

Companies Announcements Office
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QUARTERLY ACTIVITY REPORT

Clever Buoy pilot deployment in California commences

Highlights

- Successful capital raising announced.
- Installation and commissioning of pilot Clever Buoy deployment at Balboa Pier, Newport Beach, California.
- Open Day attended by local, state and federal dignitaries with extensive national and international media coverage.
- Heads of Agreement executed with American security company for application of Clever Buoy technology to specialized surveillance programs.

30 October 2018 – Australian marine technology company Smart Marine Systems Limited (ASX:SM8) (“Smart Marine Systems” or “the Company”) is pleased to provide its report for the three months to the end of September 2018.

Capital Raising | Corporate

In late September the Company announced a capital raising of \$500,000 via a Private Placement of 20 million shares at 2.5 cents each to current and new investors.

The capital will be used to sustain the Company’s operations and to fund the development of markets in the United States of America.

Marine Monitoring and Alert System | Clever Buoy

The Company’s key activities for the period was the installation and set-up of the Clever Buoy pilot deployment at Balboa Beach Pier in the city of Newport Beach, Orange County, California. The project is the culmination of business development activity in the United States of America over the past 18 months. The system is now providing real time marine life and environmental monitoring for a 450-metre span either side of the iconic California pier as part of a demonstration program for the United States market.

The Open Day was undertaken on the 10th October and was attended by a large contingent of stakeholders, including the mayor and councilors of Newport Beach City, State Assemblyman Matt Harper and Federal Congressman, Dana Rohrabacher. The event was also attended representatives of major shareholders. This event attracted significant exposure with all mainstream American media outlets in attendance and articles published across television, print, university and government forums.

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CBS - <https://cbsloc.al/2PrYfKy>

Orange County Register - <https://www.ocregister.com/2018/10/09/clever-buoy-shark-detection-system-to-launch-in-newport-beach-wednesday/>

CBS LA - <https://losangeles.cbslocal.com/2018/10/10/shark-detection-newport-beach/>

ABC - <https://abc30.com/technology/newport-beach-launches-shark-detection-pilot-clever-buoy/4465668/>

LA Times - <http://www.latimes.com/local/lanow/la-me-shark-detector-20181011-story.html>

NBC - <https://www.nbcsandiego.com/news/local/Sonar-Shark-Newport-Beach-California-San-Diego-Encinitas-Warning-496944251.html>

Channel 10 - <https://www.10news.com/news/new-shark-detecting-technology-being-tested>

Newport Beach Independent - <https://www.newportbeachindy.com/clever-buoy-shark-detection-system-launched/>

Channel 10 San Diego - <https://www.10news.com/news/new-shark-detecting-technology-being-tested>

Harvard University - <https://www.innovations.harvard.edu/newport-beach-launches-shark-detection-pilot-clever-buoy>

NBC Channel 4 – OC - <https://www.nbclosangeles.com/news/local/Sonar-Shark-Newport-Beach-California-San-Diego-Encinitas-Warning-496944251.html>

Channel 1 NZ - <https://www.tvnz.co.nz/one-news/world/california-using-australian-shark-detection-technology>

LA Times - <http://www.latimes.com/local/lanow/la-me-shark-detector-20181011-story.html>

US Govt - <http://www.govtech.com/public-safety/Shark-Detector-Pilot-to-Go-Live-in-Southern-California.html>

International Times - <http://www.latimes.com/socal/daily-pilot/news/tn-dpt-me-shark-tech-20181010-story.html>

The pilot deployment continues until December and the Company will be hosting a range of stakeholders from across the United States to demonstrate the Clever Buoy system live in action. This includes private and government officials from a range of State and Federal agencies.

In September, the Company announced that it had entered into a Heads of Agreement with a Californian based security and surveillance company, Noice Industries. Noice Industries is a specialist surveillance and security service provider that secures critical physical infrastructure,

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including access control, airspace, buildings, connected devices (IoT), facilities, equipment, and operational technologies (OT) on land and water.

