sensennetworks®

Making Cities Smarter

# 2018 ANNUAL REPORT

# Corporate Information

SenSen Networks Limited

ACN 121257412

Directors

Mr Subhash Challa
Executive Chairman
(Appointed 13 October 2017)

Mr Zenon Pasieczny
Non-Executive Director
(Appointed 13 October 2017)

Mr David Smith
Executive Director

Mr Jason Ko
Non-Executive Director
(Appointed 13 October 2017)

Mr Wayne Mitchell
Executive Chairman
(Resigned 13 October 2017)

Mr Wesley Harder
Executive Director
(Resigned 13 October 2017)

Mr Mike Rhodes
Non-Executive Director
(Resigned 13 October 2017)

Ms Heather Scheibenstock
(appointed 7 September 2018)

Company Secretary

Mr David Smith

Chief Financial Officer

Mr Tony Lynch

Registered Office and Principal Place of Business

Unit 4, 71 Victoria Crescent,
Abbotsford, Melbourne, VIC 3067

Telephone: +61 3 9417 5368

Share Register

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000

Australia: 1300 850 505
Overseas callers: +61 3 9415 4000
Facsimile: +61 3 9473 2500
Internet: www.computershare.com.au

Stock Exchange Listing

SenSen Networks Limited shares are listed on the Australian Securities Exchange (ASX Code: SNS).

Solicitors

HWL Ebsworth
Level 19
480 Queen Street
Brisbane Qld 4000

Auditors

BDO Audit Pty Ltd
Level 10/12 Creek St,
Brisbane City
QLD 4000

Bankers

Commonwealth Bank of Australia
727 Collins Street
Melbourne VIC 3000

Website

www.sensennetworks.com

# Contents



SenSen's patented video analytics software enhances business processes in city operations, yielding tangible RoI for customers and strong recurrent revenues for investors.

# Chairman's letter

Dear Fellow Shareholders

It gives me great pleasure to present the 2018 Annual Report for SenSen Networks Limited (ASX: SNS) (formerly Orpheus Energy Limited), less than a year after we recommenced trading on the Australian Securities Exchange. SenSen Networks Limited successfully raised $6.5 million through our Initial Public Offer and completed the reverse takeover of SenSen Networks Group Pty Ltd prior to listing on the ASX in October 2017.

SenSen Networks Limited ("the Company") uses world-leading Artificial Intelligence technology to make cities smarter and businesses more efficient. We have deployed our AI enhanced process automation solutions in a range of valuable use cases, including Intelligent Transport Systems (ITS), where it can be used to enhance parking, traffic engineering, security and safety operations. We have also developed technology for use in Retail & Leisure that is gaining momentum, as seen through our collaboration with Crown Casino in Melbourne.

Growing demand for our services was demonstrated in our strong results for the 2018 financial year, in which we achieved record revenue, growing by close to 100% year-on-year to more than $4 million.

The Company grew in FY18 through a combination of both new client contracts and existing recurring revenue from customers in Australia and overseas, with the biggest relative contribution occurring in the June quarter. Major contract wins over the financial year included City of Calgary, Canada ($1.2 million), Crown Casino, Melbourne ($1.0 million), City of Edmonton, Canada ($552k), Brisbane City Council ($348k), Changi Airport, Singapore ($226k), and NSW Roads & Maritime Services ($252k).

The Company has embraced many development opportunities over the past year. We established a presence in the USA through a Teaming Agreement signed with Silicon Harlem LLC, partnering on a proposed Smart Corridor development at 116th Street in New York City. This will use the Company's SenSIGN solution to provide a digital asset register of the corridor, delivering the Borough of Manhattan an up-to-date database of all street, traffic and parking signs as well as other city assets. In addition, US artificial intelligence chip maker NVIDIA selected the Company as a foundation company for its global Metropolis Software Partner Program.

In terms of Retail & Leisure, we are working to make casinos' table game operations smarter and address several long-standing issues in operation and management. Our key gaming product, SenGAME 3.0 which we launched in December 2017, revolutionises table game operations in casinos, allowing managers to accurately monitor and match demand and supply of various table games offered by them and optimise yield per table, per game played and per player in real time. We have developed a strategic partnership with Crown Casino to bring this product to market, progressively rolling it out on all card games in Crown's Melbourne casino. Through this, we are delivering unprecedented levels of accuracy in bet detection and recognition without casinos having to change layouts, chips, tables, or retraining dealers. We are continuing to market SenGAME 3.0 to accelerate its adoption by casinos globally and gained a positive response at the G2E event in Macau in May 2018, with prospective customers in Australia, Macau, UK and the Philippines choosing to evaluate our software on their live gaming floor.


The new Changi Airport contract follows the multi-year parking and traffic contract with Changi announced in October 2017, supporting Singapore's world-leading drive to become a 'smart city'.

# Chairman's letter

We continued to expand our reach into local governments, as they tend to be long-term customers, and each new client helps our recurrent revenue to grow. Our existing contracts with Brisbane City Council, the City of Calgary and the City of Edmonton expanded during the year and we also worked with Australian and international local governments including the City of Copenhagen, Maribyrnong City Council, Logan City Council, the City of Subiaco, the Town of Victoria Park, Trondheim Municipality in Norway and Frederiksberg Kommune in Denmark. We are targeting more than 200 smart cities in a highly prospective pipeline of potential customers.

We also worked hard to grow our brand and profile within the industry, giving a keynote address at the Cities 4.0 Summit, Australia's most innovative smart cities event, in Melbourne in March 2018. We received industry recognition, winning a 2018 Smart 50 Award for our Intelligent Video Analytics in Singapore and at Changi Airport.

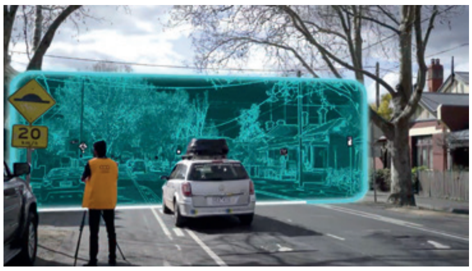

The Smart 50 Awards recognise the most innovative and influential smart projects globally each year, and it was a great honour to receive this accolade.

In May 2018, we completed an oversubscribed $5 million share placement to domestic and offshore institutions and existing sophisticated investor shareholders. These funds will assist in business development and marketing activities domestically and overseas, as well as project development, and allow the Company to fulfil higher-revenue ITS and Casino contracts more quickly. I thank our new and existing shareholders for your support in this, as we continue to work to achieve our goals and create shareholder value.

As we reflect on this year of positive growth for the Company, I would like to thank my fellow Board members for their leadership and collaboration through 2018 as well as our management and staff at all levels who have worked so hard to deliver on our growing list of contracts.

I anticipate this momentum will continue to build in the 2019 financial year and I look forward to sharing our success with you.

Subhash Challa
Executive Chairman and CEO

We are leading the industry with video and sensor analytics, as well as data-fusion of GPS and video imaging sensors to deliver end-to-end automation for civic compliance, parking management, and speed / toll enforcement.

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# Review of Operations and Activities

### Acquisition of SenSen Networks Group Pty Ltd ("SenSen P/L")

On 12 April 2017, SenSen Networks Limited (formerly Orpheus Energy Limited) ("the Company") entered into a Share Purchase Agreement with all of the shareholders of SenSen Networks Group Pty Ltd ("SenSen P/L"). The Company acquired 100% of SenSen P/L by the purchase of all the shares in SenSen P/L from the shareholders of SenSen P/L, in exchange for the issue of shares in the Company. On 1 September 2017, a Prospectus was issued for the offer of 15,000,000 New Shares to eligible Company shareholders under a Share Purchase Plan, up to 50,000,000 New Shares to eligible investors under a General Offer, and 273,764,706 Consideration Shares to the Vendors in consideration for the acquisition of all of the shares in SenSen P/L. Subsequently, a supplementary prospectus was issued on 14 September 2017 with an update on 25 September 2017.

The acquisition of SenSen P/L was completed on 18 October 2017 and included a capital raising of $6.5 million.

### Placement of Shares

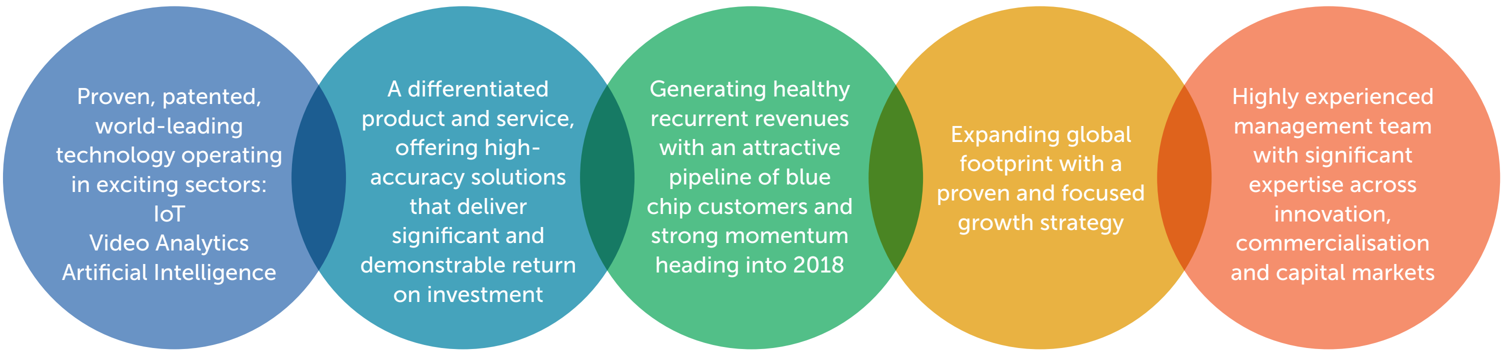
In May 2018, the Company completed a share placement of 34.48 million shares to raise A$5 million. The Placement was conducted at an issue price of A$0.145, representing a 9.4% discount to the Company's last closing price of A$0.16, and a 13.3% discount to the 5-day volume weighted average price ("VWAP") of A$0.1673.

The Placement was oversubscribed and supported by domestic and offshore institutions and existing sophisticated investor shareholders. BW Equities acted as Lead Manager to the Placement.

The Company is deploying funds from the Placement to assist in business development and marketing activities domestically and overseas, toward up-front and ongoing project development costs, and to facilitate faster deployment of higher-revenue ITS and Casino contracts.

SenSen Networks Limited (formerly Orpheus Energy Limited) ("the Company") and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) (CGPR) published by the ASX Corporate Governance Council.

### SenSen Networks Highlights

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Our key gaming product, SenGAME 3.0 which we launched in December 2017, revolutionises table game operations in casinos.

The 2018 corporate governance statement is dated as at 30 June 2018 and reflects the corporate governance practices in place throughout the financial year ending 30 June 2018. The corporate governance statement was approved by the Board on 18 September 2018. A description of the group's current corporate governance practices is set out in the group's Corporate Governance statement which can be viewed at (www.sensenentworks.com).

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

A listed entity should establish and disclose the respective roles and responsibilities of the Board and management and how their performance is monitored and evaluated.

### Recommendation 1.1

A listed entity should disclose

(a) the respective roles and responsibilities of its Board and management; and

(b) those matters expressly reserved to the Board and those delegated to management.

### Disclosure

The relationship between the Board and senior management is critical to the Group's longterm success. The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The Company has a Board Charter approved by Directors which sets out the specific responsibilities of the Board which are:

- appointment of the Chief Executive Officer/Managing Director and other senior executives and the determination of their terms and conditions including remuneration and termination;
- driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- approving the annual, half-yearly and quarterly accounts;
- approving significant changes to the organisational structure;
- approving the issue of any shares, options, equity instruments or other securities in the Company;
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision-making;
- monitoring progress in relation to the Company's diversity objectives and compliance with its diversity policy;
- recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
- meeting with the external auditor, at their request, without management being present.

The Board has delegated to the Executive Chairman/Chief Executive Officer, and through that officer to other Senior Management, the authority and responsibility for managing the everyday affairs of the Company.

### Recommendation 1.2

A listed entity should:

(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and

(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

### Disclosure

Appropriate checks are undertaken prior to appointing a person as a Director and recommending that person for election. These include checks as to the person's character, experience, education, criminal record and bankruptcy history.

Candidates who the Board consider are suitable for appointment as Directors are appointed and stand for election at the next AGM, in accordance with the Constitution. The Company includes in the Notice of Meeting for the AGM all material information known to the Company which is relevant to a decision whether or not to elect or re-elect a Director. This information includes biographical information, details of other material directorships currently held by the candidate, any adverse information revealed by the checks performed, a statement as to whether in the Board's opinion the candidate will qualify as an independent director and a statement by the Board as to whether it supports the election or re-election of the candidate.

It is noted that each of Subhash Challa, Zenon Pasieczny and Jason Ko were appointed as new Directors of the Company on completion of the acquisition of SenSen on 13 October2017. . The appointments were approved by the Company's shareholders on 29 August 2017. As part of this approval process, all such material information was provided to Shareholders.

Heather Scheibenstock was appointed as a new director on 7 September 2018.

### Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

### Disclosure

The Company has written agreements with each of the Directors and senior executives setting out the terms of their appointment.

As part of their appointment process, the Company has entered into a written agreement with each of Subhash Challa, Zenon Pasieczny, Jason Ko and Heather Scheibenstock setting out the terms of their appointment.

### Recommendation 1.4

The Company Secretary of a listed Company should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

### Disclosure

The Company Secretary is accountable directly to the Board through the chair, on all matters to do with the proper functioning of the Board.

The Company Secretary is responsible for facilitating good information flows within the Board and its committees and between senior executives and Directors, as well as the induction of new Directors and the ongoing professional development of all Directors.

The Company Secretary is responsible for monitoring compliance with the Board's procedures and for advising the Board, through the chairman, on all governance matters. All Directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter for the Board.

It is noted that following completion of the acquisition of SenSen P/L, David Smith remains the Company Secretary.

### Recommendation 1.5

A listed entity should:

(a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either:

   (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or

   (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

### Disclosure and Departure

While the Company values diversity and recognises the benefits, it can bring to the organisation's ability to achieve its goals, no decision has been made by the Board at this time to formulate a diversity policy.

The Board has not yet established objectives in relation to gender diversity but is committed to a continuation of current employment practices where employees are selected on merit. The aim is to achieve greater gender diversity in director and senior executive positions as they become vacant and appropriately skilled candidates become available.

**Recommendation 1.6**

A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process

**Disclosure and Departure**

The Board currently has no formal procedure for evaluation of its Board, committee and Directors. The Board considers that it is functioning effectively given its composition and a formal procedure is not required at this stage. While no formal performance evaluation was undertaken during the reporting period, the Chairman continually monitors the performance of the Board.

Selection and re-appointment of Directors candidates for the Board are considered and selected by reference to a number of factors, which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake board duties and responsibilities. Directors are initially appointed by the full Board subject to election by shareholders at the following general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each Director, other than the Executive Chairman, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment, or three years following that Director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company.

