

Companies Announcements Office
Australian Securities Exchange
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QUARTERLY ACTIVITIES REPORT

Clever Buoy demonstrating its capabilities to the US Market

Highlights

- Pilot deployment of Clever Buoy at Newport Beach, California providing valuable beach safety and environmental information to lifeguards.
- Increased interest in the wider capabilities of Clever Buoy for environmental monitoring and security applications.
- Counterillumination research project with Macquarie University in final stages with promising commercialisation opportunities.

31 January 2019 – Australian marine technology company Smart Marine Systems Limited (ASX:SM8) (“Smart Marine Systems” or “the Company”) is pleased to provide its activities report for the three months to the end of December 2018.

Marine Monitoring and Alert System | Clever Buoy

The Company continues to develop and commercialise the revolutionary marine monitoring platform, Clever Buoy, as a result of high levels of interest from around the globe. Following a significant increase in negative shark interactions in the United States of America, the company has undertaken significant market development work in this jurisdiction over the past 18 months. The Company received endorsement in California from federal and state government officials in late 2017, which resulted in the Company committing to a pilot deployment at Newport Beach, southern California. The deployment at the iconic Balboa Pier on Newport Beach is the culmination of 18 months of business development work in America and is located on a very popular coastline that is highly reliant on tourism and commerce associated with the beaches and water sports.

The Clever Buoy system went live in October 2018 and has been providing real time marine life and environmental monitoring for a 450-metre span either side of the iconic California pier. The pilot component of the deployment will continue until February 2019, whereby formal review and environmental impact reports will be completed in anticipation of moving towards a permanent installation and further potential expansion across additional sites in southern California. The Clever Buoy system in California has received significant exposure through all the mainstream American media outlets as well as site visits from local, state and federal government agencies.

The US market is a significant opportunity for the technology. The country has more than 3300 patrolled beaches with an average length of one mile, and both coastlines have experienced a rapid rise in shark attacks in recent years. Lifeguards and various authorities responsible for beach safety are desperate to find a solution to help them manage the incidences of shark attacks at their beaches. Clever Buoy offers them a turn key solution that utilizes non-invasive advance technology with real time data and alerts and there is currently no peer in the market for this product.

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The exposure the Clever Buoy has received in the United States has uncovered additional functionality of the platform that has further global applications. In September 2018, the Company announced that it had entered into a Heads of Agreement with Californian based security and surveillance company, Noice Industries. Noice Industries is a specialist surveillance and security service provider that secures critical physical infrastructure, including access control, airspace, buildings, connected devices, facilities and equipment on land and water. Noice provides its services to large infrastructure multinationals, US security agencies, US Department of Defence, Homeland Security and National Coastguard. Noice Industries identified Clever Buoy as providing a critical surveillance and monitoring solution for oceans and waterways that integrates into the specialist services the firm provides to current clients. During the pilot project in Newport, a number of these clients have undertaken a site visit to witness the capabilities of the Clever Buoy. This included representatives from the United States Under Secretary of Defence.

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 environmental 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. With pollution of waterways and oceans being recognized as a significant issue globally, Clever Buoy can be applied to providing real time data and analytics 24 hours a day, 7 days a week.

Shark attacks continue in Australia and the Company continues to work with local, state and federal governments on providing a viable solution. The debate is very divisive in Australia and there is a high level of political conflict between the various levels of government in funding solutions. Despite recent severe attacks in many locations around Australia, governments are reluctant to implement long term sustainable solutions that utilize technology and science.

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. The Company has been invited to Cape Cod in early February to formally present Clever Buoy as a solution to the popular coastline.

Visual Technology - SAMS

The Company continues to work in partnership with Professor Nathan Hart of Macquarie University in Sydney on counter illumination research project. SMS has been focussed on understanding the visual cues of large predatory sharks since 2012 and in 2016 commenced a research project with Professor Nathan Hart of Macquarie University in collaboration with New South Wales Department of Primary Industry, Flinders University, University of Western Australia, Oceans Research, and New South Wales Zoological Parks Board. The Australian Research Council supported project has the objective of testing the effect of specific elements of counter illumination on the behaviour of sharks.

