

Sensera Limited

ACN 613 509 041

Interim financial report Half-year ended 31 December 2019

Directors

Mr Allan Brackin
Independent Non-Executive Chairman

Mr Ralph Schmitt
Managing Director

Mr Jonathan Tooth
Non-Executive Director

Mr George Lauro
Non-Executive Director

Mr Camillo Martino
Non-Executive Director

Secretary

Mr Phillip Hains

Principal registered office in Australia

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Share register

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Auditor

Grant Thornton Audit Pty Ltd
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Stock exchange listings

Australian Stock Exchange (ASX: SE1)

Website

www.sensera.com

Review of operations and activities

Financial Review

Revenue

The Group achieved revenues of US\$6.87M in the first half of FY2020 compared to US\$3.70M in the first half of FY2019, an increase of 86% over the corresponding period.

Operating Expenditure

The Group continues to manage operational costs, reducing the operating expense from US\$6.66M in the first half of FY2019 to US\$5.52M in the current half year. This does not include one-off restructuring expenses of US\$1.04M.

Operational Review

IOT Solutions (IOTS)

IOTS achieved revenue of US\$4.49M in the first half of FY2020 compared to US\$2.49M in FY2019. This revenue included a high value, but lower margin, chip contract, which has been fully shipped. In the second half of FY2020, IOTS will move into production volumes for system-infrastructure products at improved margins.

The Group is accelerating the transition of the IOTS business to a provider of entire wireless sensor systems and as a result of this transition incurred a restructuring expense of US\$1.04M which will be paid over the next 12 months. These changes provide a more streamlined division, with an overall expected operating expense saving of US\$2.0M per year. Annual operating expenses of this division are expected to be below US\$2.5M, and the breakeven point has significantly reduced to an annualised US\$4.0M revenue at the gross margin of approximately 60%. This division is expected to be profitable in second half of FY2020.

MicroDevices (MD)

MicroDevices achieved revenues of US\$2.38M in the first half of FY2020 compared to revenues of US\$1.2M in the same period last year, an increase of nearly 50%. The gross margin for MicroDevices was 55%.

The restructure reduced the breakeven in this division to approximately US\$6.75M of yearly revenue with an absorption costed margin at approximately 50%. It is worth noting gross product margin pre-absorption is approximately 80%, providing significant bottom line impact of any additional revenue.

The challenge in this division is to ramp production in order to cover the material fixed cost in the manufacturing operation. The large percentage of the headcount for this division is for the fabrication (fab) and micro-assembly operations. Fixed operating expenses post absorption costing are just under US\$1.0M per quarter which are minimised due to co-location and equipment sharing with another company. Having the manufacturing capability is core to winning sensor projects.

Currently MicroDevices has a limited customer base and is reliant on one significant customer. We are actively pursuing some multiple large-scale customer development programs which will contribute to continued revenue growth into FY2021.

Corporate

Financial

The Group had an inflow of capital of US\$6.4M in the half-year ended 31 December 2019, following execution of a new loan facility provided by PURE Asset Management and Altor Capital Management and a related equity capital raising.

The Timelio PO financing obligation, which was first funded in January of 2019, was retired using US\$1.9M of these proceeds.

Review of operations and activities

Outlook

It is anticipated that revenue for 2H20 will be lower than 1H20. However, IOTS margins are expected to increase to approximately 60%, representing a greater than 50% improvement over the previous corresponding period. Operating expenses are expected to reduce by over 30% year-on-year.

Management has made material progress on the margins and cost metrics in order to more rapidly reach breakeven, however, due to a series of unforeseen revenue losses and one-off restructuring costs, the Group does not expect to achieve breakeven during FY2020. Accordingly, the directors have determined the Group will need additional funding to achieve its target of breakeven in the near term.

On 3 February 2020, the Group announced that it had entered into a non-binding Term Sheet with Altor Advisory Partners to raise AU\$3.5M via unsecured converting notes (Transaction). The Transaction was subject to a number of conditions including finalisation of definitive documentation, underwriting agreement, converting note documentation and trust documentation. Since the announcement, the Group together with its lawyers, Altor Advisory Partners and PURE Asset Management have been working to finalise these matters. Under the current timetable, the Group expects to launch the capital raising in March 2020.