At each annual general meeting a minimum of one Director, or a third of the total number of Directors, must resign. A Director who retires at an annual general meeting is eligible for re-election at that meeting.

**Recommendation 1.7**

A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of its senior executives; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

**Disclosure and Departure**

The Company does not have a formal process for periodically evaluating the performance of its Senior Executives. However, the Chief Executive monitors the performance of senior executives.

## PRINCIPLE 2: STRUCTURE OF THE BOARD TO ADD VALUE

**Recommendation 2.1**

The Board of a listed entity should:

(a) have a nomination committee which:

  (1) has at least three members, a majority of whom are independent Directors; and

  (2) is chaired by an independent director and disclose

  (3) the charter of the committee;

  (4) the members of the committee; and

  (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) If it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

**Disclosure and Departure**

The Company does not have a Nomination Committee as the Directors believe that the size of the Company and the Board does not warrant the formation of such committee. All Board nomination matters are considered by the whole Board.

The Board oversees the appointment and induction process for Directors and committee members, and the selection, appointment and succession planning process of the Company's executive management team. The appropriate skill mix, personal qualities, expertise and diversity are factors taken into account in each case. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the required skills.

### Recommendation 2.2

A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

### Disclosure and Departure

The Company currently does not have a Board "skills matrix". Given the size and scope of the Company's operations, and its exploration and development stage, the Board considers that it is appropriately structured, with a suitable mix of skills and expertise, relevant to the Company's current business. However, the Board is cognisant that, as the Company expands and develops its activities, the Board will be required to review and restructure its composition to meet the specific expertise and skill requirements to progress the Company to meet its objectives moving forward.

A profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report of this Annual Report.

### Recommendation 2.3

A listed entity should disclose:

(a) the names of the Directors considered by the Board to be independent Directors;

(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and

(c) the length of service of each director.

### Disclosure and Departure

As at 30 June 2018 the Board comprised two executive Directors including the Chairman and two non-executive directors, none of whom are independent as disclosed below.

| Director | Reason for Non-IndependentClassification |
|---|---|
| Subhash Challa | Engaged as Chief Executive Officer of the Company from 13/10/2017-present |
| David Smith | A substantial shareholder and a director of the Company from 18/8/2011-present |
| Zenon Pasieczny | A substantial shareholder and a director of the Company from 13/10/2017-present |
| Jason Ko | A representative of a shareholder and a director of the Company from 13/10/2017-present |

Even though the members of the Board are not independent, the persons on the Board can and do make independent judgements in the best interests of the Company at all times.

An independent director, Ms Heather Scheibenstock, was appointed to the Board on 7 September 2018.

### Statement concerning availability of independent professional advice

To assist Directors with independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval from the Chairman for incurring such an expense, the Company will pay the reasonable expenses associated with obtaining such advice.

The length of service of each Director is as follows:

| Dates | Board Members | Independent/ Non-Independent |
|---|---|---|
| 18/8/2011-current | David Smith | Non-Independent |
| 13/10/2017-current | Subash Challa | Non-Independent |
| 13/10/2017-current | Jason Ko | Non-Independent |
| 13/10/2017-current | Zenon Pasieczny | Non-Independent |
| 07/09/2018-current | Heather Scheibenstock | Independent |

The Board supports the appointment of Directors who bring a wide range of business and professional skills and experience to the Company. Directors are appointed in accordance with the constitution of the Company and are appointed for a period of three years or until the third annual general meeting following their appointment (whichever is longer).

### Recommendation 2.4

A majority of the Board of a listed entity should be independent Directors.

### Disclosure and Departure

As at 30 June 2018, no members of the Board were Independent Directors. However, an independent director, Ms Heather Scheibenstock, was appointed to the Board on 7 September 2018.

### Recommendation 2.5

The chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

### Disclosure and Departure

The previous Executive Chairman of the Company, Mr Wayne Mitchell, was not an Independent Director and was the CEO until 13 October 2017. He contributed to a culture of openness and constructive challenge that allowed for a diversity of views to be considered by the Board.

Following completion of the acquisition of SenSen P/L on 18 October,2017, the new Executive Chairman and CEO of the Company, Subhash Challa, is also not an Independent Director.

### Recommendation 2.6

A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

### Disclosure and Departure

An induction program for new Directors of the Company is being considered but does not currently exist. Each Director of the Company has the right to seek independent professional advice at the expense of the Company, and the Company provides appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively. Prior approval of the Chairman is required, and this will not be unreasonably withheld.

## PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY

A listed entity should act ethically and responsibly.

### Recommendation 3.1

A listed entity should:

(a) have a code of conduct for its Directors, senior executives and employees; and

(b) disclose that code or a summary of it.

### Disclosure and Departure

The consolidated entity recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics. All Directors and employees are required to act in accordance with the law and with the highest standard of propriety.

The Company does not yet have a formal Code of Conduct setting out its core values. However, the Company requires that each director and officer of the Company must comply with all laws and regulations. This includes understanding the laws and regulations relevant to their work and complying with the legal requirements of the jurisdiction in which the Company operates.

Contractors and others employed by the Company should not engage in activities or hold or trade assets that involve, or could appear to involve, a conflict between their personal interests and the interests of the Company.

The practices of the Board are aimed at promoting ethical and responsible decision making. The Board strives for good corporate governance and industry best practice. It specifically requires Directors and employees to:

- avoid situations which may give rise to a conflict of interest;
- avoid situations where they may gain any benefit which competes with the Company's business;
- read and confirm that they understand the Company's policies;
- comply with laws and regulations;
- properly use the Company's assets for legitimate business purposes; and
- maintain confidentiality in both the Company's business and the information of its clients and shareholders.

Each director is required to disclose any interest which might create a potential conflict of interest with his or her duties as a director or which might affect their independence.

There must be no conflict, or perception of a conflict, between the interests of any Company director, officer or employee and the responsibility of that person to the stakeholders. All Directors, officers and employees may never improperly use their position for personal or private gain to themselves, a family member, or other associated person. Where a potential conflict exists, this should be disclosed to the Chairman prior to any dealings taking place.

## PRINCIPLE 4 - SAFEGUARD INTEGRITY IN CORPORATE REPORTING

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

### Recommendation 4.1

The Board of a listed entity should:

(a) have an audit committee, which:

(1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors: and

(2) is chaired by an independent director, who is not the chair of the Board and disclose:

(3) the charter of the committee;

(4) the relevant qualifications and experience of the members of the committee; and

(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processing for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

### Disclosure and Departure

The Company is not fully compliant with this principle. The audit and risk committee has a non-independent chairman Jason Ko, two executive Directors, Subhash Challa and David Smith, and a non-executive director, Zenon Pasieczny. The Details of these Directors' qualifications and attendance at audit committee meetings are set out in the Directors' Report of the Annual Report under the heading "Directors' Meetings".

Members of the Committee have relevant qualifications and experience in financial matters and have a good understanding of the industry in which the Company operates.

The Audit & Risk Committee plays a key role in assisting the Board with its responsibilities relating to accounting, internal control systems, reporting practices and risk management, and ensuring the independence of the Company auditor. The terms of reference for the committee incorporate policies and procedures to ensure an effective focus from an independent perspective.

The Audit & Risk Committee oversees and appraises the quality of the audits conducted by the auditors and emphasises areas where the Committee believes special attention is required. The external auditor is BDO. BDO's appointment will be reviewed periodically in line with industry best practice. The Board believes in the ongoing assessment of our audit arrangements and will comply with any regulatory requirements to rotate the Company's external audit partner.

The Audit & Risk Committee also reviews the effectiveness of administrative, operating and accounting controls.

### Recommendation 4.2

The Board of a listed entity should, before it approves the entity's financial statements for the financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### Disclosure

Before it approves the Company's financial statements for a financial period, the Board receives from its Managing Director and CFO a declaration that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with appropriate accounting standards. The declaration also states that the financial records give a true and fair view of the financial position and performance of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control that is operating effectively.

### Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

### Disclosure

The Company makes sure that its external auditor, BDO, is invited to and attends its Annual General Meeting (AGM) each year and is available to answer questions that are relevant to the audit. At the Company's last AGM held on 30 November 2017, a Partner from Hall Chadwick Chartered Accountants (the company's previous auditor) attended and was available to answer questions.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

### Recommendation 5.1

A listed entity should:

(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

(b) disclose that policy or a summary of it.

### Disclosure

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level.

The Board is committed to complying with continuous disclosure requirements and issues announcements to the ASX on matters that may have a material effect on the Company's securities.

The Company's continuous disclosure policy is designed to meet market best practice, ensuring that all interested parties have an equal opportunity to obtain information which is issued by the Company.

SenSen Networks' ASX announcements are also posted on the Company's website and emailed to shareholders who have subscribed to the Company's email alerts.

## PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

### Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

### Disclosure

The Company provides information about itself and its governance to investors via its website www.sensennetworks.com. The names and brief biographical information for each of the Company's Directors and senior executives can be found under the "Learn More" section of the website.

The Company has included in the "Investor Centre" section of its website links to copies of its ASX announcements, Financial Reports, Research Reports, Analyst Briefings and Shareholder Information.

Procedures have also been established for reviewing whether any material price-sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

The Company's contact details can also be found on the website.

### Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

### Disclosure

The Company has an investor relations program and actively engages with security holders, meets with them upon request and responds to any enquiries. Communication channels for investors include two-way interaction via the SenSen Networks websites, a diarised investor roadshow program at least twice a year and an outsourced investor relations function through a professional agency. The Company also has ad hoc interaction with brokers, institutional investors, analysts and financial media when required.

### Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

### Disclosure and Departure

The Company has no formal process in place to facilitate and encourage participation at meeting of security holders. Shareholders are, however, encouraged to participate at general meetings.

### Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

### Disclosure

Security holders can email or otherwise contact the Company by visiting the "Contact" section of the website.

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

### Recommendation 7.1

The Board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

### Disclosure and Departure

The Company has a combined audit and risk committee, the membership of which is not fully compliant with this principle. The audit and risk committee has a non-independent chairman, and two executive directors. Heather Scheibenstock joined the Board as an independent director on 7 September 2018 and will be a member of the audit and risk committee.

The members of the committee have the necessary technical knowledge and understanding of the industry in which the entity operates to be able to discharge the committee's mandate effectively.

The details of these directors' qualifications and attendance at audit committee meetings are set out in the Directors' Report of the Annual Report under the heading "Directors' Meetings".

The Board has disclosed the Charter of the Committee, which may be found on the Company's website in the section titled " Investor Centre/Corporate Governance'". A summary of the Company's Risk Management objectives can also be found in this section. The members of the Committee are Messrs Ko, Challa, Smith and Pasieczny. The Committee held two meetings during the Reporting Year.

The table set out in the Directors' Report of this Annual Report under the heading "Directors' Meetings" shows the members' attendance at Committee meetings.

### Recommendation 7.2

The Board or a committee of the Board should:

(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) disclose, in relation to each reporting period, whether such a review has taken place.

### Disclosure

The Board, and the Audit and Risk Management Committee, reviews the Company's risk management framework at least annually to satisfy itself that it continues to be sound, and such a review was carried in the past financial year.

The Board has required management to implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively.

### Recommendation 7.3

A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

### Disclosure and Departure

The Company does not have an internal audit function. The processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes include the fact that individual Directors' claims for expenses are approved by the Board.

It is proposed that a member of the Audit and Risk Management Committee periodically review the Company's controls and spot-checks that the necessary procedures have been followed.

### Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

### Disclosure

The Company discloses its material exposure to economic, environmental and social sustainability risks, and how it manages those risks in ASX announcements and in its Annual Report.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

### Recommendation 8.1

The Board of a listed entity should:

(a) have a remuneration committee which:

(1) has at least three members, a majority of whom are independent Directors; and

(2) is chaired by an independent Director, and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

### Disclosure and Departure

The Company has not established a separate Remuneration Committee with the Board considering Remuneration matters. Given the current size and composition of the Company, the Board is unable to meet the requirement that a separate Remuneration Committee is established consisting of a majority of Independent Directors and chaired by an independent Chair.

The Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee and accordingly, the remuneration functions have been delegated to the Board. The Board deals with any conflicts of interest that may occur when acting in the capacity of the Remuneration Committee by ensuring that the Director with conflicting interests is not party to the relevant discussions.

The processes the Company employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive, are disclosed in the Remuneration Report in the Company's Annual Report.

### Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of nonexecutive Directors and the remuneration of executive Directors and other senior executives.

### Disclosure

Non-Executive Directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance. From time to time the Company may grant options to Non-Executive Directors. The grant of options is designed to recognise and reward efforts, as well as to provide Non-Executive Directors with additional incentive to continue those efforts for the benefit of the Company.

Remuneration and bonuses for Executive Directors and Senior Executives consist of a base salary and performance incentives. Long-term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered competitive base salaries at market rates, which are reviewed to ensure market competitiveness.

### Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

### Disclosure

As at 30 June 2018, the Company had an equity-based remuneration scheme (**Long Term Incentive Plan**) and details of incentives on issue in the Long-Term Incentive Plan can be found in the Remuneration Report.

On 25 October 2017, the Board approved the Company's Long-Term Incentive Plan Rules and details are posted on the company's website. Long-term incentive awards to key management personnel and staff were approved at the company's AGM on 30 November 2017 and at subsequent board meetings during the year.

Throughout the period the Company Long Term Incentive Scheme was in effect, the Company also had a policy that provided that participants are not permitted to enter into transactions (whether through the use of derivatives or otherwise) that limit the economic risk of participating in the scheme.

The directors present their report with the consolidated financial report of SenSen Networks Limited (formerly Orpheus Energy Limited) ("the Company") and the entities it controlled ('the group") at the end of, or during, the year ended 30 June 2018.

### Directors and Company Secretary

The following persons were directors of SenSen Networks Limited during the whole financial year and up to the date of this report:

Mr Subhash Challa, Executive Director (Appointed 13 October 2017)

Mr Zenon Pasieczny, Non-Executive Director (Appointed 13 October 2017)

Mr David Smith, Executive Director and Company Secretary

Mr Jason Ko, Non-Executive Director (Appointed 13 October 2017)

Mr Wayne Mitchell, Executive Chairman (Resigned 13 October 2017)

Mr Wesley Harder, Executive Director (Resigned 13 October 2017)

Mr Mike Rhodes, Non-Executive Director (Resigned 13 October 2017)

Ms Heather Scheibenstock, Non-Executive Director (Appointed 7 September 2018)

### Mr Subhash Challa

Executive Chairman, CEO and Managing Director

*Qualifications:*
B. Tech (Electrical and Electronics Engineering), JNTU College of Engineering, Hyderabad, India. PhD (Aerospace and Electronic Systems, Signal Processing), Queensland University of Technology

*Experience:*
Mr Challa founded SenSen Networks Group Pty Ltd ("SenSen P/L") in 2007 as a spin-off from the University of Technology Sydney where he was Professor of Computer Systems. Mr Challa is a world-leading authority in data science specialising in the analysis of video and sensor data with a focus on solving everyday business problems.