The research is based on the integration of specific patterns and brightness of lights on the underside of seal decoys that are towed through known shark populations in the eastern cape region of South Africa, following a number of promising observations from anecdotal activities. Two years into a 3-year research program, the project has received a 100% success rate and has reached a statistically valid sized data set.

SM8 has an exclusive option on the commercialisation rights to the Intellectual Property generated by this project and the potential applications across the whole marine sector. The project is nearing completion with the core immediate objective to finalise the light characteristics and configuration, and to construct prototype watercraft applications.

The Seabin Project

Seabin is a revolutionary environmental technology for cleaning plastic rubbish and floating or suspended waste from marina and protected water environments. The Company holds a 20% equity interest in Seabin Pty Ltd and provides corporate guidance and support for the continued development and commercialisation of the technology.

Commercial production of Seabin's cleaning device has commenced with French manufacturer Poralu Marine. Following the success of the pilot partner program and a strong pre-sales campaign, commercial sales and installations have commenced with more than 400 installations in 23 countries so far.

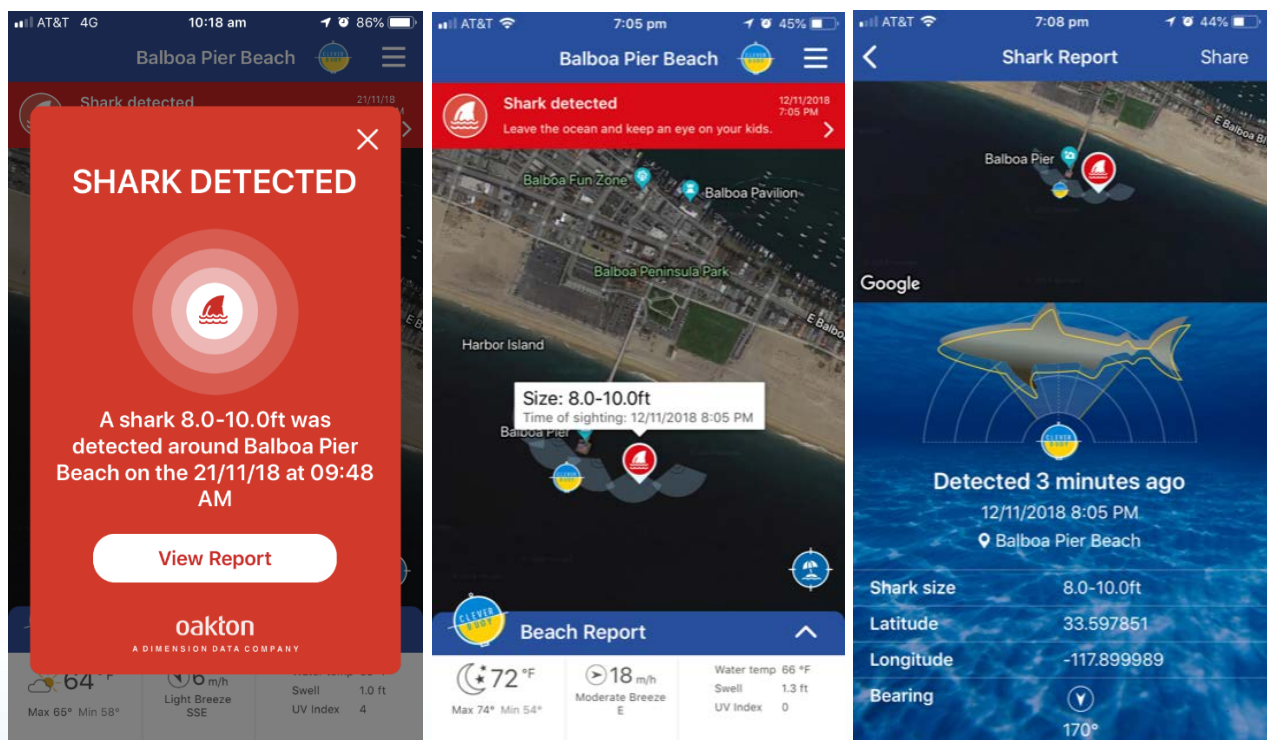
The Company continues to receive accolades globally for its work and in 2018 received a Good Design Australia award for the Seabin.

