



SMART MARINE SYSTEMS LIMITED
ACN 149 970 445

NON-RENOUNCEABLE RIGHTS ISSUE OFFER DOCUMENT

For a pro rata non-renounceable Rights Issue to Eligible Shareholders of 1 (**one**) New Share for every 7 (**seven**) existing Shares held by Eligible Shareholders on the Record Date at an issue price of 2.2 cents per New Share to raise approximately \$706,747 before costs (**Offer**).

The Offer opens on 13 May 2019 and closes at 5:00pm (AWST) on 24 May 2019 (unless it is lawfully extended). Valid acceptances must be received before that time.

Applications for New Shares by Eligible Shareholders can only be made by using or following the instructions on an Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out the Eligible Shareholders' Entitlement to participate in the Offer.

Please read the instructions in this Offer Document and on the accompanying Entitlement and Acceptance Form.

This document is not a prospectus and does not contain all of the information that an investor may require in order to make an informed investment decision regarding the New Shares offered by this document.

The New Shares offered by this Offer Document should be considered as speculative.

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1. IMPORTANT INFORMATION

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

1.1 This document is not a prospectus

This Offer Document is dated 1 May 2019, has been prepared by Smart Marine Systems Limited and is for a rights issue of continuously quoted securities (as defined in the Corporations Act) of the Company. This Offer Document is not a prospectus under the Corporations Act and has not been lodged with ASIC. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the Shares offered by this document.

This Offer Document including each of the documents attached to it and which form part of this Offer Document are important and should be read in their entirety prior to making an investment decision. In particular, Shareholders should refer to the risk factors set out in section 5 of this document. If you do not fully understand this Offer Document or are in any doubt as to how to deal with it, you should consult your professional adviser.

1.2 Section 708AA of the Corporations Act

This Offer Document has been prepared in accordance with section 708AA of the Corporations Act and applicable ASIC Class Order 08/35. In general terms, section 708AA permits certain companies to undertake rights issues without being required to use or provide to shareholders a prospectus or other disclosure document. Accordingly, the level of disclosure in this Offer Document is significantly less than the level of disclosure required in, and what you would expect in, a prospectus. Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to ASX and consult their professional advisers before deciding to accept the Offer.

1.3 Eligibility

Applications for Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

1.4 Overseas Shareholders

This Offer Document does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Offer Document.

The Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia and New Zealand. It is not practicable for the Company to comply with the securities laws of overseas jurisdictions (other than those mentioned above) having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

Accordingly, Ineligible Foreign Shareholders other than those mentioned above will not be entitled to participate in the Offer.

United States Shareholders

This Offer does not constitute an offer in the United States of America, nor does it constitute an offer to a person who is a US Person or someone who is acting on behalf of a US Person.

The Shares have not been, and will not be, registered under the US Securities Act 1933 and may not be offered or sold in the United States of America, or to, or for the account or benefit of, US Persons (as defined in Rule 902 under the US Securities Act) except under an available exemption from registration under the US Securities Act. These Shares may only be resold or transferred if registered under the US Securities Act or pursuant to an exemption from registration under the US Securities Act and in compliance with state securities laws. The Company is under no obligation and has no intention to register the Shares in the United States of America.

New Zealand Shareholders

The New Shares are not being offered to the public within New Zealand other than to existing Eligible Shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand).

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

1.5 Risk Factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are non-exhaustive. Please refer to Section 5 of this Offer Document for further details.

1.6 Notice to nominees and custodians

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

1.7 Forward-looking statements

This Offer Document contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events

and actions that, as at the date of this Offer Document, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Offer Document will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Offer Document, except where required by law.

These forward-looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 5 of this Offer Document.

1.8 Privacy Act

If you complete an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

2. CORPORATE DIRECTORY

Directors

Craig Anderson – Managing Director
Hamish Jolly – Non-Executive Director
David McArthur – Non-Executive Director

Company Secretaries

David McArthur
Jordan McArthur

Registered Office

Level 1, 31 Cliff Street
Fremantle, Western Australia 6160

Telephone: + 61 8 9435 3200
Facsimile: +61 8 6444 7408

Email: davidm@broadwaymgt.com.au
Website: www.sharkmitigation.com

ASX Code

SM8

Share Registry*

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth, Western Australia 6000

Legal Advisers

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth, Western Australia 6000

Auditor*

HLB Mann Judd (WA Partnership)
Level 4, 130 Stirling Street
Perth, Western Australia 6000

*These parties have been included for information purposes only. They have not been involved in the preparation of this Offer Document.

