

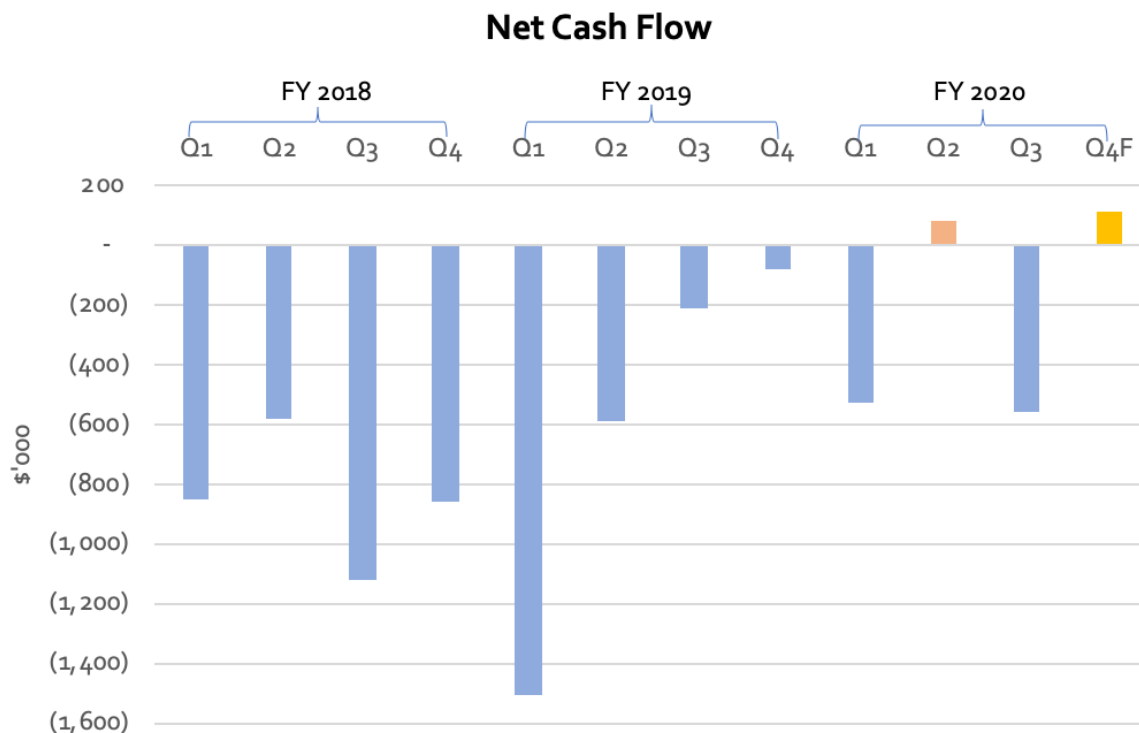
Spectur Limited (ASX:SP3) Quarterly Activities Report

ASX Announcement | 20/07/2020

Highlights

- Spectur generated positive cash flow in Q4 FY20, entering FY21 with \$1.6m in cash (excluding proceeds of the recent placement) and no bank debt
- Successful share placement raised \$567k, with additional funds expected from a pending SPP to fund growth initiatives
- The Company is pursuing geographic expansion opportunities, shipping HD5 systems to NZ and UK for trialling
- New STA6 platform launched with early orders continuing, first deliveries expected in late July 2020

Monday 20 July 2020: Solar security, sensing and visual AI solutions and platforms company Spectur Limited (ASX: SP3) ("Spectur" or the "Company") is pleased to report on its activities for the quarter ended 30 June 2020.



Executive commentary

Spectur Managing Director, Gerard Dyson, said:

"We enter FY21 with a positive outlook for growth in customers, hardware sales and recurring revenue. We have built a leading technology platform with exciting value-add expansion opportunities which we will address over the coming year. The outbound sales team is almost complete and the new website and digital marketing partner will be on board in August. In the year ahead we expect to build a growing market presence via resellers in existing and new geographies.

"We have demonstrated that we can manage costs and achieve cash flow break even. With relatively inelastic fixed overheads, I am optimistic that the revenue growth that we are expecting, and the limited additional deployment of growth funds, will bring us to revenue growth, cash generation and enhanced profitability."

