

**9 March 2018**

**Companies Announcements Office  
Australian Securities Exchange  
Electronic Lodgement**

**Notice of Meeting**

Smart Marine Systems Limited advises that Notice of Meeting documentation was today dispatched to eligible shareholders, a copy of which is attached to this document.

**For and on behalf of the Board**

**David McArthur  
DIRECTOR**

1st Floor, 31 Cliff Street,  
Fremantle, Western Australia 6160  
**E:** enquiry@smartmarinesystems.com  
**P:** +61 1300 524 392  
ABN: 77 149 970 445

**[www.smartmarinesystems.com](http://www.smartmarinesystems.com)**

# **SMART MARINE SYSTEMS LIMITED**

ACN 149 970 445

---

## **NOTICE OF GENERAL MEETING**

### **PROXY FORM**

### **AND**

### **EXPLANATORY STATEMENT**

---

*Date of Meeting*

**Tuesday 10 April 2018**

*Time of Meeting*

**10.00 am (WST)**

*Place of Meeting*

**Level 1, 31 Cliff Street  
Fremantle, Western Australia**

# SMART MARINE SYSTEMS LIMITED

ACN 149 970 445

## NOTICE OF GENERAL MEETING

Notice is hereby given that a meeting of Shareholders (**Meeting**) of Smart Marine Systems Limited (“the Company” or “SM8”) will be held at 10.00 am (WST) on Tuesday 10 April 2018, at Level 1, 31 Cliff Street, Fremantle, Western Australia.

In order to determine voting entitlements, the register of Shareholders will be closed at 5.00pm (WST) on 9 April 2018.

An Explanatory Statement containing information in relation to each of the Resolutions to be put to the meeting accompanies this Notice.

### AGENDA

To consider and, if thought fit, to pass the following Resolutions.

---

#### **Ordinary Resolution 1: Ratification of Prior Issue of Placement Shares and Placement Options (Tranche 1) - LR 7.1**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 6,000,000 fully paid ordinary Placement Shares and 3,000,000 Placement Options on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of Resolution 1 by any persons who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

---

#### **Ordinary Resolution 2: Ratification of Prior Issue of Placement Shares (Tranche 1) – LR 7.1A**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 6,000,000 fully paid ordinary Placement Shares on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of Resolution 2 by any persons who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### Ordinary Resolution 3: Approval of Issue of Placement Shares and Placement Options (Tranche 2)

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 8,000,000 Placement Shares and 2,000,000 Placement Options on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of Resolution 3 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

---

### Ordinary Resolution 4: Approval of Issue of New Shares – Placement Fee

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 1,200,000 Shares as consideration for the services provided to the Company in relation to the Placement, by Canary Capital Pty Ltd (**Canary Capital**) on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of Resolution 4 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

---

### Ordinary Resolution 5: Approval of Issue of New Shares – Facilitation Fee

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 1,000,000 Shares, in consideration for facilitation services provided by Brazilliant Pty Ltd (**Brazilliant**) to the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of Resolution 5 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

---

## **Ordinary Resolution 6: Approval of the Issue of New Shares and Incentive Options – Marketing Services Agreement**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 1,000,000 Shares and 1,000,000 Incentive Options, in consideration for marketing services provided by Canary Capital to the Company, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of Resolution 6 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

---

## **Ordinary Resolution 7: Approval of the Issue of Director Options to Related Party – David McArthur**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 2,000,000 Director Options to Mr David McArthur (or his nominee) on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of Resolution 7 by Mr McArthur, his nominee or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:** A person appointed as a proxy must not vote, on the basis of that appointment, in favour of this Resolution if:

- (a) the proxy is either;
  - i) a member of the Key Management Personnel; or
  - ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

---

**By Order of the Board**



D M McARTHUR  
Company Secretary

Dated: 2 March 2018

---

## ENTITLEMENT TO ATTEND AND VOTE

---

The Company may specify a time, not more than 48 hours before the Meeting, at which a “snap-shot” of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the General Meeting.

