

SHARK MITIGATION SYSTEMS LTD
ACN 149 970 445

PROSPECTUS

For an offer of 20,000,000 Shares at an issue price of \$0.20 per Share to raise \$4,000,000.

Lead Manager: ACNS Capital Markets Pty Ltd (trading as Alto Capital) AFSL 279099

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Shares offered by this Prospectus should be considered highly speculative.**

CORPORATE DIRECTORY

Directors

Craig Anderson
Executive Director

Hamish Jolly
Non- Executive Director

David McArthur
Non-Executive Director and Company Secretary

Company Secretary

David McArthur

Proposed ASX Code

SM8

Registered Office

Level 2
55 Carrington St
NEDLANDS WA 6009

Telephone: 08 9423 3200

Email: enquiry@sharkmitigation.com

Website: www.sharkmitigation.com

Lead Manager

ACNS Capital Markets Pty Ltd (trading as Alto Capital)
Australian Financial Services Licence 279099
Ground Level, 16 Ord Street
WEST PERTH WA 6005
Telephone: +61 8 9223 9888

Share Registry

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

Telephone: +61 8 9323 2000

Facsimile: +61 8 9323 2033

Investigating Accountant and Auditor

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Patent Attorney

Armour IP
Suite 5 / 105 Broadway
NEDLANDS WA 6009

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1. IMPORTANT NOTICE

This Prospectus is dated 12 February 2016 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

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

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares that are the subject of this Prospectus should be considered highly speculative.

1.1 Exposure Period

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. You should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act. Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on applications lodged prior to the expiry of the Exposure Period.

1.2 Investment Advice

This Prospectus does not provide investment advice and has been prepared without taking account of your financial objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for Shares under this Prospectus.

1.3 Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.sharkmitigation.com. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

There is no facility for the Offer to be accepted electronically or by applying online. Shares will not be issued under the electronic version of the Prospectus. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies a complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the Application Form, it was not provided together with the Prospectus and any

relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

1.4 Website

No document or information included on the Company's website is incorporated by reference into this Prospectus.

1.5 Forward-looking Statements

This Prospectus 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 Prospectus, 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 the Company, the Directors and its management.

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

The Company has 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 Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 8.

1.6 Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents, or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

1.7 Defined Terms

Unless the contrary intention appears or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 15.

1.8 Time

All references to time in this Prospectus are references to Australian Western Standard Time.

1.9 Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult your broker or legal, financial or other professional adviser without delay. Should you have any questions about the Offer or how to accept the Offer, please call the Company Secretary, David McArthur, on +61 8 9423 3200 or Lead Manager, Alto Capital on +61 8 9223 9888.

2. INDICATIVE TIMETABLE*

Lodgement of Prospectus with the ASIC	12 February 2016
Opening Date	22 February 2016
Closing Date	18 March 2016
Issue of Shares and despatch of holding statements	22 March 2016
Expected date for quotation on ASX	25 March 2016

** The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without prior notice. The Company also reserves the right not to proceed with the Offer at any time before the issue of Shares to Applicants.*

3. LETTER TO SHAREHOLDERS

Dear Investor

On behalf of the Board of the Company, it is my privilege and pleasure to present this Prospectus for our initial public offer.

Over the past five years there has been a substantial increase in the human interaction with sharks around the world. Unfortunately, many of these have resulted in serious injury and deaths. In response to the increased human interaction, Shark Attack Mitigation Systems Pty Ltd (**SMS**) commenced researching and developing technologies targeting the prevention of shark attacks on humans.

SMS has spent the last four years developing two patented technologies for application in the sector. The first technology was based on work undertaken with the University of Western Australia and focused on the visual systems of large predatory sharks. This technology, called SAMS is now commercialised and is being licensed to surfing and ocean apparel brands. The SAMS technology also has the potential to be licensed for applications for marine equipment.

The second technology, called Clever Buoy is a near shore shark detection system that utilises sonar and newly developed software to identify sharks and provide alerts to beach safety authorities. The Clever Buoy technology is in the final stages of pre-commercialisation testing. The Company anticipates first revenue from Clever Buoy by the middle of 2016.

The Company completed the acquisition of 100% of the issued capital of SMS in January 2016.

As a result of the growing global profile of SMS (and its products), the Company intends to position itself to become a global player in the development of shark and broader marine technologies. With access to capital and additional resourcing, the Board believes the Company is well positioned to become a recognised organisation for the commercialisation of marine technologies.

On behalf of the Board, I present the Offer and recommend that you read this Prospectus in full.

I look forward to welcoming you as a supportive shareholder of the Company.

Yours faithfully

Craig Anderson
Executive Director
SHARK MITIGATION SYSTEMS LTD

4. INVESTMENT OVERVIEW

4.1 Investment Overview

This section is a summary only, and not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

Item	Summary	Further information
A. Company		
Who is the issuer of this Prospectus?	Shark Mitigation Systems Ltd (ACN 149 970 445)	
Who is the Company?	<p>The Company was incorporated on 20 April 2011 as an unlisted public company limited by shares.</p> <p>On 29 January 2016 the Company completed the acquisition of 100% of the issued capital of Shark Attack Mitigation Systems Pty Ltd (ACN 161 075 592) (SMS). The Company subsequently changed its name, to Shark Mitigation Systems Ltd.</p> <p>SMS is a company that was incorporated in Western Australia to research and commercialise technologies that mitigate the increasing occurrence of shark attacks globally.</p> <p>SMS, in collaboration with the University of Western Australia's Oceans Institute and School of Animal Biology, developed new technology enabling the manufacture of marine apparel which aims to reduce the risk of shark attack. The technology is based on recently developed science of shark vision, neurobiology and behavioural effects.</p> <p>Breakthrough science in determining what predatory sharks can see, at certain depths and distances and under certain light and water conditions has been incorporated into neoprene materials and commercial prototype wetsuit designs. This technology has been labelled: Shark Attack Mitigation Systems technology, or SAMS.</p> <p>In 2013, SMS also commenced the development of a near shore shark detection system in partnership with Optus. The partnership received early development funding from Google. This technology, called Clever Buoy, utilises multi-beam imaging sonar and integrated identification software to detect sharks and relay messages to beach</p>	Section 7

Item	Summary	Further information
	<p>safety authorities.</p> <p>In the near term, the Company's main focus will be the research, development, and commercialisation of technologies that mitigate attacks by sharks on humans and critical infrastructure, including the marketing and distribution of SAMS, and commercialisation of the near shore sonar detection system, Clever Buoy.</p>	
What is the purpose of this Prospectus?	<p>The purpose of this Prospectus is to raise sufficient capital through the issue of Shares to fund the business objectives of the Company. The proposed use of funds raised under the Public Offer is set out in Section 7.2 of this Prospectus.</p>	7.2
B. Business Model		
How will the Company generate income?	<p>The Company's primary aim is to research, develop and commercialise technologies that mitigate attacks on humans and marine equipment by sharks.</p> <p>The Company proposes to generate income from the SAMS technology through licensing and royalty arrangements, and subject to the successful pre-commercialisation testing of Clever Buoy, the Company anticipates first revenue from Clever Buoy by the middle of 2016. Revenue from Clever Buoy is expected to be from sales, installation, service and support of the systems.</p>	Section 6
What are the key business strategies of the Company?	<p>The Company is currently focused on licensing the patented visual SAMS technology to water apparel and marine craft applications, and completing pre-commercialisation testing of the near shore shark detection system, Clever Buoy.</p>	Section 6
What are the key dependencies of the Company's business model?	<p>Implementation of the business model is dependent upon the following:</p> <ul style="list-style-type: none"> • adoption by wetsuit and marine apparel companies of the SAMS technology; • successful completion of the pre-commercialisation testing of Clever Buoy; and • ongoing market demand for products and related technologies that reduce the risk of shark attack on humans and marine infrastructure. 	Section 6

Item	Summary	Further information
C. Key Investment Highlights		
What are the key investment highlights?	<p>The Directors consider the key highlights of an investment in the Company include:</p> <ul style="list-style-type: none"> (a) a technology Company that has developed an initial platform for the development and future consolidation of a range of technologies to mitigate shark attacks on human life; (b) the Company has developed intellectual property rights that enable the understanding of visual systems of large predatory sharks; (c) the Company has developed a near shore shark detection technology and warning system in partnership with telco Optus in the form of Clever Buoy, which received initial funding from global online giant Google. This innovation (which is the subject of an international patent application) provides safety information for beach goers and is scheduled for commercial release in the middle of 2016 pending successful pre-commercialisation testing; (d) SAMS technology licenses have been executed with established global water sport apparel companies, such as Arena and Radiator wetsuits; (e) the Company has positioned itself to be a relevant player in the future development of shark mitigation technology and is currently pursuing in a number of potential product (and application) development initiatives. 	Section 6
D. Key Risks		
What are the key risks of an investment in the Company?	<p>The business, assets and operations of the Company, are subject to certain risk factors that have the potential to influence the future operating and financial performance of the Company. These risks can impact on the value of an investment in the Shares of the Company.</p> <p>The Directors aim to manage these risks by carefully planning the Company's business activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Board can effectively manage these risks</p>	Section 8

Item	Summary	Further information
	<p>cannot be guaranteed.</p> <p>Based on the information available, the key risk factors affecting the Company include:</p> <ul style="list-style-type: none"> (a) the unauthorised replication of the SAMS and Clever Buoy technologies (which are both the subject of international patent applications), and the Company being forced to litigate to enforce or defend its intellectual property rights; (b) injury or death of a person wearing marine apparel which utilises SAMS; (c) injury or death of a person in an area where the Clever Buoy shark detection system is deployed; (d) global markets contracting due to fear of shark attacks; (e) the development and commercialisation of competing technologies and related products; (f) the initial cost of implementing and installing a near shore detection system such as Clever Buoy may be cost prohibitive for certain applications; (g) the Company not being able to protect its proprietary technology in the marketplace; and (h) the Company not being able to adequately prevent disclosure of, and unauthorised use of: intellectual properties; know-how; and other proprietary information; (i) the Company's need for additional capital, as there is no guarantee that the Company will be able to secure additional funding or be able to secure funding on terms favourable to the Company; and (j) the reliance of key personnel to oversee the day-to-day operations and management of the Company. <p>The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company and you should refer to the additional risk factors in Section 8 before deciding whether to apply for Shares pursuant to this Prospectus.</p>	

Item	Summary	Further information
E. Directors and Key Management Personnel		
Who are the Directors?	<p>The Directors of the Company are as follows:</p> <ul style="list-style-type: none"> (a) Craig Anderson (Executive Director); (b) Hamish Jolly (Non-Executive Director); and (c) David McArthur (Non-Executive Director and Company Secretary). <p>The profiles of each of the Directors are set out in Section 7.8. Relevant interests of each of the above individuals are set out in Section 7.12.</p> <p>The Company will be seeking the appointment of additional personnel in the short term to pursue the objectives of the business.</p>	Sections 7.8 and 7.12.
F. Financial Information		
What is the key financial information for the Company?	<p>Refer to the Investigating Accountant's Report in Section 9 for a discussion in respect of the key financial information of the Company (and SMS).</p> <p>Investors should note that past performance may not be a guide to future performance.</p>	Section 9
How will the Company fund its activities?	The funding for the Company's activities over the next two years will be generated from a combination of the money raised under the Offer, existing cash reserves, research and development rebates and revenues generated from business activities.	Section 7.2
Has the Company included forecast financial information in respect of its business?	<p>Given the current status of operations and the relative stage of technology commercialisation the Directors do not consider it appropriate to forecast future earnings.</p> <p>Any forecast or prospective financial information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.</p>	Section 9
G. Offer		
What is the purpose of the Offer?	<p>The purpose of the Offer is to facilitate an application by the Company for admission of the Company to the Official List of ASX and position the Company to:</p> <ul style="list-style-type: none"> (a) fund the ongoing immediate working capital needs of the Company; (b) fund research and development 	Sections 5.4, 7.2 and 13.8

