

Dear Shareholder,

As we embark on what will be an even busier year for Shark Mitigation Systems, we'd like to take this opportunity to highlight what your company has achieved since our last communication back in September.

In that letter, we highlighted the successful conclusion of the first live deployment of Clever Buoy at Bondi Beach. The trial was a great success, and proved Clever Buoy's credentials. So much so it was officially endorsed by the Australian Profession Ocean Lifeguard Association (**APOLA**) and Surfing WA in August 2016. Shortly after Bondi, we were engaged by the World Surf League (**WSL**) to deploy Clever Buoy at their Championship League surf event in Jeffries Bay, South Africa.

The year also featured WSL Pro Surfer, Taj Burrow, coming on board as Company Ambassador, the appointment of a General Manager for SAMST[™], Simon O'Sullivan, the appointment of a General Manager for CleverBuoy[™], Richard Talmage and continued progress of Seabin to commercial production.

The company also showcased its technology to global audiences with attendance at Surf Expo 2016 in Florida and the Diving Equipment and Marketing Association (DEMA) Show in Nevada, both of which drew great interest and generated numerous leads for potential future agreements.



ACHIEVEMENTS THIS QUARTER

Shark Detection Technology - Clever Buoy

Successful deployment of Clever Buoy at City Beach, Western Australia

In October 2016, the Department of Premier and Cabinet (DPC) in Western Australia contracted SMS to install the Clever Buoy shark detection system at City Beach for a period up to 31st March 2017, with an option to extend the deployment into the April 2017 school holidays.

The deployment is aimed at providing the various State Agencies with an opportunity to assess the system's effectiveness in local conditions, its ability to be integrated into existing operations, and potential suitability for use at other sites along the Western Australian coastline.

The Fisheries Minister, Mr. Joe Francis indicated that the technology would be installed initially at City Beach, with consideration to be given to future South West and Metro locations pending the successful outcome at City Beach.

Mr. Francis went on to say *"The Clever Buoy trial is another element of the extensive work undertaken to provide West Australians with some comfort when they swim at our beaches."*



Minister for Innovation, Bill Marmion (l), Churchlands MP Sean L'Estrange and Fisheries Minister Joe Francis at City Beach



City Beach Coverage Area

SM8 Managing Director, Craig Anderson, commented:

"We are very excited to have the opportunity to showcase our Western Australian developed technology in our own backyard, following significant exposure nationally and internationally. Western Australia is leading the world in shark management initiatives, and we are confident Clever Buoy will integrate well with the State Government's current shark management strategy. The Clever Buoy system will provide authorities with another layer of protection for beach users."

Level 2, 55 Carrington Street
Nedlands, Western Australia 6009

P: +61 1300 524 392 E: enquiry@sharkmitigation.com

www.sharkmitigation.com

The city beach deployment also gave SMS an opportunity to showcase both our SAMS and Clever Buoy technologies together, with the commercial dive team for Clever Buoy wearing a range of SAMS Elude dive suits as part of the installation.

Diving Supervisor Blake Miller said *“The install crew had nothing but positive feedback when using the SAMSTTM wetsuits, they were found to be warm and comfortable to work in for extended periods of time.”*

Clever Buoy is gradually gaining momentum, with national and global interest continuing to increase. We look forward to more exciting news on further deployments in the coming months.



Visual Technology - SAMS

Licensing Agreement with Rusty

Following our exhibition and exposure at Surf Expo in Florida, SAMSTTM garnered the attention of a number of the world’s largest surfboard manufacturers. First to see the benefits of the visual technology, and to sign a License Agreement to incorporate the SAMSTTM shark deterrent pattern into their surfboards was global brand, Rusty. Based in Perth, Western Australia, the agreement with Rusty will cover distribution across Australia and New Zealand initially, with prospects to extend this throughout the Rusty global network.

Several other large high profile global brands are in discussion to follow suit, adding to several other recent surfboard licence signings in Australia.

Advanced discussions are also in play with Licensee prospects in the wetsuit and soft-board Surfboard market segments.



DEMA

SMS was part of 600 exhibitors at the *Diving Equipment and Marketing Association (DEMA)* Show in Las Vegas, USA in November, 2016.