3. DETAILS OF THE OFFER

3.1 Background and Purpose of the Offer

Smart Marine Systems is committed to continued development and commercialisation of its Clever Buoy Technology as a result of continued high levels of interest for countries around the globe. Following a significant increase in negative shark interactions in the USA, 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 100-day deployment trial 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 installation received strong local community support with 95% of respondents to a public survey indicating that they felt safer recreating at a beach with a Clever Buoy installed and 93% requested the technology to be expanded to additional locations in California.

The Company further received an invitation to present the Clever Buoy technology to the community and officials in Cape Cod Massachusetts, a community that witnessed two shark attacks in 2018.

In addition to this business focus, the Company has recently acquired Harvest Technology Pty Ltd, a bespoke services and solutions provider comprising an experienced high-performance management team, led by Paul Guilfoyle, with over 20 years marine and subsea technology experience, extensive client relations, and key industry partnerships with the likes of Fugro N.V. (market leader in survey and geotechnics in offshore oil and gas developments) and Abyss Solutions Pty Ltd (specialists in inspection and management of underwater assets). This acquisition is intended to complement the Company's existing operations and to support the growth of the Company in the marine sector.

Harvest is currently undertaking the NOPSEMA dive safety accreditation process which will allow it to operate in various jurisdictions within the marine services sector. This is a particularly onerous approval process which the management team has invested significant time preparing alongside development of supporting business management systems.

The funds raised by way of this Rights Issue are intended to bolster working capital for both the parent entity and its operations pursuing further deployments and technological progression of the Clever Buoy technology, and also to bolster working capital for the subsidiary, Harvest, in its commencement of contract services provision in the subsea sector.

3.2 The Offer

The Offer is being made as a non-renounceable entitlement offer of 1 (one) New Share for every 7 (seven) Shares held by Eligible Shareholders registered at the Record Date at an issue price of 2.2 cents per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as set out in Section 3.7 of this Offer Document, approximately 32,124,860 Shares may be issued pursuant to this Offer to raise up to approximately \$706,747.

As at the date of this Offer Document, the Company has 33,648,336 Options on issue, all of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to section 3.7 of this Offer Document for information on the exercise price and expiry date of the Options on issue.

All of the Shares offered under this Offer Document will rank equally with the Shares on issue at the date of this Offer Document.

The Directors may at any time decide to withdraw this Offer Document and the offer of Shares made under this Offer Document in which case the Company will return all Application monies (without interest) within 28 days of giving such notice of withdrawal.

3.3 Use of Funds

Completion of the Capital Raising and Offer will result in an increase in cash in hand of up to approximately \$2,506,747 (before the payment of costs associated with the Capital Raising).

The Company intends to apply the funds raised under the Capital Raising and Offer as follows:

Proceeds of the Offer and Placement	Full Offer Subscription (\$)	%
Funds available		
Placement	1,800,000	71.81
Offer	706,747	28.19
Total	2,506,747	100
Allocation of funds		
Expenses of the Offer ¹	29,500	1.18
Expenses of the Placement ²	94,500	3.77
Working Capital and corporate administration ³	2,382,747	95.05
Total	2,506,747	100

Note:

1. Refer to Section 3.11 for further details relating to the estimated expenses of the Offer
2. Refer to Section 3.12 for further details relating to the estimated expenses of the Placement
3. Funds allocated to working capital will be used for the Group's operating activities, and for corporate and administrative expenses of the Company.

The above table is a statement of the Board's current intentions as at the date of this Offer Document. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions

and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

3.4 Indicative Timetable **

Lodgement of Offer Document, Appendix 3B, s708AA Cleansing Notice with ASX and letter to option holders (Prior to the commencement of trading)	Prior to commencement of trading on 1 May 2019
Notice sent to security holders	3 May 2019
Ex-date	7 May 2019
Record Date for determining Entitlements	8 May 2019
Offer Document sent out to Eligible Shareholders & Company announces this has been completed & Offer Opening Date	13 May 2019
Closing Date*	24 May 2019
Shares quoted on a deferred settlement basis	27 May 2019
ASX notified of under subscriptions	28 May 2019
Issue date/Shares entered into Shareholders' security holdings	30 May 2019
Quotation of Shares issued under the Offer	31 May 2019

* Subject to the ASX Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue and quotation for the New Shares.