The Company’s Directors have determined that all Shares of the Company that are quoted on ASX at 5:00pm (WST) on 9 April 2018 shall, for the purposes of determining voting entitlements at the General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

### VOTING IN PERSON

To vote in person, attend the Meeting at the time, date and place set out above.

### VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- (a) each Shareholder has a right to appoint a proxy;
- (b) the proxy need not be a member of the Company; and
- (c) a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member’s votes, then in accordance with section 249X(3) of the *Corporations Act*, each proxy may exercise one half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- (a) if proxy holders vote, they must call all directed proxies as directors; and
- (b) Any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

### CORPORATE REPRESENTATIVE

A Shareholder that is a corporation may appoint an individual to act as its corporate representative to vote at the Meeting in accordance with section 250D of the Corporations Act. Any corporation wishing to appoint an individual to act as its representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority may be sent to the Company and/or Share Registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative. A ‘Certificate of Appointment of Corporate Representative’ is enclosed if required.

### ENQUIRIES

Shareholders are invited to contact the Company Secretary, David McArthur on +61 8 9435 3200 if they have any queries in respect of the matters set out in this document.

# SMART MARINE SYSTEMS LIMITED

ACN 149 970 445

## EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of General Meeting (**Notice**) of the Company.

The Directors of the Company recommend Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice.

---

### 1. **ORDINARY RESOLUTIONS 1 & 2: Ratification of Prior Issue of Placement Shares and Placement Options – Tranche 1**

#### 1.1 **General**

As announced on 9 February 2018, the Company is undertaking a capital raising through the placement of 20,000,000 fully paid ordinary Shares (**Placement Shares**) at \$0.03 per share to raise \$600,000 before costs (**Placement**). The investors in the Placement are also entitled to receive one free-attaching unlisted Option for every 4 Shares issued, such options having an exercise price of \$0.08 on or before 28 February 2021 (**Placement Options**). The issue of Placement Shares and Placement Options is to be completed in two tranches, with Tranche 1 having been issued pursuant to the Company's discretionary placement capacity under ASX Listing Rules 7.1 and 7.1A, and Tranche 2 being subject to shareholder approval under ASX Listing Rule 7.1.

On 15 February 2018, the Company issued the Tranche 1 securities as follows:

- (a) 6,000,000 Shares issued under LR 7.1 (Resolution 1);
- (b) 3,000,000 Options issued under LR 7.1. (Resolution 1); and
- (c) 6,000,000 Shares issued under LR 7.1A (Resolution 2).

Resolutions 1 and 2 of this Notice, seek Shareholder approval to ratify the issues set out in (a), (b) and (c) above.

Completion of the Placement is subject to the passing of Resolution 3, to issue the following securities, being the Tranche 2 securities:

- (a) 8,000,000 Shares to be issued under ASX Listing Rule 7.1 (Resolution 3); and
- (b) 2,000,000 Options to be issued under ASX Listing Rule 7.1 (Resolution 3).

The Placement Shares (and Placement Options) were issued and will be issued pursuant to section 708 of the Corporations Act, to sophisticated and professional investor clients (**Subscribers**) of Canary Capital.

#### 1.2 **Regulatory requirements**

ASX Listing Rule 7.1 provides that the Company must not issue or agree to issue, subject to specified exceptions, during any 12 month period any equity securities which, when aggregated with the number of other securities issued within that 12 month period, exceeds 15% of the number of ordinary shares on issue at the beginning of that 12 month period, unless the issue falls within one of the nominated exceptions, or the prior approval of members of the Company at a general meeting is obtained.

ASX Listing Rule 7.1A provides that the Company can issue a further 10% of the number of ordinary shares at the beginning of the 12-month period under Listing Rule 7.1.