Item	Summary	Further information																
	<p>related to the Company’s existing technologies, including the completion of pre-commercialisation and potential development of the near shore sonar detection system, Clever Buoy; and</p> <p>(c) fund the marketing and distribution of SAMS (and Clever Buoy pending successful pre-commercialisation testing).</p> <p>On completion of the raising of \$4,000,000 under the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.</p>																	
What is being offered and who is entitled to participate?	<p>The Offer is for 20,000,000 Shares at an issue price of \$0.20 per Share to raise \$4,000,000.</p> <p>The Offer is open to retail and sophisticated investors in Australia.</p>	Sections 5.1 and 5.6																
Will I be guaranteed a minimum allocation under the Offer?	<p>The Company is not in a position to guarantee a minimum allocation of Shares under the Offer.</p>	Section 5.5																
Is there an underwriter for the Offer?	<p>The Offer is not underwritten.</p>	Section 5.8																
Is there a lead manager for the Offer?	<p>Alto Capital is acting as lead manager for the Offer.</p> <p>Refer to Section 12.4 for a summary of the lead manager mandate.</p>	Section 5.9 and 12.4																
What will the Company’s capital structure look like after completion of the Offer?	<table><tr><th>Shares</th><th>Number</th></tr><tr><td>Shares currently on issue</td><td>37,415,013</td></tr><tr><td>Shares to be issued pursuant to the Offer</td><td>20,000,000</td></tr><tr><td>Total Shares on completion of Offer</td><td>57,415,013</td></tr></table> <table><tr><th>Options</th><th>Number</th></tr><tr><td>Options currently on issue</td><td>5,000,000</td></tr><tr><td>Options to be issued pursuant to the Offer</td><td>Nil</td></tr><tr><td>Total Options on completion of the Offer</td><td>5,000,000</td></tr></table>	Shares	Number	Shares currently on issue	37,415,013	Shares to be issued pursuant to the Offer	20,000,000	Total Shares on completion of Offer	57,415,013	Options	Number	Options currently on issue	5,000,000	Options to be issued pursuant to the Offer	Nil	Total Options on completion of the Offer	5,000,000	Section 7.3
Shares	Number																	
Shares currently on issue	37,415,013																	
Shares to be issued pursuant to the Offer	20,000,000																	
Total Shares on completion of Offer	57,415,013																	
Options	Number																	
Options currently on issue	5,000,000																	
Options to be issued pursuant to the Offer	Nil																	
Total Options on completion of the Offer	5,000,000																	

Item	Summary	Further information								
	<table><tr><th>Performance Shares</th><th>Number</th></tr><tr><td>Performance Shares currently on issue</td><td>28,997,850</td></tr><tr><td>Performance Shares to be issued pursuant to the Offer</td><td>Nil</td></tr><tr><td>Total Performance Shares on completion of the Offer</td><td>28,997,850</td></tr></table> <p>Further details in relation to the above are set out at Section 7.3.</p>	Performance Shares	Number	Performance Shares currently on issue	28,997,850	Performance Shares to be issued pursuant to the Offer	Nil	Total Performance Shares on completion of the Offer	28,997,850	
Performance Shares	Number									
Performance Shares currently on issue	28,997,850									
Performance Shares to be issued pursuant to the Offer	Nil									
Total Performance Shares on completion of the Offer	28,997,850									
What are the terms of the Shares offered under the Offer?	A summary of the material rights and liabilities attaching to the Shares offered under the Offer is set out in Section 13.2.	Section 13.2								
What are the terms of the Performance Shares?	The terms attaching to the Performance Shares are set out in Section 13.3.	Section 13.3								
What are the terms of the Options offered under the Offer	The terms attaching to the Options are set out in Section 13.4.	Section 13.4								
Will any Shares be subject to escrow?	<p>Subject to the Company complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offer, certain existing Shares on issue may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation.</p> <p>During the period in which these Shares are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.</p>	Section 7.5								
Will the Company’s securities be quoted?	<p>Application for quotation of all the Company’s Shares (including those to be issued under the Offer) will be made to ASX no later than 7 days after the date of this Prospectus.</p> <p>If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.</p>	Section 5.4								

Item	Summary	Further information
	The Performance Shares will not be quoted.	
What are the key dates of the Offer?	The key dates of the Offer are set out in the indicative timetable in Section 2.	Section 2
What is the minimum investment size under the Offer?	Applications under the Offer must be for a minimum of \$2,000 worth of Shares (10,000 Shares) and thereafter, in multiples of \$1,000 worth of Shares (5,000 Shares).	Section 5.3
Are there any conditions to the Offer?	No, other than a minimum subscription of \$4,000,000.	Section 5.2
H. Additional information		
Is there any brokerage, commission or duty payable by applicants?	No brokerage, commission or duty is payable by Applicants on the acquisition of Shares under the Offer.	Section 5.9
What are the tax implications of investing in Shares?	<p>Holders of Shares may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of Shares issued under this Prospectus.</p> <p>The tax consequences of any investment in Securities will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Shares offered under this Prospectus.</p>	Section 7.6
Where can I find more information?	<ul style="list-style-type: none"> • By speaking to your sharebroker, accountant, solicitor or other independent professional adviser • By contacting the Company Secretary on +61 8 9423 3200. • By contacting the Lead Manager, Alto Capital, on +61 8 9223 9888. 	

5. DETAILS OF THE OFFER

5.1 The Offer

Pursuant to this Prospectus, the Company invites applications for 20,000,000 Shares at an issue price of \$0.20 per Share to raise \$4,000,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

5.2 Minimum Subscription

The minimum subscription for the Offer is the full subscription of \$4,000,000.

If the minimum subscription has not been raised within 3 months after the date of this Prospectus, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

5.3 Applications

Applications for Shares under the Offer must be made using the Application Form. The Application Form contains detailed instructions on how it is to be completed.

Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 5,000 Shares and payment for the Shares must be made in full at the issue price of \$0.20 per Share.

Completed Application Forms and accompanying cheques, made payable to **"Shark Mitigation Systems Ltd – IPO Account"** and crossed "Not Negotiable", must be mailed or delivered to the address set out on the Application Form (so they are received by no later than the Closing Date), being

**Alto Capital
Ground Level, 16 Ord Street
WEST PERTH WA 6005**

The Company reserves the right to close the Offer early.

5.4 ASX Listing

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

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

5.5 Issue

Subject to the minimum subscription to the Offer being reached and ASX granting conditional approval for the Company to be admitted to the Official List, issue of the Shares offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company 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.

The Directors will determine the recipients of the issued Shares in their sole discretion. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

5.6 Applicants Outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

5.7 Oversubscriptions

No oversubscriptions are intended to be accepted by the Company.

5.8 Underwriting

The Offer is not underwritten.

5.9 Lead Manager

The Company has entered into a mandate letter with ACNS Capital Markets Pty Ltd (Alto Capital) pursuant to which Alto Capital has agreed to act as the exclusive corporate advisor in relation to the Offer and the Company's listing on the ASX, and as the Company's ongoing corporate advisor.

A summary of the material terms of the mandate letter is set out at Section 12.4.

6. BUSINESS OVERVIEW

6.1 Background

The Company is an Australian company based in Perth, Western Australia. Perth is located on a stretch of coastline that has recently experienced the highest incidence of fatal shark attacks in the world with 6 deaths in the period between August 2010 and July 2012 (ISAF, Florida Museum) and has become a global focal point for research and innovation in the field of shark science.

SMS was founded by Mr Hamish Jolly and Mr Craig Anderson, both of whom are passionate ocean users who set out on a mission to better understand shark behaviour and to develop non-invasive solutions for water users to mitigate shark attacks.

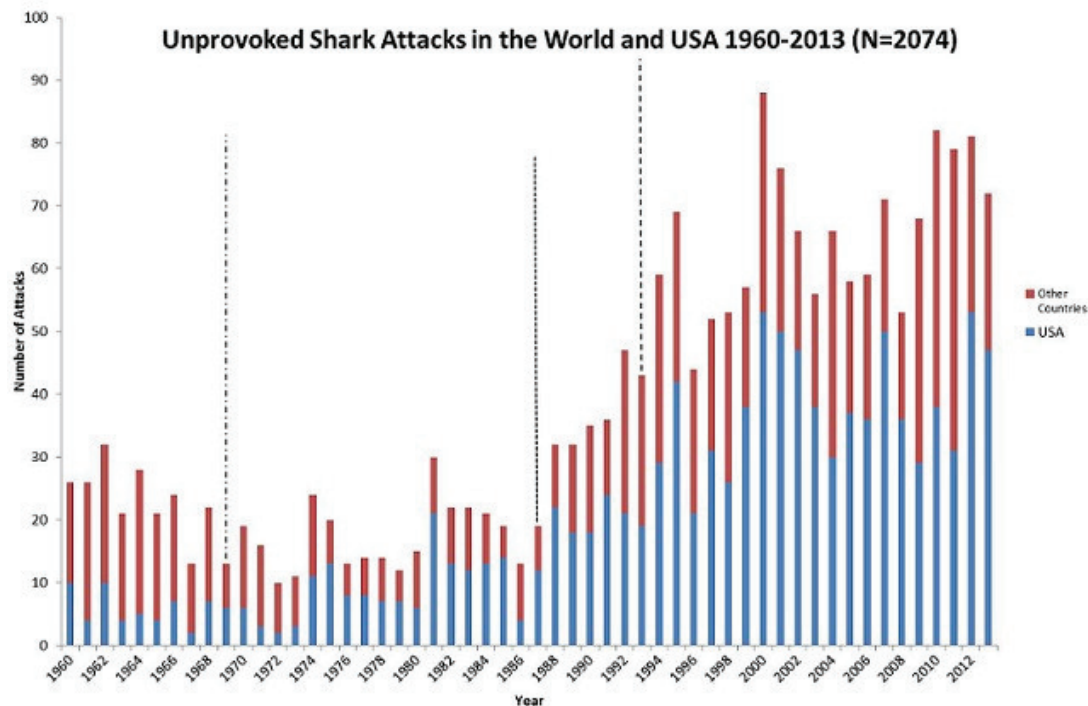
Over the past four years SMS has researched and developed technology that is based on new understandings of the visual systems of large predatory sharks. This SAMS technology is now embedded in a range of products via technology licences.

In addition, SMS has also developed a shark detection system in partnership with Optus in the form of Clever Buoy, which received initial development funding from Google. This Clever Buoy technology has significant global application in providing beach users and researchers with critical location and environmental information, and aims to assist in ensuring that our beaches are safer from shark attacks.

SMS has received global publicity and has become a recognised organisation for information and technology solutions for mitigating shark attacks.

Industry Opportunity

- **An increase in shark attacks globally** has been occurring and there is public interest to develop and provide passive solutions.
- Water users are **actively seeking** solutions that reduce the chance of a negative interaction with large predatory sharks.
- SMS has researched and developed technology based on the visual systems of large sharks. This technology (SAMS) is embedded in a number of consumer products that are currently available.
- SMS has **relationships** with major water apparel and marine brands and is aiming to work together with these parties to provide solutions for shark interaction throughout the world.
- In partnership with Optus, and with initial funding from Google, SMS is developing revolutionary **near shore shark detection technology** (Clever Buoy) that aims to provide a non-invasive solution for the enhanced protection of local beaches.
- SMS wishes to commercialise Clever Buoy (pending successful pre-commercialisation testing of the system) and leverage from its growing profile to source and develop **synergistic technologies** in the sector.



Source: International Shark Attack Files - Florida Museum of Natural History

Company Objectives

The key objectives of the Company include;

1. further development and leverage of the intellectual property developed for visual systems for large predatory sharks;
2. commercialising newly developed technology on near shore shark detection and alert systems globally;
3. consolidating and expanding the various technologies that have and are being developed to mitigate the occurrence of shark attacks on humans; and
4. creating an industry recognised vehicle for shark research and a developer of technology that provides practical solutions for marine applications.

6.2 Business Model

Over the past 4 years', SMS has been developing two key technologies: SAMS and Clever Buoy.

Visual Deterrent Technology - SAMS

SMS, in collaboration with the University of Western Australia's Oceans Institute and School of Animal Biology, developed new technology enabling the manufacture of marine apparel which can reduce the risk of shark attack, based on recently developed science of shark vision, neurology and behavioural effects.

Breakthrough science in determining what predatory sharks can see, at certain depths and distances and under certain light and water conditions has been incorporated into neoprene materials and commercial prototype wetsuit

designs. This technology has been labelled Shark Attack Mitigation Systems technology or SAMS.

The resulting interpretation of the science has produced designs for two strategies to offer protection to the wearer. The first is to hide the wearer in the water column (or make the shape of the wearer more cryptic) using disruptive coloration and shaping from the perspective of a predatory shark. The second is to overtly present the wearer as unlike any shark prey (such as a seal) or even as an unpalatable or dangerous food option.

The key to SAMS technology lies in development of materials having a specific contrast, colour, size and shape according to the position of the wearer in the water column and the distance that a shark is likely to perceive the wearer.