Born and raised in Hyderabad, India, Mr Challa was a visiting scholar at Harvard University (1997) and Tan-Chin Tau fellow at Nanyang Technological University in Singapore (2003). Between 2007-2011, he was a Senior Principal Researcher at National ICT Australia and Adjunct Professor at University of Melbourne. He co-authored over 150 research papers and the reference text "Fundamentals of Object Tracking" published by Cambridge University Press in 2011.

Mr Challa left his successful career in academia to join SenSen P/L full-time as CEO in January 2012. He has led the development of the company's Video-IoT data analytics platform SenDISA and pioneered applications in diverse market segments. Under his leadership, the company has grown to over 60 engineers and marketing/sales executives with customers in overseas markets including Singapore, India, Europe, UAE and Canada.

Mr Challa has no other current or previous listed company directorships in the last three years.

*Special responsibilities:*
Member of the Audit and Risk Committee

*Interest in shares and options:*
78,539,256 ordinary shares and 6,600,000 options over ordinary shares

Mr David Smith

Executive Director and Company Secretary

*Qualifications:*
B Econ, Dip Mgmt – Exec MBA

*Experience:*
Mr Smith was previously an investment banker with more than 15 years' experience, working in both the capital markets and M&A globally, having worked at JPMorgan Chase, Ord Minnett and BBY Limited. Mr Smith was regularly ranked as one of the Top 10 Australian Investment Bankers in annual surveys and raised more than $4 billion for corporate clients.

With an extensive background in advising companies across all sectors, including technology, industrials and resources, Mr Smith has been integrally involved in the evolution of numerous emerging companies into multi-billion-dollar enterprises.

Mr Smith is a Non-Executive Director of RAW Capital Partners Holdings Limited, a UK based, international asset management business.

Mr Smith has no other current or previous listed company directorships in the last three years.

*Special responsibilities:*
Company Secretary

*Interest in shares and options:*
9,336,278 ordinary shares and 4,500,000 options over ordinary shares

Mr Zenon Pasieczny

Non-Executive Director

*Qualifications:*
MBA, Maastricht School of Management, The Netherlands

*Experience:*
Mr Pasieczny is an experienced venture capital investor screening 300+ deals annually and investing in only a handful. He backed SenSen for its outstanding potential as an Australian technology company with innovative and IP-driven solutions, helping it grow from an R&D focused start-up to a globally respected industry leader.

Mr Pasieczny is Director of venture capital firm Saphet Capital Management and Managing Director of The House Family Office providing strategic and commercial advice to a select global client list.

Mr Pasieczny completed his MBA from Maastricht School of Management, The Netherlands with a distinction in International Business.

Mr Pasieczny has no other current or previous listed company directorships in the last three years.

*Special responsibilities:*
Member of the Audit and Risk Committee

*Interest in shares and options:*
46,376,259 ordinary shares and nil options over ordinary shares

**Mr Jason Ko**

Non-Executive Director

*Qualifications:*
Bachelor of Computer Science (Dean's Scholar program), Monash University

*Experience:*
Mr Ko is the CEO of Moduware Pty Ltd, an IoT platform and consumer device business, and a Company Director and former CEO of Speedshield Technologies. As a CEO, Mr Ko led Speedshield from a loss-making business into a consistent $1M EBIT performer. Mr Ko is a Dean's scholar of Computer Science at Monash University with a keen sense and passion for IoT and businesses with a unique data proposition.

He brings a unique blend of high technical skill and business acumen with proven experience in setting up and operating businesses in Australia, China and the US.

Mr Ko has no current or previous listed company directorships in the last three years.

*Special Responsibilities:*
Member of the Audit and Risk Committee

*Interest in shares and options:*
Nil

**Mr Wayne Mitchell**

Ex-Executive Director (Resigned 13 October 2018)

*Qualifications:*
AASA, AAIM

*Experience:*
Mr Mitchell is a qualified accountant with over 30 years of extensive senior management experience in the natural resource sector; in Australia and Southeast Asia. In the early 1970's, Mr Mitchell and two partners were the initial promoters and developers of Thailand's major zinc deposit located at Mae Sot, Northern Thailand. This resource is now owned and operated by a Thai public company, Padaeng Industry Company Ltd. Mr Mitchell specialises in the areas of financial planning, fund raising and project evaluation.

He is also a past Chairman of listed company Central Victorian Gold Mines NL and a past director of Diversified Mineral Resources NL where he initiated and led the project team for the Burton Downs Coal project taken over by Portman Mining before being sold for more than $200 million. Mr Mitchell was a co-founder and chairman of Coalworks, which was acquired by Whitehaven Coal.

Mr Mitchell has no other current or previous listed company directorships in the last three years.

*Special responsibilities:*
Past member of the Audit and Risk Committee

*Interest in shares and options*:*
5,158,356 ordinary shares and nil options over ordinary shares

**Mr Wesley Harder**

Ex-Executive Director (resigned 13 October 2017)

*Qualifications:*
B Sc, Dip SIA, M Aus IMM

*Experience:*
Mr Harder is a former coal analyst with Jackson Ltd, stockbrokers, and has also worked with a number of other stockbrokers, including Ord Minnett and Frank Renouf. He has also worked as a field exploration geologist for 15years in Australia and its near neighbours including Sumatra and Irian Jaya in Indonesia, mainland Papua New Guinea and New Britain Island, many parts of the Solomon Islands and Fiji.

In Australia he worked in New South Wales, Queensland, The Northern Territory and Tasmania. He has worked in tropical and arid environments searching for a range of mineral commodities including coal, gold, copper and uranium for companies including Newmont Mining Inc., Placer Prospecting Ltd, Pancontinental Mining Limited and Gujarat NRE Coking Coal Ltd. Mr Harder was a Founding Director & CEO of Zinico Resources NL and its successors for 5 years and was a founding shareholder of Coalworks.

Mr Harder has no other current or previous listed company directorships in the last three years.

*Special responsibilities:*
Past member of the Audit and Risk Committee.

*Interest in shares and options*:*
1,954,992 ordinary shares and nil options over ordinary shares

**Mr Michael Rhodes (deceased 16 June 2018)**

Ex Non-Executive Director (resigned 13 October 2017)

*Qualifications:*

*Experience:*
Mr Rhodes was a highly experienced drilling engineer having worked around the world including South East Asia and the Middle East. Mr Rhodes lived and worked in Indonesia for over 20 years and previously established a successful infrastructure and logistics company in Balikpapan.

Mr Rhodes had no other current or previous listed company directorships in the last three years.

*Special responsibilities:*
Past Chairman of the Audit and Risk Committee

*Interest in shares and options*:*
1,426,563 ordinary shares and nil options over ordinary shares

*interest in shares and option at date of resignation

**Ms Heather Scheibenstock**

Non-Executive Director (appointed 7 September 2018)

*Qualifications:*
GAICD

*Experience:*
Ms Scheibenstock has over 25 years' experience within the gaming and hospitality industries specialising in strategic planning, business development, stakeholder engagement and offshore growth.

From 2014-2016, Ms Scheibenstock was Senior Vice-President of Table Games at Bloomberry Resorts Corporation (PN:BLOOM), based in the Philippines at the Solaire Resort and Casino. Reporting to the President and COO, she managed a team of 2000 and was responsible for the planning and execution of Gaming strategy to drive growth, efficiencies/productivity, and excellence in customer service whilst ensuring the integrity of gaming and maintaining strict compliance with regulatory policies and procedures.

Prior to that, Ms Scheibenstock held numerous roles while working as a senior executive at Echo Entertainment Group/The Star (ASX:SGR) from 1995-2013. From 2010-2013, she was General Manager of Gaming and Member of the Executive Leadership Team, where she developed the strategy and overall direction of the Gaming and VIP services division. As General Manager EGM, Sales and Customer Relations at The Star Gold Coast before that, Ms Scheibenstock was responsible for strategies and business development in Electronic Gaming, VIP International Sales, customer relations and the Star loyalty/rewards program.

Ms Scheibenstock is currently a Non-Executive Director of ASX-listed global gaming company, Ainsworth Game Technology (ASX:AGI).

*Special responsibilities:*
Member of the Audit and Risk Committee.

*Interest in shares and options:*
Nil

## Principal Activities

The principal activities of the group during the year were to develop and sell SenDISA platform-based products and services into 2 major market segments:

- **Intelligent Transportation Systems**: civic compliance, traffic data and law enforcement solutions to city councils, national parks, road authorities and transit agencies across the globe.
- **Retail & Leisure:** delivering accurate actionable insights about casino table game occupancy, hands per hour, bet type and value for every bet placed on the gaming floor.

## Dividends – SenSen Networks Limited

No dividends have been declared in the 2018 financial year (2017: no dividend declared).

## Review of Operations

Information on the operations of the groups, its business strategies and prospects is set out in the Review of Operations and Activities on page 6 and in the Chairman's Letter on page 2.

## Operating Results

The Group's net loss after tax was $9,220,416 (2017: Loss of $1,163,673). The loss for the year included an income tax credit of $66,892, notional corporate restructure expense of $5,229,773 (non-cash expense), non-cash share-based payment expense of $2,019099 and one-off transaction costs of the reverse takeover of $886,076.

## Shares

The following shares were issued during the year:

| **Shares as at 30 June 2017** | |
|---|---|
| Number of Shares on issue (pre-Consolidation) | 183,476,469 |
| Number of Shares on issue (post-Consolidation) | 18,347,952 |

| **SPP Offer at 18 October 2017** | |
|---|---|
| Number of New Shares issued under the SPP Offer (SPP Offer Subscription Amount) | 15,000,000 Shares |
| Cash proceeds of the SPP Offer | $1,500,000 |

| **General Offer at 18 October 2017** | |
|---|---|
| Maximum number of New Shares issued under the General Offer (General Offer Maximum Subscription) | 50,000,000 |
| Maximum cash proceeds of the General Offer (General Offer Maximum Subscription) | $5,000,000 |

| Vendor Offer at 18 October 2017 | |
|---|---|
| Total number of Consideration Shares issued under the Vendor Offer | 273,764,706 |
| Cash proceeds of the Vendor Offer | Nil |

| Other Share issues at 18 October 2017 | |
|---|---|
| Number of Shares issued on conversion of 50% of the Director Loans and CFO Loan | 9,822,420 Shares |
| Total number of Shares issued to the SenSen Corporate Advisor and Joint Lead Manager by way of the Introduction and Advisory Fee | 3,209,201 Shares |
| Number of Shares issued on conversion of Notes | 6,689,850 Shares |

| Placement Shares issued on 24 May 2018 | |
|---|---|
| Total number of Shares issued by way of placement (This is the sum of all Shares detailed above) | 34,481,766 |
| Shares | |
| Cash proceeds of the placement | $4,700,000 (net of $300,000 capital raising fee) |

| Total Shares as at 30 June 2018 | |
|---|---|
| Total number of Shares on issue (post-Consolidation) | |
| (This is the sum of all Shares detailed above) | 411,315,895 |

### Shares under option

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 |
|---|---|---|---|
| 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 |
| | | | **15,600,000** |

Included in these options were options granted as remuneration to key management personnel during the year.

In addition, further option grants were awarded to key management personnel and staff on 20 March 2018. These grants are subject to performance conditions and may vest after the publication of this annual report.

Details of all options granted to key management personnel are disclosed in the Remuneration report.

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.

### Significant changes in the state of affairs

On 12 April 2017, the Company entered into a Share Purchase Agreement ("SPA") with all of the shareholders of SenSen Networks Group Pty Ltd ("SenSen P/L"). The Company acquired 100% of SenSen P/L by the purchase of all the shares in SenSen P/L from the shareholders of SenSen P/L, in exchange for the issue of shares in the Company. On 1 September 2017, a Prospectus was issued for the offer of 15,000,000 New Shares to eligible Company shareholders under a Share Purchase Plan, up to 50,000,000 New Shares to eligible investors under a General Offer, and 273,764,706 Consideration Shares to the Vendors in consideration for the acquisition of all of the shares in SenSen. Subsequently, a supplementary prospectus was issued on 14 September 2017 with an update on 25 September 2017.

The transaction was completed on 18 October 2017 and included a capital raising of $6.5 million. Pursuant to the SPA, the company issued 273,764,706 shares to the shareholders of SenSen P/L as a consideration for the acquisition. As a result, the company acquired a 100% interest in SenSen P/L.

The transaction has therefore been accounted for as a reverse acquisition from a consolidated perspective, where SenSen Networks Group Pty Ltd is the accounting acquirer and SenSen Networks Limited is the legal acquirer.

### Events after the Reporting Period

On 27 July 2018, 2,435,068 ordinary shares were issued to key management personnel and staff as part of the Long-Term Incentive Plan.

The establishment of the SenSen Long-Term Incentive Plan ("the Plan") was approved by shareholders at the 2017 annual general meeting (AGM) and is detailed on the company's website. The Plan is designed to provide long-term incentives for employees, including directors, to deliver long-term shareholder returns. Under the Plan, participants are granted options which only vest if certain performance standards are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected the groups' operations, results or state of affairs, or may do so in future years

### Likely developments and review of operations

Comments on review of operations of the Group are included in the annual report under the Review of Operations and Activities on page 6.

Further information on likely developments in the operations of the Group and the expected result of operations have not been included in the annual financial report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

### Environmental regulations

The Group is subject to environmental regulations in Australia and in foreign countries where it operates. To the best of the Directors' knowledge, all activities have been undertaken in compliance with these environmental regulations.

### Directors' Meetings

The Company held six Directors' meetings during the year and two Audit and Risk Committee meetings.

The attendances of the directors in office during the year at meetings of the Board and Committees were:

| Director | Board of Directors | | Audit and Risk Committee | |
|---|---|---|---|---|
| | Number Eligible to attend | Number Attended | Number Eligible to attend | Number Attended |
| Subhash Challa | 5 | 5 | 1 | 1 |
| David Smith | 6 | 6 | 2 | 2 |
| Zenon Pasieczny | 5 | 5 | 1 | 1 |
| Jason Ko | 5 | 5 | 1 | 1 |
| Wayne Mitchell | 1 | 1 | 1 | 1 |
| Wesley Harder | 1 | 1 | 1 | 1 |
| Michael Rhodes | 1 | 1 | 1 | 1 |

The Directors are pleased to present the Company's 2018 remuneration report which sets out remuneration information for the Company's executive directors, non-executive directors and other key management personnel.

## (a) Details of Directors and Key Management Personnel during the year ended 30 June 2018

Mr Subhash Challa, Executive Chairman (Appointed 13 October 2017)
Mr Zenon Pasieczny, Non-Executive Director (Appointed 13 October 2017)
Mr David Smith, Executive Director
Mr Jason Ko, Non-Executive Director (Appointed 13 October 2017)
Mr Wayne Mitchell, Executive Chairman (Resigned 13 October 2017)
Mr Wesley Harder, Executive Director (Resigned 13 October 2017)
Mr Mike Rhodes, Non-Executive Director (Resigned 13 October 2017)
Mr Tony Lynch, Chief Financial Officer

The above Key Management Personnel (KMP) are the KMP of the Company, there are no other KMP in the Group.