Listing Rule 7.4 provides that an issue made within the 15% limit or the 10% limit will be treated as having been made with the approval of shareholders under Listing Rule 7.1 and Listing Rule 7.1A if subsequently approved by shareholders, thereby ‘refreshing’ the company’s ability to issue shares within the 15% limit and the 10% limit, respectively, and restoring the company’s ability to make placements within those limits (if that is thought desirable) without the need for shareholder approval.

While the Shares and Placement Options described in this Resolution 1 have been issued within the 15% limit and the 10% limit, the Company seeks Shareholder ratification of the issue of those Shares for the purpose of Listing Rule 7.4 so that the Company’s ability to issue securities will be refreshed and it will have the flexibility to issue further securities should the need or opportunity arise.

### **1.3 Technical information Resolutions 1 and 2**

In accordance with the requirements of Listing Rule 7.5, the following information is provided to Shareholders to allow them to assess the ratification of the issue of the Shares and attaching Placement Options under the Tranche 1 Placement, the subject of Resolutions 1 and 2:

- (a) the total number securities issued by the Company was;
  - a. 6,000,000 of the Placement Shares issued pursuant to ASX Listing Rule 7.1 (Resolution 1);
  - b. 6,000,000 of the Placement Shares issued pursuant to ASX Listing Rule 7.1A (Resolution 2); and
  - c. 3,000,000 Placement Options issue pursuant to ASX Listing Rule 7.1 (Resolution 1).
- (b) the Placement Shares were issued for \$0.03 per Share with one (1) free attaching Placement Option for every four (4) Placement Shares issued;
- (c) the terms and conditions of the Placement Options are set out in Schedule A;
- (d) the Placement Shares rank pari passu with the Company’s existing Shares;
- (e) the Placement Shares were issued/ will be issued to sophisticated investors who are clients of Canary Capital. None of these subscribers are related parties of the Company; and
- (f) the funds raised under the Tranche 1 Placement will be used for working capital purposes.

---

## **2. ORDINARY RESOLUTION 3: Approval of Issue of Placement Shares and Placement Options – Tranche 2**

### **2.1 General**

Resolution 3 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of 8,000,000 Placement Shares at \$0.03 per share (and 2,000,000 Placement Options) to raise \$240,000, as detailed in Section 1.1.

Regulatory requirements:

A summary of ASX Listing Rule 7.1 is set out in Section 1.1 above.

If Shareholders approve Resolution 3, the shares can be issued during the period 3 months after the Meeting (or a longer period, if allowed by ASX) without using the Company’s annual 15% placement capacity.



## 2.2 Technical information required by ASX Listing Rule 7.3

In accordance with the requirements of ASX Listing Rule 7.3, the following information is provided to Shareholders to allow them to assess the approval of the issue of the Shares and Placement Options pursuant to the Tranche 2 Placement, the subject of this Resolution 3:

- (a) up to 8,000,000 Placement Shares are to be issued under Resolution 3, with one (1) free attaching Option for every four (4) Placement Shares issued;
- (b) the Placement Shares will be issued for \$0.03 per Share and the issue price of the Options is nil as they are to be issued free attaching with the Shares on a one (1) for four (4) basis;
- (c) the Placement Shares and Placement Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the Placement Shares will rank pari passu with the Company's existing Shares;
- (e) the Placement Options will be exercisable on the terms and conditions set out Schedule A;
- (f) the Placement Shares and Options will be issued to sophisticated investors who are clients of Canary Capital. None of these subscribers are related parties of the Company; and
- (g) the funds raised under the Tranche 2 Placement will be used for working capital purposes.

---

## 3. ORDINARY RESOLUTION 4: Approval of Issue of New Shares – Placement Fee

### 3.1 General

Subject to the approval of Resolution 3, the Company will seek shareholder approval of Resolution 4 for the issue, pursuant to ASX Listing Rule 7.1, of up to 1,200,000 Shares as consideration for the 6% Placement Fee (\$36,000) payable to Canary Capital on \$600,000 gross funds to be raised (**Placement Fee**). Should shareholder approval not be obtained for Resolution 3, the total number of shares issued under Resolution 4 will be amended to 720,000, being 6% of the amount raised to date ( $6\% \times \$360,000 = \$21,600$ ).