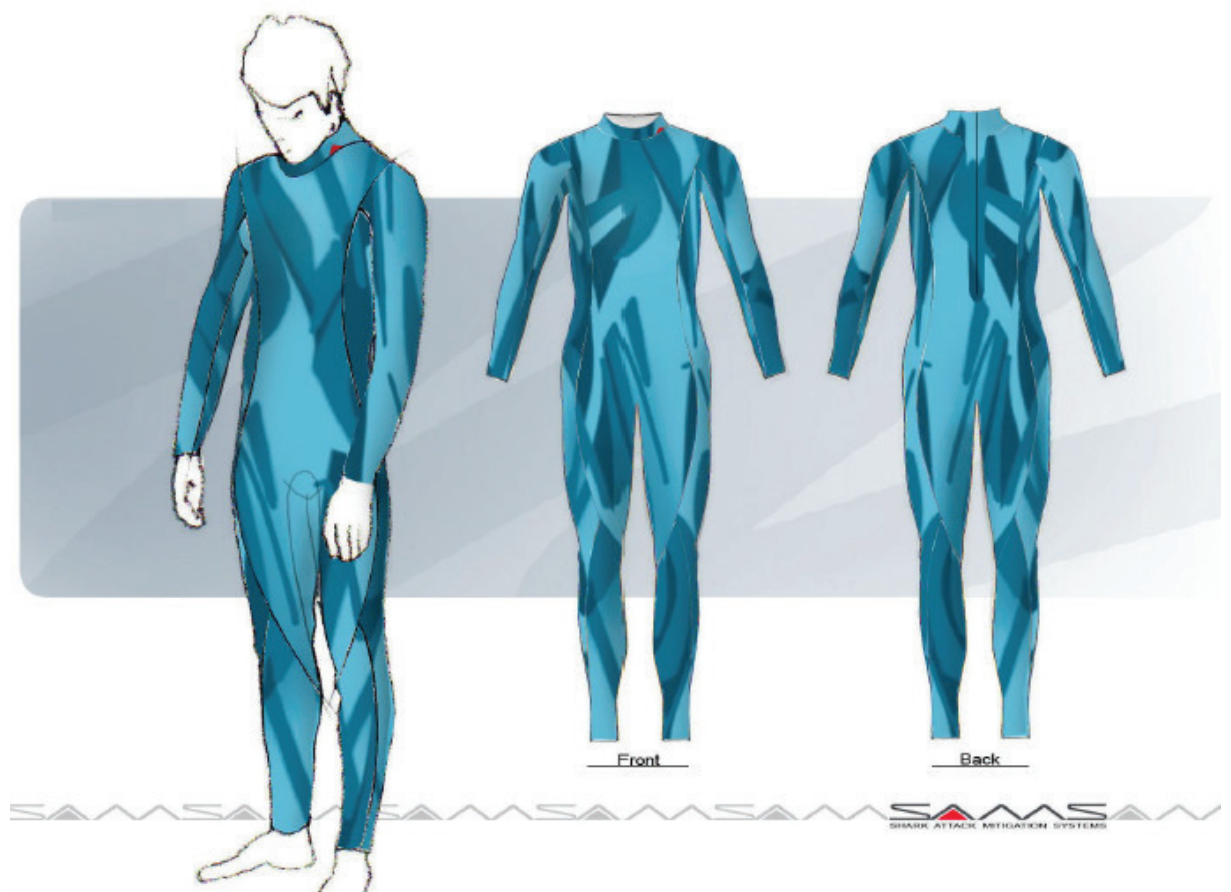
Independent preliminary testing by the University of Western Australia with large wild predatory sharks off the coast on Western Australia since January 2013 has been encouraging. Both the research science and the field-testing of the technology is an ongoing process.

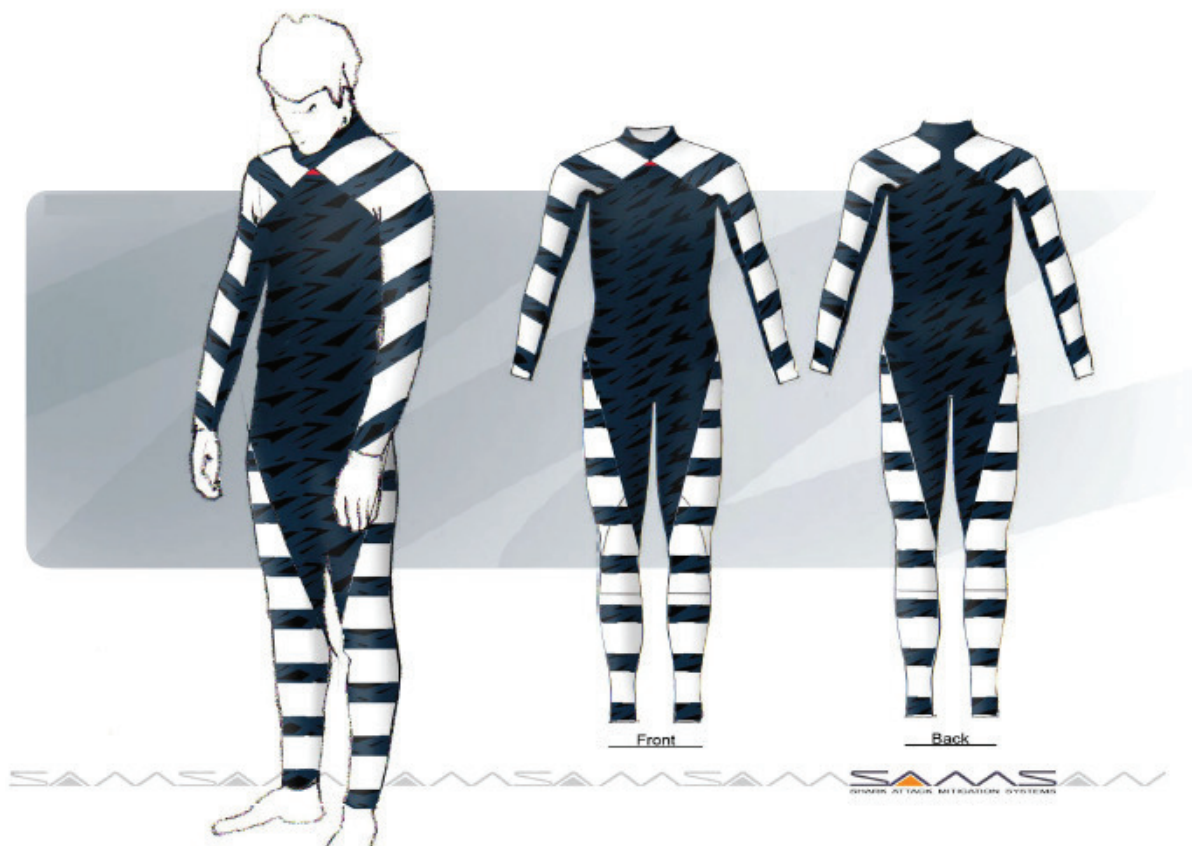
The translation of the scientific findings into industrial design has been undertaken with the assistance of Ray Smith, renowned designer of wetsuits for Quiksilver and famous for designing the original Quiksilver logo.

The result is a range of materials and suit designs which incorporate SAMS technology while maintaining consumer appeal.

The technology has the potential to extend to many marine applications, including skins and stickers for diving air tanks, diving fins, surfboards, kayaks, skis, watercraft, undersea cabling, and marine equipment.







Shark Detection Technology and Consumer Warning System – Clever Buoy

SMS, in partnership with Optus, (and with the assistance of Google via the provision of initial project funding), is developing a breakthrough near shore shark detection and warning system referred to as Clever Buoy. The system is being designed to be deployed at beaches that have a potential threat of shark attack.

The technology utilises a combination of newly developed sonar interrogation software and satellite communications that will provide critical warning systems to beach users and vital information to shark researchers around the globe.

The detection system has been in development over the past two years with testing in controlled and wild environments, and is currently in a pre-commercialisation stage of testing, with anticipated commercialisation to occur by mid 2016. The technology has the potential to revolutionise beach safety and provide real time information to beach and ocean users.



Industry Engagements and Recognition

Over the past four years SMS has engaged with many globally reputable brands and has been awarded a number of distinctions.

The key industry engagements include;

Arena – global swimwear brand;

Radiator – global wetsuit retailer;

Sheico – global neoprene and wetsuit manufacturer;

Yamamoto – global neoprene and wetsuit manufacturer;

Optus – Australian telecommunications partner;

Google – global technology and data corporation;

Tritech – specialist subsea technology company;

M&C Saatchi – global branding and creative organisation;

Key Research engagements;

University of Western Australia

Macquarie University

Industry Accolades



SAMS Awarded Best Brand New Sportswear Product at ISPO in Munich, Germany. The last Australian winner of this award was SKINS.



Clever Buoy showcased at the Google 'Sandpit' at Cannes Lions 2014, a major international festival for creative thinking and technology.

New Product Development and Additional Technologies

The Company is currently undertaking due diligence and development research on complimentary initiatives and applications. These include (but are not limited to);

- (a) acoustic deterrents;
- (b) virtual barriers;
- (c) electrical responses; and
- (d) natural or synthesized pheromones.

Potential Revenues

The Company intends to derive revenues from the following sources;

- (a) licence fees and royalties derived from SAMS;
- (b) direct supply and wholesaling of SAMS technology products; and
- (c) supply, installation, and management of Clever Buoy deployments and shark identification software.

6.3 Markets and Distribution Channels

The ocean and marine industry is a substantial global market and is not confined to those countries bounded by the ocean. The target markets are dependent on the end products developed by SMS, but ultimately the target markets are global and significant in size.

Visual Deterrent Technology - SAMS

For the SAMS visual deterrent technology, the market sectors of interest to the Company include;

- (a) Scuba Diving
 - (i) Wetsuits
 - (ii) Tank Skins
 - (iii) BC Covers
 - (iv) Fins/Flippers
- (b) Surfing
 - (i) Wetsuits
 - (ii) Surfboards
- (c) Swimming
 - (i) Triathlon
 - (ii) Open Water
 - (iii) Recreational
- (d) Wind Sports
 - (i) Wetsuits
 - (ii) Kiteboards
- (e) Watercraft - Global
 - (i) Canoes
 - (ii) Ski
 - (iii) Boats
- (f) Underwater Cables - Global
 - (i) Survey
 - (ii) Communications

SMS has to date executed license agreements with diving, surfing, swimming, and wetsuit companies. SMS has also executed licence agreements with direct online and retailing organisations and the Company may consider expansion into direct wholesaling and/or retailing opportunities.

The wetsuit industry has been a primary focus of SMS to date, and will continue to be a focus of the Company as the technology can be easily applied to the apparel at little or no additional cost to the manufacturer. The current global wetsuit industry is dominated by black neoprene and there has been minimal technical developments in this sector in recent times.

The global wetsuit industry was estimated to be US\$801 million in 2014 with the high level breakdown of market segments illustrated below in Table 1.(Hexa Research, 2016).

Table 1. Global Wetsuit Market (source – Hexa Research 2016).

Application	2014 – Gross Revenue US\$
Windsports	81.9M (10.2%)
Surfing	269.8M (33.7%)
Scuba	205.7M (25.7%)
Triathlon	244.2M (30.5%)
TOTAL	801.5M

Additional applications for the SAMS technology include water craft, marine equipment and subsea cabling applications. None of these markets have been examined in detail by the Company. The Company is however currently undertaking preliminary discussions regarding these additional applications in these sectors.

Shark Detection Technology and Consumer Warning System – Clever Buoy

For the near shore shark detection and warning system technology, the market sectors of interest to the Company include:

- (a) public beaches – local municipalities/shires/governments;
- (b) private beaches – hotels/resorts;
- (c) aquaculture industry – stock monitoring/security/research; and
- (d) marine environmental monitoring.

The shark technology that has been developed by SMS is new technology and quantifying the market for the product is difficult. The initial focus of the technology application will be on the Australian market, although preliminary enquiries have been received for potential international application.

6.4 Competition

The Board believes that there is opportunity for the Company to become a market leader for the development, integration, and commercialisation of a range of shark mitigation technologies, devices, and products.

There are a number of burgeoning companies in the sector that are developing or have developed complimentary technologies around non-invasive shark protection. Whilst these technologies present an obvious competition risk, the Company intends to exploit and build upon current technology applications to be recognised as a key market participant. Please see Section 8.2(e) for a summary of competition risk.

6.5 Intellectual Property

The Company has filed a number of patent and trademark applications in relation to its existing intellectual property. Full details are set out in the Intellectual Property Report at Section 10 of this Prospectus.

7. COMPANY OVERVIEW

7.1 Financial Information

For details on the financial information of the Company please refer to the Investigating Accountant's Report at Section 9.

7.2 Use of Funds

The Company intends to apply funds raised from the Offer, together with existing cash reserves, over the first two years following admission of the Company to the Official List of ASX as follows:

Funds available	Full Subscription (\$4,000,000)	Percentage of Funds (%)
Existing cash reserves ¹	\$642,026	14
Funds raised from the Offer	\$4,000,000	86
Total	\$4,642,026	100
Allocation of funds		
Expenses of the Offer ²	\$385,555	8
Research & development (including commercialisation testing and royalty arrangements)	\$925,000	20
Patents, designs & ongoing IP protection	\$549,299	12
Corporate, executive, & administration	\$1,375,000	30
Sales, marketing, and distribution	\$750,000	16
Identification of new markets, opportunities, and supplier relationships	\$435,000	9
Working Capital ³	\$222,172	5
Total	\$4,642,026	100

¹ Refer to the Investigating Accountant's Report set out in Section 9 for further details.

² Refer to Section 13.8 for further details.

³ Working capital is unallocated funds that are intended to be applied towards new business ventures and unanticipated expenses.

On completion of the Offer, the Board of Directors believe the Company will have sufficient working capital to achieve its stated objectives for the next two years.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including trial success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board of Directors reserve the right to alter the way funds are applied on this basis.

7.3 Capital Structure

The capital structure of the Company following completion of the Offer (assuming full subscription) is summarised below¹:

	Shares ²	Options	Performance Shares
Currently on issue	37,415,013	5,000,000 ³	28,997,850 ⁴
IPO Capital Raising	20,000,000	-	-
Total	57,415,013	5,000,000	28,997,850
Total (fully diluted)	Shares		
	91,412,863		

Notes:

- ¹ Refer to the Investigating Accountant's Report set out in Section 9 for further details.
- ² The rights attaching to the Shares are summarised in Section 13.2
- ³ Exercisable at \$0.25 on or before 30 June 2019. Terms and conditions of the Options are summarised at Section 13.4 .