** These dates are indicative only and are subject to change.

3.5 Entitlements and acceptance/Additional Shares

Details of how to apply under the Offer are set out in Section 4 of this Offer Document.

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement and Acceptance form accompanying this Offer Document.

You can also apply for Additional Shares under the Shortfall Offer in addition to your Entitlement by following the instructions set out in Section 4. The Shortfall Offer is described in Section 4.4 below.

3.6 No rights trading

The rights to New Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for New Shares under the Offer to any other party. If you do not take up your Entitlement to New Shares under the Offer by the Closing Date, the Offer to you will lapse.

3.7 Capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted, is set out below.

Shares	Number
Shares currently on issue ¹	224,874,011
New Shares offered pursuant to the Offer ²	32,124,859
Total Shares on issue after completion of the Offer³	256,998,870

Notes:

1. Shares currently on issue assumes the issue of 15,000,000 Vendor Shares and 81,818,182 Placement Shares as approved by Shareholders at the General Meeting on 26 April 2019. The Vendor and Placement Shares are expected to be issued prior to the Record Date.
2. This number may vary due to rounding of Entitlements and may increase as a result of the rounding up of New Shares offered under the Offer.
3. Assuming the offer is fully subscribed.

Options	Number
Options currently on issue:	
Unquoted exercisable at \$0.025 on or before 30 June 2019	5,125,000
Unquoted exercisable at \$0.20 on or before 31 January 2020	1,000,000
Unquoted exercisable at \$0.25 on or before 31 January 2020	2,000,000
Unquoted exercisable at \$0.30 on or before 31 January 2020	500,000
Unquoted exercisable at \$0.05 on or before 1 June 2020	400,000
Unquoted exercisable at \$0.03 on or before 30 November 2020	6,783,336
Unquoted exercisable at \$0.10 on or before 31 December 2020	8,000,000
Unquoted exercisable at \$0.05 on or before 8 February 2021	1,000,000
Unquoted exercisable at \$0.08 on or before 28 February 2021	5,840,000
Unquoted exercisable at \$0.05 on or before 28 November 2021	1,000,000
Unquoted exercisable at \$0.08 on or before 29 November 2021	1,000,000
Unquoted exercisable at \$0.12 on or before 30 November 2021	1,000,000
Total	33,648,336

Performance Shares	Number
Performance Shares currently on issue:	
Class B Performance Shares expiring on 2 February 2021 ¹	8,699,355
Class C Performance Shares expiring on 2 February 2021 ¹	8,699,355
Class D Performance Shares expiring on 24 August 2019 ²	100,000
Class E Performance Shares expiring on 24 August 2019 ²	100,000
Class F Performance Shares expiring on 24 August 2019 ²	100,000
Total	17,698,710

Notes:

1. The terms and conditions of these Performance Shares can be found in the Company's prospectus announced on 2 March 2016.

2. The terms and conditions of these Performance Shares can be found in the Company's notice of meeting announced on 22 July 2016.

Holder	Performance Share Class	Number
Michele Anne Anderson as trustee for the MCA Trust (an entity related to Mr Craig Anderson, a director of the Company)	B and C	7,788,446 (3,894,223 of each class)
Hamish Andrew Jolly as trustee for the Jolly Family Trust (an entity related to Mr Hamish Jolly, a director of the Company)	B and C	7,788,446 (3,894,223 of each class)
ACNS Capital Markets Pty Ltd as trustee for the AXNS Unit Trust (a promoter of the Company)	B and C	1,821,818 (910,909 of each class)
T B Asset (as nominee for Taj Burrow via Rabbit Hill Pty Ltd a promoter of the Company)	D, E and F	300,000 (100,000 of each class)
Total	B, C, D, E and F	17,698,710

Performance Rights	Number
Performance Rights currently on issue:	
Tranche 1 Performance Rights expiring on 26 April 2021 ¹	25,000,000
Tranche 2 Performance Rights expiring on 26 April 2022 ¹	25,000,000
Tranche 3 Performance Rights expiring on 26 April 2023 ¹	30,000,000
Total	80,000,000

Notes:

1. The terms and conditions of these Performance Rights can be found in the Company's Notice of Meeting announced on 26 March 2019.