Regulatory requirements:

A summary of ASX Listing Rule 7.1 is set out in Section 1.1 above.

If Shareholders approve Resolution 4, the shares will be issued without using the Company's 15% annual placement capacity, during the period of 3 months after the Meeting (or a longer period, if allowed by ASX).

### 3.2 Technical information required by ASX Listing Rule 7.1

In accordance with the requirements of Listing Rule 7.3, the following information is provided to Shareholders to allow them to assess the approval of the issue of the Shares pursuant to the Placement Fee Issuance, the subject of this Resolution 4:

- (a) the Company will issue up to 1,200,000 Shares pursuant to Resolution 4;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (c) the Shares will be as part consideration for services provided by Canary Capital in relation to the Placement referred to in Section 1.1;
- (d) the Shares will rank pari passu with the Company's existing Shares;

- (e) the Shares will be issued to Canary Capital who is not a related party of the Company; and
- (f) no funds will be raised from the issue as the Shares are being issued as consideration, being the Placement Fee as noted above.

---

#### **4. ORDINARY RESOLUTION 5: Approval of Issue of New Shares – Facilitation**

##### **4.1 General**

Resolution 5 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of 1,000,000 ordinary shares in consideration for facilitation services provided by Brazilliant in connection with the Placement.

A summary of ASX Listing Rule 7.1 is set out in Section 1.1 above.

If Shareholders approve Resolution 5, this will allow the Company to issue the Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX) without using the Company's 15% placement capacity.

##### **4.2 Technical information required by ASX Listing Rule 7.1**

In accordance with the requirements of Listing Rule 7.3, the following information is provided to Shareholders to allow them to approve the issue of the Shares the subject of this Resolution 5:

- (a) the total number of Shares to be issued by the Company is 1,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (c) the Shares will be issued for nil cash consideration in satisfaction of facilitation services provided by Brazilliant;
- (d) the Shares will rank pari passu with the Company's existing Shares;
- (e) the Shares will be issued to Brazilliant, who is not a related party of the Company; and
- (f) no funds will be raised from the issue as the Shares are being issued in consideration for facilitation services provided by Brazilliant.

---

#### **5. ORDINARY RESOLUTION 6: Approval of Issue of New Shares and Incentive Options – Marketing Services Agreement**

##### **5.1 General**

Resolution 6 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of 1,000,000 Shares, together with free attaching Options on a one (1) for one (1) basis (**Incentive Option**) as partial consideration for marketing services to be provided to the Company by Canary Capital pursuant to an agreement entered into by the Company and Canary Capital on 8 February 2018 (**Agreement**).

A summary of ASX Listing Rule 7.1 is set out in Section 1.1 above.

The Agreement relates to investor marketing services to be completed over a six-month period, commencing upon the issue of the Tranche 2 securities set out in Resolution 3. A summary of the terms of the Agreement is set out below:

- (a) services fee of \$5,000 per month (totalling \$30,000 over six months) to be paid upfront via issuance of 1,000,000 shares (the subject of this Resolution 6);

- (b) the Incentive Options will be exercisable at \$0.05 on or before 28 February 2021;
- (c) incentive payment of 1,000,000 unlisted options upfront upon completion of the Tranche 2 capital raising, with an exercise price of \$0.05, on or before 28 February 2021 (the subject of this Resolution 6); and
- (d) incentive options issued for services provided if the following share price requirements are reached:
  - i) 1,250,000 unlisted options to be issued with an exercise price of \$0.08, exercisable within 3 years of their date of issue, should the share price of the Company achieve a 15-day VWAP of \$0.05 or higher; and
  - ii) 1,500,000 unlisted options to be issued with an exercise price of \$0.12, exercisable within 3 years of their date of issue, should the share price of the Company achieve a 15-day VWAP of \$0.08 or higher.

