

Companies Announcements Office
Australian Securities Exchange
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QUARTERLY ACTIVITY REPORT

Smart Marine Systems focussing on US Opportunities

Highlights

- Change of name to Smart Marine Systems Limited from Shark Mitigation Systems Limited.
- Company focusing on expanding Clever Buoy system in the US market following strong support.
- Seabin commencing commercial production with pre-sales exceeding expectation.

31 January 2018 – Australian marine technology company Smart Marine Systems Limited (ASX:SM8) (formerly known as Shark Mitigation Systems) (“Smart Marine Systems” or “the Company”) is pleased to provide its report for the three months to the end of December 2017.

Smart Marine Systems | Name Change

Effective from the 13th December 2017, the Company changed its name from Shark Mitigation Systems Ltd to Smart Marine Systems Ltd. The name change more appropriately reflects the diversity and nature of the current assets of the Company and the opportunities that the marine sector presents.

Marine Monitoring and Alert System | Clever Buoy

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. Smart Marine Systems 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 several private organisations for applications of the technology.

In September 2017 United States Federal Congressman Dana Rohrabacher and Newport Beach Mayor Kevin Muldoon held a press conference to announce support for a pilot installation of the Clever Buoy shark detection system in Newport, California. The pilot installation is part of a proposed US\$10 million pilot program for further installations of Clever Buoy system at six beaches in Orange County, California. The announcement was made at the site of the proposed first installation of Clever Buoy, Corona Del Mar Beach in Newport, where a near-fatal shark attack took place in May 2016.

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The US has experienced a significant rise in shark populations and negative interactions in recent years. The proposed pilot project in California will use Clever Buoy to assist lifeguards and beach authorities in mitigating the risk of shark attacks along their coastline. The US has over 3300 patrolled beaches, and the Federal, State and Local governments have proactively sought to implement non-invasive methods to protect beach goers.

The Company has been working with Orange County officials in recent months on an integrated shark management plan that includes installation of Clever Buoy systems at six beaches along their coastline. Formal support by US Federal Government representatives and the scale of the US market is an excellent endorsement of the technology. The Company is focusing its resources on the Clever Buoy deployments in California to ensure the project's success and is currently engaged with government agencies, private organisations and the local community on the first pilot installation at Corona Del Mar Beach.

Strong interest has been received from government and private organisations in Florida and the north-east states of America which has experienced the highest incidence of fatal sharks in the world in recent years.

Visual Technology | SAMS

In December 2017, Smart Marine Systems launched a global online store in which customers can directly purchase the Company's products. This launch has been timed with the Summer period in Australia, which is historically the peak period of shark incidents in the Oceania region.

Ocean Cleaning | Seabin

Smart Marine Systems continues its active involvement in the revolutionary ocean plastic cleaning device, Seabin, through its role as a significant shareholder and provider of executive input.

Commercial production of Seabin's cleaning device has commenced with French manufacturer Poralu Marine. Following the success of the pilot partner program, first commercial sales and installations have commenced in Europe, with the inaugural deployment taking place at the America's Cup Team Headquarters Land Rover BAR facility in Portsmouth, United Kingdom.

In November 2017, Seabin undertook a pre-sales campaign to mark the commencement of commercial production at the Poralu facility. The Company subsequently received in excess of 2,500 pre-sales commitments.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

SMART MARINE SYSTEMS LIMITED

ABN

77 149 970 445

Quarter ended ("current quarter")

31 DECEMBER 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	16	30
1.2 Payments for		
(a) research and development	(6)	(77)
(b) product manufacturing and operating costs	(12)	(32)
(c) advertising and marketing	(93)	(216)
(d) leased assets	-	-
(e) staff costs	(191)	(338)
(f) administration and corporate costs	(49)	(209)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	6
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	261
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(335)	(577)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(6)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(6)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	50
3.6	Repayment of borrowings	(9)	(18)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (loan repaid by associate company)	-	16
3.10	Net cash from / (used in) financing activities	(9)	48

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	430	621
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(335)	(577)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(6)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(9)	48

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	86	86

Government Grants

The Company is currently preparing Research & Development (R&D) and Export Market Development Grant (EMDG) applications, with the amount of the grants yet to be determined.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	86	430
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	86	430

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

61

-

This includes salaries paid to Directors, as well as superannuation paid on behalf of Directors. Additionally, this includes corporate and accounting services paid to a company associated with one of the Directors.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

-

-

8. Financing facilities available

Add notes as necessary for an understanding of the position

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	83
9.3 Advertising and marketing	27
9.4 Leased assets	-
9.5 Staff costs	183
9.6 Administration and corporate costs	69
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	362

Subsequent to quarter end, the Company has received \$373,878 by way of a Research and Development Grant refund and up to \$85,000 is anticipated to be received by way of an Export Market Development Grant.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

Director and Company Secretary

Date: 31 January 2018

Print name: David M McArthur

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.