Performance Rights Holder	Tranche 1	Tranche 2	Tranche 3	Total number of Performance Rights held
Paul Joseph Guilfoyle (or nominee)	11,000,000	11,000,000	13,200,000	35,200,000
Linda Mary Shields (or nominee)	5,000,000	5,000,000	6,000,000	16,000,000
Air Cooled Productions Trust	5,000,000	5,000,000	6,000,000	16,000,000
Arab Capital Holdings Limited	2,500,000	2,500,000	3,000,000	8,000,000
SBV Capital Pty Ltd	750,000	750,000	900,000	2,400,000
Celery Pty Ltd	750,000	750,000	900,000	2,400,000
Total	25,000,000	25,000,000	30,000,000	80,000,000

The capital structure on an undiluted basis as at the date of this Offer Document is 224,874,011 Shares and on completion of the Offer (assuming all Entitlements are accepted and no Options are exercised and no Performance Shares vest prior to the Record Date) would be 256,998,870 Shares.

The capital structure on a fully diluted basis as at the date of this Offer Document would be 356,221,057 Shares and on completion of the Offer (assuming all Entitlements are accepted) would be 407,109,779 Shares.

No Shares or Options on issue are subject to escrow restrictions, either voluntary or ASX imposed.

3.8 Dilution

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 12.45% (as compared to their holdings and number of Shares on issue as at the date of this Offer Document).

Examples of how the dilution may impact Shareholders are set out in the table below:

Holder	Holding as at Record date	Approximate % at Record Date ¹	Entitlements under the Offer	Holdings if Offer not taken Up	Approximate % post Offer
Shareholder 1	15,000,000	6.67%	2,142,858	15,000,000	5.84%
Shareholder 2	10,000,000	4.45%	1,428,572	10,000,000	3.89%
Shareholder 3	2,000,000	0.89%	285,715	2,000,000	0.78%
Shareholder 4	500,000	0.22%	71,429	500,000	0.19%
Shareholder 5	100,000	0.044%	14,286	100,000	0.039%

Notes:

1. This is based on a share capital of 224,874,011 Shares anticipated as at the Record Date noted in this Offer Document.

3.9 Directors Interests and Participation

Each Director's relevant interest in the securities of the Company at the date of this Offer Document and their Entitlement is set out in the table below.

Director	Shares	Voting Power (%)	Entitlement	\$
Craig Anderson ¹	17,230,259	7.66%	2,461,466	54,152
Hamish Jolly ²	17,094,279	7.60%	2,442,040	53,725
David McArthur ³	170,000	0.076%	24,286	535

Notes:

1. Mr Anderson also holds 4,000,000 options exercisable at \$0.10 each on or before 31 December 2020 which will provide an additional Entitlement should they be exercised prior to the Record Date. Mr Anderson further holds 7,788,446 performance shares which will convert to fully paid ordinary shares on the achievement of specific milestones as noted in the 2018 Annual Report, which will provide an additional Entitlement should they be converted prior to the Record Date.
2. Mr Jolly also holds 2,000,000 options exercisable at \$0.10 each on or before 31 December 2020 which will provide an additional Entitlement should they be exercised prior to the Record Date. Mr Jolly further holds 7,788,446 performance shares which will convert to fully paid ordinary shares on the achievement of specific milestones as noted in the 2018 Annual Report, which will provide an additional Entitlement should they be converted prior to the Record Date.
3. Mr McArthur also holds 2,000,000 options exercisable at \$0.10 each on or before 31 December 2020 which will provide an additional Entitlement should they be exercised prior to the Record Date.

Messrs Anderson and Jolly have agreed to take up 50% of their entitlement. Mr McArthur has agreed to take up his full entitlement.

3.10 Effect of the Offer on control and voting power in the Company

The Company's substantial holders and their Entitlement prior to the Offer are set out in the table below.

