000
Add: intangible asset (Goodwill)	383,399
Net assets acquired	1,383,399

The main factor represented in the Goodwill is the synergies from combining operations of SenSen Networks Limited and Snap Network Surveillance Pty Ltd. This Goodwill balance is not expected to be deductible for tax purposes.

Acquisition costs expensed in the consolidated statement of profit or loss and other comprehensive income as part of the business combination included:

- 263,158 shares granted to external advisors at $0.14 cents per share (included within the note 7 issuance to external advisors); and
- $25,000 cash payment to external advisors.

Post-acquisition, Snap Network Surveillance Pty Ltd has not contributed any amounts to the Group's revenue and net loss after tax. If the acquisition was completed on 1 July 2020, there would be no material change to the Group's revenue or net loss for the half year ended 31 December 2020.

Directors' Declaration

In accordance with a resolution of the directors of SenSen Networks Limited, the directors of the company declare that: The financial statements and notes, as set out on pages 10 to 24, are in accordance with the Corporations Act 2001, including:

a) complying with Accounting Standard AASB 134: Interim Financial Reporting, Corporations Regulations and other mandatory professional reporting requirements; and
b) giving a true and fair view of the group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Subhash Challa, Chief Executive Officer and Chairman

Date: 26 February 2021

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of SenSen Networks Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of SenSen Networks Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

BDO

T R Mann
Director

Brisbane, 26 February 2021