



SMART MARINE SYSTEMS

SMART MARINE SYSTEMS LIMITED

(Formerly Shark Mitigation Systems Limited)

ABN 77 149 970 445

APPENDIX 4E

PRELIMINARY FINAL REPORT

For the year ended 30 June 2018

APPENDIX 4E

Preliminary Final Report

1 Company details

Name of entity

Smart Marine Systems Limited

ABN or equivalent company reference	Financial year ended ("current year")	Financial year ended ("previous corresponding year")
77 149 970 445	30 June 2018	30 June 2017

2 Results for announcement to the market

					\$
2.1	Revenue from ordinary activities	down	69.79%	to	57,222
2.2	Loss from ordinary activities after tax for the year	up	37.23%	to	(2,238,553)
2.3	Loss for the year attributable to members	up	37.23%	to	(2,238,553)

2.4 Dividends

	Amount per share cents	Franked amount per share cents
Final	Nil	Nil
Interim	Nil	Nil

2.5 Record date for determining entitlement to dividend N/A

2.6 Brief explanation of figures (if necessary)

The net loss for the consolidated entity after providing for income tax amounted to \$2,238,553 (2017: loss of \$3,566,436).

The loss for the year includes \$389,053 of depreciation and amortisation, \$363,403 of share-based payments to secure key personnel and consultants who are spearheading the Group's operations and \$267,037 of research and development expenses.

The loss also includes travel, marketing and business development costs totalling \$393,703 to support the Group's deployment of the Clever Buoy into the US market.

**3 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	2018	2017
	\$	\$
Continuing operations		
Sales	57,222	189,403
Other income	85,870	481,624
Share of (loss) / profit of associate	-	(49,767)
Cost of sales	(13,830)	-
Selling and distribution expenses	(11,460)	-
Other operating expenses	(11,289)	(182,735)
Research and development expenses	(267,037)	(430,141)
Marketing and business development expenses	(312,614)	(315,073)
Personnel expenses	(1,099,360)	(1,060,676)
General and administrative expenses	(223,706)	(201,123)
Depreciation and amortisation	(389,053)	(750,353)
Professional fees	(285,280)	(335,890)
Finance expenses	(8,951)	(5,140)
Other losses	(48,398)	(1,438,290)
Loss before income tax	(2,527,886)	(4,098,161)
Income tax benefit	289,333	531,725
Net loss for the year	(2,238,553)	(3,566,436)
Other comprehensive expense, net of tax		
Foreign currency translation differences on foreign operations	894	-
Total comprehensive loss for the year	(2,237,659)	(3,566,436)
Loss attributable to owners of the Company	(2,238,553)	(3,566,436)
Total comprehensive loss attributable to owners of the Company	(2,237,659)	(3,566,436)
Loss per share		
Basic and diluted loss per share (cents per share)	(2.91)	(5.93)

4 NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

Notes to the consolidated statement of comprehensive income

	2018	2017
	\$	\$
Revenue		
<i>Sales</i>		
Sale of goods	19,723	-
Research services	32,599	157,942
Rendering of services	-	20,745
Royalties and commissions	4,900	10,716
	<u>57,222</u>	<u>189,403</u>
<i>Other income</i>		
Government grants	54,023	461,800
Finance income	3,653	19,824
Other	28,194	-
	<u>85,870</u>	<u>481,624</u>
Expenses		
<i>Personnel expenses</i>		
Key management personnel remuneration	536,335	399,135
Wages and salaries	329,092	326,424
Contributions to defined contribution plans	31,264	31,010
Movement in provision for annual leave	(1,462)	20,842
Employee share-based payments	198,090	276,446
Other employee benefits	6,041	6,819
Key management personnel remuneration	<u>1,099,360</u>	<u>1,060,676</u>
<i>General and administrative expenses</i>		
Occupancy and other related costs	37,682	12,714
Computers and E. Commerce	7,547	5,637
Communication expenses	10,539	14,523
Office administration	30,302	19,436
Travel expenses	81,089	105,348
Share registry and statutory fees	56,547	43,465
	<u>223,706</u>	<u>201,123</u>
<i>Professional fees</i>		
Consultancy fees	44,428	69,500
Legal fees	20,255	9,605
Audit fees	41,500	44,500
Accounting and administration fees	84,000	72,000
Tax consultancy fees	95,097	140,285
	<u>285,280</u>	<u>335,890</u>