Substantial Holder	Shares	Voting Power ¹	Entitlement	\$
Craig Anderson ²	17,230,259	7.66%	2,461,466	54,152
Hamish Jolly ³	17,094,279	7.60%	2,442,040	53,725

Notes:

1. The voting power in the above table is anticipated as at the Record Date as noted in this Offer Document.
2. Mr Anderson has indicated that he will take up \$27,000 of his Entitlement.
3. Mr Jolly has indicated that he will take up \$27,000 of his Entitlement.
4. Prior to record date, Mr Paul Guilfoyle will become a substantial holder with approximately 17,963,637 fully paid ordinary shares for his participation in the Placement and in his receipt of Vendor Shares, as approved by Shareholders at the EGM on 26 April 2019. This will represent approximately 7.72% of the Voting Power as at the record date, and will entitle Mr Guilfoyle to 2,566,234 shares under the offer (\$56,457).

The potential effect that the issue of the Shares under the Offer will have on the control of the Company is as follows:

- (a) if all eligible shareholders take up their entitlements under the Offer, the issue of Shares under the Offer will have no effect on the control of the Company and all shareholders will hold the same percentage interest in the Company, subject only to changes resulting from ineligible shareholders being unable to participate in the Offer;
- (b) in the more likely event that there is a shortfall, eligible shareholders who do not subscribe for their full entitlement of Shares under the Offer and ineligible shareholders unable to participate in the Offer will be diluted relative to those shareholders who subscribe for some or all of their entitlement as shown by the table in section 3.8; and

- (c) in respect of any shortfall, eligible shareholders will be entitled to top-up their shareholding, by subscribing for additional shares to be issued from the shortfall pool (**Shortfall Offer**). However, the Company will only issue such Shares pursuant to an application received where the Directors are satisfied, in their discretion, that the issue of the Shares will not increase the applicant's voting power above 19.90%.

3.11 Expenses of the Offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$29,500 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASX fees	7,000
Legal fees	7,500
Share Registry fees	2,500
Miscellaneous – Printing and Mailing	12,500
Total	29,500

3.12 Expenses of the Placement

In the event that the Placement shares are issued, the total expenses of the Placement are estimated to be approximately \$94,500 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASX fees	19,000
Broker fees	72,000
Share Registry fees	3,500
Total	94,500

3.13 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of release of this Offer Document and the respective dates of those sales were:

	(\$)	Date
Highest (most recent)	0.026	26 April 2019
Lowest (most recent)	0.012	13 February 2019
Last	0.026	26 April 2019

3.14 Opening and Closing Dates

The Offer opens on the Opening Date, being 13 May 2019, and closes on the Closing Date, being 5:00pm (AWST) on 24 May 2019 (or such other dates as the Directors in their discretion shall determine subject to the ASX Listing Rules). The Company will accept Entitlement and Acceptance Forms until the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the ASX Listing Rules.

3.15 Issue and dispatch

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and the indicative timetable set out in Section 3.4 of this Offer Document. Shares issued pursuant to the Shortfall Offer will be issued at one time.

Pending the issue of the Shares or payment of refunds pursuant to this Offer Document, all Application monies will be held by the Registry in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest by completing and returning the Entitlement and Acceptance Form.

The expected dates for issue of New Shares offered by this Offer Document and dispatch of holding statements is expected to occur on the dates specified in the Timetable set out in Section 3.4 of this Offer Document.

It is the responsibility of Applicants to determine the allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

3.16 ASX listing

Application for official quotation by ASX of the New Shares offered pursuant to this Offer Document will be made.

The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

3.17 CHESS

The Company is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Offer Document. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.18 Risk Factors

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are non-exhaustive. Please refer to Section 5 of this Offer Document for further details.

3.19 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

3.20 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of its securities.

This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for Shares under the Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from its website www.sharkmitigation.com or the ASX www.asx.com.au.

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors’ statement and report, and an audit report or review. These reports are released to ASX and published on the Company’s and the ASX websites.

This Offer Document (including the Entitlement & Acceptance Form) and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Western Australia.

3.21 Enquiries concerning Offer Document

Enquiries relating to this Offer Document should be directed to the Company on +61 8 9435 3200.