⁴

Party	Relationship	Class A Performance Share	Class B Performance Share	Class C Performance Share
Michelle Anne Anderson as trustee for the MCA Trust	An entity related to Mr Craig Anderson, a director of the Company	5,192,297	3,894,223	3,894,223
Hamish Andrew Jolly as trustee for the Jolly Family Trust	An entity related to Mr Hamish Jolly, a director of the Company	5,192,297	3,894,223	3,894,223
ACNS Capital Markets Pty Ltd as trustee for the ACNS Unit Trust	Promoter of the Company	1,214,546	910,909	910,909
Total		11,599,140	8,699,355	8,699,355
Total		28,997,850		

The Performance Shares were issued to the above parties as consideration for the Company's acquisition of SMS. The rights attaching to the Performance Shares are summarised in Section 13.3. The Company will not apply for quotation on the ASX of the Performance Shares.

7.4 Substantial Shareholders

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offer (assuming full subscription) are set out in the respective tables below.

As at the date of the Prospectus

Shareholder	Shares	%
Michelle Anne Anderson ATF The MCA Trust	11,851,982	31.7%
Hamish Andrew Jolly ATF Jolly Family Trust	11,851,982	31.7%
Pannard Management Pty Ltd ATF PC Lushey Family Trust	4,515,041	12.1%

On completion of the Offer (assuming no existing substantial Shareholder subscribes and receives additional Shares pursuant to the Offer)

Shareholder	Shares	%
Michelle Anne Anderson ATF The MCA Trust	11,851,982	20.6%
Hamish Andrew Jolly ATF Jolly Family Trust	11,851,982	20.6%
Pannard Management Pty Ltd ATF PC Lushey Family Trust	4,515,041	7.9%

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on ASX.

7.5 Restricted Securities

Subject to the Company being admitted to the Official List, certain securities on issue prior to the Offer will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

All of the Performance Shares on issue are likely to be escrowed for 24 months from the date of Official Quotation.

5,000,000 Options will be issued to Alto Capital (or its nominees), which are exercisable at \$0.25, on or before 30 June 2019.

The Company will announce to the ASX full details (quantity and duration) of the Shares and Performance Shares required to be held in escrow prior to the Shares commencing trading on ASX.

7.6 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

7.7 Dividend Policy

We anticipate that significant expenditure will be incurred in the evaluation and development of our Company's projects. These activities are expected to dominate the two year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial conditions of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

7.8 Directors and Key Personnel

The Board is comprised of carefully selected individuals whose experience and skill base is commensurate with the requirements and profile of the Company. The Board members comprise:

Craig Anderson

Executive Director
BSc(For) GDBA GCB

Craig is a passionate surfer and water sports enthusiast. He has a strong background in developing and commercialising new ventures and the management of corporations.

Craig is a primary production specialist with a diverse background in a significant number of soft commodities in Australia and Asia. Craig has tertiary qualifications in forestry and business management and more than 25 years experience in developing, financing and managing large-scale enterprises. He has held a number of executive and board positions in both private and public companies in Australia and has strong experience of project management and trade in Australian and Asian jurisdictions.

Craig has a strong background in commercialising innovative projects. This has included various forestry and horticultural commodities as well as carbon and environmental offset projects in Australia and Asia. He has a strong background in the startup sector and has been involved in a number of business initiatives in the last 15 years.

Hamish Jolly

Non - Executive Director
B.Bus (Business Law and Accounting), CA, MAICD

Hamish Jolly is an ocean swimmer and specialist in industry-led marine science innovation, R&D and technology commercialisation.

Commencing his career in aquatic zoological research programs, he holds formal postgraduate qualifications in business and innovation and is a qualified

Chartered Accountant. Hamish's career spans investment development, technology and finance.

In 2006 Hamish was awarded in the WA Business News 40 Under 40 recognising the top 40 business leaders under 40 years of age in Western Australia. He is a Member of the Board of Botanic Gardens and Parks Authority (Kings Park) in Western Australia. Hamish is the former National Chief Executive Officer of Greening Australia, Australia's largest environmental NGO and formerly Director of Strategy and Ventures at BankWest. He is a founding Director of Biogas Renewables Pty Ltd, an Australia waste to energy development company.

His 2014 TED Talk (Ideas Worth Sharing) on the subject of SAM shark visual systems research and commercialisation is in a top-10 list at TED.com with over 2.2 million views.

David McArthur

*Non-Executive Director and Company Secretary
B.Comm, ACA*

David McArthur is a Chartered Accountant, having spent four years with a major international accounting firm, and has 32 years' experience in the accounting profession. Mr McArthur has been actively involved in the financial and corporate management of a number of public listed companies over the past 29 years.

Mr McArthur has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions by public companies.

7.9 Availability of Directors

Each Director above has confirmed to the Company that he anticipates being available to perform his duties as a Non-Executive or Executive Director, as the case may be, without constraint from other commitments.

7.10 Independence of Directors

In determining whether a Director is "independent", the Board has adopted the definition of this word in *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council (**Recommendations**). Consequently, a Director will be considered "independent" if that Director is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis, with the Board Charter to assist in this regard.

The Board considers that David McArthur is an independent Director, free from any business or any other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the independent exercise of the Director's judgement and each is able to fulfil the role of an independent Director for the purposes of the Recommendations.

7.11 Corporate Governance

To the extent applicable, in light of the Company's size and nature, the Company has adopted the Recommendations.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Section 11 and the Company's compliance and departures from the Recommendations are set out in Section 11.

In addition, the Company's full Corporate Governance Plan will be available from the Company's website www.sharkmitigation.com.

7.12 Disclosure of Interests

For each of the Directors, the proposed annual remuneration (excluding superannuation) for the financial year following the Company being admitted to the Official List and the actual remuneration (including superannuation if applicable) of the two financial years preceding the date of this Prospectus together with the relevant interest of the Director in the securities of the Company as at the date of this Prospectus is set out in the table below.

Director	Remuneration 30 June 2015	Proposed Remuneration 30 June 2016	Proposed Remuneration	Shares	Performance Shares
Craig Anderson	Nil	\$60,000	\$250,000	11,851,982	12,980,743
Hamish Jolly	Nil	\$12,500	\$60,000	11,851,982	12,980,743
David McArthur	Nil	\$12,500	\$30,000	Nil	Nil

Notes:

- ¹ At lodgement date, Craig Anderson has received director fees for the 2016 financial year totalling \$30,000.

7.13 Agreements with the Directors or Related Parties

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

Executive Service Agreements

(c) Mr Craig Anderson

On 29 January 2016, the Company and Craig Anderson entered into a executive services agreement (**Executive Services Agreement**) pursuant to which Mr Anderson was appointed as the Managing Director and Chief Executive Officer of the Company commencing on the date of the Executive Services Agreement until such time that it is validly terminated (**Term**).

Mr Anderson is entitled to a base salary of \$250,000 per annum to be reviewed annually (**Salary**). Mr Anderson may also be entitled to (subject to the satisfaction of specified milestones) a performance-based cash bonus above the Salary. In addition, Mr Anderson may be entitled to long-term equity based incentives subject to the satisfaction of certain performance criteria to be determined by the Board. Mr Anderson is also entitled to a Company credit card to be used solely for

the payment of reasonable travel, accommodation and general expenses incurred by Mr Anderson in the performance of his duties.

The Executive Services Agreement also contains various other terms and conditions that are considered standard for an agreement of this nature, including those relating to termination of employment.

Non-Executive Appointment Letters

(d) Mr Hamish Jolly and Mr David McArthur

On 29 January 2016, the Company entered into non-executive letters of appointment with David McArthur and Hamish Jolly (**Non-Executive Agreements** or **Non-Executive Agreement** as the context requires) pursuant to which both Mr Jolly and Mr McArthur were appointed as non-executive directors of the Company effective until the Company's next annual general meeting at which point each director must retire and stand for re-election pursuant to the Company's Constitution.

Mr Jolly will be remunerated \$60,000 per annum and Mr McArthur will be remunerated \$30,000 per annum. Each director is also entitled to additional payments for devoting special attention to business outside the scope of ordinary duties and is entitled to reasonable expenses properly incurred whilst undertaking their respective duties.

Mr McArthur is considered an independent director of the Company.

Each Non-Executive Agreement also contains various other terms and conditions that are considered standard for an agreement of this nature, including those relating to termination and vacation of office.

Accounting and Administrative Services Agreement

(e) Broadway Management Agreement

The Company and Broadway Management (WA) Pty Ltd (ACN 067 731 319) (**Broadway**) (a company that is a related party to the Non-Executive Director, Mr David McArthur) have entered into a management agreement whereby Broadway has agreed to provide registered office and management, administrative, legislative compliance, and accounting services (**Services**) to the Company (**Management Agreement**).

The Company shall pay to Broadway a management fee of \$6,000 per calendar month.

The Management Agreement contains various other terms and conditions that are considered standard for an agreement of this nature, including those regarding expenses, confidentiality and termination.

Company Secretarial Services Agreement

(f) Mr David McArthur

The Company and David McArthur have entered into a management agreement for the provision of company secretarial services to the Company (**Company Secretary Agreement**).

Until otherwise agreed by the parties, David McArthur shall receive no fees for the company secretarial services other than his non-executive director fee which is paid pursuant to his Non-Executive appointment letter, being \$30,000 per annum (excluding GST).

The Company Secretary Agreement contains various other terms and conditions that are considered standard for an agreement of this nature, including those regarding expenses, confidentiality and termination.

Deeds of indemnity, insurance and access

- (g) The Company has entered into a deed of indemnity, insurance and access with each of its Directors. Under this deed, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers in certain circumstances.

8. RISK FACTORS

8.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to our business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

8.2 Company Specific

(a) Unauthorised replication of technology

The Company has patented the visual technology and its interpretation into design with an International Patent Application (PCT/AU2014/000215) and design registrations as set out in the Intellectual Property Report at Section 10.

In addition, licensees of SAMS are required to trademark the individual designs for each of the products developed.

Whilst it is difficult to monitor and act on illegal copies, the Company has commercially protected the patented technology by having the two largest manufacturers of wetsuits globally execute license agreements that protect the intellectual property rights.

The Company has submitted an international patent application for a revolutionary near shore shark detection system, Clever Buoy. The shark detection system utilises a specifically constructed combination of sonar recognition software and communication systems. The Company has developed commercial in confidence agreements with a strategic sonar software development company and a marine engineering firm to ensure ongoing protection of the ongoing intellectual property. In addition the Company has executed a heads of agreement with the sonar software development company for the joint ownership in the shark detection software developed for Clever Buoy.

(b) Injury or death of a person wearing marine apparel utilising SAMS

The SAMS visual deterrent technology cannot be guaranteed. The technology and the associated disclaimers on all products sold with SAMS designs embedded clearly detail that the product is not a 100% guarantee against shark attacks. Sharks are highly sensitive wild animals with which we have very low levels of behavioural understanding. Whilst the technology has shown encouraging results to date, the work by the Company and the University of Western Australia is new science and will

require many years of further testing and development to prove and improve the effectiveness of the technology.

(c) **Injury or death of a person in an area where the Clever Buoy shark detection system is deployed**

The Clever Buoy shark detection system is currently in a pre-commercialisation testing phase and cannot be guaranteed. The system is intended to be one of a number of information sources that could potentially be utilised by authorities and associations that oversee beach and water safety. Subject to successful commercialisation, Clever Buoy will be distributed with necessary disclaimers that will clearly detail that the product does not provide a 100% guarantee against shark attacks.

(d) **Global markets contracting due to fear of shark attacks**

As a result of the increased prevalence of fatal shark attacks in the last five years, marine users are increasingly cautious. This has resulted in lower numbers of diving certification globally and in some jurisdictions, prevention of entry to local beaches.

(e) **Competing technology developed and commercialised**

With increased attention on passive solutions to shark attacks, the Board believes that it is inevitable that alternative products will be developed. The Company intends to minimise the impact of competing products through ongoing research and development that will continue to further develop the existing technologies to ensure that SAMS and Clever Buoy remains ahead of its competitors. In addition, the Company plans to develop an acquisition strategy for complementary technologies and applications in the sector. This may have an impact on level of competition.

(f) **Cost to implement a near shore detection system**

The initial capital cost of installing a near shore shark detection system (Clever Buoy) to protect local beaches is not insignificant. However given the quantum of funds that is currently being deployed to protect ocean goers such as nets, drum lines and aerial surveillance, the initial capital cost can be rationalised.

The Company aims to provide a cost effective and passive alternative for the consideration of local authorities and private companies that are responsible for public and end user safety.

