



SHARK MITIGATION SYSTEMS LIMITED

ABN 77 149 970 445

APPENDIX 4D AND INTERIM REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2016

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Rule 4.2A.3

APPENDIX 4D

Reporting period ("current period")
Previous corresponding period

Half-year ended 31 December 2016
Half-year ended 31 December 2015

1 Results for announcement to the market

					\$
1.1	Revenue from ordinary activities	up	28.63%	to	446,286
1.2	Profit from ordinary activities after tax for the period attributable to owners of the Company	down	262.47%	to	(519,672)
1.3	Total comprehensive income for the period attributable to owners of the Company	down	262.47%	to	(519,672)

		Amount per share cents	Franked amount per share cents
1.4	Dividends		
	Final, in respect of year ended 30 June 2016	Nil	Nil
	Interim, in respect of year ending 30 June 2017	Nil	Nil
1.5	Record date for determining entitlement to dividend		N/A
1.6	Brief explanation of figures (if necessary)		

During the past six months the Company has focussed on finalising commercialisation initiatives for its technologies and resourcing the business accordingly through employing technical personnel and ongoing research and development activities. Under Australian Accounting Standards, Shark Attack Mitigation Systems Pty Ltd (SAMS) was deemed to be the accounting parent and therefore the comparative information for the period ending 31 December 2015 is that of SAMS.

The net loss for the consolidated entity after providing for income tax amounted to \$519,672 (31 December 2015: profit of \$319,849). The loss for the period includes research and development expenses, amortisation and personnel expenses, and a receivable for government grants totaling \$250,000.

2 Net tangible assets

	Current period \$	Previous corresponding period \$
Net tangible asset backing per ordinary share	0.04	N/A

3 Details of entities over which control has been gained or lost

There was no entity over which control has been gained or lost during the current period.

4 Dividends

Amount per security

		Amount per security	Franked amount per security at 28.5% tax	Amount per security of foreign source dividend
		cents	cents	cents
Final dividend	- paid during current period	Nil	Nil	Nil
	- paid during previous corresponding period	Nil	Nil	Nil
Interim dividend	- declared for current period	Nil	Nil	Nil
	- declared for previous corresponding period	Nil	Nil	Nil

Total dividend declared on all securities in respect of the period

	Current period \$	Previous corresponding period \$
Ordinary securities	Nil	Nil

5 Dividend reinvestment plans

There was no dividend reinvestment plan in operation during the current period.

6 Details of associates

Name of entity	Percentage of ownership interest held at end of period		Contribution to net profit / (loss)	
	Current period %	Previous corresponding period %	Current period \$'000	Previous corresponding period \$'000
Seabin Pty Ltd	20.00%	20.00%	-	-

7 Accounting standards

The condensed consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations ("AASBs") adopted by the Australian Accounting Standards Board ("AASB"). The condensed consolidated financial statements also comply with International Financial Reporting Standards adopted by the International Accounting Standards Board.

8 Independent auditor's review

The attached financial statements have been subject to review by the independent auditor.

CORPORATE DIRECTORY

Directors

Craig Anderson
Hamish Jolly
David McArthur

Secretary

David McArthur

Registered and Principal Office

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Auditors

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Bankers

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Perth WA 6000

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Computershare Investor Services Pty Ltd
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Telephone: +61 1300 552 270

ASX Code

Shares: SM8

Legal Form of Entity

Public company

Country of Incorporation and Domicile

Australia

DIRECTORS' REPORT

The directors of Shark Mitigation Systems Limited (the "Company") submit herewith the financial report of the Company and its subsidiaries (the "Group") for the half year ended 31 December 2016 and the directors' report as follows:

1. DIRECTORS

The directors of the Company (the "Directors") during the reporting period and up to the date of this report were:

Name	Period of directorship
Hamish Jolly	Director since 29 January 2016
Craig Anderson	Director since 29 January 2016
David McArthur	Director since 29 January 2016

2. OPERATING AND FINANCIAL REVIEW

Background

Shark Mitigation Systems Limited commenced trading on the Australian Securities Exchange on 12 May 2016, and over the past six months has focussed on finalising commercialisation initiatives for its technologies and resourcing the business accordingly.