Your directors present their report on the consolidated entity consisting of Sensera Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2019. Throughout the report, the consolidated entity is referred to as the Group.

Directors

The following persons held office as directors of Sensera Limited during the financial period and up to the date of this report:

Mr Allan Brackin
Mr Ralph Schmitt
Mr Jonathan Tooth
Mr George Lauro
Mr Camillo Martino

Mr Matthew Morgan (resigned 3 October 2019)

Dividends

No dividends have been paid during the financial period. The directors do not recommend that a dividend be paid in respect of the financial period.

Review of operations

Refer to the review of operations section on page 2.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the group during the period.

Matters subsequent to the end of the financial period

In February 2020, the Group executed a non-binding term sheet with Altor Advisory Partners Pty Ltd with the intention of raising AU\$3.5M via unsecured converting notes. As at the date of the release of this report, the Group is still in the process of formalising the terms of the transaction.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

- (a) the group's operations in future financial periods, or
- (b) the results of those operations in future financial periods, or
- (c) the group's state of affairs in future financial periods.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest dollar.

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to read 'A Brackin', is positioned above the printed name.

Mr Allan Brackin
Independent Non-Executive Chairman

Sydney
28 February 2020

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Auditor's Independence Declaration

To the Directors of Sensera Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Sensera Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



CDJ Smith
Partner – Audit & Assurance

Brisbane, 28 February 2020

Sensera Limited

Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Notes	Consolidated entity	
		31 December 2019 US\$	31 December 2018 US\$
Revenue from contracts with customers	2(a)	6,869,858	3,695,141
Cost of sales		(4,108,385)	(1,911,043)
Gross profit		2,761,473	1,784,098
Other income		159,840	23,952
Gain/(loss) on remeasurement of warrant derivative		324,150	-
Other gains/(losses) - net		(45,991)	(129,546)
Other expenses from ordinary activities			
Selling and marketing expenses		(143,665)	(253,082)
Operation, overheads and administrative expenses	3	(5,324,520)	(6,100,822)
Research and development expenses		(48,542)	(313,993)
Restructuring expenses	6(b)	(1,037,642)	-
Finance costs		(345,308)	(33,821)
Loss before income tax		(3,700,205)	(5,023,214)
Income tax expense		-	-
Loss for the period		(3,700,205)	(5,023,214)
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		75,986	(32,787)
Total comprehensive loss for the period		(3,624,219)	(5,056,001)
		US Cents	US Cents
Loss per share from loss attributable to the ordinary equity holders of the company:			
Basic loss per share	4(a)	1.3	2.4
Diluted loss per share	4(b)	1.3	2.4

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Sensera Limited
Consolidated statement of financial position
As at 31 December 2019

		Consolidated entity	
		31 December	30 June
		2019	2019
		US\$	US\$
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents		2,033,797	838,136
Trade and other receivables	5(a)	1,405,786	2,001,688
Inventories	6(a)	1,278,050	1,151,838
Other current assets		391,307	377,539
Total current assets		5,108,940	4,369,201
Non-current assets			
Property, plant and equipment		911,977	920,627
Right-of-use assets	7(c)	669,955	-
Intangible assets		9,733,639	9,466,142
Total non-current assets		11,315,571	10,386,769
Total assets		16,424,511	14,755,970
LIABILITIES			
Current liabilities			
Trade and other payables	5(b)	1,896,360	3,026,701
Contract liabilities		66,448	618,923
Borrowings	5(c)	-	2,466,064
Provisions		346,494	500,350
Employee benefit obligations		150,946	135,714
Lease liabilities	7(a)	609,678	-
Provision for restructuring	6(b)	1,037,642	-
Total current liabilities		4,107,568	6,747,752
Non-current liabilities			
Borrowings	5(c)	4,576,239	-
Deferred tax liabilities		920,318	920,318
Financial liabilities	5(d)	495,661	-
Lease liabilities	7(a)	145,150	-
Total non-current liabilities		6,137,368	920,318
Total liabilities		10,244,936	7,668,070
Net assets		6,179,575	7,087,900
EQUITY			
Contributed equity	8(a)	31,173,047	28,476,830
Reserves	8(b)	262,795	84,869
Retained earnings		(25,256,267)	(21,473,799)
Total equity		6,179,575	7,087,900