*Changes since the end of the reporting period*

Ms Heather Scheibenstock has been appointed as a Non-executive Director on 7 September 2018.

## (b) Remuneration governance

The Company does not have a remuneration committee, with remuneration decisions made by the Board on: -

- The over-arching executive remuneration framework
- Operation of the incentive plans which apply to the executive team including key performance indicators and performance hurdles
- Remuneration levels of executive directors and the key management personnel, and
- Non-executive director fees

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

## (c) Executive remuneration policy and framework

Remuneration levels are competitively set to attract the most qualified and experienced directors and executives.

The remuneration structures outlined below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creating shareholder value.

The Board ensures that executive reward satisfies the following criteria for good reward corporate governance practices:
– competitiveness and reasonableness;
– acceptability to shareholders;
– performance linkage/alignment of executive compensation;
– transparency; and
– capital management.

The executive remuneration framework has two components
- base pay and benefits, including superannuation;
- long-term incentives (LTIs) through participation in the SenSen Long Term Incentive Plan ("the Plan").

The payment of LTIs is conditional on the achievement of set performance criteria.

(d) **Long-term incentives (LTIs)**

The establishment of the SenSen Long-Term Incentive Plan ("The Plan") was approved by shareholders at the 2017 annual general meeting (AGM). The Plan is designed to provide long-term incentives for employees including directors, to deliver long-term shareholder returns. Under the Plan, participants are granted LTI shares and options which only vest if certain performance standards are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

Options granted under the Plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

(e) **Non-executive Director remuneration**

Non-executive Directors receive director's fees plus superannuation contributions to a complying fund.

Fees are reviewed annually by the Board taking into account comparable roles and market data. These fees are subject to the annual limit outlined below.

(f) **Shareholder approved Non-executive Directors' fees pool**

The maximum annual aggregate non-executive directors' fee pool limit is $400,000 and was approved by shareholders at the 2017 annual general meeting held on 30 November 2017.

(g) **Voting and comments made at the company's 2017 Annual General Meeting**

SenSen Networks Limited received more than 99% of 'yes' votes on its remuneration report for the 2017 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration policies.

(h) **Group's performance and link to remuneration**

In considering the consequences of the Company's performance on shareholder wealth the Board is focused on total shareholder returns. The Company's Long-Term Incentive Plan is heavily performance based and the vesting of Key Management Personnel and staff options is dependent on the company meeting specific revenue targets.

(i) **Use of remuneration consultants**

The company did not engage remuneration consultants during the financial year ended 30 June 2018.

(j) **Details of Remuneration**

SenSen Networks Limited (formerly Orpheus Energy Limited) (the Company) acquired SenSen Networks Group Pty Ltd (SenSen P/L) on 18 October 2017. From a legal and taxation perspective the Company is considered the acquiring entity ("Legal Parent"). However, the acquisition has the features of a reverse acquisition as described in the Australian Accounting Standard AASB 3 *Business Combinations* (AASB 3) because the acquisition resulted in SenSen P/L shareholders holding a controlling interest in the Company after the transaction notwithstanding the Company being the legal parent of the Group. Hence, SenSen P/L (the main operating company) is considered the "Accounting Parent".

*Details of remuneration of key management personnel of SenSen Networks Limited (Legal parent)*

| 2018 | Short term employee benefits | | | Post-Employment Benefit | Long Term | Share-based payments | Total |
|---|---|---|---|---|---|---|---|
| Name | Directors Fees $ | Salary $ | Consulting Fees $ | Super-annuation $ | Long Service Leave $ | Shares and Options $ | $ |
| **Directors** | | | | | | | |
| W. Mitchell | - | - | - | - | - | - | - |
| D. Smith | - | - | 21,000 | - | - | - | 21,000 |
| W. Harder | - | - | - | - | - | - | - |
| M. Rhodes | - | - | - | - | - | - | - |
| **Other Key Management Personnel** | | | | | | | |
| B. Neal (CFO) | - | - | 16,320 | - | - | - | 16,320 |
| | **-** | **-** | **37,320** | **-** | **-** | **-** | **37,320** |

| 2017 | Short term employee benefits | | | Post-Employment Benefit | Long Term | Share-based payments | Total |
|---|---|---|---|---|---|---|---|
| Name | Directors Fees $ | Salary $ | Consulting Fees $ | Super-annuation $ | Long Service Leave $ | Shares and Options $ | $ |
| **Directors** | | | | | | | |
| W. Mitchell | - | - | - | - | - | - | - |
| D. Smith | - | - | 72,000 | - | - | - | 72,000 |
| W. Harder | - | - | - | - | - | - | - |
| M. Rhodes | - | - | - | - | - | - | - |
| **Other Key Management Personnel** | | | | | | | |
| B. Neal (CFO) | - | - | 50,101 | - | - | - | 50,101 |
| | **-** | **-** | **122,101** | **-** | **-** | **-** | **122,101** |

*Details of remuneration of key management personnel of SenSen Networks Group Pty Ltd (Accounting Parent)*

| 2018 | Short-term Employee Benefits | Post-Employment Benefit | Long-term | Share-based payments | Share-based payments | Total |
|---|---|---|---|---|---|---|
| Name | Salary and Fees | Superannuation | Long Service Leave | Shares | Options | |
| | $ | $ | $ | $ | $ | $ |
| **Directors** | | | | | | |
| S Challa | 273,000 | 25,935 | - | 92,571 | 649,248* | 1,040,754 |
| D Smith | 176,136 | 16,733 | - | 77,143 | 442,669* | 712,681 |
| Z Pasieczny | 38,000 | 2,256 | - | - | - | 40,256 |
| J Ko | 38,000 | 2,256 | - | - | - | 40,256 |
| **Other key management personnel** | | | | | | |
| T Lynch (CFO) | 117,000 | - | - | 37,029 | 60,938* | 214,966 |
| | **642,136** | **47,181** | **-** | **206,743** | **1,152,855*** | **2,048,914** |

* The amounts included in the share-based remuneration represent the fair value of the options at grant date, amortised on a straight-line basis over the expected vesting period. The option amounts above do not represent cash amounts and are the product of a model-based valuation using a Black Scholes method and, in some cases, carry performance conditions around the company's financial performance.  These valuations are the subject of certain assumptions that may change from year to year and so will be re-performed at each reporting period.

| 2017 | Short-term Employee Benefits | Post-Employment Benefit | Long-term | Share-based payments | Share-based payments | Total |
|---|---|---|---|---|---|---|
| Name | Salary and Fees | Superannuation | Long Service Leave | Shares | Options | |
| | $ | $ | $ | $ | $ | $ |
| **Directors** | | | | | | |
| S Challa | 219,000 | - | - | - | - | 219,000 |
| D Smith | - | - | - | - | - | - |
| Z Pasieczny | - | - | - | - | - | - |
| **Other key management personnel** | | | | | | |
| T Lynch (CFO) | - | - | - | - | - | |
| | **219,000** | **-** | **-** | **-** | **-** | **219,000** |

(k) **Details of share-based payments**

The following ordinary shares and options over ordinary shares were issued as part of compensation to key management personnel during the year ended 30 June 2018. There were no share-based payment grants to Key Management Personnel for the year ended 30 June 2017.

*Shares*

| 2018 | Grant Date | No of Shares awarded | Valuation for year ended 30 June 2018 |
|---|---|---|---|
| S Challa | 20 March 2018 | 514,286 | $92,571 |
| D Smith | 20 March 2018 | 428,571 | $77,142 |
| T Lynch | 20 March 2018 | 205,714 | $37,028 |
| | | **1,148,571** | **$206,742** |

*Options*

| | Name | Grant Date | Vesting Date | Expiry Date | Exercise Price | No. of options granted | No. of options vested | % options vested | Valuation for year ended 30 June 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Tranche 1 | S Challa | 30 Nov 2017 | 30 Nov 2017 | 4 Dec 2020 | 25c, 35c and 45c in equal proportion | 6,600,000 | 6,600,000 | 100% | $323,400 |
| Tranche 2 | S Challa | 20 March 2018 | See conditions below | 30 Sept 2021 | See conditions below | 6,600,000 | 6,340,620 | 96% | $276,108 |
| Tranche 3 | S Challa | 20 March 2018 | See conditions below | 30 Sept 2022 | See conditions below | 6,600,000 | - | 0% | $49,740 |
| Tranche 1 | D Smith | 30 Nov 2017 | 30 Nov 2017 | 4 Dec 2020 | 25c, 35c and 45c in equal proportion | 4,500,000 | 4,500,000 | 100% | $220,500 |
| Tranche 2 | D Smith | 20 March 2018 | See conditions below | 30 Sept 2021 | See conditions below | 4,500,000 | 4,323,150 | 96% | $188,256 |
| Tranche 3 | D Smith | 20 March 2018 | See conditions below | 30 Sept 2022 | See conditions below | 4,500,000 | - | 0% | $33,913 |
| Tranche 2 | T Lynch | 20 March 2018 | See conditions below | 30 Sept 2021 | See conditions below | 1,234,286 | 1,185,778 | 96% | $51,636 |
| Tranche 3 | T Lynch | 20 March 2018 | See conditions below | 30 Sept 2022 | See conditions below | 1,234,286 | - | 0% | $9,302 |
| | | | | | | **35,768,572** | **22,949,549** | | **$,1,152,855** |

If all of the above options granted to Key Management Personnel were to vest and be exercised, excluding the time value of money, the Company could receive cash proceeds of up a to a maximum of $8,325,343 on the potential exercise of these options in the period from the vesting date to their expiry date which extends to 30 September 2022. It is not expected that all options that have been granted will vest.

The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

During the year, no options were exercised by directors or other key management personnel.

Tranche 1 LTI Incentive Options have exercise prices of $0.25, $0.35 and $0.45 in three equal lots

Tranche 2 and 3 LTI Performance Options were granted on the basis of the following conditions:

| Issue conditions | Exercise Price |
|---|---|
| Tranche 2<br>Upon satisfaction of the following hurdle:<br>• LTI Options (Performance) are only issued should the Company increase its year on year revenue, commencing from the audited revenue of $2,065,570, as reported in the 2017 Annual Report of SenSen P/L.<br>• LTI Options (Performance) will be issued based on the percentage increase in audited revenue performance year-on-year. The Company must achieve a minimum 50% increase in revenue from 2017 to 2018 or no LTI Options (Performance) will be issued. | Five-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 |
| Tranche 3<br>Upon satisfaction of the following hurdle:<br>• LTI Options (Performance) are only issued should the Company increase its year on year audited revenue, as reported in the 2019 Annual Report.<br>• LTI Options (Performance) will be issued based on the percentage increase in audited revenue performance year-on-year. The Company must achieve a minimum 50% increase in revenue from 2018 to 2019 or no LTI Options (Performance) will be issued. | Five-day VWAP of the Company's shares, following the ASX release of the Company's Annual Report, for the financial year ended 30 June 2019 |

**Fair value of options granted**

The fair value of the equity-settled share options is estimated as at the date of grant using a binomial or other appropriate model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used in the valuation of the options granted in 2018.

| | 2018 |
|---|---|
| Expected Volatility | 65% |
| Risk-free rate | 2.1% |
| Expected life | 3 years |
| Dividend yield | 0% |
| Weighted average exercise price | $0.23 |
| Share price at grant date | $0.17 |

There were no options granted during the year ended 30 June 2017.

## (l) Key Management Personnel Shareholdings

### *(i) Option holdings of key management personnel in SenSen Networks Limited (Legal parent)*

| | Balance at 1 July 2017 | Granted as remuneration | Options not vested due to performance conditions not met | Options forfeited or lapsed | Balance as at 30 June 2018 | Total Vested | Total Non-vested |
|---|---|---|---|---|---|---|---|
| S Challa | - | 19,800,000 | (259,380) | - | 19,540,620 | 12,940,620 | 6,600,000 |
| D Smith | - | 13,500,000 | (176,850) | - | 13,323,150 | 8,823,150 | 4,500,000 |
| T Lynch | - | 2,468,571 | (48,507) | - | 2,420,064 | 1,185,779 | 1,234,286 |

### *(ii) Option holdings of key management personnel in SenSen Networks Group Pty Limited (Accounting parent)*

There were no option holdings by key management personnel in the accounting parent.

### *(iii) Shareholdings of key management personnel in SenSen Networks Limited (Legal parent)*

| | Balance at 1 July 2017 (Pre-consolidation) | Balance at 1 July 2017 (Post consolidation) | Acquisition of SenSen Networks Group Pty Ltd | Shares issued on exercise of options | Other changes during the year | Balance held at 30 June 2018 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| S Challa | - | - | 78,024,970 | - | 514,286 | 78,539,256 |
| D Smith | 36,500,000 | 3,650,000 | 2,241,197 | - | 3,445,081 | 9,336,278 |
| Z Pasieczny | - | - | 46,376,259 | - | - | 46,376,259 |
| J Ko | - | - | - | - | - | - |
| W. Mitchell* | 15,264,210 | 1,526,421 | - | - | (1,526,421) | - |
| W. Harder* | 6,452,824 | 645,282 | - | - | (645,282) | - |
| M. Rhodes* | 4,277,833 | 427,784 | - | - | (427,784) | - |
| **KMP** | | | | | | |
| T Lynch | - | - | - | - | 205,174 | 205,174 |
| **Total** | **62,494,867** | **6,249,487** | **126,642,426** | **-** | **8,336,920** | **141,258,833** |

*Mr Mitchell, Mr Harder and Mr Rhodes are no longer considered Key Management Personnel after the date of their resignation and as such their shareholdings, for this purpose, are listed above as nil as at 30 June 2018. All three ex-directors retained shareholdings in the Company at that date.

*(iv) Shareholdings of key management personnel in SenSen Networks Pty Limited (Accounting parent)*

| | Balance at 1 July 2017 | Acquisition of SenSen Networks | Other changes during the year | Balance held at 30 June 2018 |
|---|---|---|---|---|
| Directors | | | | |
| S Challa | 1,783,965 | (1,783,965) | - | - |
| Z Pasieczny | 516,851 | (516,851) | - | - |
| J Ko | - | - | - | - |
| KMP | | | | - |
| T Lynch | - | - | - | - |
| **Total** | **2,300,816** | **(2,300,816)** | **-** | **-** |

### (m) Loans from key management personnel

As part of the acquisition, each of the following ex-Directors of the Company and then Chief Financial Officer agreed to convert 50% of the amounts owing to them by the Company into Shares.