The Company has three key areas of activity for the period. These key areas are:

1. Visual Deterrent Technology - SAMSTTM;
2. Clever Buoy; and
3. Seabin

Visual Deterrent Technology - SAMSTTM

In collaboration with the University of Western Australia's (UWA) Oceans Institute and School of Animal Biology, the Company developed technology that can be incorporated into marine apparel and watercraft which can reduce the risk of shark attack, based on the recently developed science of shark vision, neurology and behavioural effects.

Breakthrough science in determining what predatory sharks can see at certain depths and distances and under certain light and water conditions has been incorporated into neoprene materials and commercial wetsuit designs. The technology has been labelled Shark Attack Mitigation Systems technology or SAMSTTM.

The key to SAMSTTM technology lies in development of patterns having a specific contrast, colour, size and shape according to the position of the wearer in the water column and the distance that a shark is likely to perceive the wearer. The result is a range of materials and designs which incorporate SAMS technology while maintaining consumer appeal. The technology has the potential to extend to many marine applications, including skins and stickers for diving air tanks, diving fins, surfboards, kayaks, skis, watercraft, undersea cabling and marine equipment.

In July 2016, the company appointed Mr Simon O'Sullivan as General Manager of the Visual Technology Division, SAMSTTM. Simon joins the company with over 27 years of experience in the Australian Water Sport and Surf Industry, which included senior roles with iconic brands such as Rip Curl, Gath and Rusty.

In September 2016, the Company showcased its SAMSTTM technology at the global surf industry's major trade show, SurfExpo, in Florida, USA. With over 27,000 attendees from a broad cross section of water sport segments it provided a significant opportunity for the industry to discover and be educated on the potential SAMS tech applications. Significant leads were developed from this event and the team is engaged with some significant international brands as a result.

2. OPERATING AND FINANCIAL REVIEW (continued)

Visual Deterrent Technology - SAMS™ (continued)

In November 2016, SMS announced the outcome of a successful trial of SAMS™ Visual Technology at Mossel Bay in South Africa, following a comprehensive independent field trial by the University of Western Australia Oceans Institute. The trial was conducted in a location within a known active population of white sharks to provide a statistically valid data set for robust scientific evaluation. The results of the study have presented scientifically valid confirmation of the effectiveness of one of the SAMS™ Visual Technologies as an effective deterrent in respect of mitigating the risk of shark attack. In replicated trials of the SAMS™ disruptive colouration technology with more than 111 great white shark encounters, the sharks took an average of 90 seconds to engage with the un-baited black 'control' neoprene versus between 5-6 minutes for the un-baited neoprene containing the SAMS™ disruptive colouration patterning.

Based on these findings, the UWA testing confirmed that without the direct influence of bait, the disruptive colouration significantly delayed great white sharks (*Carcharodon carcharias*) from interacting when compared with black neoprene. Therefore, under a typical-use scenario, the SAMS™ disruptive colour technology can have beneficial effects in reducing the likelihood of a negative encounter with a shark by allowing a diver more time to leave the area in the event of a shark encounter. Other variations of SAMS™ technologies were also trialled as part of this work by UWA. While scientific evidence continues to mount for patterns that disrupt visual contrast being effective for a swimmer, diver or surfer at surface, in these most recent tests, a statistically valid number of surface engagements was not achieved for robust analysis. The company will continue to focus future research and product development activities for its SAMS™ visual disruptive technology.

Whilst the SAMS™ technology has thus far been primarily focused on a consumer market in licensing arrangements to wetsuit, watercraft and ocean equipment manufacturers as a personal deterrent, these latest research results are expected to have significant implications for Occupational Health & Safety (OH&S) for users of this equipment in commercial applications.

The Company attended the Annual Global Diving Equipment and Marketing Association Trade Show (DEMA) in the USA in November. Attendance at the Show provided exposure for the Company's SAMS™ and Clever Buoy technologies to 9,000 credentialed experts in the global diving industry from Dive, Wetsuit & Equipment Manufacturers to Coastal Resort Hotels and Tourism Industry bodies. Significant leads were developed from this event and the team is engaged with some significant international companies as a result.