4. ACTION REQUIRED BY SHAREHOLDERS

4.1 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Offer Document. You may participate in the Offer as follows:

- (a) **if you wish to accept your Entitlement in full:**
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque or arrange payment by BPAY® for the amount indicated on the Entitlement and Acceptance Form; or
- (b) **if you only wish to accept part of your Entitlement:**
 - (i) fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque or arrange payment by BPAY® for the appropriate Application monies (at \$0.022 per New Share); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

Your completed Entitlement and Acceptance Form and payment must reach the Registry no later than 5:00pm (WST) on the Closing Date.

The Offer is non-renounceable. Accordingly, a holder of Shares may not sell or transfer all or part of their Entitlement.

4.2 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form or paying any Application monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Offer Document and the accompanying Entitlement and Acceptance Form, and read them both in their entirety; and
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application monies, the Application may not be varied or withdrawn except as required by law.

4.3 Payment

4.3.1 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Smart Marine Systems Limited" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry at the address set out on the Entitlement and Acceptance Form by no later than 5:00pm WST on the Closing Date.

4.3.2 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 5:00pm (AWST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

4.4 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Offer Document and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.022 being the price at which Shares have been offered under the Offer.

Should you wish to apply for Shares under the Shortfall Offer, then applications for such Shares must be made on the Entitlement and Acceptance Form or a separate Shortfall Offer application form (available from the Company) which accompanies and forms part of this Offer Document, in accordance with the instructions referred to in this Offer Document. Please read the instructions carefully.

To apply under the Shortfall Offer, complete the Section in the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of Shares under the Shortfall Offer you wish to apply for and the application monies (calculated at \$0.022 per Share).

Completed Shortfall Offer application forms and payment in accordance with Sections 4.3.1 and 4.3.2 above, must reach the Company's share registry by no later than 5:00pm (WST) on the Closing Date. Completed Shortfall Offer application forms may be lodged at the share registry (by post or delivery) at the following address:

Computershare Investor Services Pty Limited
Level 11
172 St Georges Terrace
PERTH WA 6000

The Company reserves the right to scale back any applications for Shares under the Shortfall Offer. If this occurs, application monies will be returned (without interest).

New Shares will be issued under the Shortfall Offer at the absolute discretion of the Company and its Directors and as such there is no guarantee that any Shares applied for will be issued to Eligible Shareholders. The Company will have no liability to any Applicant who receives less than the number of additional Shares they applied for under the Shortfall Offer.

5. RISK FACTORS

5.1 Introduction

The Shares offered under this Offer Document should be considered speculative because of the nature of the Company's business.

There are numerous risk factors involved with the Company's business. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which securities will trade.

The following is a summary of the more material matters to be considered. However, this summary is not exhaustive and potential investors should examine the contents of this Offer Document in its entirety and consult their professional advisors before deciding whether to apply for the New Shares.

5.2 Key investment risks

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. Prospective investors should read this Offer Document in its entirety before deciding whether to apply for Shares under this Offer Document.

These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Offer Document.

(a) Market Entrance Risk

Smart Marine Systems has acquired Harvest Technology Pty Ltd as at 26 April 2019, following Shareholder approval at a General Meeting. Harvest is a subsea services provider that is a new entrant to this services space. As such, there are inherent risks associated with being a new entrant to an existing market with existing competition. The strong management team in Harvest has been put in place to mitigate this risk to an acceptable level, however there is still risk with entering this market.

(b) Commercialisation Risk

Whilst the Company is confident in the application of Clever Buoy in coastal markets, there is no guarantee that the Company will reach an agreement with relevant government institutions for the licensing of Clever Buoy at public beaches, whether in Australia, the United States of America or elsewhere in the world. The Company continues to endeavour to enter into agreements with Government agencies for leasing of the Clever Buoy as a Shark Mitigation strategy for the protection of beachgoers.

(c) **Patent Risk**

The Company's success, in regard to Clever Buoy technology, in part depends upon the ability to maintain valid patent protection for its technology.

(d) **Governmental Risk**

In respect of Clever Buoy technology, the Company relies heavily on interaction and relationships built with Local, State and Federal Government departments, currently both in Australia and the United States of America. Due to governmental requirements for approval of application of the technology, a change in government at any level can have a material adverse impact on the operations of the Company.

(e) **Reliance on Key Personnel**

The Company, and its subsidiaries', success depends to a significant extent upon its key management personnel, as well as other management and technical personnel, including sub-contractors.