The details of the 50% of the Company's previous Directors' and CFO's Loans converted in to Shares at date of acquisition are provided below:

| Name | Total Outstanding Debt as 1 July 2017 | Amount Converted into Shares- 50% | Shares Issued ($0.10 per Share) | Total Outstanding Debt as at 30 June 2018 |
|---|---|---|---|---|
| W Mitchell | $726,387 | $363,193 | 3,631,935 | $363,193 |
| D Smith | $603,303 | $301,652 | 3,016,515 | $301,652 |
| W Harder | $261,942 | $130,971 | 1,309,710 | $130,971 |
| M Rhodes | $199,756 | $99,878 | 998,780 | $99,878 |
| B Neal | $173,096 | $86,548 | 865,480 | $86,548 |
| **TOTAL** | **$1,964,484** | **$982,242** | **9,822,420** | **$982,242** |

The remaining balances above will be repaid within 12 months of completion of the acquisition in cash, or in Shares, at the election of the Company's Board. If the Company's Board elects to repay the loans in Shares, this will be subject to Shareholder approval and the number of Shares to be issued will be calculated by dividing the relevant balances by the 30-day VWAP of the Shares trading on ASX.

As at 30 June 2018 the amounts of $982,242 above were recorded as liabilities in the annual report as follows:

- Borrowings - $343,284 for Company's previous directors' loans. Refer note 14.
- Trade and other payables - $638,958 for outstanding payroll and tax liabilities to Company's previous CFO and directors

There were no loans owing by key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2018.

(n) Other transactions with key management personnel

There were no other transactions with key management personnel of the group, including their close family members and entities related to them, during the financial year ended 30 June 2018.

(o) Service Agreements with key management personnel

The Company's policy is to enter into service contracts with executive directors and senior executives on appointment that are unlimited in term but capable of termination on specified notice periods; and that the Company has the right to terminate the contract immediately by making payment equal to the specified notice period as pay in lieu of notice other than for misconduct when termination is immediate. The executive directors and senior executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual leave and long service leave.

The service contract outlines the components of remuneration paid to the executive directors and key management personnel but does not prescribe how remuneration levels are modified year to year.

End of Remuneration Report (Audited)

## Auditor's Independence Declaration

The directors received the Independence Declaration from the lead auditor of SenSen Networks Limited which is appended to this report on page 37.

## Non-Audit Services

The auditor, BDO, also performed the following services to the company during the year.

| | $ |
|---|---|
| BDO Audit Pty Ltd – Investigating accountants report | 11,500 |
| Other services provided by BDO Audit Pty Ltd related entities | 77,860 |
| | **89,360** |

## Indemnifying and Insurance of Directors and Officers

During or since the end of the previous financial year, the Company has given an indemnity or entered into an agreement to indemnity, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure all of the Directors and key management personnel of the Company as named above, the Company Secretary, and all executive officers of the Company against any liability incurred as such by Directors, the Secretary or Executive Officers to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnification has been obtained for the auditors of the Company or the Group.

## Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

This report has been signed in accordance with a resolution of the directors.

Subhash Challa, Chairman

21 September 2018

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 M CUTRI TO DIRECTORS OF SENSEN NETWORKS LIMITED (FORMERLY ORPHEUS ENERGY LIMITED)**

As lead auditor of SenSen Networks Limited (formerly Orpheus Energy Limited) for the year ended 30 June 2018, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

**M Cutri**

Director

**BDO Audit Pty Ltd**

Brisbane, 21 September 2018

BDO

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 REPORT**

To the members of SenSen Networks Limited (Formerly Orpheus Energy Limited)

**Report on the Audit of the Financial Report**

**Opinion**

We have audited the financial report of SenSen Networks Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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* (the Code) that are relevant to our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO

***Accounting for Reverse Acquisition***

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| As disclosed in note 2 of the financial report, the company acquired SenSen Networks Group Pty Ltd (unlisted entity incorporated in Australia).<br><br>The accounting for the reverse acquisition is a key audit matter due to the effect of the arrangement which is accounted for as SenSen Networks Group Pty Ltd (the accounting parent) issuing a share-based payment in return for the assets acquired in the company and listing status. Furthermore, the judgment is involved in the determination of the value of the purchase consideration settled by way of a share-based payment. | Our procedures included, but were not limited to:<br><br>• Obtaining an understanding of the transaction including an assessment of the accounting acquirer and whether the transaction constituted a business or asset acquisition;<br><br>• Assessing management's proposed accounting treatment in accordance with applicable accounting standards;<br><br>• Evaluating the basis of the valuation of the share-based payment (or fair value of consideration) and challenged the underlying assumption of the valuation against comparable transactions and market data.<br><br>• Checking the calculation of the share-based payment, fair value of identifiable net assets acquired, including any separately identifiable intangible assets, and listing expense.<br><br>• Considering whether any fair values or adjustments to fair values have been dealt with in accordance with generally accepted accounting principles.<br><br>• Assessing the appropriateness of the acquisition journals at acquisition date and checking that the disclosures in the financial statements are in accordance with the basis of preparation as disclosed in note 1(a) for the reverse acquisition.<br><br>• Assessing the adequacy of the related disclosures in the financial report. |

BDO

**Revenue recognition**

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| The group generates revenue from multiple streams including sales of goods & rendering of services as disclosed in Note 1 (b).<br><br>The amount of revenue recognised during the year for sales and other services is dependent on the appropriate identification on the timing of transfer of the significant risks and rewards of ownership to the buyer.<br><br>In our view, revenue recognition is significant to our audit due to the significance of revenue to the financial report and the complex nature of accounting for the appropriate timing of revenue related to the sales of goods & rendering of services. | Our procedures included, amongst others:<br>• Assessing the Group's revenue recognition policy's for compliance with Australian Accounting Standards.<br>• Testing a sample of revenue transactions and reviewing the terms and conditions of the executed contracts and other supporting evidence to ensure that the accounting treatment had been correctly applied, including evaluating whether performance obligations had been met and revenue had been recognised in the correct period. This included assessing whether the significant risks and rewards of ownership as detailed in the customer contract had passed to the buyer.<br>• Performing cut-off testing to ensure that revenue transactions around year end have been recorded in the correct reporting period.<br>• Performing a detailed analysis of revenue and the timing of its recognition based on expectations derived from our knowledge of the Group's products and the market it operates in. |

BDO

**Share-Based Payments**

| ***Key audit matter*** | ***How the matter was addressed in our audit*** |
|---|---|
| During the year ended 30 June 2018, the Company issued performance options and shares to employees including key management personnel, which were accounted for as share-based payments under AASB 2: Share Based Payments.<br><br>Share-based payments are a complex accounting area including assumptions utilised in the fair value calculations and judgments regarding the performance options and shares issued during the year. There is a risk in the financial report that amounts are incorrectly recognised and/or inappropriately disclosed.<br><br>Refer to Note 1(o) of the financial report for a description of the accounting policy and significant estimates and judgements applied to these transactions. | Our audit procedures included but not limited to:<br>• Evaluating the management's assessment of the valuation and recognition of the performance options and shares.<br>• Obtaining an understanding of the key terms and conditions of the performance options and shares by inspecting relevant agreements.<br>• Holding discussions with the management to understand the share-based payments arrangements in place and evaluating management's assessment of the likelihood of meeting the performance condition attached to the performance options.<br>• Recalculating the estimated fair value of the performance options using the Black-Scholes option valuation methodology, including assessing the reasonableness of the key inputs used in the Company's valuation model.<br>• Reviewing the adequacy of the Company's disclosures in respect of the accounting treatment of share-based payments in the financial statements, including the significant judgments involved, and the accounting policy adopted. |

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

**Report on the Remuneration Report**

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 27 to 35 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of SenSen Networks Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit Pty Ltd**

BDO
M Cutri

**M Cutri**
Director

Brisbane, 21 September 2018

In accordance with a resolution of the Directors of SenSen Networks Limited, the Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 44-79.
    a) comply with Australian Accounting Standards and interpretations, and Corporations Act Regulations 2001, which confirms compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board; and
    b) give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
2. 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; and
3. the Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Subhash Challa

Chairman

21 September 2018

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

| | Note | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|---|
| **Revenue** | | | |
| Sales Revenue | 4 | 4,049,910 | 2,065,570 |
| Cost of Sales | | (1,611,886) | (844,143) |
| Gross Profit | | 2,438,024 | 1,221,427 |
| Other income | 4 | 723,140 | 847,349 |
| Interest income | | 9,274 | 1,276 |
| **Expenses** | | | |
| Consulting expense | | (930,833) | (928,926) |
| Employee benefits expense | 5 | (2,706,017) | (862,030) |
| Employee benefits expense – share based payments | | (2,019,099) | - |
| Occupancy expense | | (361,954) | (132,943) |
| Marketing expense | | (221,044) | (218,520) |
| Administration expense | | (215,089) | (215,280) |
| Depreciation and amortisation expense | | (39,797) | (38,784) |
| Finance costs | | (112,767) | (103,185) |
| Corporate restructure expense | | (5,229,773) | - |
| Other expenses | | (621,373) | (411,295) |
| **(Loss) before income tax** | | **(9,287,308)** | **(840,911)** |
| Income tax (expense)/benefit | 6 | 66,892 | (322,762) |
| **(Loss) for the period** | | **(9,220,416)** | **(1,163,673)** |
| Loss attributable to members of the parent entity | | (9,220,416) | (1,163,673) |
| | | **(9,220,416)** | **(1,163,673)** |
| **Other comprehensive income** | | | |
| ***Items that may be reclassified to profit or loss*** | | | |
| Exchange differences on translation of foreign controlled entities | | 27,369 | (982) |
| **Total comprehensive income for the period** | | **27,369** | **(982)** |
| **Total comprehensive income for the period attributable to:** | | | |
| - Members of the parent entity | | **(9,193,047)** | **(1,164,655)** |
| **Loss per share:** | | | |
| Basic and diluted loss per share (cents) | 7 | **(3.99)** | **(8.48)** |

*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

# Consolidated Statement of Financial Position

As at 30 June 2018

| | Note | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 9 | 6,556,928 | 54,034 |
| Trade and other receivables | 11 | 387,961 | 322,411 |
| Other assets | | 243,730 | 63,061 |
| **Total Current Assets** | | **7,188,619** | **439,506** |
| **Non-Current Assets** | | | |
| Other receivables | | 73 | 39,783 |
| Property, plant and equipment | 12 | 204,870 | 113,318 |
| Deferred tax assets | 6 | 337,019 | 71,301 |
| **Total Non-Current Assets** | | **541,962** | **224,402** |
| **TOTAL ASSETS** | | **7,730,581** | **663,908** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 13 | 1,526,375 | 1,229,616 |
| Tax liabilities | | 237,600 | - |
| Other liabilities | | 46,423 | 1,036,606 |
| Borrowings | 14 | 1,388,947 | 1,203,751 |
| **Total Current Liabilities** | | **3,199,345** | **3,469,973** |
| **Non-Current Liabilities** | | | |
| Other payables | | - | - |
| Borrowings | 14 | - | 495,693 |
| **Total Non-Current Liabilities** | | **-** | **-** |
| **TOTAL LIABILITIES** | | **3,199,345** | **3,965,666** |
| **NET ASSETS** | | **4,531,236** | **(3,301,758)** |
| **EQUITY** | | | |
| Issued capital | 15 | 28,731,865 | 13,724,923 |
| Reserves | 16 | 2,045,486 | (982) |
| Accumulated losses | | (26,246,115) | (17,025,699) |
| **TOTAL EQUITY** | | **4,531,236** | **(3,301,758)** |

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

| | Issued Capital | Consolidated<br>Accumulated Losses | Reserves | Total Equity |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at 1 July 2016** | **12,775,283** | **(15,862,026)** | **-** | **(3,086,743)** |
| Loss for the year | - | (1,163,673) | - | (1,163,673) |
| Other comprehensive income for the period | - | - | (982) | (982) |
| **Total comprehensive loss for the period** | **-** | **(1,163,673)** | **(982)** | **(1,164,655)** |
| **Transactions with owners in their capacity as owners** | | | | |
| Shares issued during the year (Note 15) | 999,980 | - | - | 999,980 |
| Share issue costs (Note 15) | (50,340) | - | - | (50,340) |
| **Balance at 30 June 2017** | **13,724,923** | **(17,025,699)** | **(982)** | **(3,301,758)** |
| **Balance at 1 July 2017** | **13,724,923** | **(17,025,699)** | **(982)** | **(3,301,758)** |
| Loss for the period | - | (9,220,416) | - | (9,220,416) |
| Other comprehensive income for the period | - | - | 27,369 | 27,369 |
| **Total comprehensive loss for the period** | - | (9,220,416) | 27,369 | (9,193,047) |
| **Transactions with owners in their capacity as owners** | | | | |
| Acquired from reverse acquisition (refer to note 2) | 10,306,942 | - | - | 10,306,942 |
| Shares issued during the year (Note 15) | 5,000,000 | - | - | 5,000,000 |
| Share issue costs (Note 15) | (300,000) | - | - | (300,000) |
| Share Based Payments (Note 22) | - | - | 2,019,099 | 2,019,099 |
| **Balance at 30 June 2018** | **28,731,865** | **(26,246,115)** | **2,045,486** | **4,531,236** |

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

# Consolidated Statement of Cash Flows

For the year ended 30 June 2018

| | Note | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 3,038,745 | 2,033,038 |
| Payments to suppliers and employees | | (7,711,679) | (3,456,634) |
| Interest received | | 60,942 | 1,276 |
| Finance costs | | (54,145) | (103,185) |
| Government grants received | | 723,140 | 838,577 |
| Taxation | | (228,836) | - |
| **Net cash used in operating activities** | 10 | **(4,171,833)** | **(686,928)** |
| **Cash flows from investing activities** | | | |
| Purchase of plant and equipment | | (134,901) | (27,419) |
| Cash from acquisition of subsidiary | | 6,422,440 | - |
| **Net cash provided by investing activities** | | **6,287,539** | **(27,419)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 5,050,000 | 788,663 |
| Proceeds from borrowings | 10(b) | 727,600 | 67,628 |
| Repayment of borrowings | 10(b) | (1,125,069) | (197,432) |
| **Net cash provided by financing activities** | | **4,652,531** | **658,859** |
| Net increase in cash and cash equivalents | | 6,768,235 | (55,488) |
| Cash and cash equivalents at beginning of the financial year | | (211,307) | (155,819) |
| **Cash and cash equivalents at end of financial year** | | **6,556,928** | **(211,307)** |

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the financial statements and notes of SenSen Networks Limited, a listed public company incorporated and domiciled in Australia.

The separate financial statements of the parent entity, SenSen Networks Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 21 September 2018 by the directors of the company.

### (a) Basis of Preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated entity is a for-profit entity for the purpose of preparing the financial statements. For the year ended 30 June 2018 amounts contained in this report and in the financial report have been rounded to the nearest dollar.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*Parent entity information*

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 23.

### (b) Accounting Policies

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The fair value of financial assets and financial liabilities approximate their carrying values due to their short-term nature. The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the new accounting policies adopted as a result of the acquisition of SenSen as set out below:

***New accounting policies for the merged group***

Upon completion of the SenSen acquisition, the business of the Company changed to that of the consolidated group resulting in the need to consider and / or adopt new accounting policies.