Shark Detection Technology and Consumer Warning System - Clever Buoy

The Clever Buoy system uses a non-invasive technology solution to create a virtual shark net to detect sharks and alert the appropriate authorities and / or beach users. The technology is designed to detect sharks using state of the art sonar and identification systems which relay information to authorities responsible for beach safety. The detection system is designed to be deployed beyond the surf zone and utilises multi-beam sonar transducers that are mounted on the ocean floor coupled with newly developed detection software to scan for marine life.

Once detected, the software interrogates the object's swimming pattern to determine the probability of a shark occurrence. Once the target is determined to be a shark, information is transmitted to lifeguards notifying them of the target and location. The technology has the potential to revolutionise beach safety and provide real time information to beach and ocean users.

The company's Clever Buoy shark detection was contracted by the world professional surfing governing body, World Surf League, for the JBay Pro Open in South Africa. The official event was held between 6th – 17th July in Jeffrey's Bay, which was the scene of Australian surfer Mick Fanning's close encounter with a white pointer shark 12 months prior. The deployment was highly successful, and provided very welcomed protection for the professional surfers, whilst generating a global platform for the Company.

Clever Buoy was selected by the Western Australian State Government for a pilot installation at City Beach in the Perth metropolitan area. The \$500,000 project has resulted in Clever Buoy being installed between the groynes at City Beach, and is operating for a trial period up to 31st March 2017. 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.

2. OPERATING AND FINANCIAL REVIEW (continued)

Shark Detection Technology and Consumer Warning System - Clever Buoy (continued)

As part of the further development and refinement of the Clever Buoy technology, the Company commenced a collaborative research project with the NSW Department of Primary Industries and University of Technology Sydney. The project involves Clever Buoy deployed near Hawks Nest at Port Stephens for a 4-week period to observe and independently verify white shark detections. The activity will provide further independent validation of the shark detection technology and improve the capability of the software that supports the system.

The Company continues to receive a significant number of expressions of interest from around the world in relation to the deployment of the Clever Buoy system. The incidence of shark activity in recent years has had a significant effect on domestic and international tourism and its direct effect on local communities, where beach activity and water sports feature prominently. SMS has been working with local councils, state and federal governments on the approval and funding process to deploy Clever Buoy for beach safety across high risk locations in Australia and is currently engaged with a number of private organisations with additional applications of the technology.

The Seabin Project

Seabin is a revolutionary environmental technology for cleaning rubbish and floating or suspended waste from marina and protected water environments.

The Company holds an active equity interest in Seabin Pty Ltd and provides corporate guidance and support for the continued development and commercialisation of the technology.

The company is currently finalising a global manufacturing and distribution agreement with a significant marine industry participant.

Financial Results

For the six months ended 31 December 2016, the Group incurred a loss after income tax of \$519,672 (six months ended 31 December 2015: profit of \$319,849).

The Group had a net cash outflow of \$939,533 (six months ended 31 December 2015: inflow of \$152,801).

3. DIVIDENDS

The directors recommend that no dividend be provided for the six months ended 31 December 2016. (Six months ended 31 December 2015: Nil).

4. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Shark Mitigation Systems Limited support, and have adhered to the principles of good corporate governance. The Group's corporate governance statement is contained in the 30 June 2016 Annual Report and can be viewed on the Company's website.

5. SUBSEQUENT EVENTS

Other than the matters disclosed in note 5.2 of the notes to the condensed consolidated financial statements, there have been no matters or circumstances that have arisen since the end of the reporting period that have affected or may affect, significantly, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

6. LEAD AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included in the Directors' Report.

Signed in accordance with a resolution of Directors.

On behalf of the Directors,

A handwritten signature in black ink, appearing to read 'C. Anderson', with a long horizontal flourish extending to the right.