Approximately 8,200 credentialed experts in the global diving industry were exposed to both SAMSTTM and Clever Buoy shark mitigation solutions. In its first significant industry presentation to global dive prospects, including well-known brands such as Mares, ScubaPro and Aqualung, the show generated a number of positive leads for SMS from which further conversations have ensued.



With its many market segments, the recreational, commercial and industrial dive markets have a variety of product applications for which the SAMST[™] technology can be applied.

Additionally, interest in Clever Buoy presented the discovery of a number of target opportunities and advocates from a variety of geographical locations across the globe from both private and public authorities.

SMS products displayed also captured the attention of the global dive media, with the announcement at the show of results released from independent testing conducted off the coast of South Africa in June 2016, that further validate the effectiveness of the SAMST[™] visual technology.

Arena

SMS and Northern Hemisphere based global Swimwear brand and SAMST[™] Licensee, Arena, together with its Australian Distributor partners participated in a number of high profile Triathlon Events over the last 6 months, setting up Wetsuit

Test Centre's at each event, where Triathlon competitors had the opportunity to 'try before they buy'.



Level 2, 55 Carrington Street
Nedlands, Western Australia 6009

P: +61 1300 524 392 **E:** enquiry@sharkmitigation.com

www.sharkmitigation.com

Other events on the horizon include the Rottnest Channel Swim (February), and the Port to Pub Swim (March) where the Arena/SAMST[™] shark deterrent Triathlon Wetsuit will be seen in action.

Kite Boarding

The risks are very real for under-powered Kiteboarders in light winds in shark 'hot spots'.

That is why we continue to see a growing number of followers adopt our SAMST[™] shark deterrent visual technology. Below is an image of Perth Kite Foiler, Pete Morgan, who has embraced the technology in pursuit of his passion.



Seabin

Sea Bin Pty Ltd moves closer to commercialisation

SMS holds a 20% shareholding in Seabin Pty Ltd, which is developing and commercializing a new technology for cleaning rubbish and floating or suspended waste from marina and protected water environments.

Founded by two Australians, the company's operations are based in Palma Mallorca in Spain.



Please visit: <http://www.seabinproject.com>

Level 2, 55 Carrington Street
Nedlands, Western Australia 6009

P: +61 1300 524 392 **E:** enquiry@sharkmitigation.com

www.sharkmitigation.com

Seabin successfully raised over US\$300,000 in a crowdfunding campaign to advance the development of its technology, and have generated a viral level of interest among major global corporates and communities.

SMS actively provides corporate guidance and support for Seabin Pty Ltd in the development and commercialization of the technology, and the company is poised to sign a global manufacturing and distribution deal.

Team Focus



Richard Talmage is the Company's General Manager of the Clever Buoy Division. Richard brings to SMS over 16 years' experience in delivering complex technology programs and projects across multiple industries including finance, mining, oil and gas sectors.

Richard's demonstrated abilities to develop strong lasting stakeholder relationships and extensive experience delivering technology projects using recognised industry frameworks and best practice will ensure the sustainable growth of our Clever Buoy program and other future innovative technologies under the SMS banner.

Richard originally joined the Company in 2015 to deliver a robust foundation on which to grow the Clever Buoy technology and to ensure the successful delivery of the Clever Buoy trial at Bondi Beach, NSW in 2016. Richard then ensured that the Jeffrey's Bay deployment in South Africa for World Surf League was a success and shortly after joined SMS full-time as General Manager in August 2016.

"The Clever Buoy project has been an exciting journey for me. Over the past two years we have successfully created a unique, commercially viable and non-invasive alternative to historic shark mitigation methods that will benefit communities around the world in years to come."

What's Around the Corner?

This is the year we aim to consolidate on all the great work done in 2016.

Our major focus will be on formalising agreements with a number of parties the company has been in active discussions with in the second half of calendar 2016. This includes major global surf and dive brands in relation to our visual technology embedded in wetsuits, leading global surf craft brands in relation to visual technology on the underside of surf craft, a global manufacturing and distribution agreement in relation to Seabin, and the continued rollout of our Clever Buoy technology.

We are very excited and driven toward delivering revenue growth for our shareholders.

Yours faithfully,

Craig Anderson