*Revenue and other income*

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Revenue from rendering of services*

When the outcome of a project to provide services can be estimated reliably, revenue associated with the transaction is recognised by reference to percentage of the service performed.

*Interest Revenue*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other Revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax.

*Government Grants*

Government grant revenue is recognised when cash is received.

The Group has considered the implications of new or amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

### (c) Going concern basis

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

### (d) Business combinations and asset acquisitions

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued, or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

All identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the statement of profit or loss and other comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Acquisitions of entities that do not meet the definition of a business contained in AASB 3 Business Combinations (IFRS 3) are not accounted for as business combinations. In such cases the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in AASB 138 Intangible Assets (IAS 38) and liabilities assumed. The cost of the group of net assets is then allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Except for business combinations, no deferred income tax is recognized from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

### (e) Income tax

The income tax for expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit, or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authorities.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a 'legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

SenSen Networks Limited and its fully owned Australian subsidiary SenSen Networks Group Pty Limited have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

### (f) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

### (g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position. For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

### (h) Trade and other receivables

Trade receivables and other receivables, both of which generally have 30-day terms, are non-interest bearing and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. These receivables are classified as current assets.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

### (i) Trade and other payables

Trade payables and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

### (j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the ATO is included with other receivables or payables in the statement of financial position

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers

### (k) Property, plant and equipment

Property, plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(l) for details of impairment).

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**Depreciation**

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life from the time the asset is ready for use.

The depreciation rates used for each class of depreciable asset are:

| Class of fixed asset | Depreciation Rate per annum |
|---|---|
| Computer Equipment | 33% |
| Furniture and Equipment | 20% - 33% |

The assets' residual values and useful life are reviewed and adjusted if appropriate, at the end of each reporting period. An assets recoverable amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### (l) Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

### (m) Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Employee benefits – short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and personal leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for accumulating personal leave is recognised in the provision for leave. All other short-term employee benefit obligations are presented as payables

### (o) Equity-settled compensation

The Group provides benefits to employees (including senior executives) and consultants of the Group in the form of share-based payments, whereby employees and consultants render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of rights over shares is determined using a binomial, or Black-Scholes model, further details of which are given in the Remuneration Report. The fair value of shares is determined by the market value of the Group's shares at grant date.

In valuing equity-settled transactions, any performance conditions are taken into account if relevant and assumptions around the likelihood of meeting these performance conditions are factored into the valuation model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired; and

(ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### (p) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(r) Foreign currency transactions and balances

**Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

**Transactions and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss

**Group companies**

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

*Amortised cost* is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

*Fair value* is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

*Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**Impairment**

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

**Derecognition**

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) New standards and interpretations issued but not yet effective

**AASB 9*: Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 July 2018).**

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments and are considering the application of this standard.

**AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 July 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).**

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

The directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial instruments and are considering the application of this standard.

**AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 July 2019).**

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less th an 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The directors anticipate that the adoption of AASB 16 will have an impact on the Group's financial instruments and are considering the application of this standard.

(u) 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 expectations of future events that may have an impact on the Company. All judgments, 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. The more significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Impairment of loans to, and investment in, subsidiaries

Where a subsidiary entity incurs a loss, the parent entity assesses the recoverability of any loans due from, or investments in, any subsidiary. Where required, the parent entity will then record an impairment loss against the value of its loans to, or investment in, the subsidiary.

(ii) Share-based Payments

The estimation of the likelihood of meeting performance conditions on Long Term Incentive Performance Options has been based on historical experience and management judgement. In addition, this estimate is assessed annually and considered in the context of actual company performance.

(iii) Key judgements – impairment of other receivables

The directors have reviewed outstanding debtors as at 30 June 2018 and have formed the opinion that not all debtors outstanding are collectible and have therefore decided that a provision for impairment of other receivables should be made. These debts include $6,836,003 owing from the sale of Indonesian assets which are past due, and which was fully provisioned in prior reporting periods

## 2. REVERSE ACQUISITION

SenSen Networks Limited (formerly Orpheus Energy Limited) (the Company) acquired SenSen Networks Group Pty Ltd ("SenSen P/L") on 18 October 2017.

From a legal and taxation perspective the Company is considered the acquiring entity. However, the acquisition has the features of a reverse acquisition as described in the Australian Accounting Standard AASB 3 *Business Combinations* (AASB 3) because the acquisition resulted in SenSen P/L shareholders holding a controlling interest in the Company after the transaction notwithstanding the Company being the legal parent of the Group. At the time of the acquisition the Company divested all of its operations, and its activities were limited to managing its cash balances, filing obligations (i.e., a listed shell), and completion of the acquisition. It is therefore considered that the Company does not meet the definition of a business for the purposes of AASB 3 as it did not have any processes or outputs.

The transaction has therefore been accounted for as a reverse acquisition from a consolidated perspective, where SenSen P/L is the accounting acquirer and the Company is the legal acquirer. The annual report includes the consolidated financial statements of SenSen P/L for the full year and the Company for the period 18 October 2017 to 30 June 2018. The annual report represents a continuation of SenSen P/L's financial statements with the exception of the capital structure. The amount recognised as equity instruments in these consolidated statements represents the issued equity of the Company adjusted to reflect the equity issued by the Company on acquisition.

Under the reverse acquisition principles, the consideration provided by SenSen P/L was determined to be $10,306,942 which is the deemed fair value of the 103,069,423 shares owned by the former SenSen Networks Limited shareholders at the completion of the acquisition, valued at the capital raising share price of $0.10 per share.

The excess of the deemed fair value of the shares owned by the Company shareholders and the fair value of the identifiable net assets of the Company immediately prior to the completion of the merger is accounted for under AASB 2 *Share Based Payments* and resulted in the recognition of $5,229,773 being recorded as "Corporate Restructure Expense". The net assets of the Company were recorded at fair value at acquisition date. As the carrying value of all assets and liabilities held by the Company at acquisition date approximated their fair value, no adjustments were required.

## 2. REVERSE ACQUISITION (CONTINUED)

The fair values of the assets and liabilities of the Company (being the accounting acquiree) as at the date of acquisition and the deemed consideration is as follows:

| | At 18 October 2017<br>$ |
|---|---|
| **Assets acquired and liabilities of SenSen Networks Limited assumed at the date of acquisition** | |
| **Current assets** | |
| Cash and cash equivalents | 6,422,440 |
| Trade receivables | 39,589 |
| **Total assets** | **6,462,029** |
| **Current liabilities** | |
| Trade and other payables | 1,041,576 |
| Borrowings | 343,284 |
| **Total liabilities** | **1,384,860** |
| **Fair value of net assets acquired** | **5,077,169** |
| **'Corporate restructure expense' on acquisition:** | |
| Fair value of the shares deemed to have been issued by SenSen **(a)** | 10,306,942 |
| Less fair value of identifiable net assets acquired - Sensen Networks Limited (as per above) | 5,077,169 |
| Corporate restructure expense | **5,229,773** |

(a) The fair value of the deemed consideration of $10,306,942 was based on the Company's most recent public offer share price of $0.10 multiplied by the number of shares on issue at the date of the transaction being 103,069,423. The directors believe that this is the most reasonable measurement of the consideration given the facts and circumstances surrounding the acquisition.

## 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. Following the acquisition of SenSen P/L, the group aggregated all its reporting segments into two reportable operating segments. Prior to acquisition, the Company operated as a corporate shell having ceased its previous exploration activities in the prior period.

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

- SenDISA Products

- Other products

### 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.

| | SenDISA Products $ | Other $ 2018 | Consolidated $ | SenDISA Products $ | Other $ 2017 | Consolidated $ |
|---|---|---|---|---|---|---|
| **Segment performance** | | | | | | |
| **Revenue** | | | | | | |
| Sales to external customers | 4,049,910 | - | 4,049,910 | 2,065,570 | - | 2,065,570 |
| Other external revenue | 723,140 | - | 723,140 | 847,349 | - | 847,349 |
| Inter-segment revenue | - | - | - | - | - | - |
| **Total Revenue** | 4,773,050 | - | 4,773,050 | 2,912,919 | - | 2,912,919 |
| Segment expenses | (8,830,585) | (5,229,773) | (14,060,358) | (3,753,830) | - | (3,753,830) |
| Segment result before tax | (4,057,535) | (5,229,773) | (9,287,308) | (840,911) | - | (840,911) |
| Income tax | 66,892 | - | 66,892 | (322,762) | - | (322,762) |
| **Net Loss** | **(3,990,643)** | **(5,229,773)** | **(9,220,416)** | **(1,163,673)** | **-** | **(1,163,673)** |
| **Non-cash and other significant items:** | | | | | | |
| Depreciation and amortisation | 39,797 | - | 39,797 | 38,784 | - | 38,784 |
| Share-based payment expense | (2,019,099) | - | (2,019,099) | - | - | - |
| Corporate Restructure Expense | - | (5,229,773) | (5,229,773) | - | - | - |

### 3. SEGMENT REPORTING (CONTINUED)

| | SenDISA | Other | Total | SenDISA Products | Other | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| | | As at 30 June 2018 | | | As at 30 June 2017 | |
| **Assets:** | | | | | | |
| Segment assets | 7,691,439 | 39,143 | 7,730,581 | 663,908 | - | 663,908 |
| Inter segment eliminations | - | - | - | - | - | - |
| | 7,691,439 | 39,143 | 7,730,581 | 663,908 | - | 663,908 |
| **Liabilities:** | | | | | | |
| Segment liabilities | 1,948,003 | 1,251,342 | 3,199,345 | 3,965,666 | - | 3,965,666 |
| Inter segment eliminations | - | - | - | - | - | - |
| Total Liabilities | 1,948,003 | 1,251,342 | 3,199,345 | 3,965,666 | - | 3,965,666 |

### 4. REVENUE AND OTHER INCOME

| | | Consolidated | |
|---|---|---|---|
| | | 2018 | 2017 |
| | Note | $ | $ |
| **Revenue** | | | |
| Sale of goods and services | | 4,049,910 | 2,065,570 |
| **Other Income** | | | |
| Interest received | | 9,274 | 1,276 |
| Other revenue – Government Grants | | 723,140 | 847,349 |
| | | 723,414 | 848,625 |
| **Total revenue and other income** | | **4,782,324** | **2,914,195** |

### 5. EXPENSES

| | | | |
|---|---|---|---|
| Finance costs – interest owing to related parties | | 13,368 | 57,851 |
| Finance costs – interest paid to other persons | | 99,399 | 45,334 |
| Rental expense on operating leases | (b) | 152,806 | 105,205 |
| Depreciation and amortisation | | 39,797 | 38,784 |
| Contributions to defined contribution superannuation funds | (a) | 128,903 | 70,254 |
| Other employee benefits expenses | | 2,577,114 | 791,776 |
| **Total employee benefits expenses** | | **2,706,017** | **862,030** |

(a) Contributions to defined contribution plans are expensed when incurred.

(b) Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term

## 6. INCOME TAX

| | | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|---|
| (a) | **Major components of income tax benefit (expense)** | | |
| | **Current tax expense** | | |
| | Current tax expense | 211,748 | 394,063 |
| | **Deferred tax expense** | | |
| | Adjustments in respect of current income tax of previous years | 13,232 | - |
| | Relating to origination and reversal of temporary differences | (291,872) | (71,301) |
| | **Total income tax expense/(benefit)** | (66,892) | 322,762 |
| (b) | **Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| | Loss from continuing operations before income tax expense | (9,287,308) | (840,911) |
| | Tax at the Australian tax rate of 27.5% (2017: 27.5%) | (2,554,010) | (231,250) |
| | *Tax effect of amounts which are not deductible (taxable) in calculating taxable income:* | | |
| | Non-deductible items | 2,067,875 | 6,875 |
| | Under provision for tax in the previous year | 13,233 | - |
| | Accounting expenditure subject to R&D tax incentive | 726,599 | 418,863 |
| | Other income not included in assessable income | (190,716) | - |
| | Other | (129,873) | (11,707) |
| | Prior year tax payable | - | 139,981 |
| | **Total Income tax (expense)/benefit** | **(66,892)** | **322,762** |
| (c) | **Deferred Income Tax** | | |
| | Deferred income tax at 30 June relates to the following: | | |
| | ***Deferred Tax Assets*** | | |
| | Sundry creditors and accruals | 29,828 | 49,500 |
| | Provisions | 33,443 | 4,986 |
| | Borrowing expenses | 601 | - |
| | Share issue costs | 66,000 | - |
| | Section 40-880 Deduction | 218,928 | 16,815 |
| | Depreciation | (11,781) | - |
| | | **337,019** | **71,301** |

The benefit of the deferred tax asset will only be obtained if:

(i) future assessable income of a nature and of an amount sufficient to enable the benefit to be realised is generated;
(ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
(iii) no changes in tax legislation adversely affect the Group in realising the benefit.

6. INCOME TAX (CONTINUED)

(d) Movements in Deferred tax asset

| Year ended June 2018 | 1 July 2017 | Charged/credited to Profit or Loss | Charged/credited to Directly to equity | Charged/credited to Acquisition of subsidiary | 30 June 2018 |
|---|---|---|---|---|---|
| Sundry creditors and accruals | 49,500 | (44,683) | - | 25,011 | 29,828 |
| Provisions | 4,986 | 28,457 | - | - | 33,443 |
| Borrowing expenses | - | (250) | - | 851 | 601 |
| Share issue costs | - | - | 66,000 | - | 66,000 |
| Section 40-880 Deduction | 16,815 | 195,374 | - | 6,739 | 218,928 |
| Depreciation | - | (11,781) | - | - | (11,781) |
| | **71,301** | **167,117** | **66,000** | **32,601** | **337,019** |

| Year ended June 2017 | 1 July 2016 | Charged/credited to Profit or Loss | Charged/credited to Directly to equity | Charged/credited to Acquisition of subsidiary | 30 June 2017 |
|---|---|---|---|---|---|
| Sundry creditors and accruals | - | 49,500 | - | - | 49,500 |
| Provisions | - | 4,986 | - | - | 4,986 |
| Borrowing expenses | - | - | - | - | - |
| Share issue costs | - | - | - | - | - |
| Section 40-880 Deduction | - | 16,815 | - | - | 16,815 |
| Depreciation | - | - | - | - | - |
| | **-** | **-** | **-** | **-** | **71,301** |

(e) Franking Credits

The company does not hold franking credits as at 30 June 2018 or 30 June 2017.

## 7. EARNINGS/(LOSS) PER SHARE

| | Consolidated 2018 Cents per Share | 2017 Cents per Share |
|---|---|---|
| **(a) Basic and diluted loss per share** | | |
| From continuing operations attributable to the ordinary equity holders of the company | (3.99) | (8.48) |
| **Total basic loss per share attributable to the ordinary equity holders of the company** | (3.99) | (8.48) |
| **(b) Reconciliation of earnings used in calculating loss per share** | | |
| Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating basic and diluted loss per share | | |
| - From continuing operations | (9,220,416) | (1,163,673) |

**(c) Weighted average number of shares**

| | Consolidated 2018 Number | 2017 Number |
|---|---|---|
| Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS | 213,180,678 | 13,724,923 |

Weighted average number of ordinary shares outstanding during the current period has been calculated using:

- The number of ordinary shares outstanding from the beginning of the current period to the acquisition date computed on the basis of the weighted average number of ordinary shares of SenSen Networks Group Pty Ltd (accounting acquirer) outstanding during the period multiplied by the exchange ratio of 6,259,358 SenSen Networks Group Pty Ltd shares to 103,069,423 SenSen Networks Limited shares; and
- The number of ordinary shares outstanding from the acquisition date to the end of that period being the actual number of ordinary shares of SenSen Networks Limited (the accounting acquiree) outstanding during the period.