(g) **The Company may be forced to litigate to enforce or defend its intellectual property rights, and/or the intellectual property rights of the Company's licensors**

The Company may be forced to litigate to enforce or defend its intellectual property rights against infringement and unauthorised use by competitors, and to protect the Company's trade secrets. In so doing, the Company may place its intellectual property at risk of being invalidated, unenforceable, or limited or narrowed in scope. Further, an adverse result in any litigation or defence proceedings may place pending applications at risk of non-issuance. In addition, if any licensor fails to enforce or defend their intellectual property rights, this may

adversely affect the Company's ability to develop and commercialise its products. Any such litigation could be very costly and could distract the Company's management from focusing on operating its business. The existence and/or outcome of any such litigation could harm its business, results of operations and financial condition.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the Company's confidential and proprietary information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of Shares.

(h) **The Company may not be able to protect its proprietary technology in the marketplace**

The Company's success will depend, in part, on its ability to obtain patents, protect its trade secrets and operate without infringing on the proprietary rights of others. The Company relies upon a combination of patents, trade secret protection (i.e., know-how), and confidentiality agreements to protect the intellectual property of its products. Where appropriate, the Company may seek patent protection for certain aspects of its products and technology. Filing, prosecuting and defending patents throughout the world would be prohibitively expensive, so the Company's policy is to patent technology in jurisdictions with significant commercial opportunities. However, patent protection may not be available for some of the products or technology the Company has developed, or may in the future develop. If the Company must spend significant time and money protecting or enforcing its patents, designing around patents held by others, or licensing (potentially for large fees) patents, or other proprietary rights held by others, the Company's business, results of operations, and financial condition may be harmed. The Company may not develop additional proprietary products that are patentable.

Furthermore, other groups may independently develop similar products, may duplicate the Company's products, or may design around its patent rights. In addition, any of the Company's issued patents or patent applications may be declared invalid. If the Company fails to adequately protect its intellectual property, the Company may face competition from companies who attempt to create a generic product to compete with the Company's products. The Company may also face competition from companies who develop a substantially similar product that are not covered by any of the Company's existing (or future) patents or patent applications.

Many companies have encountered significant problems in protecting and enforcing intellectual property rights in foreign jurisdictions. The legal systems of certain countries do not necessarily favour the enforcement of patents and other intellectual property rights, which could make it difficult for the Company to stop the infringement of its patents or marketing of competing products in violation of the Company's proprietary rights generally. Proceedings to enforce the Company's patent rights in foreign jurisdictions could result in substantial cost and divert its efforts and attention from other aspects of its business.

(i) **The Company may be unable to adequately prevent disclosure of trade secrets and other proprietary information**

The Company relies on trade secrets to protect its proprietary know-how and technological advances, especially where it does not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. The Company relies in part on confidentiality agreements with its employees, consultants, outside collaborators, sponsored researchers and other advisors to protect its trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorised disclosure of confidential information. In addition, others may independently discover the Company's trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the Company's proprietary rights.

(j) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company will likely require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its research and development programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(k) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

8.3 Industry Specific

(a) **Consumer economic environment**

The Company's SAMS product is sold, predominantly, through wholesalers and retailers into international consumer markets. Changes in the economic environment (including the level of interest rates, employment rates, inflation, currency exchange rates and consumer sentiment) or government policy (including fiscal, monetary and regulatory policy) may adversely impact disposable income of customers for and SAMS product, or their willingness to purchase premium branded goods, which could impact revenue and earnings.

(b) **Retail distribution**

Products utilising SAMS are supplied to various retailers throughout Australia and the world generally. For this reason the loss of any one supplier and a contraction in retail demand generally could adversely

affect sales of products utilising SAMS, which would adversely affect Company operations.

(c) **Retail environment**

As products utilising SAMS are viewed by consumers to be 'discretionary' items rather than 'necessities', the Company's financial performance is sensitive to the current state of, and future changes in, the retail environment in Australia and the rest of the world, including fluctuations in global exchange rates.

As a consequence, investors in the Company should be aware that the global retail environment in which products utilising SAMS are sold may experience challenging conditions due to lower consumer sentiment and retail demand as well as price deflation. This has arisen as a result of factors such as general uncertainty about Australian and international economic conditions, political uncertainty and subdued consumer sentiment in the aftermath of the global financial crisis and euro-zone crisis. Global economic conditions may worsen which could cause the retail environment to deteriorate as consumers reduce their level of consumption of discretionary items.

(d) **Technological Change**

Changes to shark mitigation technology used by competitors may alter the level of potential demand for Clever Buoy and any products utilising SAMS. The rate of technology change, especially of competitors, may adversely affect sales of products utilising SAMS and possible commercialisation of Clever Buoy, which will have a negative impact on the Company's future financial performance. There is a risk that competitors will introduce technologies that provide them with a competitive advantage relative to SAMS or Clever Buoy. Further, any rapid changes in technology or changes in shark mitigation research may lead to increased obsolete inventory risk as the change shifts consumer preferences away from the Company's existing technologies.

(e) **Unforeseen expenditure risk**

Expenditure may have needed to be incurred, that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(f) **Management of growth and strategies**

There is a risk that management of the Company will not be able to implement the Company's strategies, particularly relating to growth, after completion of the Offer. The capacity of the Company's management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

8.4 General Risks

(a) Concentration of ownership

Following completion of the Offer, the existing Shareholders will hold 65.2% of the Shares and the voting rights in the Company. While the existing Shareholders do not have a relevant interest in each other's Shares, the exercise of their votes collectively may result in the ability to exercise a controlling influence over the business and affairs of the Company and may have the power to prevent or cause a change in control of the Company. In addition the sale of shares by any existing Shareholders not subject to escrow restrictions, may adversely affect the Share price.

(b) Economic

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's research and development programmes, as well as on its ability to fund those programmes.

(c) Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and biotechnology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(d) Currently no market

There is currently no public market for the Company's Shares, the price of its Shares is subject to uncertainty and there can be no assurance that an active market for the Company's Shares will develop or continue after the Offer or that the price of the Shares will increase.

The price at which the Company's Shares trade on ASX after listing may be higher or lower than the Offer Price and could be subject to fluctuations in response to variations in operating performance and general operations and business risk, as well as external operating factors over which the Directors and the Company have no control,

such as movements in exchange rates, changes to government policy, legislation or regulation and other events or factors.

There may be relatively few or many potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is above or below the price that Shareholders paid.

(e) **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 Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

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

12 February 2016

The Board of Directors
Shark Mitigation Systems Ltd
Level 2
55 Carrington Street
NEDLANDS WA 6009

Dear Sirs

**INVESTIGATING ACCOUNTANT'S REPORT
SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)**

INTRODUCTION

This Investigating Accountant's Report ("Report") has been prepared for inclusion in a prospectus to be dated on or about 12 February 2016 ("Prospectus") by Shark Mitigation Systems Ltd (formerly Sena Resources Limited), ("Shark Mitigation Systems" or "the Company") in relation to the Company's proposed listing on the Australian Stock Exchange Limited ("ASX") and the offer of up to 20,000,000 shares at an issue price of \$0.20, to raise \$4,000,000, before costs ("Capital Raising" or the "Offer").

This Report has been included in the Prospectus to assist potential investors and their financial advisers to make an assessment of the financial position and performance of the Company.

All amounts are expressed in Australian dollars unless otherwise stated and expressions defined in the Prospectus have the same meaning in this report.

This Report does not address the rights attaching to the shares to be issued in accordance with the Offer, nor the risks associated with accepting the Offer. HLB Mann Judd has not been requested to consider the prospects for the Company, nor the merits and risks associated with becoming a shareholder, and accordingly has not done so, nor purports to do so.

HLB Mann Judd has not made and will not make any recommendation, through the issue of this report, to potential investors of the Company, as to the merits of the Offer and takes no responsibility for any matter or omission in the Prospectus other than the responsibility for this report.


Further declarations are set out in Section 6 of this Report.

STRUCTURE OF REPORT

This Report has been divided into the following sections:

1. Background information;
2. Scope of Report;

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Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of  International, a world-wide organisation of accounting firms and business advisers

3. Financial information;
4. Subsequent events;
5. Statements; and
6. Declaration.

1. BACKGROUND INFORMATION

The Company was incorporated on 20 April 2011 as an unlisted public company limited by shares for the purpose of pursuing various investment opportunities in the resources sector.

On 26 August 2015, the Company entered into a binding terms sheet ("Terms Sheet") to acquire Shark Attack Mitigation Systems Pty Ltd ("SAMS"), an emerging shark attack mitigation technology company.

On the 29 January 2016, the acquisition of SAMS was completed and the Company issued 28,219,005 fully paid ordinary shares in the capital of Shark Mitigation Systems Ltd (formerly Sena Resources Limited) to the vendors of SAMS. The consideration payable by the Company in exchange for the transfer of all SAMS Shares also includes 10,384,594 Class "A" Performance Shares, 7,788,446 Class "B" Performance Shares and 7,788,446 Class "C" Performance shares. In relation to the acquisition, third party promoters were paid a performance fee which consisted of a total of 1,214,546 Class "A" Performance Shares, 910,909 Class "B" Performance Shares and 910,909 Class "C" Performance shares ("Performance Shares") and an introduction fee of 1,089,758 fully paid ordinary shares in the capital of the Company.

The Company changed its name to Shark Mitigation Systems Ltd on 2 February 2016.

In response to human interaction with sharks resulting in serious injury and deaths, SAMS commenced researching and developing technologies that may assist in the prevention of shark attacks on humans

Further details of SAMS are outlined in Section 6.1 of the Prospectus.

For accounting purposes, the acquisition of SAMS by the Company has the features of a reverse acquisition under Australian Accounting Standard AASB 3 "*Business Combinations*", notwithstanding Shark Mitigation Systems Ltd being the legal parent of the group. At acquisition date the net assets of SAMS are recorded at their book value and the net assets of the Company are recorded at fair value.

Consequently the historical financial information presented in this Report is the historical financial information of SAMS as at 30 June 2015 which has been subject to audit.

The proforma financial information presented in this Report is the historical financial information of SAMS for the period ended 30 June 2015, assuming that the acquisition of SAMS by the Company and the other proposed transactions set out in Section 3(c) of this Report had been completed as at that date.

The proforma consolidated financial information has been prepared using a balance date of 30 June 2015 corresponding to the most recently available management financial information.

For completeness, extracts of historical financial information of both Shark Mitigation Systems and SAMS are set out in Appendix 2 and 3.

The intended use of the funds raised by the issue of shares under the Prospectus is specified in Section 7.2 of the Prospectus.

2. SCOPE OF REPORT

You have requested HLB Mann Judd ("HLB") to prepare this Report presenting the following information:

- a) the historical financial information of SAMS comprising the historical Statement of Financial Position as at 30 June 2015 and the historical Statement of Comprehensive Income, historical Statement of Cash Flows and historical Statement of Changes in Equity for the period to 30 June 2015 as set out in Appendix 1 to this Report;
- b) the historical Statement of Financial Position of the Company as at 30 June 2015 as set out in Appendix 1 to this Report; and
- c) the proforma financial information of the Company comprising the proforma Consolidated Statement of Financial Position as at 30 June 2015 and the proforma Consolidated Statement of Comprehensive Income, proforma Consolidated Statement of Cash Flows and proforma Consolidated Statement of Changes in Equity for the period to 30 June 2015 as set out in Appendix 1 to this Report.

The Directors have prepared and are responsible for the historical and proforma information. We disclaim any responsibility for any reliance on this Report or on the financial information to which it relates for any purposes other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus.

The historical financial information and the proforma financial information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports.

The historical financial information as set out in Appendix 1 has been extracted from the management financial statements of SAMS for the year ended 30 June 2015.

We performed a review of the historical and proforma financial information of the Company as at 30 June 2015 in order to ensure consistency in the application of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Our review of the historical and proforma financial information of the Company and SAMS was conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was carried out in accordance with the Standard on Assurance Engagement ASAE 3450 *"Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information"* and included such enquiries and procedures which we considered necessary for the purposes of this Report.

The review procedures undertaken by HLB in our role as Investigating Accountant were substantially less in scope than that of an audit examination conducted in accordance with generally accepted auditing standards. Our review was limited primarily to an examination of the historical financial information and proforma financial information, analytical review procedures and discussions with senior management. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the historical information or proforma information included in this Report or elsewhere in the Prospectus.

In relation to the information presented in this Report:

- a) support by another person, corporation or an unrelated entity has not been assumed;
- b) the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and
- c) the going concern basis of accounting has been adopted.