The Clever Buoy is now being recognised internationally as an autonomous real time information platform, that is capable of collecting and monitoring a wide range of marine data. The buoy's capability of monitoring and alerting marine life activity has been expanded to include key environmental data such as localised weather, sea conditions and pollution measurements in real time. The autonomous power, onboard processing and live communications to the cloud permit Clever Buoy to integrate a wider range of sensors and additional hardware to cater for specialised applications.

Noice Industries has identified Clever Buoy as providing a critical surveillance and monitoring solution that integrates into the specialist services the firm provides to clients such as United States Government for defence, homeland security and key installations. The Company will be hosting a number of visits from Noice clients during the deployment in California.

The Company continues to receive enquiries from around the world in relation to the deployment of the Clever Buoy system. Two recent shark attacks, including one fatal in Cape Cod, Massachusetts, USA, has resulted in direct enquiry and dialogue with local officials and communities in this region.

<http://www.capecodtimes.com/news/20180927/high-tech-shark-detection-methods-to-be-considered>

Ends.



Figure 1. Clever Buoy Open Day Press Conference with Newport Councilor Diane Dixon, Mayor Duffy Duffield, Assemblyman Matt Harper and Congressman Dana Rohrabacher.



Figure 2. California Assemblyman Matt Harper and Federal Congressman Dana Rohrabacher inspect the Clever Buoy infrastructure on Balboa Pier, Newport.



Figure 3. Mr Richard Talmage from SM8 demonstrates the Clever Buoy system to Congressman Dana Rohrabacher

For further information please contact:

Mr David McArthur
Company Secretary
Smart Marine Systems Ltd
Tel: 1300 524 392

About Smart Marine Systems

Smart Marine Systems Limited (ASX:SM8) is an Australian marine technology company that has developed and commercialised award-winning patented products. Smart Marine Systems product portfolio includes SAMS [Shark Attack Mitigation Systems], Clever Buoy™ and Seabin. SAMS is a visual technology that is applied to wetsuits and watersport products to potentially reduce the chance of shark attacks. Clever Buoy™ is a marine monitoring platform that autonomously distinguishes large sharks from other species and sends warning signals to shore for human intervention response. Seabin is a revolutionary ocean plastics cleaning device that catches floating rubbish, oil, fuel and detergents and makes oceans cleaner. Smart Marine Systems products can be deployed across oceans globally and the Company is committed to pursuing international commercialisation. To learn more about Smart Marine Systems please visit: www.smartmarinesystems.com

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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")

30 SEPTEMBER 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4	4
1.2 Payments for		
(a) research and development *	(146)	(146)
(b) product manufacturing and operating costs	(12)	(12)
(c) advertising and marketing	(52)	(52)
(d) leased assets	-	-
(e) staff costs*	(141)	(141)
(f) administration and corporate costs	(52)	(52)
1.3 Dividends received	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(400)	(400)

* Includes costs for the deployment of Clever Buoy at Balboa Beach, Newport, California.

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	34	34
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	-	-
3.6	Repayment of borrowings	(18)	(18)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (loan repaid by associate company)	-	-
3.10	Net cash from / (used in) financing activities	16	16

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	467	467
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(400)	(400)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	16	16

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	2	2
4.6	Cash and cash equivalents at end of quarter	85	85

In late September the Company announced the placement of 20,000,000 shares at 2.5 cents per share to raise \$500,000.

In late September the board of the Company undertook a cost reduction exercise to significantly reduce cash costs to the business. This included a reduction in payments to the Managing Director of 40%, full deferral of the payment of non-executive director's fees and termination of staff.

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	85	467
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)	85	467

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**

48

-

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	Current quarter \$A'000
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	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	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.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	-
9.3 Marketing	10
9.4 Leased assets	-
9.5 Staff costs	88
9.6 Administration and corporate costs	40
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	138

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 October 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.