At 30 June 2018, there are 15,600,000 (2017: nil) options outstanding. Options are not considered dilutive as they are currently out of the money. Options may become dilutive in the future.

## 8. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | Consolidated 2018 $ | 2017 $ |
|---|---|---|
| Audit and review of the financial reports | 60,000 | 60,000 |
| Taxation and other accounting services | 89,360 | 50,009 |
| Total remuneration of BDO | **149,360** | **110,009** |

## 9. CASH AND CASH EQUIVALENTS

| | Consolidated 2018 $ | 2017 $ |
|---|---|---|
| Cash at bank and in hand | 6,556,928 | 54,034 |
| **Reconciliation of cash** | | |
| *Cash at the end of the financial year as shown in the cashflow statement is reconciled to cash at the end of the finacial year as follows:* | | |
| Cash at bank and in hand | 6,556,928 | 54,034 |
| Bank overdrafts | - | (265,341) |
| | **6,556,928** | **(211,307)** |

For statement of cash flow presentation purposes cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

## 10. CASH FLOW INFORMATION

### (a) Reconciliation of profit/(loss) after income tax to net cash used in operating activities

| | 2018 | 2017 |
|---|---|---|
| Net (loss) for the year | (9,220,416) | (1,163,673) |
| *Adjustments for:* | | |
| Depreciation and amortisation expense | 39,797 | 35,462 |
| Corporate Restructure expense | 5,229,773 | - |
| Share based payment expense | 2,019,099 | - |
| Reverse acquisition adjustment | 406,930 | - |
| *Changes in operating assets and liabilities, net of the effects from acquisition of subsidiary* | | |
| Decrease/(Increase)/in trade and other receivables | (85,213) | (41,304) |
| (Decrease)/increase in trade and other payables | (2,561,803) | 601,200 |
| Decrease/(Increase) in other assets | - | (133,613) |
| Decrease/(Increase) in inventory | - | 15,000 |
| **Net cash used in operating activities** | **(4,171,833)** | **(686,928)** |

## 10. CASH FLOW INFORMATION (continued)

### (b) Reconciliation of cash and non-cash movements in borrowings from financing activities

| Year ended 30 June 2018 | Opening Balance | Cash flows | Non-cash Changes - Amortisation | Closing Balance |
|---|---|---|---|---|
| Borrowings | 1,699,444 | (397,469) | 86,972 | 1,388,947 |
| | **1,699,444** | **(397,469)** | **86,972** | **1,388,947** |

| Year ended 30 June 2017 | Opening Balance | Cash flows | Non-cash Changes - Amortisation | Closing Balance |
|---|---|---|---|---|
| Borrowings | 1,935,323 | (129,804) | (106,075) | 1,699,444 |
| | **1,935,323** | **(129,804)** | **(106,075)** | **1,699,444** |

## 11. TRADE AND OTHER RECEIVABLES

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| CURRENT | | | |
| Other receivables – owing on sale of subsidiaries | (a) | 6,836,003 | 6,836,003 |
| Provision for impairment of receivables - owing on sale of subsidiaries | (b) | (6,836,003) | (6,836,003) |
| Provision for doubtful debts | | (19,663) | |
| Trade Receivables | | 407,623 | 322,411 |
| | | **387,961** | **322,411** |

| | 2018 | 2017 |
|---|---|---|
| (a) Deferred payment owing on sale of subsidiaries | | |
| Opening balance | 6,836,003 | 7,171,243 |
| Foreign exchange (loss) gain | - | (335,240) |
| Closing balance | **6,836,003** | **6,836,003** |

(b) Although the Company continues to pursue the debt, the Board has resolved to make a provision for full impairment of the amounts owing on the sale of subsidiaries as payment has not been received in accordance with the settlement agreement.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Motor Vehicles $ | Furniture & Equipment $ | Computer Equipment $ | Total $ |
|---|---|---|---|---|
| **30 June 2017** | | | | |
| Opening net book value | 76,976 | 13,000 | 31,384 | **121,360** |
| Additions | - | - | 27,419 | **27,419** |
| Depreciation and amortisation | (4,816) | (1,653) | (28,992) | **(35,461)** |
| **Balance at 30 June 2017** | 72,160 | 11,347 | 29,811 | **113,318** |
| **At 30 June 2017** | | | | |
| Cost or fair value | 96,371 | 41,300 | 129,725 | **267,396** |
| Accumulated depreciation | (24,211) | (29,953) | (99,915) | **(154,078)** |
| **Net book balance** | 72,160 | 11,347 | 29,811 | **113,318** |
| **30 June 2018** | | | | |
| Opening net book value | 72,160 | 11,347 | 29,811 | **113,318** |
| Additions | - | 3,652 | 127,697 | **131,349** |
| Depreciation and amortisation | (5,501) | (2,140) | (32,156) | **(39,797)** |
| **Balance at 30 June 2018** | 66,659 | 12,859 | 125,352 | **204,870** |
| **At 30 June 2018** | | | | |
| Cost or fair value | 96,371 | 44,952 | 257,422 | **398,745** |
| Accumulated depreciation | (29,712) | (32,093) | (132,070) | **(193,875)** |
| **Net book balance** | 66,659 | 12,859 | 125,352 | **204,870** |

## 13. TRADE AND OTHER PAYABLES

| | Consolidated 2018 $ | 2017 $ |
|---|---|---|
| **Current** | | |
| Trade payables | 414,016 | 538,852 |
| Payroll liabilities | 742,433 | 510,764 |
| Accrued expenses | 369,926 | 180,000 |
| | **1,526,375** | 1,229,616 |

*Terms and conditions relating to the above financial instruments:*

Trade payables are non-interest bearing and are normally settled between 30 to 90 days

## 14. BORROWINGS

| | Consolidated 2018 $ | 2017 $ |
|---|---|---|
| (a) Loans from related parties – unsecured | 870,895 | 926,541 |
| (b) Bank Loan | 450,000 | 693,635 |
| (c) Car Loan | 68,052 | 79,268 |
| **Total Current Borrowings** | **1,388,947** | **1,699,444** |

(a) During a prior period, directors extended short-terms loan to the Company of $686,568 (of which 50% were repaid through equity as part of the reverse takeover) No interest was charged during the year ended 30 June 2018.

As part of the acquisition and as outlined in the Prospectus, one half of the loans were converted to equity on completion of the acquisition and the balance of $343,284 will be paid through equity awards in October 2018.

A shareholder, Speedshield Holdings extended a loan of $500,000 to the Company with no interest payable.

(b) The company has a business loan facility with Commonwealth Bank for $450,000. Variable rate interest of 5.45% is charged and the loan term expires on 13 December 2020.

(c) The company has a motor vehicle loan with Lexus which expires in June 2020.

## 15. ISSUED CAPITAL

| | | Consolidated 2018 $ | 2017 $ |
|---|---|---|---|
| Ordinary shares | (a) | **28,731,865** | 13,724,923 |

## 15. ISSUED CAPITAL (CONTINUED)

### (a) Share capital movement during the period:

| | Consolidated | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | No. | $ | No. | $ |
| Balance at beginning of the reporting period | 6,259,358 | 13,724,923 | 5,990,375 | 12,775,283 |
| Shares issued during the year (i) | - | - | 268,983 | 999,980 |
| Share issue costs (i) | - | - | | (50,340) |
| ***Merger of SenSen Networks Limited (the Company) and SenSen Networks Group Pty Ltd (SenSen)*** | | | | |
| Elimination of existing SenSen shares at acquisition date | (6,259,358) | - | - | - |
| Existing Company shares at acquisition of SenSen | 103,069,423 | - | - | - |
| Company shares issued to SenSen vendors on acquisition (ii) | 273,764,706 | 10,306,942 | - | - |
| Placement of shares (iii) | 34,481,766 | | 4,700,000 | |
| **Balance at end of period** | **411,315,895** | **28,731,865** | **6,259,358** | **13,724,923** |

(i) SenSen raised capital of $999,980 (being $160,997 of loans converted to equity and $839,003 raised in cash less share issue costs of $50,340) prior to the Acquisition.

(ii) Issue of shares at deemed issue price of $0.10 as consideration for the acquisition of SenSen Networks Group Pty Ltd at acquisition date. No funds were raised as the consideration for the Shares was the transfer of shares in SenSen Networks Group Pty Ltd.

(iii) Issue of shares at an issue price of $0.145 under a placement of shares to raise $5 million on 24 May 2018. Capital raising costs associated with the placement were $300,000 and the net amount raised was $4,700,000.

### (b) Capital Management

Management controls the capital of the group in order to provide capital growth to shareholders and ensure the group can fund its operations and continue as a going concern. The Group's capital includes ordinary share capital. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and the market.

There have been no changes in the strategy adopted by management to control the capital of the Consolidated Entity since the prior year.

## 16. RESERVES

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| **(a) Other Reserves** | | |
| Share-based payment reserve | 2,019,099 | - |
| Foreign currency translation reserve | 26,387 | (982) |
| | 2,045,486 | (982) |
| **(b) Movements** | | |
| *Foreign exchange translation reserve* | | |
| Balance at beginning of financial year | (982) | - |
| Currency translation differences arising during the year | 27,369 | (982) |
| Balance at end of financial year | 26,387 | (982) |
| *Share-based payment reserve* | | |
| Balance at beginning of financial year | - | - |
| Share-based payment valuation of awards | 2,019,099 | - |
| Balance at end of financial year | 2,019,099 | - |

### (c) Nature and purpose of reserves

**(i) *Share-based payment reserve***

The share-based payment reserve is used to record the value of share-based payments provided to employees, including key management personnel, as part of their remuneration.

***(ii) Foreign exchange translation reserve***

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

## 17. CONTINGENT LIABILITIES

The Group had no known contingencies at 30 June 2018 and 30 June 2017.

## 18. EVENTS AFTER THE REPORTING PERIOD

On 27 July 2018, 2,435,068 ordinary shares were issued to management and staff as part of the Plan.

The establishment of the SenSen Long Term Incentive Plan (LTI) was approved by shareholders at the 2017 annual general meeting (AGM) and is detailed on the company's website. The Plan is designed to provide long-term incentives for employees including directors to deliver long-term shareholder returns. Under the Plan, participants are granted options which only vest if certain performance standards are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

There are no other material matters subsequent to the end of the financial year.

## 19. RELATED PARTY TRANSACTIONS

### (a) Directors Loans

As part of the acquisition, each of the following then Directors of the Company and then Chief Financial Officer agreed to convert 50% of the amounts owing to them by the Company into Shares.

The details of the 50% of the Company's previous Directors' and CFO's Loans converted in to Shares at date of acquisition are provided below:

| Name | Total Outstanding Debt as at 18 October 2017 | Amount to be Converted into Shares- 50% | Shares to be Issued ($0.10 per Share) | Total Outstanding Debt as at 30 June 2018 |
|---|---|---|---|---|
| W Mitchell | $726,387 | $363,193 | 3,631,935 | $363,193 |
| D Smith | $603,303 | $301,652 | 3,016,515 | $301,652 |
| W Harder | $261,942 | $130,971 | 1,309,710 | $130,971 |
| M Rhodes | $199,756 | $99,878 | 998,780 | $99,878 |
| B Neal | $173,096 | $86,548 | 865,480 | $86,548 |
| **TOTAL** | **$1,964,484** | **$982,242** | **9,822,420** | **$982,242** |

The remaining balances above will be repaid within 12 months of completion of the Acquisition in cash, or in Shares, at the election of the Company's Board. If the Company's Board elects to repay the loans in Shares, this will be subject to Shareholder approval and the number of Shares to be issued will be calculated by dividing the relevant balances by the 30-day VWAP of the Shares trading on ASX.

As at 30 June 2018 the outstanding balances of $982,242 above were recorded as liabilities in the annual report as follows:

- Borrowings - $343,284 for Company's previous directors' loans. Refer note 14.
- Trade and other payables - $638,958 for outstanding payroll and tax liabilities to Company's previous CFO and directors

### (b) Shareholder Loan

As part of product licensing agreement, an amount of $500,000 is payable to Speedshield Technologies Pty Ltd, a shareholder of the Company. There is no interest charged on this loan and it is expected to be settled through future distribution fees payable to the Company.

## 20. INTEREST IN SUBSIDIARIES

The following are subsidiaries of the group, are controlled entities and have been consolidated at 30 June 2018.

### (a) Controlled entities consolidated

| Name of subsidiary | Country of incorporation | Equity interest* 2018 | 2017 |
|---|---|---|---|
| SenSen Networks Group Pty Ltd | Australia | 100% | 100% |
| SenSen Networks (Hong Kong) Limited | Hong Kong | 100% | 50% |
| PT Orpheus Energy | Indonesia | 100% | 100% |
| SenSen Networks Singapore Pte Limited | Singapore | 100% | 100% |
| SenSen Video Business Intelligence PVT Ltd | India | 100% | 100% |

## 21. KEY MANAGEMENT PERSONNEL DISCLOSURES

| | 2018 $ | 2017 $ |
|---|---|---|
| **(a) Key Management Personnel compensation** | | |
| Short-term employee benefits | 689,316 | 219,000 |

Detailed remuneration disclosures are provided in the Remuneration Report on pages 27 to 36.

### (b) Equity instrument disclosures relating to Key Management Personnel compensation

Details of Key Management Personnel option and share holdings are disclosed in the Remuneration Report.

## 22. SHARE BASED PAYMENTS

The following ordinary shares and options over ordinary shares were issued in respect of the reporting year as compensation to key management personnel and other staff during the years ended 30 June 2018.

There were no share-based payments for the year ended 30 June 2017.

### a) *Long Term Incentive Plan*

Long term incentive shares have been issued to key management personnel and staff post the year-end.

The establishment of the SenSen Long Term Incentive Plan ("the Plan") was approved by shareholders at the 2017 annual general meeting (AGM) and is detailed on the company's website. The Plan is designed to provide long-term incentives for employees including directors to deliver long-term shareholder returns.

Under the Plan, participants may be granted shares and options for nil consideration. Options only vest if certain performance standards are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

### b) *Long Term Incentive Shares*

On 20 March 2018, the Company granted 2,435,068 ordinary shares were issued to key management personnel and staff as part of the Long-Term Incentive Plan.

Awards under the same conditions are also payable for the financial years 2019 and 2020.

### c) *Long Term Incentive Options*

The company issued both LTI Incentive Options, General Options and LTI Performance Options during the year ended 30 June 2018.