If Shareholders approve Resolution 6, the Shares and Incentive Options will be issued without using the Company's placement capacity during the 3-month period following the Meeting (or a longer period, if allowed by ASX).

## 5.2 Technical information required by ASX Listing Rule 7.1

In accordance with the requirements of Listing Rule 7.3, the following information is provided in relation to the issue, the subject of this Resolution 6:

- (a) the total number of Shares to be issued by the Company is 1,000,000 and the total number of Incentive Options to issued is 1,000,000, as the Incentive Options will be issued free attaching with the Shares on a one (1) for one (1) basis;
- (b) the Shares and Incentive Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (c) the Shares will be issued for nil cash consideration in satisfaction of services to be provided by Canary Capital in accordance with the Agreement set out in Section 5.1 above;
- (d) the issue price of the Incentive Options will be nil as they will be issued free attaching with the Shares on a one for one basis;
- (e) the Shares and Options will be issued to Canary Capital who is not a related party of the Company;
- (f) the Shares will rank pari passu with the Company's existing Shares;
- (g) the Incentive Options will be issued on the terms and conditions set out in Schedule A; and
- (h) no funds will be raised from the issue as the Shares and Incentive Options are being issued as partial consideration for marketing services provided to the Company by Canary Capital in accordance with the Agreement set out in Section 5.1.

---

## 6. ORDINARY RESOLUTION 7: Approval of Issue of Director Options to Related Party – David McArthur

### 6.1 General

The Company has agreed, subject to shareholder approval, to issue 2,000,000 Options (**Director Options**) with a \$0.10 exercise price, on or before 31 December 2020, to Non-Executive Director, David McArthur (or his nominee).

Resolution 7 seeks Shareholder approval pursuant to ASX Listing Rule 10.11.

For a public company to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Section 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the *Corporations Act*.

The grant of the Director Options constitutes giving a financial benefit, and Mr McArthur is a related party of the Company by virtue of being a Director.

The Directors (other than Mr McArthur) who has a material personal interest in this Resolution 7) consider that Shareholder approval pursuant to Chapter 2E is not required in respect of the grant of the Director Options because the agreement to grant the Director Options, reaches as part of the remuneration package for Mr McArthur, is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

In addition, Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party (or a person who has been a Related Party in the last 6 months), or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

As the grant of the Director Options involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the *Corporations Act* and Listing Rule 10.12 do not apply in the current circumstances. Accordingly, shareholder approval is sought for the grant of Director Options to the Related Party.

## **6.2 Information required for Resolution 7**

Pursuant to, and in accordance with, the requirements of Sections 217 and 227 of the *Corporations Act* and Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the Director Options will be granted to Mr McArthur (or his nominee);
- (b) the number of Director Options (being the nature of the financial benefit being provided) to be granted is 2,000,000;
- (c) the Director Options will be granted to the Related Party no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- (d) the Director Options will be issued for nil cash consideration, accordingly no funds will be raised; and
- (e) the terms and conditions of the Director Options are set out in Schedule A.
- (f) the value of the Director Options is \$59,000. The pricing methodology is set out in Appendix 1;
- (g) the relevant interest of Mr McArthur in securities of the Company is set out below:
  - (i) 170,000 fully paid ordinary shares;
  - (ii) will be entitled to receive Director remuneration of \$30,000 for the current financial period; and