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Sensera Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2019

	Notes	Share capital US\$	Reserves US\$	Accumulated losses US\$	Total equity US\$
Opening balance at 1 July 2019		28,476,830	84,869	(21,473,799)	7,087,900
Initial adoption of AASB 16 (net of tax) (*)		-	-	(82,263)	(82,263)
Restated total equity at the beginning of the financial period		28,476,830	84,869	(21,556,062)	7,005,637
Loss for the period		-	-	(3,700,205)	(3,700,205)
Other comprehensive income	8(b)	-	75,986	-	75,986
Total comprehensive loss for the period		-	75,986	(3,700,205)	(3,624,219)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax		2,696,217	-	-	2,696,217
Share-based payment expenses	8(b)	-	101,940	-	101,940
Balance at 31 December 2019		31,173,047	262,795	(25,256,267)	6,179,575
		Share capital US\$	Reserves US\$	Accumulated losses US\$	Total equity US\$
Opening balance at 1 July 2018		20,237,536	191,538	(12,101,496)	8,327,578
Loss for the period		-	-	(5,023,214)	(5,023,214)
Other comprehensive income		-	(32,787)	-	(32,787)
Total comprehensive loss for the period		-	(32,787)	(5,023,214)	(5,056,001)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax		6,055,622	-	-	6,055,622
Share-based payment expenses		170,292	181,596	-	351,888
Balance at 31 December 2018		26,463,450	340,347	(17,124,710)	9,679,087

(*) See note 13 for details regarding the restatement as a result of a change in accounting policy.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Sensera Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2019

	Consolidated entity	
	31 December	31 December
	2019	2018
	US\$	US\$
Cash flows from operating activities		
Receipts from customers	7,112,902	2,453,766
Payments to suppliers and employees	(10,026,085)	(7,711,969)
Interest received	-	23,988
Interest paid - finance leases	(49,070)	(33,857)
Net cash (outflow) from operating activities	(2,962,253)	(5,268,072)
Cash flows from investing activities		
Payment for acquisition of subsidiary (instalments for Nanotron acquisition)	-	(2,225,645)
Payments for property, plant and equipment	(293,961)	(71,746)
Net cash (outflow) from investing activities	(293,961)	(2,297,391)
Cash flows from financing activities		
Proceeds from issues of shares	2,154,005	6,412,283
Proceeds from calls on shares and calls in arrears	-	(356,661)
Proceeds from borrowings	4,816,134	-
Share issue transaction costs	(137,135)	-
Repayment of borrowings	(1,956,226)	-
Principal elements of finance lease payments	(246,015)	-
Interest paid	(245,181)	-
Net cash inflow from financing activities	4,385,582	6,055,622
Net increase/(decrease) in cash and cash equivalents	1,129,368	(1,509,841)
Cash and cash equivalents at the beginning of the financial year	838,136	2,030,566
Effects of exchange rate changes on cash and cash equivalents	66,293	(78,874)
Cash and cash equivalents at end of period	2,033,797	441,851

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Segment information

Management has determined the operating segments based on the reports reviewed by the Group's chief operating decision maker. The Group's chief operating decision maker is the Chief Executive Officer.

(a) Description of segments

Management considers the business from both a product/service and a geographic perspective and has identified two reportable segments, including:

- MicroDevices, represents the integrated client-specific design and manufacturing of specialised high performance microsensors and micro-fabricated components based in Woburn, Massachusetts in the United States.
- IOTS, represents the embedded location platform which delivers location-awareness for safety and productivity solutions across multiple industrial markets. The platform consists of chips, modules and software that enable precise real-time positioning and concurrent wireless communication. The IOTS business segment is based in Berlin, Germany.