*LTI Incentive Options and General Options*

OI 30 November 2017, the Company granted 11,100,00 LTI Incentive Options to Subhash Challa (Executive Chairman and CEO) and David Smith (COO) and 4,500,000 General Options to its broker, BW Equities. These options vested immediately and have an exercise period of 3 years. These options were granted in 3 equal lots with exercise prices of 25 cents, 35 cents and 45 cents.

The fair value of the LTI Incentive Options and General Options was $764,400.

22. SHARE BASED PAYMENTS (CONTINUED)

*c) Long Term Incentive Options (continued)*

LTI Performance Options

20 March 2017, the Company granted 33,217,401 LTI Performance Options to key management personnel and other employees. These options were in two tranches based on the performance of the company for the financial years 2018 and 2019. Full details can be found below.

| Issue conditions | Exercise Price |
|---|---|
| Upon satisfaction of the following hurdle:<br>• LTI Options (Performance) are only issued should the Company increase its year on year revenue, commencing from the audited revenue of \$2,065,570, as reported in the 2017 Annual Report of SenSen P/L.<br>• LTI Options (Performance) will be issued based on the percentage increase in audited revenue performance year-on-year. The Company must achieve a minimum 50% increase in revenue from 2017 to 2018 or no LTI Options (Performance) will be issued. | Five-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 |
| Upon satisfaction of the following hurdle:<br>• LTI Options (Performance) are only issued should the Company increase its year on year audited revenue, as reported in the 2019 Annual Report.<br>• LTI Options (Performance) will be issued based on the percentage increase in audited revenue performance year-on-year. The Company must achieve a minimum 50% increase in revenue from 2018 to 2019 or no LTI Options (Performance) will be issued. | Five-day VWAP of the Company's shares, following the ASX release of the Company's Annual Report, for the financial year ended 30 June 2019 |

Share options outstanding at the end of the year follows:

**2018**

| Grant date | Expiry date | Exercise Price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other (ii) | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 30/11/2017 | 04/12/2020 | $0.25 | - | 5,200,000 | - | - | 5,200,000 |
| 30/11/2017 | 04/12/2020 | $0.35 | - | 5,200,000 | - | - | 5,200,000 |
| 30/11/2017 | 04/12/2020 | $0.45 | - | 5,200,000 | - | - | 5,200,000 |
| 20/03/2018 | 30/09/2021 | $0.18 (i) | - | 16,502,818 | - | (660,113) | 15,842,705 |
| 20/03/2018 | 30/09/2022 | $0.18 (i) | - | 16,714,583 | - | - | 16,714,583 |
| | | | - | 48,817,401 | - | (660,113) | 48,157,288 |

(i) Exercise price is 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 and 30 June 2019

(ii) Adjustment to account for options not vested at 30 June 2018 due to performance condition not being satisfied.

22. SHARE BASED PAYMENTS (Continued)

The weighted average remaining contractual life of options outstanding at the end of the 2018 financial year was 3.42 years. The weighted average exercise price was $0.23. There were no LTI shares and options granted during the year ended 30 June 2017.

If all of the above options to Key Management Personnel, other employees and the general options were to vest and be exercised, excluding the time value of money, the Company could receive cash proceeds of up to a maximum of $11,439,132 on the potential exercise of these options in the period from the vesting date to their expiry date which extends to 30 September 2022. It is not expected that all options that have been granted will vest.

*d) Fair value of options granted*

The fair value of the equity-settled share options is estimated as at the date of grant using a binomial or Black-Scholes model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used in the valuation of the options granted in 2018.

**2018**

| Grant date | Expiry date | Share Price at grant date | Expected Volatility | Risk-free rate | Dividend yield | Fair Value at Grant Date |
|---|---|---|---|---|---|---|
| 30/11/2017 | 04/12/2020 | $0.17 | 65% | 2.1% | 0% | $0.0632 |
| 30/11/2017 | 04/12/2020 | $0.17 | 65% | 2.1% | 0% | $0.0472 |
| 30/11/2017 | 04/12/2020 | $0.17 | 65% | 2.1% | 0% | $0.0366 |
| 20/03/2018 | 30/09/2021 | $0.18 | 65% | 2.1% | 0% | $0.0801 |
| 20/03/2018 | 30/09/2022 | $0.18 | 65% | 2.1% | 0% | $0.0801 |

The total expense arising from share-based payment transactions recognised during the period as part of employee benefits expense was $2,019,099 (2017: $nil).

*e) Accounting Policy*

The Group provides benefits to employees (including senior executives) and consultants of the Group in the form of share-based payments, whereby employees and consultants render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of rights over shares is determined using a binomial, or Black-Scholes model, further details of which are given in the Remuneration Report. The fair value of shares is determined by the market value of the Group's shares at grant date.

In valuing equity-settled transactions, any performance conditions are taken into account if relevant and assumptions around the likelihood of meeting these performance conditions are factored into the valuation model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired; and

(ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

## 22. SHARE BASED PAYMENTS (Continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

## 23. PARENT ENTITY INFORMATION

Parent entity information required to be disclosed in accordance with the *Corporations Act 2001*. The legal parent entity of the group is SenSen Networks Limited, and the results shown below are for the 12 months ended 30 June 2018 and 2017:

### (a) Summary financial information

| | Parent entity | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| **Statement of profit or loss and other comprehensive income** | | |
| (Loss) for the year | (5,628) | (285,976) |
| Other comprehensive income | - | - |
| Total comprehensive loss for the year | (5,628) | (285,976) |
| **Statement of financial position of the parent entity at year end** | | |
| Current assets | 37,366 | 305,928 |
| Non-current assets | 21,347,763 | 14,972,063 |
| **Total assets** | **21,385,129** | **15,277,991** |
| Current liabilities | 545,876 | 2,101,859 |
| Non-current liabilities | 1,283,712 | 1,266,687 |
| **Total liabilities** | **1,829,587** | **3,368,546** |
| Issued capital | **39,590,292** | **31,478,839** |
| Accumulated losses | (20,034,751) | (19,569,394) |
| **Total equity** | **19,555,541** | **11,909,445** |

### (b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees at the 30 June 2018 and 30 June 2017.

### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 and 30 June 2017.

### (d) Contractual commitments for the acquisition of property, plant or equipment

As at the 30 June 2018, the parent entity has made no contractual commitments for the acquisition of plant or equipment.

### (e) Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except for the investments in subsidiaries which are accounted for at cost in the financial statements of SenSen Networks Limited.

## 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

| | Consolidated 2018 $ | 2017 $ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 6,556,928 | 54,034 |
| Trade and other receivables | 387,961 | 322,411 |
| | **6,944,889** | **376,445** |
| **Financial liabilities** | | |
| Trade and other payables | 1,526,375 | 1,229,616 |
| Short term loans | 1,388,947 | 1,203,751 |
| Long term loans | - | 495,693 |
| Convertible notes | - | - |
| | **2,915,322** | **2,929,060** |

The Company monitors its exposure to key financial risks, principally market risk (including currency risk), interest risk, credit risk and liquidity risk, with the objective of achieving the company's financial targets whilst protecting future financial security.

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts and regular internal reporting. Credit risks are managed by credit limits and retention of the title over the investments sold.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board. It reviews and agrees policies for managing each of the risks, including the use of derivatives, hedging cover of interest rate exposure, credit allowances, and future cash flow forecast projections.

### (a) Market Risk

*Foreign exchange risk*

Exchange Risk arises whereby currency exchange rates may affect the assets and liabilities and the consolidation of companies within the group.

The company reports in Australian Dollars; however, the operating currency of the Indonesian subsidiary is the Indonesian Rupiah (IDR), the operating currency for the Hong Kong subsidiary is the HK$, and the operating currency for the Singapore subsidiary is US$. These subsidiaries currently have no activities.

At 30 June 2018 if exchange rates had increased/decreased by 500 basis points from the year end rates with all other variables held constant, the profit increase/decrease would be $8,951 (2017: nil).

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Interest Risk

The Group's borrowings during 2018 from Directors and from Speedshield Holdings were not liable to interest.

The company has a business loan facility of $450,000 and an undrawn overdraft facility of $225,000 with the Commonwealth Bank of Australia. Interest is charged at a variable rate of 5.45% on the business loan.

*Group sensitivity*

At 30 June 2018 if interest rates had increased/decreased by 50 basis points from the year end rates with all other variables held constant, the result would not be material at $2,250. (2017: $2,250)

Based on movements in interest rates the company regularly reviews the deployment of funds and the exposure to interest rate risk in conjunction with currency and exchange rate risk in order to manage these risks in line with corporate objectives.

(c) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from other third parties, investments, banks and financial institutions.

Trade and other receivables

The Group limits its exposure to credit risk by only limiting transactions with high credit quality financial institutions principally government bodies and large listed corporate firms.

(d) Liquidity Risk

The table below reflects all contractually fixed pay-offs and receivables for settlement from recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2018. The amounts disclosed are undiscounted cash flows anticipated to eventuate in the next fiscal year.

Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2018.

| | Total<br>$ | < 6 Mths<br>$ | 6-12 Mths<br>$ | 1-5 Yrs<br>$ |
|---|---|---|---|---|
| **2018** | | | | |
| **Financial assets** | | | | |
| Cash and cash deposits | 6,556,928 | 6,556,928 | - | - |
| Trade and other receivables | 387,961 | 387,961 | - | - |
| | **6,944,889** | **6,944,889** | **-** | **-** |
| **Financial liabilities** | | | | |
| Trade and other payables | 1,526,375 | 1,526,375 | | - |
| Short term loans | 1,388,947 | 343,284 | - | 1,045,663 |
| Long Term Loans | - | - | - | - |
| | **2,915,322** | **1,869,659** | **-** | **1,045,663** |
| **Net maturity** | **4,029,567** | **5,075,230** | **-** | **(1,045,663)** |

## 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (d) Liquidity Risk (continued)

| | Total $ | < 6 Mths $ | 6-12 Mths $ | 1-5 Yrs $ |
|---|---|---|---|---|
| **2017** | | | | |
| **Financial assets** | | | | |
| Cash and cash deposits | 54,034 | 54,034 | - | - |
| Trade and other receivables | 322,411 | 322,411 | - | - |
| | **376,445** | **376,445** | **-** | **-** |
| **Financial liabilities** | | | | |
| Trade and other payables | 1,229,616 | 1,229,616 | - | - |
| Short term loans | 1,203,751 | - | - | 1,203,751 |
| Long term loans | 495,693 | - | - | 495,693 |
| | **2,929,060** | **1,229,616** | **-** | **1,699,444** |
| **Net maturity** | **(2,552,615)** | **(853,171)** | **-** | **(1,699,444)** |

The contractual maturities of the company's financial assets and liabilities set out in the table are equivalent to the maturity analysis of financial assets and liability based on management's expectation.

The risk implied from the values in the table reflects a balanced view of cash inflows and outflows.

### (e) Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements, and unless specifically stated, carrying value approximates fair value for all financial instruments.

## 25. COMMITMENTS

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| **Operating Lease Commitments** | | |
| Non-cancellable operating lease contracted for but not recognised in the financial statements | | |
| *Payable – minimum lease payments* | | |
| - Not later than 12 months | 201,609 | 91,092 |
| - Between 1 and 5 years | 203,076 | 4,979 |
| - Later than 5 years | - | - |
| | **404,685** | **916,091** |

The property lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by the cost of living per annum.

The Company has no contingent liabilities.

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 18 September 2018.

**(a) Distribution of equity securities**

The share capital as advised to ASX on 24 August 2017 has been consolidated 10:1 effective from 31 August 2017.
After consolidation 18,347,952 fully paid ordinary shares are held by 826 individual shareholders.
All issued ordinary shares carry one vote per share and carry the rights to dividends.
The numbers of shareholders, by size of holding, in each class are:

| Holdings Ranges | Holders | Total Units | % |
|---|---|---|---|
| 1 - 1,000 | 164 | 78,345 | 0.02 |
| 1,001 - 5,000 | 774 | 2,351,505 | 0.57 |
| 5,001 - 10,000 | 349 | 2,870,716 | 0.69 |
| 10,001 - 100,000 | 628 | 21,736,516 | 5.25 |
| 100,001 Over | 199 | 386,713,881 | 93.47 |
| **Total** | **2,114** | **413,750,963** | **100.00** |

Holding less than a marketable parcel 668

**(b) Substantial shareholders aid**

| Name | Number | Percentage |
|---|---|---|
| Smart Equity EIS Pty Ltd | 141,450,407 | 34.19% |
| Subhash Challa | 78,539,256 | 18.98% |
| Zenon Pasieczny/Saphet Capital Management Pty Ltd | 46,376,259 | 11.21% |
| Speedshield Holdings Pty Ltd | 28,999,266 | 7.01% |

**(c) Twenty largest holders of quoted equity securities**

| Rank | Ordinary shareholders - Fully Paid | Number | Percentage |
|---|---|---|---|
| 1 | SMARTEQUITY EIS PTY LTD | 141,450,407 | 34.19 |
| 2 | SPEEDSHIELD HOLDINGS PTY LTD | 28,999,266 | 7.01 |
| 3 | MR SUBHASH CHALLA | 28,778,002 | 6.96 |
| 4 | SAPHET CAPITAL MANAGEMENT PTY LTD | 22,262,395 | 5.38 |
| 5 | MR FRANCIS ALAN ALEXANDER WHITAKER | 9,603,301 | 2.32 |
| 6 | SANDHURST TRUSTEES LTD <JMFG CONSOL A/C> | 9,238,284 | 2.23 |
| 7 | MR WILLIAM MORAN | 9,232,976 | 2.23 |
| 8 | CITICORP NOMINEES PTY LIMITED | 8,218,194 | 1.99 |
| 9 | MR SATISH GUPTA | 6,874,701 | 1.66 |
| 10 | GASMERE PTY LTD | 6,021,000 | 1.46 |
| 11 | MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 5,856,170 | 1.42 |
| 12 | MR VENKATESWARA PRASAD GUNUPATI | 4,822,335 | 1.17 |
| 13 | MR DAVID EDWARD SMITH | 4,522,083 | 1.09 |
| 14 | UNIVERSITY OF TECHNOLOGY SYDNEY | 4,373,683 | 1.06 |
| 15 | MRS LAXMI CHALLA | 4,100,616 | 0.99 |
| 16 | MR WAYNE MITCHELL | 3,631,935 | 0.88 |
| 17 | TAT CAPITAL PTY LTD | 3,209,201 | 0.78 |
| 18 | SISU INTERNATIONAL PTY LTD | 2,758,621 | 0.67 |
| 19 | TR NOMINEES PTY LTD | 2,700,000 | 0.65 |
| 20 | MRS LAXMI CHALLA | 2,248,188 | 0.54 |
| **Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)** | | **308,901,358** | **74.66** |
| **Total Remaining Holders Balance** | | **104,849,605** | **25.34** |

UNQUOTED SECURITIES

There are no unquoted securities at 30 June 2018


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