3. FINANCIAL INFORMATION

Set out in Appendix 1 (attached) are:

- a) the historical financial information of SAMS comprising the historical Statement of Financial Position as at 30 June 2015 and the historical Statement of Comprehensive Income, historical Statement of Cash Flows and historical Statement of Changes in Equity for the period to 30 June 2015;
- b) the historical Statement of Financial Position of the Company as at 30 June 2015; and
- c) the proforma Consolidated Statement of Financial Position of the Company as at 30 June 2015 and the proforma Consolidated Statement of Comprehensive Income, proforma Consolidated Statement of Cash Flows and proforma Consolidated Statement of Changes in Equity of the Company for the period to 30 June 2015 as they would appear after incorporating the following material significant events and proposed transactions by the Company and its controlled entities subsequent to 1 July 2015:
 - i) the issue by the Company, post 30 June 2015 of 4,000,000 ordinary fully share shares issued at \$0.10 raising \$376,000 after costs as a condition precedent to the acquisition of SAMS;
 - ii) the receipt by SAMS of Phase 2 or the Clever Buoy Consulting income of \$330,000 and the subsequent expenditure of approximately \$150,000 on development of SAMS's intangible assets (capitalised) and the write off to the profit and loss of other expenditure of approximately \$40,000 post 30 June 2015;
 - iii) the issue by the Company of 28,219,005 ordinary fully paid shares and 28,997,850 Performance Shares as consideration for the acquisition of SAMS;
 - iv) the issue to third party promoters of 1,089,758 ordinary fully paid shares as an introduction fee, which has been written off to profit and loss;
 - v) the issue by the Company pursuant to this Prospectus of 20,000,000 ordinary fully paid shares issued at \$0.20 each raising \$4,000,000 before the expenses of the offer;
 - vi) the issue of 5,000,000 options, exercisable at 25 cents on or before 30 June 2019; and
 - vii) the write off against issued capital of the estimated cash expenses of the issue as outlined in Section 13.8 of the Prospectus of \$385,555.
- c) Notes to the historical financial information and proforma information.
- d) Valuation of Capitalised Costs
 Upon completion of the acquisition of SAMS, a significant asset of the Company will be the intangible assets that have been capitalised in the Statement of Financial Position. These intangible assets have been included at cost of acquisition to SAMS in the Proforma Statement of Financial Position.

 We have not carried out valuations of the intangible assets and do not express a view on whether the carrying values of the intangible assets exceed the recoverable amount.
- e) Measurement of assets and liabilities acquired
 The acquisition of Shark Mitigation Systems Ltd (formerly Sena Resources Limited) (for accounting purposes the Company is treated as the acquiree) as recorded in the consolidated Proforma Statement of Financial Position reflects the provisional amounts allocated to the assets and liabilities acquired.

The assets and liabilities acquired will be re-measured after completion of the acquisition. Whilst the total net assets acquired are not expected to change significantly, the allocation between the different types of assets acquired may change somewhat as a result of this re-measurement.

4. SUBSEQUENT EVENTS

There have been no material items, transactions or events subsequent to 30 June 2015 not otherwise disclosed in the Prospectus which have come to our attention during the course of our review that would require comment in, or adjustment to, the content of this Report or which would cause such information included in this Report to be misleading.

5. STATEMENTS

Based on our review, which was not an audit, we have not become aware of any matter that causes us to believe that:

- a) the historical financial information of SAMS as at 30 June 2015 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia, and its performance as represented by its results of its operations and its cash flows for the period then ended;
- b) the historical financial information of the Company as at 30 June 2015 as set out in Appendix 1 and Appendix 2 of this Report, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia, and its performance as represented by its results of its operations and its cash flows for the period then ended;
- c) the proforma consolidated financial information of the Company as at 30 June 2015 as set out in Appendix 1 of this Report, does not present fairly the financial position of the Company and its controlled entities as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia, and its performance as represented by its results of its operations and its cash flows for the period then ended, as if the transactions referred to in Section 3(c) of this Report had occurred during that period; and
- d) the assumptions and applicable criteria used in the preparation of the proforma consolidated financial information do not provide a reasonable basis for presenting the significant effects directly attributable to the acquisition and do not reflect proper application of those adjustments to the unadjusted financial information.

6. DECLARATION

- a) HLB will be paid its usual professional fees based on time involvement, for the preparation of this Report and review of the financial information, at our normal professional rates.
- b) Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.
- c) Neither HLB, nor any of its employees or associated persons has any interest in the Company or the promotion of the Company.

- d) Unless specifically referred to in this Report, or elsewhere in the Prospectus, HLB was not involved in the preparation of any other part of the Prospectus and did not cause the issue of any other part of the Prospectus. Accordingly, HLB makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.
- e) HLB has consented to the inclusion of this Report in the Prospectus in the form and context in which it appears.

Yours faithfully
HLB MANN JUDD

A handwritten signature in blue ink, appearing to read 'Norman G. Neill', written in a cursive style.

N G NEILL
Partner

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- APPENDIX 1 –

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	<i>Notes</i>	<i>SAMS Audited Historical</i>	<i>SAMS Subsequent Events</i>	<i>Company Audited Historical</i>	<i>Company Subsequent Events</i>	<i>Proforma Adjustments</i>	<i>Reviewed Consolidated Proforma</i>
CURRENT ASSETS							
Cash and cash equivalents	2	39,223	150,000	76,803	376,000	3,614,445	4,256,471
Trade receivables		1,095	-	1,249	-	-	2,344
TOTAL CURRENT ASSETS		40,318	150,000	78,052	376,000	3,614,445	4,258,815
NON-CURRENT ASSETS							
Intangibles	3	355,464	140,000	-	-	-	495,464
TOTAL NON-CURRENT ASSETS		355,464	140,000	-	-	-	495,464
TOTAL ASSETS		395,782	290,000	78,052	376,000	3,614,445	4,754,279
CURRENT LIABILITIES							
Trade and other payables		1,045	-	5,000	-	-	6,045
Borrowings		400	-	-	-	-	400
Provision for income tax		786	-	-	-	-	786
TOTAL CURRENT LIABILITIES		2,231	-	5,000	-	-	7,231
NON-CURRENT LIABILITIES							
Deferred Tax Liabilities		99,320	-	-	-	-	99,320
TOTAL NON-CURRENT LIABILITIES		99,320	-	-	-	-	99,320
TOTAL LIABILITIES		101,551	-	5,000	-	-	106,551
NET ASSETS		294,231	290,000	73,052	376,000	3,614,445	4,647,728
EQUITY							
Issued capital	4	100	-	612,957	376,000	3,342,185	4,331,242
Retained earnings/ (Accumulated losses)		294,131	290,000	(540,905)	-	(38,620)	4,606
Option reserve		-	-	1,000	-	-	311,880
TOTAL EQUITY		294,231	290,000	73,052	376,000	3,614,445	4,647,728

The above should be read in conjunction with the accompanying notes.

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD TO 30 JUNE 2015

	<i>SAMS Audited Historical \$</i>	<i>SAMS Subsequent Events</i>	<i>Proforma Adjustments</i>	<i>Reviewed Consolidated Proforma \$</i>
Interest income	64	-	-	64
Consulting income	156,514	330,000	-	486,514
Licence fees	27,515	-	-	27,515
Royalty fees	35	-	-	35
	<u>184,128</u>	<u>330,000</u>	<u>-</u>	<u>514,128</u>
Travel costs	(1,231)	-		(1,231)
Introduction fee	-	-	(217,952)	(217,952)
Administration costs	<u>(36,818)</u>	<u>(40,000)</u>	<u>-</u>	<u>(76,818)</u>
Profit /(Loss) from ordinary activities before tax	146,079	290,000	(217,952)	218,127
Income tax expense	<u>(28,674)</u>	<u>-</u>	<u>-</u>	<u>(28,674)</u>
Profit /(Loss) from ordinary activities after tax	117,405	290,000	(217,952)	189,453
Other comprehensive income net of tax	-	-	-	-
Total comprehensive profit for the period	<u>117,405</u>	<u>290,000</u>	<u>(217,952)</u>	<u>189,453</u>

The above should be read in conjunction with the accompanying notes.

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD TO 30 JUNE 2015

AUDITED HISTORICAL

	<i>Issued capital</i>	<i>Retained earnings/ (Accumulated losses)</i>	<i>Reserves</i>	<i>Total Equity</i>
	\$	\$	\$	\$
As at 1 July 2014	100	176,726	-	176,826
Profit for the period	-	117,405	-	117,405
As at 30 June 2015	100	294,131	-	294,131

REVIEWED CONSOLIDATED PROFORMA

Balance as at 30 June 2015	100	294,131	-	294,131
Receipt of Phase 2 of the Clever Buoy Consulting Income less other expenses incurred		290,000		290,000
Payment (via issue of shares) of Introduction fee to third party promotor	217,952	(217,952)	-	-
Shares issued as part of reverse acquisition , at Fair value of acquisition of Shark Mitigation Systems Ltd (formerly Sena Resources Limited) shares	810,625	-	-	810,625
Goodwill on acquisition expensed	-	(361,573)	-	(361,573)
Shares issued pursuant to prospectus	4,000,000	-	-	4,000,000
Issue of options as consideration for services provided in connection with the capital raising	(311,880)	-	311,880	-
Share issue costs	(385,555)	-	-	(385,555)
Proforma total	4,331,242	4,606	311,880	4,647,728

The above should be read in conjunction with the accompanying notes.

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
STATEMENT OF CASH FLOWS
FOR THE PERIOD TO 30 JUNE 2015

	<i>SAMS Audited Historical \$</i>	<i>SAMS Subsequent Events</i>	<i>Proforma Adjustments</i>	<i>Reviewed Consolidated Proforma \$</i>
<i>Cash flows from operating activities</i>				
Receipts from customers	197,241	330,000	-	527,241
Payments to suppliers & employees	(21,165)	(40,000)	-	(61,165)
Other income received	35,618	-	-	35,618
<i>Net cash used in operating activities</i>	211,694	290,000	-	501,694
<i>Cash flows from investing activities</i>				
Payments for development expenditure	(109,596)	(140,000)	-	(249,596)
<i>Net cash used in investing activities</i>	(109,596)	(140,000)	-	(249,596)
<i>Cash flows from financing activities</i>				
Repayment of borrowings	(74,374)	-	-	(74,374)
Interest paid	(17,084)	-	-	(17,084)
Cash acquired on acquisition	-	-	452,803	452,803
Payment of share issue costs	-	-	(385,555)	(385,555)
Proceeds from shares issued pursuant to prospectus	-	-	4,000,000	4,000,000
<i>Net cash provided by financing activities</i>	(91,458)	-	4,067,248	3,975,790
Net increase in cash and cash equivalents	10,460	150,000	4,067,248	4,227,888
Cash at the beginning of the financial period	28,583	-	-	28,583
<i>Cash at the end of the financial period</i>	39,223	150,000	4,067,248	4,256,471

The above should be read in conjunction with the accompanying notes.

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 JUNE 2015

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial information has been prepared in accordance with applicable accounting standards including the Australian equivalents of International Reporting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Material accounting policies have been adopted in the preparation of the historical and proforma financial information are shown below.

(a) Basis of preparation

The financial statements have been prepared in accordance with the measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia using the accrual basis of accounting, including the historical cost convention.

Historical cost convention

These financial statements have been prepared under the historical cost convention, and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1(m).

Going concern

This financial information has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

(b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (collectively referred to as "the Group"). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 JUNE 2015

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Principles of consolidation (cont'd)

When the Company has less than a majority of the voting rights of an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether the Company's voting rights are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties, rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members are eliminated in full on consolidation.

(c) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 JUNE 2015

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Trade and other receivables (cont'd)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(e) Impairment of assets

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

(f) Trade payables

These amounts represent liabilities for goods or services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 JUNE 2015

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Employee Entitlements

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Long Service Leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Based on the Group's experience of employee departures, a long service leave liability is only recognised once an employee has been employed by the Group for a period of 5 years. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows

(h) Issued capital

Ordinary share capital is recognised as the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(i) Share-based payment transactions

The cost of equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted.

Where the identifiable consideration received (if any) is less than the fair value of the equity instruments granted or liability incurred, the unidentifiable goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received) measured at the grant date.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and the specific criteria have been met for each of the Group's activities as described below:

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Revenue recognition (cont'd)

(i) Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(ii) Sale of goods

Revenue is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(iii) Rendering of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Contract income is recognised by reference to the total actual costs incurred at the end of the reporting period relative to the proportion of the total costs expected to be incurred over the life of the contract;
- Servicing fees are recognised by reference to the proportion of the total cost of providing the service for the product sold; and
- Revenue from time and material contracts are recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

(l) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Income tax (cont'd)

An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(m) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined using a Black & Scholes model.

(n) Reverse acquisition accounting

The acquisition of SAMS by the Company has the features of a reverse acquisition under Australian Accounting Standard AASB 3 "*Business Combinations*", notwithstanding the Company being the legal parent of the group. Consequently the historical financial information presented in this Report is the historical financial information of SAMS as at 30 June 2015.

The legal structure of the Group subsequent to the acquisition of SAMS will be that the Company will remain as the parent entity. However, the principles of reverse acquisition accounting are applicable where the owners of the acquired entity (in this case, SAMS) obtain control of the acquiring entity (in this case, the Company) as a result of the businesses' combination.

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Reverse acquisition accounting (cont'd)

Under reverse acquisition accounting, the consolidated financial statements are issued under the name of the legal parent (the Company) but are a continuation of the financial statements of the legal subsidiary (SAMS), with the assets and liabilities of the legal subsidiary being recognised and measured at their pre-combination carrying amounts rather than their fair values.