(b) Segment information

The segment information for the reportable segments for the half-year ended 31 December 2019 is as follows:

Consolidated entity 31 December 2019	MicroDevices US\$	IOTS US\$	Total US\$
Total segment revenue	2,383,578	4,486,280	6,869,858
Corporate	-	-	-
Total revenue	2,383,578	4,486,280	6,869,858
Segment adjusted EBITDA	(1,197,659)	(1,586,463)	(2,784,122)
Corporate	-	-	(102,343)
Total adjusted EBITDA	(1,197,659)	(1,586,463)	(2,886,465)
Depreciation and amortisation	(428,973)	(39,459)	(468,432)
Finance costs	(49,070)	-	(49,070)
Corporate expenses	-	-	(296,238)
Net loss for the period	(1,675,702)	(1,625,922)	(3,700,205)
Segment assets	2,779,481	12,566,579	15,346,060
Corporate	-	-	1,078,451
Total segment assets	2,779,481	12,566,579	16,424,511
Segment liabilities	(1,546,576)	(2,497,255)	(4,043,831)
Corporate	-	-	(6,201,105)
Total segment liabilities	(1,546,576)	(2,497,255)	(10,244,936)

1 Segment information (continued)

(b) Segment information (continued)

Consolidated entity 31 December 2018	MicroDevices US\$	IOTS US\$	Total US\$
Total segment revenue	1,196,605	2,498,536	3,695,141
Corporate	-	-	-
Total revenue	1,196,605	2,498,536	3,695,141
Segment adjusted EBITDA	(1,982,641)	(1,537,323)	(3,519,964)
Corporate	-	-	(1,446,518)
Total adjusted EBITDA	(1,982,641)	(1,537,323)	(4,966,482)
Depreciation and amortisation	(28,799)	5,924	(22,875)
Finance costs	-	-	(33,857)
Net loss for the period	(2,011,440)	(1,531,399)	(5,023,214)
Segment assets	2,214,380	12,096,775	14,311,155
Corporate assets	-	-	112,489
Total segment assets	2,214,380	12,096,775	14,423,644
Segment liabilities	(1,045,944)	(2,724,290)	(3,770,234)
Corporate	-	-	(974,323)
Total segment liabilities	(1,045,944)	(2,724,290)	(4,744,557)

2 Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

Consolidated entity 2019	MicroDevices US\$	IOTS US\$	Total US\$
Timing of revenue recognition			
At a point in time	1,776,084	4,486,280	6,262,364
Over time	607,494	-	607,494
	2,383,578	4,486,280	6,869,858
Consolidated entity 2018	MicroDevices US\$	IOTS US\$	Total US\$
Timing of revenue recognition			
At a point in time	639,915	2,498,536	3,138,451
Over time	556,690	-	556,690
	1,196,605	2,498,536	3,695,141

3 Expenses

	Consolidated entity	
	31 December	31 December
	2019	2018
	US\$	US\$
Operation, overheads and administrative expenses		
Accounting, audit, legal and taxation expenses	83,341	137,585
Depreciation	468,432	22,875
Employee benefits	3,103,153	3,776,457
Equipment lease and associated costs	133,591	441,432
Insurance expenses	42,053	25,327
Investor relation expenses	30,951	82,526
Occupancy costs	463,686	467,617
Other consulting expenses	544,505	550,817
Other expenses	454,808	596,186
	5,324,520	6,100,822

The Group has reclassified certain expenditure items in prior year comparatives in order to be consistent with the current year classification and presentation.

