

Announcement to ASX  
ASX Code: SM8

31 January 2020

## Record Quarterly Revenues and Cash Receipts in December 2019 Quarter

### Highlights

- \$4.1m revenue and \$1.3m cash received from customers in December 2019 quarter
- Highest ever quarterly revenue and cash receipts reported for the Company
- Business momentum continues with “VOS Shine” executing contract with Fugro for Beach Energy
- Completed strategic acquisition of Advanced Offshore Streaming Pty Ltd, a market leader in remote communications technology
- Cash balance of \$0.69m as at 31 December 2019, with \$1.9m received from clients in the first week in January 2020
- Significant contract pipeline opportunities across the business
- Harvest opens office in Dubai, United Arab Emirates, to extend product offerings into the Middle East

**31 January 2020: Smart Marine Systems Limited (ASX:SM8) (Company)** is pleased to report strong underlying operating performance for the December 2019 quarter with record revenue and cash receipts. The result comes on the back of the successful deployment and contract execution utilising the “VOS Shine” (**Shine**), a long-term chartered offshore support vessel as announced to the ASX on 27 May 2019.

During the quarter the Company generated revenue of \$4.1m (invoiced sales); up from \$1.0m in the previous quarter. The Shine has been fully utilised during the quarter.

Although cashflow negative in the December 2019 quarter, this was largely due to a lag in receiving payments from clients. The Company expects to be cashflow positive for the March 2020 quarter.

### AOS Acquisition

On 10 October 2019 the Company announced it had agreed to acquire 100% interest in Advanced Offshore Streaming Pty Ltd . The acquisition became effective 6 December 2019.

AOS has developed proprietary software algorithms and hardware that facilitates secure encrypted transfer of data via satellite at much lower bandwidths than previously possible, representing a significant technological

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

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

advancement towards the secure high-quality transfer of real-time voice, video and data from offshore and remote locations.

AOS developed technology is already successfully operating for a number of clients across Australia, New Zealand and Europe, and is the foundation technology of the “Fugro neXt” service offering.

On 28 November 2019 shareholders approved the issue of convertible notes to the value of \$4m to fund the first tranche of the Acquisition as well as provide additional working capital for ongoing development. The initial payment of A\$3.5m was made to AOS shareholders during the December 2019 quarter.

### **Corporate**

During the quarter, the Company successfully completed a rights issue to raise approximately \$525,000. The rights issue closed on 18 December 2019 raising \$470,390 before allocation of the shortfall to the underwriter, Schaffer Corporation Ltd. Funds are to be used as working capital for utilisation in operations across technologies within the Company portfolio, as well as corporate and administration costs.

### **Outlook**

The Company is committed to the continued development and enhancement of its marine technologies portfolio, currently comprising Cleve Buoy™ technology; Harvest Technology Pty Ltd (**Harvest**) bespoke technology solutions for the offshore energy, resources and renewables sectors; and AOS, a market leader in remote communications technology.

The Company continues to prioritise revenue growth, and revenue diversification by customer segment, geography and product.

During the March 2020 quarter, the Beach Energy work will conclude and the Shine will commence an ROV campaign with Fugro for Cooper Energy in the Bass Strait. Tendering opportunities and order book continues to improve.

AOS has received a number of orders for technology deployment in Europe and Australia confirmed for the March 2020 quarter, with high potential opportunities in the USA, Middle East and Asia expected to commence later in 2020. The Company will update the market further on these opportunities in due course.

The Company continues to invest in the development of the technology to extend its product offering and open up opportunities in different market sectors. Part of this development work has involved the opening of an office in the Middle East to take advantage of prospects within the region.

**Paul Guilfoyle, Company Managing Director said** “We are delighted to report a strong quarter with record revenue and cash generation. 2019 saw progress on a number of our strategic initiatives including the

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deployment of the VOS Shine and the acquisition of AOS. We look forward to continuing to grow the Company and leverage our technology platform in the offshore, resources and renewables sectors.”