Positive Cashflow in Q4 and Strong Balance Sheet

The Company's demonstrated positive quarterly cashflow (\$116k), a strong balance sheet (\$1.6m cash at bank at 30 June 2020) and quarterly revenues (\$1.05m), with cash receipts of \$1.413m.

Subsequent to the quarter end, Spectur raised approximately \$567k of equity capital through a share placement, utilising 15% of the Company's placement capacity, which is expected to be supplemented by a Share Purchase Plan to raise a target of \$567k before costs, with ability to accept oversubscriptions to raise a further \$378k (SPP). The combination of substantial recent cost reductions, stronger operational cash flow and the capital raising cash injections will provide the Company with a strong financial position to invest in growth initiatives in the coming quarters.

Monthly hardware sales doubled from March to June, with a steadily increasing pipeline. Underpinning the resilience of the revenues was a stream of recurring revenue (approximately \$275k for Q4) and rental revenue (approximately \$340k for Q4) comprising nearly 60% of Q4 revenue. In coming months, Spectur expects an increase in building starts activity as a result of government stimulus initiatives targeted at the construction sector and anticipates demand from this sector increasing in H1 of FY21.

The benefits of premises lease cost reductions will be felt in Q1 FY21, however the cash impact of these will be offset by investment in growth activities. The Company plans to apply the bulk of the raised funds towards marketing and product rollout activities in Q1, to be followed in subsequent quarters by investment in sensing growth, AI applications, server and software upgrades and channel expansion.

The Company also anticipates some costs associated with due diligence on select acquisition targets throughout the year, which were unbudgeted in FY20. Acquisitions will be focused on targets consistent with the current strategy and culture of Spectur.

Reseller Channels are Developing

Spectur continues to advance new reseller channel opportunities, building on the partnership conversations and efforts which increased during the June quarter. In July, the Company shipped units for testing to the new Spectur partner in New Zealand, Deus Ex Ltd. Preliminary conversations with a Europe-based reseller have commenced and initial trials and sales are pending.

The Company plans to explore and develop additional reseller channels within Australia and in other targeted geographies during FY21. These channels will likely commence with trialling of the Spectur solutions, followed by development of marketing plans tailored to target higher volume sales.

New STA6 Platform Launched

Following nearly a year of development, the first models of Spectur's STA6 platform are now in active field trials, with first deliveries of initial sales planned for July 2020. The STA6 has several new and enhanced features that provide market leading performance in security, surveillance and warning applications.

This product launch establishes the foundation for an expanding and future-proof array of additional applications which the Company plans to offer to new and existing customers.

Some highlights and key differentiators for the STA6 include:

- Exceptional vision in ultra-low light and at long range.
- Up to 360° vision (in STA6 Pro form) without blind spots.
- Speakers and microphones for fully programmable autonomous spoken messages or two-way audio.
- Ability to host remote sensors via LoRaWAN (in STA6 XS form).
- Ability to run visual artificial intelligence solutions on the edge (in the field hardware) and in the cloud, improving speed and reducing data costs.
- Fully programmable hardware and software platform allowing customisation, updates, expansion and other future-proofing, ensuring long-term value for customers.
- Easy integration with 3rd party video management systems, artificial intelligence applications and sensors.
- Move to an open platform which dramatically increases the usage potential for the STA6.
- Pre-installed solutions for security, surveillance, warning and time-lapse, with potential to remotely deploy additional solutions as they are developed, increasing SaaS revenues.
- Security applications which use edge and cloud-based artificial intelligence to dramatically reduce false alarms for users and the nearby community.
- All Spectur platforms continue to be designed, coded and manufactured in Australia, with all data stored in the cloud locally.

The STA6 sets a new benchmark for functional performance in current applications and opens up multiple new avenues for growth in other applications and sensors.

STA6 Sales Ramping Up

Final trials of the STA6 platform will be concluding in July 2020 and first systems shipped later in the month. Given the ground-breaking nature of the new technology, target customers are initially testing functionality and performance on smaller samples prior to the placement of larger orders. In July the Company has achieved initial sales of the STA6 to major utilities as well as state government transport authorities, consistent with Spectur's strategic focus on expanding the Company's presence in the utilities and government sectors.