4 Loss per share

(a) Basic loss per share

	Consolidated entity	
	31 December	31 December
	2019	2018
	US Cents	US Cents
Total basic loss per share attributable to the ordinary equity holders of the company	1.3	2.4

(b) Diluted loss per share

	Consolidated entity	
	31 December	31 December
	2019	2018
	US Cents	US Cents
Total diluted loss per share attributable to the ordinary equity holders of the company	1.3	2.4

4 Loss per share (continued)

(c) Reconciliation of losses used in calculating loss per share

	Consolidated entity	
	31 December 2019	31 December 2018
	US\$	US\$
<i>Basic & diluted loss per share</i>		
Loss attributable to the ordinary equity holders of the company used in calculating loss per share:		
From continuing operations	<u>3,700,205</u>	<u>5,023,214</u>

The outstanding share options as at 31 December 2019 are considered to be non-dilutive and therefore excluded from the diluted weighted average number of ordinary shares calculation.

(d) Weighted average number of shares used as denominator

	Consolidated entity	
	2019	2018
	Number of shares	Number of shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<u>291,677,550</u>	<u>213,293,227</u>

5 Financial assets and financial liabilities

(a) Trade and other receivables

	Consolidated entity			Consolidated entity		
	31 December 2019			30 June 2019		
	Current US\$	Non-current US\$	Total US\$	Current US\$	Non-current US\$	Total US\$
Trade receivables	1,358,659	-	1,358,659	1,988,574	-	1,988,574
Other receivables	47,127	-	47,127	13,114	-	13,114
	<u>1,405,786</u>	<u>-</u>	<u>1,405,786</u>	<u>2,001,688</u>	<u>-</u>	<u>2,001,688</u>

5 Financial assets and financial liabilities (continued)

(b) Trade and other payables

	Consolidated entity					
	31 December 2019			30 June 2019		
	Current US\$	Non-current US\$	Total US\$	Current US\$	Non-current US\$	Total US\$
Trade payables	1,559,646	-	1,559,646	2,003,032	-	2,003,032
Accrued expenses	273,568	-	273,568	926,186	-	926,186
Other payables	63,146	-	63,146	97,483	-	97,483
	1,896,360	-	1,896,360	3,026,701	-	3,026,701

(c) Borrowings

	Consolidated entity					
	31 December 2019			30 June 2019		
	Current US\$	Non-current US\$	Total US\$	Current US\$	Non-current US\$	Total US\$
<i>Secured</i>						
Loan - net of borrowing cost (i)	-	3,576,239	3,576,239	-	-	-
Invoice financing (ii)	-	-	-	1,466,064	-	1,466,064
Total secured borrowings	-	3,576,239	3,576,239	1,466,064	-	1,466,064
<i>Unsecured</i>						
Promissory notes (iii)	-	1,000,000	1,000,000	1,000,000	-	1,000,000
Total unsecured borrowings	-	1,000,000	1,000,000	1,000,000	-	1,000,000
Total borrowings	-	4,576,239	4,576,239	2,466,064	-	2,466,064

(i) Loan - net of borrowing cost

In September 2019, the Group secured a US\$4,325,972 (equivalent to AU\$6,400,000) four-year secured debt facility with the interest rate of 11.75%, under a binding term sheet with PURE Asset Management Pty Ltd and Altor Credit Partners Pty Ltd (a wholly owned subsidiary of Altor Capital Pty Ltd). Both are unrelated parties to the Group. The arrangements include the grant of 35,555,556 warrants to the lenders to acquire ordinary shares in the Group at a price of AU\$0.18 per share. The cost of these warrants amount to US\$800,971 and is treated as part of the borrowing cost of the loan and is being amortised by using the effective interest method. Refer to Note 5(d).

(ii) Secured liabilities and assets pledged as security

Invoice financing comprises a credit agreement with invoice and supply chain finance provider, Timelio Pty Ltd, against working capital assets of the parent. Entered into on 14 January 2019, this facility had a limit of AU\$3M and was based on Sensera Limited's contract with animal health specialist Smartbow/Zoetis and guaranteed until 30 June 2020. The interest rate applicable is 1% per 30-day period with a 1% plus GST drawdown fee. A guarantee over all the assets of the group was attached to this facility.

This loan had been fully paid and closed during the half-year ended 31 December 2019.