- (iii) In the previous financial year, Mr McArthur received \$30,000 from the Company,
- (h) if the Director Options granted to the Mr McArthur are exercised, a total of 2,000,000 Shares will be issued. This will increase the number of Shares on issue from 78,889,153 to 80,889,153 (assuming that no performance shares or options are exercised, and no other shares issued) with the effect that the shareholding of existing shareholders would be diluted by 2.47%.
- (i) The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercise. If, at any time, any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.
- (j) the primary purpose of the issue of the Director Options is to provide a market linked incentive to the Related Party to motivate and reward his performance in his role as a Director;
- (k) the Board acknowledges the grant of Director Options to a Director is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations, however, the board considers the grant of Related Party Options to Mr McArthur reasonable in the circumstances for the reason set out in paragraph (o);
- (l) Mr McArthur declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Director Options in the Company should Resolution 7 be passed;
- (m) Mr Craig Anderson and Mr Hamish Jolly recommend that Shareholders vote in favour of Resolution 7 for the reasons set out below:
  - (i) the grant of Director Options to Mr McArthur will align his interests with those of Shareholders;
  - (ii) the grant of Director Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to Mr McArthur; and
  - (iii) it is not considered that there are any significant opportunity costs to the Company or opportunities foregone by the Company in granting the Director Options upon the terms proposed;
- (n) in forming the recommendations, Messrs Anderson and Jolly considered the experience of Mr McArthur, the current market price of Shares, the current market practices when determining the number of Director Options to be granted as well as the exercise prices and expiry dates of those Director Options; and
- (o) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interest of the Company to pass this Resolution 7.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Related Party Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Related Party Options to Mr McArthur (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

## GLOSSARY

**\$** means Australian dollars.

**Agreement** has the meaning set out in Section 5.1

**ASX** means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Brazilliant Pty Ltd** or **Brazilliant** means Brazilliant Pty Ltd (ACN 101 204 166).

**Canary Capital Pty Ltd** or **Canary Capital** means Canary Capital Pty Ltd (ACN 618 657 640).

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company or SM8** means Smart Marine Systems Limited (ACN 149 970 445).

**Director Option Expiry Date** has the meaning set out in item 3(c) of Schedule A of this Notice.

**Director Options** has the meaning set out in Section 6.1.

**Director Option Exercise Period** has the meaning set out in item 4(c) of Schedule A of this Notice.

**Director Option Exercise Price** has the meaning set out in item 2(c) of Schedule A of this Notice.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the directors of the Company as at the date of this Notice.

**Director Options** means options exercisable at \$0.10 on or before 31 December 2020, the subject of Resolution 6.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Exercise Date** has the meaning set out in item 6 of Schedule A of this Notice.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**General Meeting** or **Meeting** means the meeting convened by this Notice.

**Incentive Option** means options exercisable at \$0.05 on or before 8 February 2021, the subject of Resolution 6.

**Incentive Option Exercise Price** has the meaning set out in item 2(b) of Schedule A of this Notice.

**Incentive Option Expiry Date** has the meaning set out in item 3(b) of Schedule A of this Notice.

**Incentive Option Exercise Period** has the meaning set out in item 4(b) of Schedule A of this Notice.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Notice of Exercise** has the meaning set out in item 5 of Schedule A of this Notice.

**Notice** or **Notice of Meeting** or **Notice of General Meeting** means this notice of General Meeting including the Explanatory Statement and the Proxy Form.

**Placement** has the meaning set out in Section 1.1.

**Placements Share** means Shares issued at \$0.03 each the subject of Resolutions 1, 2 and 3.

**Placement Option** means options exercisable at \$0.08 on or before 28 February 2021, the subject of Resolutions 1, 2 and 3.

**Placement Option Exercise Period** has the meaning set out in item 4(a) of Schedule A of this Notice.

**Placement Option Exercise Price** has the meaning set out in item 2(a) of Schedule A of this Notice.

**Placement Option Expiry Date** has the meaning set out in item 3(a) of Schedule A of this Notice.

**Ordinary Securities** has the meaning set out in the ASX Listing Rules.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Section** means a Section of the Explanatory Statement.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**WST** means Australian Western Standard Time (Perth, Western Australia).