CRAIG ANDERSON
Director

Perth, Western Australia
27 February 2017

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Shark Mitigation Systems Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
27 February 2017



M R W Ohm
Partner

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	31 December 2016 \$	30 June 2016 \$
Assets			
Cash and cash equivalents		1,837,665	2,777,198
Trade and other receivables		316,581	104,594
Inventory		1,193	-
Prepayments		16,586	16,536
Current tax assets		418,658	242,637
Total current assets		2,590,683	3,140,965
Intangible assets	3.1	840,761	1,134,829
Property, plant and equipment	3.2	344,821	-
Investment in associates		48,292	48,292
Loans to associates		14,644	14,420
Deferred tax assets		-	1,745
Total non-current assets		1,248,518	1,199,286
Total assets		3,839,201	4,340,251
Liabilities			
Trade and other payables		443,106	186,073
Borrowings		9,565	12,161
Employee entitlements		24,752	6,410
Deferred income		-	20,745
Total current liabilities		477,423	225,389
Borrowings		47,775	-
Deferred tax liabilities		-	306,047
Total non-current liabilities		47,775	306,047
Total liabilities		525,198	531,436
Net assets		3,314,003	3,808,815
Equity			
Issued capital	4.1	3,961,253	3,936,393
Reserves		306,500	306,500
Accumulated losses		(953,750)	(434,078)
Total equity attributable to equity holders of the Company		3,314,003	3,808,815

The accompanying notes are an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
For the half year ended 31 December 2016

	Note	31 December 2016 \$	31 December 2015 \$
Revenue from continuing operations			
Sales		183,788	346,557
Other revenue	2.2	262,498	400
Total Revenue		446,286	346,957
Expenses			
Other operating expenses		(85,759)	-
Selling and distribution expenses		(7,722)	-
Research and development expenses		(380,908)	-
Depreciation and amortisation		(300,216)	-
Personnel expenses		(360,003)	-
Administrative expenses		(173,963)	(4,425)
Professional fees		(100,577)	(22,210)
Other expenses		(22,942)	(473)
Finance expenses		(1,874)	-
Foreign exchange loss		(11,386)	-
Results from operating activities		(999,064)	319,849
(Loss) / profit before income tax		(999,064)	319,849
Income tax benefit		479,392	-
(Loss) / profit for the period from continuing operations		(519,672)	319,849
(Loss) / profit for the period		(519,672)	319,849
Other comprehensive income		-	-
Total comprehensive (loss) / income for the period		(519,672)	319,849
(Loss) / profit attributable to owners of the Company		(519,672)	319,849
Total comprehensive (loss) / profit attributable to owners of the Company		(519,672)	319,849
Loss per share			
Basic and diluted loss per share (cents per share)		(0.94)	n/a

The accompanying notes are an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2016

		Attributable to equity holders of the Company			Total
	Note	Share capital	Share-based payments reserve	Accumulated losses	
		\$	\$	\$	\$
Balance at 1 July 2016		3,936,393	306,500	(434,078)	3,808,815
Total comprehensive loss for the period		-	-	(519,672)	(519,672)
Transactions with owners, recorded directly in equity					
<i>Contributions by and distributions to owners</i>					
Issue of ordinary shares	4.1	25,000	-	-	25,000
Capital raising costs	4.1	(140)	-	-	(140)
Total contributions by and distributions to owners		24,860	-	-	24,860
Total transactions with owners		24,860	-	-	24,860
Balance at 31 December 2016		3,961,253	306,500	(953,750)	3,314,003

For the half-year ended 31 December 2015

Balance at 1 July 2015		100	-	290,051	290,151
Total comprehensive income for the period		-	-	319,849	319,849
Balance at 31 December 2015		100	-	609,900	609,900

The accompanying notes are an integral part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2016

	31 December 2016 \$	31 December 2015 \$
Cash flows from operating activities		
Receipts from customers	182,621	369,303
Cash paid to suppliers and employees	(726,991)	(37,115)
Interest paid	(534)	-
Interest received	7,713	-
Income taxes paid	(931)	(786)
Net cash (used in) / from operating activities	(538,122)	331,402
Cash flows from investing activities		
Payments for capitalised research and development	(95,005)	(164,180)
Payments for plant and equipment	(346,689)	-
Loans to associate	(224)	(14,421)
Net cash used in investing activities	(441,918)	(178,601)
Cash flows from financing activities		
Proceeds from borrowings	56,000	-
Payment of capital raising costs	(3,333)	-
Repayment of premium funding facility	(12,160)	-
Net cash from financing activities	40,507	-
Net (decrease) / increase in cash and cash equivalents	(939,533)	152,801
Cash and cash equivalents at 1 July	2,777,198	39,222
Cash and cash equivalents at 31 December	1,837,665	192,023