Spectur continues to sell the existing HD5 platform and derivative technology to current and new customers, effectively creating a two-tiered product platform with differentiated value propositions. The broader range of core hardware (STA6, HD5 and variants), combined with

additional sensors, mobile solutions and solar lighting systems that will be introduced to the market in Q1 FY21, are expected to provide early additional revenue.

New Technology Collaboration Agreement with CSIRO Data61

On 2 & 7 July 2020, Spectur announced a long-term Collaboration Agreement with CSIRO's Data61, the data science and technology arm of Australia's national science agency to provide edge and cloud-based AI development services.

This Collaboration Agreement forms the foundation for a suite of expanded AI applications that can be deployed on the STA6 (and in some cases the HD5) platform. CSIRO's Data61 will develop a range of AI applications and the modular deployment to the STA6 (for edge applications) and the cloud (for web-based applications).

CORPORATE

Key Sales Executive Recruited

Spectur recruited an additional Sales Executive focused on the NSW government and utility markets, commencing employment on 1 July 2020. A further Sales Executive has been recruited to focus on Victorian building and construction customers and is expected to commence in August 2020. This concludes planned recruitment in outbound sales for the medium term.

Spectur has evolved the sales team to have an exciting blend of expertise in security, IoT sensing and visual AI applications in addition to extended networks in the government and utilities, building & construction sectors. Given the potential of the new STA6 platform as a sensing and visual AI hub, this sales team is well placed to take Spectur's compelling offer to customers.

Share Crossing and Removal of Overhang

During the quarter, EGP Capital became a the second largest holder in Spectur, with 4.9% of ordinary shares following an off-market arrangement to acquire the majority of Peter Holton's, (Spectur's former MD's) shares.

Recent Off-Market Transaction

Subsequent to the successful July Placement, with Spectur's consent, Richard Wilkins transferred 1,250,000 shares to a participant in the Placement (exempt investor). The balance of Mr Wilkins shares remain in escrow, and he remains a long term supporter of the organisation and the largest shareholder. Further details of this transaction are reported separately.

Additional Disclosure under Listing Rule 4.7C.3 – Payments to Related Parties of an Entity

	\$
Salary paid to Managing Director	52,000
Non-Executive director fees paid	26,467
Superannuation paid to directors	<u>9,381</u>
Total payments to related parties	<u>87,848</u>

Ends.

This ASX release is authorised by the Board of Directors of Spectur Limited

For further information, please contact:

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About Spectur Limited

Spectur Limited (ASX:SP3) is an Australian-based developer of security, surveillance and warning solutions powered by solar, IoT [Internet of Things], camera and cloud-based technology. The Company owns the rights to its innovative hardware and disruptive cloud-based systems which are deployed to provide solutions to industries including government and utilities, and the building, construction and civil sector.

Spectur's core products are solar powered deterrence and surveillance systems and associated cloud-based platforms. These systems incorporate cameras, lighting, audible warnings and a hardware IoT platform, remotely accessed and connected via 3G/4G technology to a cloud-based platform. The offering is complemented by a longer distance, 24-hour thermal camera deterrence solution, suitable for customers with long perimeters.

Spectur is used and trusted by small business to multinationals and the Company is currently implementing a strategic growth plan to build market dominance in the Australian government and utilities sector to meet demand for innovative, remote camera and IoT solutions.

To learn more, please visit: www.spectur.com.au

Forward Looking Statements

This announcement contains forward-looking statements which are subject to elements of uncertainty, risk and other factors which could cause the actual results or outcomes to differ materially from those stated. These statements are based on an evaluation of current economic, contractual and operating conditions, as well as assumptions regarding future events. These events are, as at the date of this announcement, expected to take place, but there cannot be any guarantee that such events will occur as anticipated, when anticipated or at all given that many of the events are outside Spectur's control.

Accordingly, neither Spectur nor any of its directors, officers, employees, contractors or agents, gives any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur as and when anticipated.