5 Financial assets and financial liabilities (continued)

(c) Borrowings (continued)

(iii) Promissory notes

Promissory notes (unsecured) comprise a debt agreement with a key investor and Mr Jonathan Tooth, a director of Sensera Limited. Entered into during February and March 2019, the lenders provided US\$1,000,000 to fund the group's immediate needs for additional working capital. US\$650,000 was provided by Mr Tooth with the key investor providing the US\$350,000 balance. These promissory notes were due to mature in February 2020 and had an interest rate of 10% p.a. (payable quarterly). In October 2019, these notes were extended for a term of 24 month with a simple interest rate of 11.75% p.a. (payable quarterly), with an option to extend if agreed by both parties, indefinitely. The unsecured notes are subordinate to the company's current senior lender, PURE Asset Management Pty Ltd and Altor Capital Pty Ltd.

(iv) Fair value

The fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is close to current market rates and the impact of discounting is not material.

(d) Financial liabilities

	Consolidated entity					
	31 December 2019			30 June 2019		
	Current US\$	Non- current US\$	Total US\$	Current US\$	Non- current US\$	Total US\$
Warrant derivative	-	495,661	495,661	-	-	-
	-	495,661	495,661	-	-	-

The warrant derivative relates to a total of 35,555,556 unlisted warrants issued to PURE Asset Management Pty Ltd and Altor Capital Management Pty Ltd as part of the loan arrangement (Note 5(c)(i)).

The fair value of the warrants had been revalued at the end of the reporting period in accordance with the accounting standards. Any gain or loss arising as a result of the revaluation was recognised in the statement of profit or loss.

6 Non-financial assets and liabilities

(a) Inventories

	Consolidated entity					
	31 December 2019			30 June 2019		
	Current US\$	Non- current US\$	Total US\$	Current US\$	Non- current US\$	Total US\$
Raw materials and stores	284,529	-	284,529	409,990	-	409,990
Work in progress	100,032	-	100,032	24,538	-	24,538
Finished goods	893,489	-	893,489	717,310	-	717,310
	1,278,050	-	1,278,050	1,151,838	-	1,151,838

6 Non-financial assets and liabilities (continued)

(b) Provision for restructuring

	Consolidated entity	
	31 December 2019	30 June 2019
	US\$	US\$
Provision for restructuring	1,037,642	-
	1,037,642	-

The provision for restructuring relates to one time redundancy charges and related legal costs incurred resulting in a more streamlined cost efficient IOTS operation.

7 Leased assets

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

Maturity analysis - contractual undiscounted cash flows

	Consolidated entity
	31 December 2019
	US\$
Less than one year	652,296
One to five years	149,654
Total undiscounted lease liabilities at 31 December 2019	801,950
Lease liabilities included in the statement of financial position at 31 December 2019	754,828
Current lease liability	609,678
Non-current lease liability	145,150

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to these leases:

	Consolidated entity	
	31 December 2019	31 December 2018
	US\$	US\$
Interest expense	49,070	-
Lease depreciation expense	387,773	-
	436,843	-

(c) The company's leasing activities and how these leases are accounted for

The company has adopted AASB 16 Leases during the half-year ended 31 December 2019 using the modified retrospective approach. The modified approach does not require restatement of comparative periods. Instead the cumulative impact of applying AASB 16 is accounted for as an adjustment to equity at the start of the current accounting period in which it is first applied, known as the 'date of initial application'.

7 Leased assets (continued)

(c) *The company's leasing activities and how these leases are accounted for (continued)*

As at 31 December 2019, the Group has the following leased asset:

	Consolidated entity	
	31 December 2019	30 June 2019
	US\$	US\$
Equipment - right-of-use	1,673,762	-
Less: Accumulated depreciation - right-of-use	(1,003,807)	-
	669,955	-

For any new contracts entered into on or after 1 July 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group,
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Total lease payments not recognised as a liability due to the short term and low value exceptions under the Standard for the half-year 2020 were US\$353,084.