The accompanying notes are an integral part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 December 2016

1. BASIS OF PREPARATION

In preparing the consolidated financial statements, Shark Mitigation Systems Limited (SMS) has made several changes in structure, layout and wording to make the financial statements less complex and more relevant for shareholders and other users. We have grouped notes into sections under five key categories:

1. Basis of preparation
2. Results for the year
3. Assets and liabilities
4. Equity and funding
5. Other disclosures

Statement of compliance

This general purpose financial report for the interim half-year reporting period ending 31 December 2016 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with IAS 34 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the 30 June 2016 annual financial report and the public announcements made by Shark Mitigation Systems Limited (SMS) during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting periods.

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2016

In the half-year ended 31 December 2016, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2016.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to the Group accounting policies.

Standards and Interpretations in issue not yet adopted applicable to 31 December 2016

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 January 2017.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Company and therefore no material change is necessary to Group accounting policies.

Significant accounting judgements and estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016.

1. BASIS OF PREPARATION (continued)

Reverse acquisition accounting

On 29 January 2016 Shark Mitigation Systems Limited (formerly Sena Resources Limited) acquired 100% of Shark Attack Mitigation Systems Pty Ltd (formerly Shark Mitigation Systems Pty Ltd). Under the Australian Accounting Standards Shark Attack Mitigations Systems Pty Ltd (SAMS) was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a share-based payment by which SAMS acquires the net assets and listing status of Shark Mitigation Systems Limited.

Accordingly, the consolidated financial statements of Shark Mitigation Systems Limited have been prepared as a continuation of the business and operations of SAMS. As the deemed acquirer SAMS has accounted for the acquisition of Shark Mitigation Systems Limited from 29 January 2016. The comparative information for the six months ended 31 December 2015 presented in the consolidated financial statements is that of SAMS as presented in its last set of half year-end financial statements.

2. RESULTS FOR THE PERIOD

This section focuses on the results and performance of the Group, with disclosures including segment information.

2.1 SEGMENT INFORMATION

The Group currently operates in two distinct segments:

- SAMS visual shark deterrent technology design, development and commercialisation for wetsuits, water apparel and marine craft applications
- Clever Buoy near shore shark detection device technology design, development and commercialisation

The SAMS visual deterrent technology segment generates income through licensing and royalty arrangements with both local and overseas suppliers.

The Clever Buoy technology segment generates income from sale/rental of units, installation, service and support of the systems within Australia and overseas.

Unless otherwise stated, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments, are determined in accordance with *AASB 8 Operating Segments*. The Seabin investment is not a reportable segment in accordance with the criteria in AASB 8.

The chief operating decision maker monitors the cash, receivables and payables position. This is the information that the chief operating decision maker receives and reviews to make decisions.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segment as at the end of the reporting period:

	Assets		Liabilities	
	31 Dec 2016 \$	30 Jun 2016 \$	31 Dec 2016 \$	30 Jun 2016 \$
SAMS visual deterrent technology	334,266	328,007	(8,449)	-
Clever Buoy shark detection technology	985,730	822,111	(387,991)	(26,886)
Total segment assets and liabilities	1,319,996	1,150,118	(396,440)	(26,886)
Investment in associates	48,292	48,292	-	-
Loans to associates	14,644	14,420	-	-
Corporate and other segment assets/liabilities	2,456,269	3,127,421	(128,758)	(504,550)
Total	3,839,201	4,340,251	(525,198)	(531,436)

2.1 SEGMENT INFORMATION (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable operating segment.

	Revenue		Segment profit/(loss)	
	31 Dec 2016 \$	31 Dec 2015 \$	31 Dec 2016 \$	31 Dec 2015 \$
SAMS visual deterrent technology	76,908	12,349	(152,230)	12,349
Clever Buoy shark detection technology	356,880	334,208	(410,840)	334,208
Total for continuing operations	433,788	346,557	(563,070)	346,557
Share of profits of associate			-	-
Finance income			12,498	-
Central and administration expenses			(446,618)	(26,708)
Finance expense			(1,874)	-
(Loss) / profit before tax			(999,064)	319,849

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2016.