5 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	2018	2017
	\$	\$
Assets		
Cash and cash equivalents	466,642	624,251
Trade and other receivables	26,471	57,823
Inventory	29,641	7,732
Prepayments	57,385	31,869
Other current assets	13,508	-
Current tax assets	117,103	460,518
Total current assets	710,750	1,182,193
Intangible assets	108,374	301,950
Property, plant and equipment	371,279	551,150
Investment in associate	-	-
Loans to associates	-	16,034
Total non-current assets	479,653	869,134
Total assets	1,190,403	2,051,327
Liabilities		
Trade and other payables	125,316	199,424
Loans and borrowings	29,264	22,015
Employee benefits	63,124	46,839
Total current liabilities	217,704	268,278
Loans and borrowings	39,823	47,775
Total non-current liabilities	39,823	47,775
Total liabilities	257,527	316,053
Net assets	932,876	1,735,274
Equity		
Issued capital	6,214,775	5,142,917
Reserves	957,168	592,871
Accumulated losses	(6,239,067)	(4,000,514)
Total equity	932,876	1,735,274

**6 CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018	2017
	\$	\$
Cash flows from operating activities		
Receipts from Customers	129,580	598,251
Cash paid to suppliers and employees	(1,635,087)	(1,485,679)
Interest paid	(8,891)	(3,740)
Interest received	4,328	19,149
Payments for research and development	(267,037)	(430,141)
Income taxes received	632,747	9,542
Net cash used in operating activities	(1,144,360)	(1,292,618)
Cash flows from investing activities		
Payments for property, plant and equipment	(14,826)	(709,673)
Payments for capitalised research and development	(3,195)	(105,889)
Repayment of loans to associate	16,034	-
Loans to an associate	-	(16,255)
Net cash used in investing activities	(1,987)	(831,817)
Cash flows from financing activities		
Proceeds from issue of share capital	1,092,500	-
Proceeds from related party loans	50,000	-
Payment of capital raising costs	(51,788)	(3,333)
Payment of transaction costs related to loans	(60)	(60)
Repayment of loans from related parties	(50,000)	-
Repayment of premium funding facility	(52,503)	(25,119)
Net cash from / (used in) financing activities	988,149	(28,512)
Net decrease in cash and cash equivalents	(158,198)	(2,152,947)
Cash and cash equivalents at 1 July	624,251	2,777,198
Effect of exchange rate fluctuations on cash held	589	-
Cash and cash equivalents at 30 June	466,642	624,251

**7 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Share capital \$	Foreign currency translation reserve \$	Equity- based benefits reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2016	3,936,393	-	306,500	(434,078)	3,808,815
Total comprehensive loss for the year	-	-	-	(3,566,436)	(3,566,436)
Transactions with owners in their capacity as owners					
<i>Contributions by and distributions to owners</i>					
Issue of ordinary shares	46,750	-	-	-	46,750
Issue of ordinary shares on conversion of performance rights	1,159,914	-	-	-	1,159,914
Share-based payment transactions	-	-	286,371	-	286,371
Capital raising costs	(140)	-	-	-	(140)
Total transactions with owners	1,206,524	-	286,371	-	1,492,895
Balance at 30 June 2017	5,142,917	-	592,871	(4,000,514)	1,735,274
Balance at 1 July 2017	5,142,917	-	592,871	(4,000,514)	1,735,274
Loss for the year	-	-	-	(2,238,553)	(2,238,553)
Foreign exchange translation difference on foreign operations	-	894	-	-	894
Total other comprehensive loss for the year	-	894	-	-	894
Total comprehensive loss for the year	-	894	-	(2,238,553)	(2,237,659)
Transactions with owners in their capacity as owners					
<i>Contributions by and distributions to owners</i>					
Issue of ordinary shares	1,188,500	-	-	-	1,188,500
Share-based payment transactions	-	-	363,403	-	363,403
Capital raising costs	(116,642)	-	-	-	(116,642)
Total transactions with owners	1,071,858	-	363,403	-	1,435,261
Balance at 30 June 2018	6,214,775	894	956,274	(6,239,067)	932,876