8 Contributed equity

(a) Share capital

	31 December 2019	30 June 2019	31 December 2019	30 June 2019
	No. of shares	No. of shares	US\$	US\$
Fully paid	322,125,055	272,751,012	31,173,047	28,476,830

(i) Movements in ordinary shares:

	No. of shares	US\$
Opening balance 1 July 2019	272,751,012	28,476,830
Issue at \$0.08 pursuant to placement (8 October 2019)	37,500,000	2,077,800
Issue at \$0.08 pursuant to SPP (8 October 2019)	1,375,000	76,205
Deemed issue between \$0.08 and \$0.11 pursuant to ESOP (FY2019) (*)	10,499,043	679,347
	322,125,055	31,310,182
Less: Transaction costs arising on share issues	-	(137,135)
Balance 31 December 2019	322,125,055	31,173,047

(*) Shares issued in relation to prior year's provision for bonus.

(b) Reserves

Consolidated entity	Notes	Common control reserve US\$	Share-based payments US\$	Foreign currency translation US\$	Total US\$
Balance at 1 July 2019		(1,208,466)	1,137,730	155,605	84,869
Currency translation		-	-	75,986	75,986
Share-based payment expenses	10(b)	-	101,940	-	101,940
At 31 December 2019		(1,208,466)	1,239,670	231,591	262,795

(i) Options

Details	Number of options	US\$
Opening balance 1 July 2019	10,300,000	1,137,730
Options granted (*)	250,000	7,242
Share based payment expense from previously granted options	-	94,698
Balance 31 December 2019	10,550,000	1,239,670

(*) Includes (i) 150,000 options granted on 1 January 2019 at AU\$0.150 exercise price, expiring in 4 years from grant date to an employee; and (ii) 100,000 options granted on 1 January 2019 at AU\$0.105 exercise price, expiring in 4 years from grant date to an employee.

9 Dividends

No dividends have been paid during the financial period. The directors do not recommend that a dividend be paid in respect of the financial period.

10 Share-based payments

(a) Options granted during the period

During the half year period ended 31 December 2019, the group has granted 250,000 options to two employees.

Fair value of options granted

The model inputs for options granted during the half-year 31 December 2019 included:

Grant date	Exercise price AU\$	Number of options granted	Expected share price volatility	Expiry date	Dividend yield	Risk-free interest rate	Fair value per option at grant date US\$
1-Jan-19	0.150	150,000	89.13%	31-Dec-23	Nil	1.95%	0.04586
1-Jan-19	0.105	100,000	89.13%	31-Dec-23	Nil	1.95%	0.0500
		250,000					

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated entity	
	31 December 2019 US\$	31 December 2018 US\$
Shares issued to employees under ESOP	-	170,292
Shares issued to consultants	-	79,770
Options issued to employees under ESOP	101,940	181,596
	101,940	431,658

11 Events occurring after the reporting period

In February 2020, the Group executed a non-binding term sheet with Altor Advisory Partners Pty Ltd with the intention of raising AU\$3.5M via unsecured converting notes. As at the date of the release of this report, the Group is still in the process of formalising the terms of the transaction.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group or economic entity in subsequent financial periods.

12 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and is presented in United States dollars (US\$), unless otherwise stated.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report in accordance with Australian Accounting Standards, and should be read in conjunction with the annual report of the Group for the year ended 30 June 2019 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim report has been prepared in accordance with the accounting policies adopted in the Group's previous annual report. The accounting policies have been applied consistently throughout the group for the purpose of preparation of this interim report, except for the adoption of the new and amended standards as set out below.

Reclassification of comparatives

The Group has reclassified certain expenditure items in prior year comparatives in order to be consistent with the current year classification and presentation.

(a) Going concern

The Group incurred a net loss of US\$3,700,205, and had operating cash outflows of US\$2,962,253 for the half-year period ended 31 December 2019. As at 31 December 2019, the Group's cash and cash equivalents balance was US\$2,033,797. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The interim report has been prepared on a going concern basis. In the process of approving the Group's forecast and business plan for the upcoming periods, the Board has considered the cash position of the Group within the next 12 months from the date of this report. The Board acknowledges the possibility of additional funding being required in order to meet the Group's working capital requirements and other capital commitments. Since inception, the Group has successfully raised over US\$29M from issuing shares, as well as securing additional debt of US\$5.3M to assist with working capital requirements.