2.2 OTHER REVENUE

	Note	31 December 2016 \$	31 December 2015 \$
Government grants	(i)	250,000	-
Finance income		12,498	-
Debt forgiveness		-	400
		262,498	400

- (i) Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with the attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with costs that they are intended to compensate.

Government grants relating to the purchase of assets are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.3 INCOME TAX EXPENSE

(a) Amounts recognised in profit or loss

	31 December 2016 \$	30 June 2016 \$
Current tax benefit		
Current tax	175,090	242,115
Deferred tax	304,302	(24,982)
Total income tax benefit	479,392	37,133

(b) Reconciliation of effective tax rate

	31 December 2016 \$	30 June 2016 \$
Loss for the period / year	(519,672)	(724,129)
Total income tax benefit	(479,392)	(37,133)
Loss excluding income tax	(999,064)	(761,262)
Income tax at the Australian tax rate of 28.5% (2015: 28.5%)	(284,733)	(216,960)
<i>Tax effect of amounts which are non-deductible (taxable) in calculating taxable income:</i>		
Entertainment	683	1,429
Share-based payments	-	311
Non-assessable income	-	(13,763)
Research and development benefit	(64,200)	(122,087)
Listing expense on reverse acquisition	-	123,038
Other permanent differences	-	171
Change in corporate tax rate in SBE	-	(4,966)
Under / (over) provision in prior years	(131,142)	-
Deferred tax assets not brought to account	-	195,694
	479,392	(37,133)

2.3 INCOME TAX EXPENSE (continued)

(c) Recognised deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	31 December 2016 \$	30 June 2016 \$
Deferred tax liabilities (DTLs)		
Receivables	44,114	-
Prepayments	664	21
Research and development	220,264	305,232
Other temporary differences	4,062	794
	269,104	306,047
Off-set of deferred tax assets	(269,104)	-
Net deferred tax liability recognised	-	306,047
Deferred tax assets (DTAs)		
Tax losses	247,698	-
Capital Raising Costs	56,983	-
Other temporary differences	46,686	1,745
	351,367	1,745
Off-set of deferred tax liabilities	(269,104)	-
Net deferred tax assets unrecognised	82,263	1,745

3. ASSETS AND LIABILITIES

This section focuses on the assets and liabilities which form the core of the ongoing business, including those assets and liabilities which support ongoing development as well as capital and other commitments existing at 31 December 2016.

3.1 INTANGIBLE ASSETS

	SAMS Patents \$	SAMS Development \$	Clever Buoy Patents \$	Clever Buoy Development \$	Formation Costs \$	Total \$
Gross carrying amount						
Balance at 1 July 2015	12,982	53,487	8,600	277,577	1,253	353,899
Additions	44,556	210,248	120	529,674	-	784,598
Balance at 30 June 2016	57,538	263,735	8,720	807,251	1,253	1,138,497
Balance at 1 July 2016	57,538	263,735	8,720	807,251	1,253	1,138,497
Additions	2,710	-	1,570	-	-	4,280
Balance at 31 December 2016	60,248	263,735	10,290	807,251	1,253	1,142,777
Amortisation						
Balance at 1 July 2015	1,763	-	-	-	752	2,515
Amortisation for the year	902	-	-	-	251	1,153
Balance at 30 June 2016	2,665	-	-	-	1,003	3,668
Balance at 1 July 2016	2,665	-	-	-	1,003	3,668
Amortisation for the period	90	37,986	-	260,146	126	298,348
Balance at 31 December 2016	2,755	37,986	-	260,146	1,129	302,016
Carrying amounts						
Balance at 30 June 2016	54,873	263,735	8,720	807,251	250	1,134,829
Balance at 31 December 2016	57,493	225,749	10,290	547,105	124	840,761

3.2 PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment	Computer equipment	Motor vehicles	Software	Construction In progress	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount						
Balance at 1 July 2016	-	-	-	684	-	684
Additions	21,526	11,028	102,909	-	211,226	346,689
Balance at 31 December 2016	21,526	11,028	102,909	684	211,226	347,373
Depreciation						
Balance at 1 July 2016	-	-	-	684	-	684
Depreciation for the period	-	1,868	-	-	-	1,868
Balance at 31 December 2016	-	1,868	-	684	-	2,552
Carrying amounts						
Balance at 30 June 2016	-	-	-	-	-	-
Balance at 31 December 2016	21,526	9,160	102,909	-	211,226	344,821

SECTION 4 EQUITY AND FUNDING

This section focuses on the debt and equity funding available to the Group at year end, most notably covering share capital and loans and borrowings.