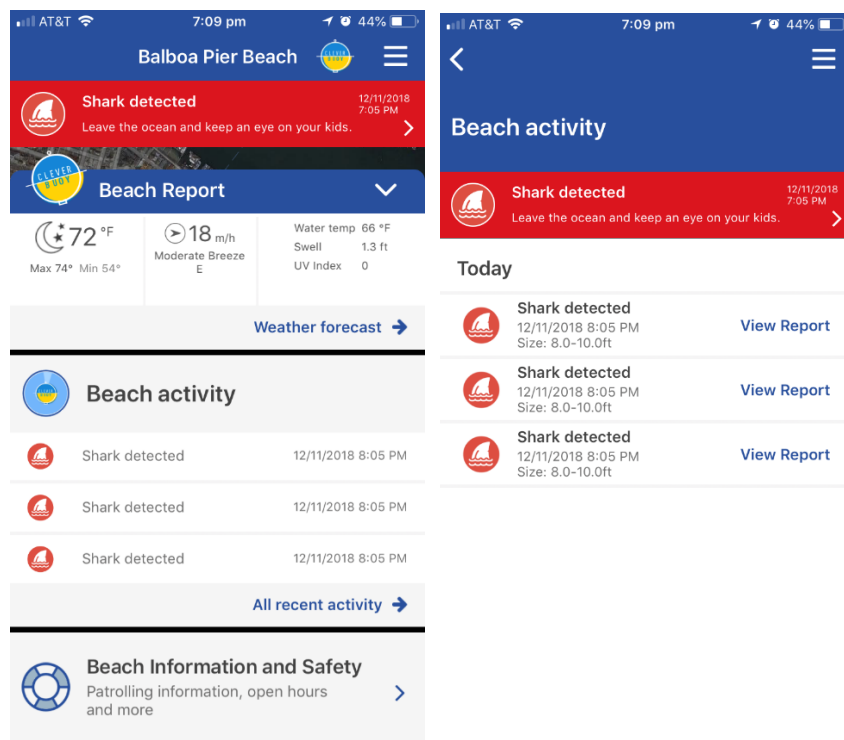
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Figure 1. Clever Buoy operating outside Balboa Pier, Newport Beach, California



Figure 2. Clever Buoy Mobile App in use displaying shark alert and related information





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")

31 DECEMBER 2018

| 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 | 19 | 23 |
| 1.2 Payments for | | |
| (a) research and development | (7) | (153) |
| (b) product manufacturing and operating costs | (2) | (14) |
| (c) advertising and marketing | (193) | (245) |
| (d) leased assets | - | - |
| (e) staff costs | (123) | (264) |
| (f) administration and corporate costs | (67) | (119) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | (1) | (2) |
| 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 | (374) | (774) |

| | | |
|--|---|---|
| 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 (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 | - | - |

| | | | |
|-------------|---|------------|------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | 475 | 509 |
| 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 | (18) | (18) |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | (8) | (26) |
| 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 | 449 | 465 |

| | | | |
|-----------|--|-------|-------|
| 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 | 85 | 467 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (374) | (774) |
| 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) | 449 | 465 |

| 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 | - | 2 |
| 4.6 | Cash and cash equivalents at end of quarter | 160 | 160 |

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 | 160 | 85 |
| 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) | 160 | 85 |

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**

65
-

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.

| |
|--|
| |
|--|

9. Estimated cash outflows for next quarter

\$A'000

| | | |
|------------|---|------------|
| 9.1 | Research and development | - |
| 9.2 | Product manufacturing and operating costs | - |
| 9.3 | Advertising and marketing | 70 |
| 9.4 | Leased assets | - |
| 9.5 | Staff costs | 62 |
| 9.6 | Administration and corporate costs | 67 |
| 9.7 | Other (provide details if material) | - |
| 9.8 | Total estimated cash outflows | 199 |

Estimated outflows exceed cash balance as at 31 December 2018. This matter is mitigated however through pending receipt of Research and Development tax refund estimated to be received in Q3.

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 2019

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.