(o) Proforma transactions

The proforma Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been derived from the historical financial information as at 30 June 2015 adjusted to give effect to the following actual or proposed material significant events and transactions by the Company and SAMS subsequent to 30 June 2015:

- i) the issue by the Company, post 30 June 2015 of 4,000,000 ordinary fully share shares issued at \$0.10 raising \$376,000 after costs as a condition precedent to the acquisition of SAMS;
- ii) the receipt by SAMS of Phase 2 or the Clever Buoy Consulting income of \$330,000 and the subsequent expenditure of approximately \$150,000 on development of SAMS's intangible assets (capitalised) and the write off to the profit and loss of other expenditure of approximately \$40,000 post 30 June 2015;
- iii) the issue by the Company of 28,219,005 ordinary fully paid shares and 28,997,850 Performance Shares as consideration for the acquisition of SAMS;
- iv) the issue to third party promoters of 1,089,758 ordinary fully paid shares as an introduction fee, which has been written off to profit and loss and ;
- v) the issue by the Company pursuant to this Prospectus of 20,000,000 ordinary fully paid shares issued at \$0.20 each raising \$4,000,000 before the expenses of the offer;
- vi) the issue of 5,000,000 options, exercisable at 25 cents on or before 30 June 2019; and
- vii) the write off against issued capital of the estimated cash expenses of the issue as outlined in Section 13.8 of the Prospectus of \$385,555.

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 JUNE 2015

2. CASH AND CASH EQUIVALENTS

	<i>SAMS Audited Historical \$</i>	<i>SAMS Subsequent Events</i>	<i>Company Audited Historical \$</i>	<i>Company Subsequent Events</i>	<i>Proforma Adjustments</i>	<i>Reviewed Consolidated Proforma \$</i>
Balance as at 30 June 2015	39,223	-	-	-	-	39,223
Cash balances of Shark Mitigation Systems Ltd as at 30 June 2015	-	-	76,803	-	-	76,803
Capital raising at \$0.10 prior to acquisition	-	-	-	400,000	-	400,000
Payment of share issue costs	-	-	-	(24,000)	-	(24,000)
Receipt of Phase 2 of the Clever Buoy Consulting Income less		330,000	-	-	-	330,000
Payments for development of intangible assets		(140,000)	-	-	-	(140,000)
Other expenses paid		(40,000)	-	-	-	(40,000)
Proceeds from shares issued pursuant to prospectus	-	-	-	-	4,000,000	4,000,000
Payment of share issue costs	-	-	-	-	(385,555)	(385,555)
	39,223	290,000	76,803	376,000	3,614,445	4,256,471

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 JUNE 2015

3. ACQUISITION OF ENTITY

As disclosed in Note 1 (n), the transaction involving the Company acquiring all the issued capital of SAMS has been accounted for under the principles of reverse acquisitions included in AASB 3 "Business Combinations".

Following are details of the pre-combination carrying amounts of the assets and liabilities of the Company:

	\$
Cash	452,803
Other assets	1,249
Total liabilities	(5,000)
Net assets	<u>449,052</u>
Issued Capital	988,957
Accumulated losses	(540,905)
Reserves	1,000
Net assets	<u>449,052</u>

For completeness, extracts of historical financial information of the Company for the years ended 30 June 2015, 2014 and 2013 are set out in Appendix 2.

4. ISSUED CAPITAL

	<i>Note</i>	<i>Number</i>	<i>\$</i>
<i>Audited Historical</i>			
Balance as at 30 June 2015		100	100
<i>Proforma</i>			
Existing shares of Shark Mitigation Systems Ltd		4,106,250	612,957
Capital raising at \$0.10 cents less costs		4,000,000	376,000
Elimination of historical value of Shark Mitigation Systems Ltd		-	(988,957)
Elimination of historical number of Shark Attack Mitigation Systems Pty Ltd shares		(100)	-
Shares issued as part of reverse acquisition at fair value of Shark Mitigation Systems Ltd shares		28,219,005	810,625
Shares issued as consideration for Introduction fee		1,089,758	217,952
Shares issued pursuant to prospectus		20,000,000	4,000,000
Share issue costs		-	(385,555)
Issue of options as consideration for services provided in connection with the capital raising		-	(311,880)
Proforma balance		<u>57,415,013</u>	<u>4,331,242</u>

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 JUNE 2015

5. OPTIONS

Assuming the successful completion of all events in the Prospectus, the following options shall be on issue:

		<i>Number</i>	<i>\$</i>
Options exercisable at \$0.25 on or before 30 June 2019	6(a)	5,000,000	311,880

(a) The fair value of the equity-settled share options granted under both the option and the loan plans is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

Expected volatility (%)	50%
Risk-free interest rate (%)	2.0%
Expected life of option (years)	3.5 years
Exercise price (cents)	\$0.25
Grant date share price	\$0.20

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

6. CONTINGENCIES AND COMMITMENTS

The Directors are not aware of any contingencies other than as set out in the Prospectus.

7. RELATED PARTY TRANSACTIONS

Details of Directors' interests in the Company's issued capital and transactions with the Company are included in Section 7 of the Prospectus.

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 JUNE 2015

8. PERFORMANCE SHARES

On completion of the acquisition the Company has issued 10,384,594 Class A, 7,788,446 Class B and 7,788,446 Class C Performance Shares to the SAMS Vendors, and has issued an additional 1,214,546 Class A, 910,909 Class B and 910,909 Class C Performance Shares to third party promoters. At face value, the performance shares have a combined fair value at date of issue of \$5,799,570 (based on the 20c capital raising). However, at the date of this report, management has determined that there is insufficient information to suggest that it is probable these performance shares will vest. These performance shares will vest on the following milestones being achieved:

Class	Performance Condition	Milestone Date
Class A Performance Shares	(i) an annualised earnings before income, taxes, depreciation and amortisation ("EBITDA") of at least \$1,000,000 in relation to the Company's Intellectual Property; or (ii) revenue of at least \$2,000,000 in relation to the Company's Intellectual Property; or (iii) executing a new licensing agreement for the application of the SAMS technology by an entity involved in the production or distribution of marine apparel and/or equipment ("SAMS Licensing Agreement"); or (iv) executing as commercial contract for deployment of Clever Buoy ("Clever Buoy Contract") system.	5 Years from date of issue
Class B Performance Shares	(i) an annualised EBITDA of at least \$2,000,000; in relation to the Company's Intellectual Property; or (ii) revenue of at least \$4,000,000 in relation to the Company's Intellectual Property; or (iii) in the event that SAMS Licensing Agreement has already been achieved, the execution of a Clever Buoy Contract; or (iv) execution of a second SAMS Licensing Agreement; or (v) in the event that a Clever Buoy Contract has been achieved, execution of a SAMS Licensing Agreement; or (vi) execution of a second Clever Buoy Contract.	5 Years from date of issue

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD TO 30 JUNE 2015

8. PERFORMANCE RIGHTS (CONT'D)

Class	Performance Condition	Milestone Date
Class C Performance Shares	(i) an annualised EBITDA of at least \$3,000,000; in relation to the Company's Intellectual Property; or (ii) revenue of at least \$5,000,000 in relation to the Company's Intellectual Property; or (iii) in the event that <ul style="list-style-type: none"> a) two SAMS Licensing Agreement have already been achieved, a third SAMS Licensing Agreement; or b) two Clever Buoy Contract have been achieved, a third Clever Buoy Contract; or c) one SAMS Licensing Agreement and one Clever Buoy Contract have been achieved, either a second SAMS Licensing Agreement , or a second Clever Buoy Contract. 	5 Years from date of issue

- APPENDIX 2 –

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
HISTORICAL FINANCIAL INFORMATION

Set out below is summarised financial information of Shark Mitigation Systems Ltd. The following information has been extracted from the audited financial statements.

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
STATEMENTS OF FINANCIAL POSITION

	<i>Audited</i>		
	<i>30 June 2015</i>	<i>30 June 2014</i>	<i>30 June 2013</i>
	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	76,803	759,413	239,806
Trade and other receivables	1,249	23,899	-
TOTAL CURRENT ASSETS	78,052	783,312	239,806
NON-CURRENT ASSETS			
Deferred exploration expenditure	-	-	68,428
TOTAL NON-CURRENT ASSETS	-	-	68,428
TOTAL ASSETS	78,052	109,191	308,234
CURRENT LIABILITIES			
Trade and other payables	5,000	4,000	15,028
TOTAL CURRENT LIABILITIES	5,000	4,000	15,028
TOTAL LIABILITIES	5,000	4,000	15,028
NET ASSETS	73,052	105,191	293,206
EQUITY			
Issued capital	612,957	612,957	612,957
Reserves	1,000	1,000	1,000
Accumulated losses	(540,905)	(508,766)	(320,751)
TOTAL EQUITY	73,052	(508,766)	293,206

The above should be read in conjunction with the notes outlined in Appendix 1.

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
STATEMENT OF COMPREHENSIVE INCOME

	30 June 2015	Audited 30 June 2014	30 June 2013
	\$	\$	\$
Other income	1,760	3,500	122
Travelling expenses	(1,066)	(5,252)	(43,780)
Other expenses	(32,833)	(186,263)	(264,155)
Loss before income tax	(32,139)	(188,015)	(307,813)
Income tax benefit	-	-	-
Profit / (Loss) for the year	(32,139)	(188,015)	(307,813)
Other comprehensive income			
Total comprehensive loss	(32,139)	(188,015)	(307,813)

The above should be read in conjunction with the notes outlined in Appendix 1.

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
STATEMENT OF CHANGES IN EQUITY

	Issued capital \$	Accumulated losses \$	Reserves \$	Total Equity \$
As at 1 July 2012	1	(12,938)	-	(12,397)
Loss for the period	-	(307,813)	-	(307,813)
Total comprehensive loss for the year	-	(307,813)	-	(307,813)
Shares issued during the period	640,200	-	-	640,200
Options issued during the period	-	-	1,000	1,000
Transactions costs on share issue	(27,244)	-	-	(27,244)
As at 30 June 2013	612,957	(320,751)	1,000	293,206
As at 1 July 2013	612,957	(320,751)	1,000	293,206
Loss for the period	-	(188,015)	-	(188,015)
Total comprehensive loss for the year	-	(188,015)	-	(188,015)
As at 30 June 2014	612,957	(508,766)	1,000	105,191
As at 1 July 2014	612,957	(508,766)	1,000	105,191
Loss for the period	-	(32,139)	-	(32,139)
Total comprehensive loss for the year	-	(32,139)	-	(32,139)
As at 30 June 2012	612,957	(540,905)	1,000	73,052

The above should be read in conjunction with the notes outlined in Appendix 1.

SHARK MITIGATION SYSTEMS LTD (FORMERLY SENA RESOURCES LIMITED)
STATEMENT OF CASH FLOWS

	30 June 2015	Audited 30 June 2014	30 June 2013
	\$	\$	\$
<i>Cash flows from operating activities</i>			
Payments to suppliers & employees	(30,639)	(136,639)	(319,758)
Interest received	1,760	3,500	122
<i>Net cash used in operating activities</i>	<u>(28,879)</u>	<u>(133,139)</u>	<u>(319,636)</u>
<i>Cash flows from investing activities</i>			
Payments for exploration and evaluation expenditure	-	(985)	(68,411)
<i>Net cash used in investing activities</i>	<u>-</u>	<u>(985)</u>	<u>(68,411)</u>
<i>Cash flows from financing activities</i>			
Proceeds from the issue of shares net of costs	-	-	613,956
Share issue costs			
<i>Net cash provided by financing activities</i>	<u>-</u>	<u>-</u>	<u>613,956</u>
Net increase / (decrease) in cash and cash equivalents	(28,879)	(134,124)	225,909
Cash at the beginning of the financial period	105,682	239,806	13,897
<i>Cash at the end of the financial period</i>	<u>76,803</u>	<u>105,682</u>	<u>239,806</u>

The above should be read in conjunction with the notes outlined in Appendix 1.

- APPENDIX 3 –

**SHARK ATTACK MITIGATION SYSTEMS PTY LTD
HISTORICAL FINANCIAL INFORMATION**

Set out below is summarised financial information of Shark Attack Mitigation Systems Pty Ltd. The following information has been extracted from the audited financial statements.

**SHARK ATTACK MITIGATION SYSTEMS PTY LTD
STATEMENTS OF FINANCIAL POSITION**

	30 June 2015	Audited 30 June 2014	30 June 2013
	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	39,223	25,582	153
Trade and other receivables	1,095	49,661	14,177
TOTAL CURRENT ASSETS	40,318	78,243	14,330
NON-CURRENT ASSETS			
Property, plant & equipment			
Intangible assets	355,464	246,186	39,231
TOTAL NON-CURRENT ASSETS	355,464	246,186	39,231
TOTAL ASSETS	395,782	324,429	53,561
CURRENT LIABILITIES			
Trade and other payables	1,045	1,398	65
Borrowings	400	74,773	42,746
Provision for income tax	786	-	-
TOTAL CURRENT LIABILITIES	2,231	76,171	42,811
NON CURRENT LIABILITIES			
Deferred Tax Liabilities	99,320	71,432	9,026
TOTAL NON CURRENT LIABILITIES	99,320	71,432	9,026
TOTAL LIABILITIES	101,551	147,603	51,837
NET ASSETS	294,231	176,826	1,724
EQUITY			
Issued capital	100	100	100
Retained earnings	294,131	176,726	1,624
TOTAL EQUITY	294,231	176,826	1,724

The above should be read in conjunction with the notes outlined in Appendix 1.