In February 2020, the Group has executed a non-binding term sheet with Altor Advisory Partners Pty Ltd with the intention of raising AU\$3.5M via unsecured converting notes. As at the date of the release of this report, the Group is still in the process of formalising the terms of the transaction.

The directors are confident that they will reach a satisfactory outcome. In the event that the Group is unable to achieve satisfactory outcome on the matters described above, there is a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern. Therefore the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business.

(b) New and amended standards adopted by the group

The following accounting standard became applicable for the current reporting period.

- AASB 16 *Leases*

The impact of the adoption of this standard and the new accounting policies are disclosed in note 13 below.

(c) Estimates and judgements

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

12 Basis of preparation of half-year report (continued)

(c) Estimates and judgements (continued)

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2019, except for AASB 16 adoption. Refer to note 13 for further information.

13 Changes in accounting policies

AASB 16 *Leases* became effective for periods beginning on or after 1 January 2019. Accordingly, the Group applied AASB 16 for the interim period ended 31 December 2019. Changes to the Group's accounting policies arising from this standard is summarised below:

(a) Impact on the financial statements

(i) AASB 16 Leases

The Standard has been adopted from 1 July 2019, resulting in the Group recognising right-of-use assets and related lease liabilities for leases previously classified as operating leases under AASB 117, subject to the practical expedients described below.

The Standard has been applied using the modified retrospective approach, with the cumulative impact of adopting AASB 16 recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Comparative periods have not been restated as permitted under the specific transition provisions in the Standard.

The nature of expenses related to these leases has changed as the Group now recognises an amortisation charge for the right-of-use asset and interest expense for the lease liability.

Previously, the Group recognised operating lease expenses on a straight-line basis over the term of the lease and assets and liabilities only to the extent there was a timing difference between actual lease payments and the expense recognised.

In applying AASB 16 the Group has elected to use the following practical expedients permitted by the Standard:

- accounting for leases with a remaining lease term of less than 12 months from 1 July 2019 as short-term leases
- excluding leases for which the underlying asset is low value from the calculation of lease liabilities
- using hindsight in determining the lease term when considering options to extend and terminate leases
- applying a single discount rate to the portfolio of leases with reasonably similar characteristics
- excluding initial direct costs in the measurement of the right-of-use asset at 1 July 2019
- relying on previous assessment on whether leases are onerous as an alternative to performing an impairment review on the right-of-use asset at 1 July 2019
- not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group has relied on its assessment made applying AASB 117 and IFRIC 4.

For short-term and low-value leases, the lease expense is accounted for on a straight-line basis over the lease term.

(ii) Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	US\$
Operating lease commitments as at 1 July 2019 (AASB 117)	1,888,314
Operating lease commitments discount based on the weighted average incremental borrowing rate of 11.75%	(216,217)
Accumulated depreciation as at 1 July 2019 (AASB 16)	(614,370)
Right-of-use assets (AASB 16)	1,057,727
Lease liabilities - current (AASB 16)	(791,902)
Lease liabilities - non-current (AASB 16)	(348,088)
Adjustment to opening accumulated losses as at 1 July 2019	<u>(82,263)</u>

13 Changes in accounting policies (continued)

(a) Impact on the financial statements (continued)

(iii) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(iv) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Sensera Limited
Directors' declaration
31 December 2019

In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*,
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that the Sensera Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.



Mr Allan Brackin
Independent Non-Executive Chairman

Sydney
28 February 2020

Independent Auditor's Review Report

To the Members of Sensera Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Sensera Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Sensera Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019 and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 12(a) in the financial report, which indicates that the Group incurred a net loss of US\$3,700,205 during the half-year ended 31 December 2019 and, had net operating outflows of US\$2,962,253. As stated in Note 12(a), these events or conditions, along with other matters as set forth in Note 12(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sensera Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd
Chartered Accountants



CDJ Smith
Partner – Audit & Assurance

Brisbane, 28 February 2020