7.1 Share Capital

	Ordinary shares			
	Number of shares		Amount in \$	
	2018	2017	2018	2017
On issue at 1 July	66,889,253	54,915,113	5,142,917	3,936,393
<i>Shares issued and expensed during the year:</i>				
Issue of fully paid shares for cash	36,416,676	-	1,092,500	-
Issue of fully paid shares in lieu of consultancy fees	3,200,000	-	96,000	-
Issue of shares at 20 cents each pursuant to endorsement agreement	-	125,000	-	25,000
Issue of shares at 8.7 cents each pursuant to endorsement agreement	-	250,000	-	21,750
Issue of shares on conversion of Class A performance shares	-	11,599,140	-	1,159,914
Capital raising costs	-	-	(116,642)	(140)
On issue at 30 June	106,505,929	66,889,253	6,214,775	5,142,917

8 Dividends

No dividends have been declared for the year ending 30 June 2018 or the previous corresponding period.

9 Dividend or Distribution reinvestment plans

There are no dividend or distribution reinvestment plans in operation.

10 Net tangible assets per security

	2018	2017
	\$	\$
Net tangible asset backing per ordinary share	0.77	2.14

11 Details of entities over which control has been gained during the year

10.1 Name of the entity

N/A

10.2 Date of the gain

N/A

12 Details of associates

Name of entity	Percentage of ownership interest held at end of year		Contribution to net profit / (loss)	
	2018 %	2017 %	2018 \$	2017 \$
Seabin Pty Ltd	20%	20%	-	(49,767)
Aggregate share of profits of associates				
(Loss) / profit before income tax			-	(49,767)
Income tax expense			-	-
Net (loss) / profit attributable to owners of the Company			-	(49,767)

13 Any other significant information

N/A

14 Accounting standards

Australian Accounting Standards (AASBs), other AASB authoritative pronouncements and Urgent Issue Group Interpretations have been used in compiling the information in this Appendix 4E.

15 Results for the year

15.1 Loss per share

	2018 \$	2017 \$
Net loss attributable to ordinary shareholders	(2,238,553)	(3,566,436)
Issued ordinary shares at 1 July	66,889,253	54,915,113
Effect of shares issued	9,980,642	5,271,742
Weighted average number of ordinary shares at 30 June	76,869,895	60,186,855
Basic and diluted loss per share (cents)	(2.91)	(5.93)

15 Results for the year (continued)

15.2 Returns to shareholders

N/A

15.3 Significant features of operating performance

Refer to note 2.6.

15.4 Segment results

	2018	2017
	\$	\$
Visual deterrent technology	(203,225)	(362,508)
Clever Buoy shark detection technology	(911,136)	(1,286)
	(1,114,361)	(363,794)
Share of loss of associates	-	(49,767)
Investment in associate company written back	-	(13,167)
Finance income	3,653	19,824
Central administrative expenses and directors' remuneration	(1,408,227)	(3,686,117)
Finance expenses	(8,951)	(5,140)
Listing expense on acquisition of SAMS	-	-
Loss before tax	(2,527,886)	(4,098,161)

15.5 Trends in performance

Following successful commercialisation of the SAMS and Clever Buoy products, the Company continues to develop its products which should have a positive impact on the performance of the company.

15 Results for the year (continued)

14.6 *Any other factors which have affected the results in the year or which are likely to affect the results in the future, including those where the effect could not be quantified:*

Post-Reporting Date Events

The Company received formal approval from Newport Beach City Council for the pilot deployment of the Clever Buoy Technology at Balbao Pier in the city of Newport Beach, Orange County, California.

The pilot installation of the Company's shark detection system underpins a formal demonstration of the technology as a precursor for further expansion in Orange County and the United States of America. The Company has successfully obtained the requisite approvals from local and state government statutory authorities and deployment is in progress.

There have been no other material events subsequent to the end of the financial year.

16 Audit Status

The Annual Financial Report is in the process of being audited and no dispute or qualification is anticipated.



David M McArthur
Director
31 August 2018