---

## SCHEDULE A – TERMS AND CONDITIONS OF OPTIONS

---

### 1. Entitlement

Each Option (including a Placement Option, Incentive Option and a Director Option) entitles the holder to subscribe for one Share upon exercise of the Option.

### 2. Exercise Price

Subject to paragraph 9, the amount payable upon exercise of each Option will be:

- (a) \$0.08 in relation to the Placement Options, the subject of Resolutions 1, 2 and 3 (**Placement Option Exercise Price**);
- (b) \$0.05 in relation to the Incentive Options, the subject of Resolution 6 (**Incentive Option Exercise Price**); and
- (c) \$0.10 in relation to the Director Options, the subject of Resolution 7 (**Director Option Exercise Price**).

### 3. Expiry Date

Each Option will expire at 5:00 pm (WST) on:

- (a) 28 February 2021 in relation to the Placement Options, the subject of Resolutions 1, 2 and 3 (**Placement Option Expiry Date**);
- (b) 28 February 2021 in relation to the Incentive Options, the subject to Resolution 6 (**Incentive Option Expiry Date**); and
- (c) 31 December 2020 in relation to the Director Options, the subject of Resolution 7 (**Director Option Expiry Date**).

An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

### 4. Exercise Period

Subject to (c), each Option is exercisable at any time on or prior to:

- (a) in relation to the Placement Options, the Placement Option Expiry Date (**Placement Option Exercise Period**); and
- (b) in relation to the Incentive Options, the Incentive Option Expiry Date (**Incentive Option Exercise Period**),
- (c) the Director Options are exercisable at any time on and from the date that the Shares are trading on the ASX at least \$0.10 per share for 5 consecutive trading days until the Expiry Date (**Director Option Exercise Period**).

### 5. Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.



**6. Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

**7. Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (a) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (b) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (c) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under 7(b) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

**8. Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

**9. Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

**10. Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

**11. Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

**12. Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

# SMART MARINE SYSTEMS LIMITED

ACN 149 970 445

## APPENDIX 1

### **Valuation of 31 December 2020 options at date of notice of meeting**

The Company has valued the Options using the Black-Scholes option model and based on the assumptions as set out in the table below, with the Options ascribed a value as follows:

#### *Assumptions:*

<b>Item</b>	<b>New Options</b>
Valuation date	20 February 2018
Underlying security spot price	0.045
Exercise price	0.10
Expiration date	31 December 2020
Life of the New Options	33 months
Volatility	140%
Risk free interest rate	2.5%
<b>Valuation per New Option</b>	<b>0.0295</b>

## CERTIFICATE OF APPOINTMENT OF CORPORATE REPRESENTATIVE

### Shareholder Details

This is to certify that by a resolution of the directors of:

..... (Company),  
*Insert name of Shareholder Company*  
the Company has appointed:

.....  
*Insert name of corporate representative*

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that Company at a General meeting of the members of Smart Marine Systems Limited to be held on Tuesday 10 April 2018 commencing at 10.00am (WST) and at any adjournments of that meeting.

DATED .....

---

### Please sign here

Executed by the Company )  
in accordance with its constituent documents )  
)

.....  
Signed by authorised representative

.....  
Signed by authorised representative

.....  
Name of authorised representative (print)

.....  
Name of authorised representative (print)

.....  
Position of authorised representative (print)

.....  
Position of authorised representative (print)

---

### Instructions for Completion

- Insert name of appointing Shareholder Company and the name or position of the appointee corporate representative (e.g. "John Smith" or "each director of the Company").
- Execute the Certificate following the procedure required by your Constitution or other constituent documents.
- Print the name and position (e.g. director) of each authorised company officer who signs this Certificate on behalf of the Company.
- Insert the date of execution where indicated.
- Prior to the Meeting, send or deliver the Certificate to the registered office of Smart Marine Systems Limited at Level 1, 31 Cliff Street, Fremantle WA 6160 or fax the Certificate to the registered office at +61 8 6444 7408.