4.1 CAPITAL AND RESERVES

Share capital

	Ordinary shares			
	Number of shares		Amount in \$	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
On issue at 1 July	54,915,113	100	3,936,393	100
<i>Shares issued and expensed during the period:</i>				
Issue of shares at 20 cents each pursuant to an agreement with Rabbit Hill	125,000	-	25,000	-
Capital raising costs	-	-	(140)	-
On issue at 31 December	55,040,113	100	3,961,253	100

On 26 August 2016, the Company also issued 125,000 options and 300,000 performance shares to Rabbit Hill, a company associated with Taj Burrow.

The key valuation assumptions for the options made at valuation date are summarised below:

	Options
Key value assumptions	
Number of options / performance shares	125,000
Exercise price (cents)	25
Grant date	31-May-16
Vesting date	26-Aug-16
Expiry date	30-Jun-19
Life of the options (years)	3.08
Volatility	92.54%
Risk free rate	1.83%
Fair value at grant date (cents)	6.25

Up to 300,000 performance shares will be converted, one for one, to fully paid ordinary shares in the Company, on Rabbit Hill (or an entity controlled by Rabbit Hill) achieving an introduction to SMS resulting in revenue of greater than \$300,000 for the first 100,000, \$600,000 for the second 100,000 and greater than \$900,000 for the third 100,000 performance shares. The fair value of the performance shares, being the share price on grant date is 21.5 cents each.

At the reporting date, no value has been allocated to the performance shares due to the significant uncertainty of meeting the performance milestones which are based on future events.

4.2 BORROWINGS

As at 31 December 2016, the contractual maturities of the Group's financial liabilities were as follows:

	Within 1 year \$	Between 1 and 5 years \$	Contractual cash flows \$	Carrying amount \$
31 December 2016				
Non-derivative financial liabilities				
Trade and other payables	443,106	-	443,106	443,106
Interest bearing liabilities	9,565	47,775	67,634	57,340
	452,671	47,775	510,740	500,446
30 June 2016				
Non-derivative financial liabilities				
Trade and other payables	186,073	-	186,073	186,073
Interest bearing liabilities	12,161	-	12,694	12,694
	198,234	-	198,767	198,767

SECTION 5 OTHER DISCLOSURES

The disclosures in this section focuses on share schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions, can also be found here.

5.1 RELATED PARTIES

Key management personnel compensation included in 'personnel expenses' (note 2.4) comprises the following:

	31 December 2016 \$	31 December 2015 \$
Short term employee benefits	182,195	-
Post-employment benefits	15,779	-
	197,974	-

5.2. SUBSEQUENT EVENTS

On 17 January 2017, global surf brand Rusty signed a license agreement with the group to incorporate their world-leading Shark Attack Mitigation Systems (SAMS™) visual technology into Rusty's Australian surfboard portfolio.

This announcement resulted in the group achieving the Class A performance shares milestone. As a result, on 20 January 2017, 11,599,140 were converted to 11,599,140 fully paid ordinary shares in the Company. These new shares are subject to escrow restriction until 12 May 2018.

No other matters or circumstances have arisen since the end of the reporting period and the date of this report which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

In the opinion of the Directors:

- (a) the condensed consolidated financial statements and notes thereto:
 - (i) give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance and cash flows for the period then ended; and
 - (ii) compliance with Accounting standards.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors,



CRAIG ANDERSON

Director

Perth, Western Australia
27 February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Shark Mitigation Systems Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Shark Mitigation Systems Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 2016 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 the company, 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*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Shark Mitigation Systems Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants



M R W Ohm
Partner

Perth, Western Australia
27 February 2017