The loss of the services of any such personnel could have an adverse effect on the Company at this stage of its development.

(f) **Insurance and Uninsured Risks**

The Company, where economically feasible, may insure its operations in accordance with industry practice. However, even if insurance is taken out, in certain circumstances the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered, or fully covered, by insurance could have a material adverse effect on the business, financial condition and results of the Company.

(g) **Commodity Price Risk**

As the services provided by Harvest are primarily to offshore Oil & Gas producers, a decline in commodity prices can have an adverse impact on business of the Company should customers delay works programs, significantly alter them or reduce the volume of works going forward.

5.3 **General Risks**

(a) **Additional requirements for capital**

The funds raised under the Offer are considered sufficient to meet the current proposed objectives of the Company. Additional funding may be required in the event future costs exceed the Company's estimates and to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur.

The Company may seek to raise further funds through equity or debt financing, joint ventures or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of its research and development programmes, and the delay in roll-out of the subsea business. There can

be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

(b) General economic conditions

Economic conditions, both domestic and global, may affect the performance of the Company. Factors such as fluctuations in currencies, commodity prices, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. The Company's future possible revenues and Share price can be affected by these factors, all of which are beyond the control of the Company or its Directors.

(c) Equity market conditions

Securities listed on the stock market can experience extreme price and volume fluctuations that are often unrelated to the operating performances of such companies. The market price of Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general.

General factors that may affect the market price of Shares include economic conditions in both Australia and internationally (particularly Australian, US and Chinese economic conditions), investor sentiment, local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

(d) Change in government policy and legislation

Any material adverse changes in relevant government policies or legislation of Australia may affect the viability and profitability of the Company, and consequent returns to investors. The activities of the Company are subject to various federal, state and local laws governing prospecting, development, production, taxes, labour standards and occupational health and safety, and other matters.

(e) Competition

The Company competes with other companies, including major services contractors within Australia. Some of these companies have greater financial, personnel and physical resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company will compete effectively with these companies.

5.4 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Offer Document. Therefore, the securities to be issued pursuant to this Offer

Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to this Offer Document.

6. DEFINED TERMS

\$ or A\$ means an Australian dollar.

Additional Shares means those New Shares not issued under the Offer.

Applicant refers to a person who submits an Entitlement and Acceptance Form, or submits a payment of subscription monies in respect of the Offer.

Application refers to the submission of an Entitlement and Acceptance Form or Shortfall Application Form (as the case may be).

ASX means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited.

ASX Listing Rules means the Listing Rules of the ASX.

Capital Raising means the Share Placement approved by Shareholders at the General Meeting held 26 April 2019.

Closing Date means the closing date set out in Section 3.4 or such other date as may be determined by the Directors.

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

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

Directors mean the directors of the Company.

Eligible Shareholder means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date whose registered address is in Australia or New Zealand.

Entitlement means the entitlement to subscribe for 1 **(one)** New Share for every 7 **(seven)** Shares held by an Eligible Shareholder on the Record Date.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Document.

Ineligible Foreign Shareholder means person registered as the holder of Shares as at 5:00pm (WST) on the Record Date who is not an Eligible Shareholder.

New Share means a new Share proposed to be issued pursuant to this Offer.

Offer or Rights Issue means the pro rata non-renounceable offer of New Shares at an issue price of \$0.022 each on the basis of 1 **(one)** New Share for every 7 **(seven)** Shares held on the Record Date subscribed for pursuant to this Offer Document.

Offer Document means this Offer Document.

Opening Date means the opening date set out in Section 3.4 of this Offer Document.

Option means an option to acquire a Share in the Company.

Performance Share has the meaning given in section 3.7.

Performance Right has the meaning given in section 3.7.

Placement means the placement of 81,818,182 Shares at an issue price of \$0.022 per Share to Ventnor Capital Pty Ltd, ACNS Capital Markets Pty Ltd (trading as Alto Capital) and Canary Capital Pty Ltd to raise \$1.8 million.

Record Date means the record date set out in Section 3.4 of this Offer Document.

Section means a section of this Offer Document.

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

Shareholder means a holder of Shares.

Shortfall means those Shares under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Offer means as defined in Section 4.4 of this Offer Document.

US Person means a person who receives the Offer when they are located in either the United States of America.