Please refer to the attached Appendix 4C Filing for further details on the results for the quarter.

**Ends**

**For further information please contact:**

Mr Paul Guilfoyle  
Managing Director  
Tel: +61 8 6370 6370

**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 portfolio includes Harvest Technology (Harvest), Advanced Offshore Streaming (AOS), and Clever Buoy™. Harvest is a bespoke subsea technology solutions provider for the energy, resources, and renewables sectors. AOS is an innovation company developing remote control, communication, automation and monitoring solutions. Clever Buoy™ is a marine monitoring platform.

To learn more please visit:

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

[www.harvesttechnology.com.au](http://www.harvesttechnology.com.au)

[www.advancedoffshorestreaming.com](http://www.advancedoffshorestreaming.com)

**Forward Looking Statements**

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices or potential growth of Smart Marine Systems Limited, are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors.

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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 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,398	1,531
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,125)	(2,336)
(c) advertising and marketing	(1)	(3)
(d) leased assets	(602)	(849)
(e) staff costs	(538)	(1,046)
(f) administration and corporate costs	(387)	(700)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(68)	(117)
1.6 Income taxes paid	(1)	(1)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,324)</b>	<b>(3,520)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(18)	(34)
(b) businesses (see item 10)	(3,500)	(3,500)
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	1
(b) businesses (see item 10)	-	-
(c) investments	300	300
(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)*	257	257
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(2,961)</b>	<b>(2,976)</b>

\* Cash and cash equivalents acquired in the acquisition of Advanced Offshore Streaming Pty Ltd.

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	526	1,201
3.2 Proceeds from issue of convertible notes	4,000	4,000
3.3 Proceeds from exercise of share options	88	88
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(52)
3.5 Proceeds from borrowings	1,000	1,000
3.6 Repayment of borrowings	(1,110)	(1,216)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (loan repaid by associate company)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>4,504</b>	<b>5,021</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	479	2,172
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,324)	(3,520)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2,961)	(2,976)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	4,504	5,021
4.5 Effect of movement in exchange rates on cash held	(1)	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>697</b>	<b>697</b>

5. <b>Reconciliation of cash and cash equivalents</b> 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	697	479
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) *</b>	<b>697</b>	<b>479</b>

\* Noted that at quarter-end the Group had receivables of A\$1.0m that have been received in the subsequent quarter.

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	77
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	

This includes salaries paid to Directors, as well as superannuation paid on behalf of Directors.

7. <b>Payments to related entities of the entity and their associates</b>	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. <b>Financing facilities available</b> <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	1,000,000	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	4,000,000	4,000,000
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.		

8.1 - SM8 has secured short-term funding from Schaffer Corporation Limited, secured against accounts receivable invoices issued by Harvest Technology Pty Ltd for services performed. Interest accrues at 10% pa.

8.3 - Convertible note funds received in November 2019 as approved by shareholders at the AGM. Interest accrues at 9% pa and is paid quarterly.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	100
9.2 Product manufacturing and operating costs	2,124
9.3 Advertising and marketing	20
9.4 Leased assets	606
9.5 Staff costs	735
9.6 Administration and corporate costs	334
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows *</b>	<b>3,919</b>

\* Estimated outflows exceed current cash on hand – these cash flows are offset by amounts currently outstanding as receivables from operations in the previous quarter, of which \$1.912m has been received in January 2020, in addition to further cash flows that will be generated through operations that will enable payment for operations noted above.

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	<i>Advanced Offshore Streaming Pty Ltd</i>	
10.2 Place of incorporation or registration	<i>Australia</i>	
10.3 Consideration for acquisition or disposal	<i>\$3.5 million upfront cash, \$1.5m cash deferred across two years, \$1.5m shares deferred across three years.</i>	
10.4 Total net assets	<i>\$5.64 million</i>	
10.5 Nature of business	<i>Technology and Communications</i>	

**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:



Company Secretary

Date: 31 January 2020

Print name: Brett Tucker

**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.