**PROXY FORM**  
**SMART MARINE SYSTEMS LIMITED**  
**ACN 149 970 445**  
**GENERAL MEETING**

I/We

Address

being a Member of Smart Marine Systems Limited entitled to attend and vote at the General Meeting, hereby

Appoint

Name of proxy (**Please note:** Leave blank if you have selected the Chair of the General Meeting as your proxy)

OR

☐ the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the General Meeting to be held at 10.00 am (WST) on Tuesday 10 April 2018 at Level 1, 31 Cliff St, Fremantle, Western Australia, and at any adjournment of that meeting.

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1 to 7 (except where I/we have indicated a different voting intention below) even though Resolution 7 is connected directly with the issue of Options to a Related Party of the Company.

**The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.**

**Voting on business of the Meeting**

	FOR	AGAINST	ABSTAIN
Ordinary Resolution 1 Ratification of Tranche 1 Placement – LR 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 2 Ratification of Tranche 1 Placement – LR 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 3 Ratification of Tranche 2 Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 4 Approval of Issue of New Shares – Placement Fee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 5 Approval of Issue of New Shares – Facilitation Fee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 6 Approval of Issue of New Shares and Incentive Options – Marketing Services Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 7 Approval of Issue of Director Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_%.

**Signature of Member(s)**

_____		<b>Date:</b> _____	
<b>Individual or Member 1</b>	<b>Member 2</b>	<b>Member 3</b>	
<div></div>	<div></div>	<div></div>	
<b>Sole Secretary</b>	<b>Director/Company Director</b>	<b>Director/Company Secretary</b>	

**Contact Name:** \_\_\_\_\_ **Contact Ph (daytime):** \_\_\_\_\_ **Date:** \_\_\_\_\_

## Instructions for Completing 'Appointment of Proxy' Form

1. **(Changes to Proxy Voting):** Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Section 250R(5) of the Corporations Act came into effect on 28 June 2012 and will affect the Chair's votes on undirected proxies. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this General Meeting. Broadly, the changes mean that:
  - (a) if proxy holders vote, they must cast all directed proxies as directed;
  - (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.Further details on these changes are set out below.
2. **(Appointing a Proxy):** A member with two or more votes entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
3. **(Proxy vote if appointment specifies way to vote):** Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**
  - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
  - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
  - (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
  - (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).
4. **(Transfer of non-chair proxy to chair in certain circumstances):** Section 250BC of the Corporations Act provides that, if:
  - (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
  - (b) the appointed proxy is not the chair of the meeting;
  - (c) at the meeting, a poll is duly demanded on the resolution; and
  - (d) either of the following applies:
    - (i) the proxy is not recorded as attending the meeting;
    - (ii) the proxy does not vote on the resolution,the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.
5. **(Signing Instructions):**
  - (a) **(Individual):** Where the holding is in one name, the member must sign.
  - (b) **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
  - (c) **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

- (d) **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
- 6. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
- 7. **(Voting in person):**
  - (a) A Shareholder that is an individual may attend and vote in person at the Meeting. If you wish to attend the Meeting, please bring the attached proxy form to the Meeting to assist in registering your attendance and number of votes. Please arrive 15 minutes prior to the start of the Meeting to facilitate this registration process.
  - (b) A Shareholder that is a corporation may appoint an individual to act as its representative to vote at the Meeting in accordance with Section 250D of the Corporations Act. The appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the Certificate is enclosed with this Notice of Meeting
- 8. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return the Proxy Form (and any Power of Attorney under which it is signed):
  - (a) In person to Level 1, 31 Cliff Street, Fremantle, WA;
  - (b) By mail to PO Box 584, Fremantle, WA, 6959.
  - (c) By Facsimile to +61 8 6444 7408;
  - (d) By scan and email to davidm@broadwaymgt.com.au

**so that it is received at least 48 hours prior to commencement of the General Meeting. Proxy Forms received later than this time will be invalid.**