SHARK ATTACKMITIGATION SYSTEMS PTY LTD
STATEMENT OF COMPREHENSIVE INCOME

	<i>Audited</i>		
	<i>30 June 2015</i>	<i>30 June 2014</i>	<i>30 June 2013</i>
	\$	\$	\$
Interest income	64	8	-
Consulting income	156,514	235,570	-
Licence fees	27,515	-	-
Royalty fees	35	-	-
	184,218	235,578	-
Travel costs	(1,231)	(7,539)	-
Administration costs	(36,818)	(26,085)	(3,528)
Profit (loss) before income tax	146,079	201,954	(3,528)
Income tax expense / R&D incentive	(28,674)	(26,852)	5,152
Profit for the year	117,405	175,102	1,624
Retained earnings at the beginning of the financial year	176,726	1,624	
Retained earnings at the end of the financial year	294,131	176,726	1,624

The above should be read in conjunction with the notes outlined in Appendix 1.

5 February 2015

Shark Mitigation Systems Pty Ltd
Level 2, 55 Carrington Street
Nedlands WA 6009

Dear Sirs

Intellectual Property Report - Shark Mitigation Systems Pty Ltd

1. Introduction

Armour IP has been instructed by Shark Mitigation Systems Proprietary Limited ("SMS") to prepare the present report for inclusion in a prospectus. We have been asked to provide details regarding the intellectual property owned by SMS including the status of various patent and trade mark applications filed. The information contained is current as of the date of the report.

2. Summary

Armour IP has been engaged by SMS as its patent and trade mark attorneys to prepare, file and prosecute patent and trade mark applications in relation to its intellectual property.

The patent portfolio of SMS comprises two patent families, details of which are provided in Section 3 below. The patent applications are in various stages of prosecution. Prior art searching has been conducted and opinions issued regarding patentability as set out below, however patents have not yet been granted.

Trade Mark applications have also been filed and details of the pending applications are provided in Section 4 below.

3. Patent Portfolio

3.1 Patent Family 1 – "Method for Designing a Material"

This family of patent applications claims priority from Australian provisional patent application 2013900766 filed on 6 March 2013. An international patent application, number PCT/AU2014/000215, filed under the Patent Cooperation Treaty was lodged on 6 March 2014 claiming priority from the abovementioned provisional patent application.

National patent applications based on the international patent application were filed in 2015 in the countries indicated in the table below. At present none of the national patent applications have been granted.

The patent applications relate to a method for designing a material. The material is provided for use in underwater applications, for example for forming wetsuits or other underwater clothing. The use of the material is aimed at reducing the likelihood of shark attack.

The patent specification includes claims relating generally to measuring or calculating reflectance spectra in a range of ocean conditions. The resulting reflectance spectra are used to select wavelength ranges to be applied to the surface of the material. The patent specification includes also claims related to designing a material based on calculating visual discrimination characteristics of species of sharks at various ocean locations.

An international search report was issued in relation to the international patent application in April 2014. Various prior art documents were raised in the International Search Report. A response was filed to the issues raised in the International Search Report and Written Opinion and an International Preliminary Report on Patentability was subsequently issued indicating that, in the opinion of the authorised officer, the submitted claims met the criteria for novelty, inventive step and industrial applicability.

Country	Application Number	Filing Date	Status
Australia	2014225293	6 March 2014	Pending
Canada	2903585	6 March 2014	Pending
China	2014800253982	6 March 2014	Pending
Europe	14759995	6 March 2014	Pending
Japan	Not yet allocated	6 March 2014	Pending
New Zealand	712942	6 March 2014	Pending
South Africa	2015/07396	6 March 2014	Pending
USA	14/773352	6 March 2014	Pending

3.2 Patent Family 2 – “Shark Detection System”

This patent family is based on a provisional patent application filed in Australia on 22 May 2014 under application number 2014901908. An international patent application, number PCT/AU2015/050265, filed under the Patent Cooperation Treaty was lodged on 22 May 2015 claiming priority from the abovementioned provisional patent application.

The international patent application is currently pending. An International Search Report and Written Opinion were issued in August 2015 raising a number of relevant

prior art documents. No response has been filed as yet to the issues raised in the Written Opinion.


The patent specification relates broadly to a system comprising sonar transducers located in underwater housings provided around a designated ocean area. The sonar transducers are arranged to detect objects within the area and processing equipment is provided to determine whether any detected objects match the characteristics of a shark. Communication devices are provided to transmit information regarding sharks detected to a remote location.

The international patent application will remain in force until at least 22 November 2016, at which time it will be necessary to lodge national patent applications in any country where patent protection is desired.

Country	Application Number	Filing Date	Status
International	PCT/AU2015/050265	22 May 2015	Pending. International Search Report and Opinion Issued.

4. Trade Mark Portfolio

Trade Mark applications have been filed in Australia for the marks as set out in the table below. The applications have not yet been examined, however applications to expedite examination have been filed and granted. The examination process is therefore expected to commence in February 2016.

Country	Application Number	Mark	Filing Date	Classes	Status
Australia	1746512	SAMS	14 Jan 2016	9,16,25,28	Pending
Australia	1746513		14 Jan 2016	9,16,25,28	Pending
Australia	1746514	CLEVER BUOY	14 Jan 2016	9	Pending

Foreign trade mark applications may be filed claiming priority from the above trade mark applications before 14 July 2016.

5. Overview of Intellectual Property Protection

The term Intellectual Property refers to a set of rights applicable to intangible property. Intellectual Property rights include patents, designs, trade marks, copyright, confidential information, plant varieties and trade secrets.

This report relates only to intellectual property in the form of patents and trade marks.

5.1 Patents and Process for Obtaining Patent Protection

A patent is a monopoly that gives the owner the exclusive right to exploit an invention during the term of the patent. The exclusive right provided by the patent allows the owner to prevent third parties from producing, selling or importing a patented product, or from using a patented method. The right can be exploited by manufacturing the invention or a license can be granted to other parties for a royalty. A patent is considered property and can also be sold.

A general requirement for a patent to be obtained is that the invention be considered both novel and inventive. Novelty relates to whether an invention is considered to be new. An invention may be considered lacking novelty if it has been publicly disclosed or used before the date on which the patent application is filed. An invention is generally considered to be inventive if it would not be obvious to someone skilled in the relevant field, given the general knowledge of such a person.

The process of obtaining a patent commences with filing a patent application with a Patent Office. The patent application must describe the invention in detail and includes one or more claims which define the scope of protection sought. A common first step is the filing of a provisional application. A provisional application can be filed with the Patent Office, after which a complete application must be filed within 12 months.

Under the Paris Convention, an applicant may file patent applications in any convention country within 12 months of the original filing and obtain the benefit of the filing date of the original application. Alternatively, a single patent application may be filed under the Patent Cooperation Treaty. Such an application is considered the same as a national application filed in each country which is a party to the Treaty, however it is necessary to complete national filing requirements (referred to as entering the national phase) within 30 or 31 months of the priority date.

A patent application filed under the Patent Cooperation Treaty will be considered by an International Search Authority. The International Search Authority will conduct an International Search and issue a report and opinion as to whether the claims of the patent meet the patentability requirements. On entering the national phase however, each national office may conduct further searching and may raise further objections based on national patent law.

5.2 Inventorship and Ownership

A patent for an invention may be granted to the person who is the inventor of the invention or a person who derives title to the invention from the inventor. In the case of Patent Family 1 mentioned above, we have been advised that the inventors are Raymond Smith and Nathan Hart and that the rights of the inventors have been acquired by SMS by virtue of an assignment.

In the case of Patent Family 2 mentioned above, we have been advised that the inventors are Hamish Jolly and Craig Anderson and that the rights of the inventors have been acquired by SMS by virtue of an assignment.

5.3 Maintenance of Patents

The term of the granted patent, in most countries, is 20 years calculated from the date of filing of the complete patent application. In the case where an international patent application is filed under the Patent Cooperation Treaty, the term is calculated from the filing date of the international application.

In order to maintain a granted patent in force, it is generally necessary to pay maintenance fees at regular intervals. The dates at which maintenance fees are payable vary from country to country, but in many cases maintenance fees must be paid annually. In some countries maintenance fees are payable only after grant and in others maintenance fees are payable regardless of the status of the patent.

5.4 Patent Validity

While a patent may be granted by a national patent office, there is no guarantee that the granted patent is valid. Options exist to challenge the validity of the patent including re-examination, opposition proceedings before the Patent Office or invalidation proceedings before the relevant court. Patent validity may also be the subject of a counterclaim to an allegation of patent infringement.

Despite the fact that a positive opinion regarding patentability has been issued by the International Search Authority in relation to the international patent application filed in respect of Patent Family 1, it cannot be assumed that national applications based on this international application will proceed to grant. It is also possible that scope of claims granted may vary from jurisdiction to jurisdiction.

5.5 Freedom to Operate

The grant of a patent does not have any bearing on whether the invention described in the patent application would infringe the rights of earlier filed patents. It is possible to both obtain patent protection for an invention and yet still infringe the rights of an earlier granted patent. The result therefore of prosecution of any of the patent

applications mentioned in the current report does not allow any conclusions to be drawn with regard to freedom to operate.

5.6 Patent Enforcement

Enforcement of patent rights is available only once a patent has been granted. Rights will however still generally exist while a patent is pending and damages may also be claimable in the case of infringing action occurring prior to grant, subject to national requirements been met.

Infringement proceedings are generally brought before the relevant national court, where decisions will be made regarding the scope of the claims and whether the actions of an alleged infringer fall within that scope. An alleged infringer may counterclaim during infringement proceedings that the patent was in fact invalid. Such invalidity claims may be based on new prior art which was not considered during the examination phase of the patent application.

5.7 Trade Marks

A Trade Mark is any sign used by a trader in the course of business to distinguish their goods and services from those of other traders. Common Trade Marks are therefore the names and logos used for businesses and their products. Trade Marks however may take other forms including aspects of packaging, colours, sounds, scents or combinations of these.

For a trade mark to be registrable, it must be distinctive. That is, the mark cannot be one which may be required for legitimate use by other traders. Marks which are descriptive of the goods or services are therefore not likely to be registrable.

Trade Mark rights in Australia arise through either use or registration of the Trade Mark. While preventing other parties using a mark without a registration is possible, registration of a trade mark puts the trade mark owner in a stronger position to enforce rights.

If a third party uses a registered Trade Mark in relation to the goods or services for which it is registered, then action can potentially be taken for Trade Mark infringement. Remedies available for such infringement include an injunction and damages or an account of profits.

Obtaining a Trade Mark registration commences with filing a Trade Mark application with the Trade Mark Office. The application must specify the goods and/or services on which the mark is to be used. The application will be examined by the Trade Mark Office, which includes an assessment as to whether the mark is sufficiently distinctive. A search is also conducted of the Trade Mark register and objections will be raised if any previous marks exist which are deceptively similar and have been filed in relation to similar goods or services.

If the application is accepted, it will be advertised in the official Trade Mark journal and third parties may object to the registration. If no opposition is filed, the application will

be registered after payment of the registration fees. The registration will remain in force for a period of 10 years and can be renewed for further successive 10 year periods indefinitely.

A Trade Mark application can be used as a “priority” claim for further trade mark applications filed overseas, if the overseas applications are filed within 6 months of the original application. That is, the overseas applications will be given the same effective date as the original Trade Mark application

In general, Trade Marks are national rights and must therefore be registered in each country. It is possible however to file a European Community Trade Mark which will cover each country of the European Union. It is also possible to file an International Trade Mark application under the Madrid Protocol, however it is still necessary with such an application to select those countries which are to be covered. Further countries may be added to an International Trade Mark as ‘subsequent designations’.

6 Information Sources

Preparation of this report has included reliance on information contained in publicly available databases relevant to the patent applications. Armour IP is not responsible for the accuracy of the information contained in these databases and accordingly cannot guarantee the accuracy of this information.

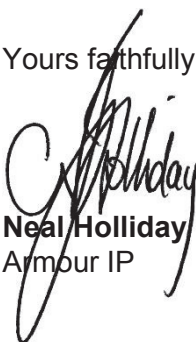
7 Armour IP’s interest

Armour IP has been engaged by SMS to provide professional patent and trade mark services and continues to act on behalf of SMS in relation to the patent applications mentioned in sections 3 and 4.

8 Consent

Armour IP consents to inclusion of this report in a prospectus to be issued by SMS.

Yours faithfully



Neal Holliday
Armour IP

11. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

11.1 Directors and key personnel

Craig Anderson

Executive Director

Refer to Section 7.8 of the Prospectus for biography.

Hamish Jolly

Non-Executive Director

Refer to Section 7.8 of the Prospectus for biography.

David McArthur

Non-Executive Director and Company Secretary

Refer to Section 7.8 of the Prospectus for biography.

Management and Consultants

Our Company is aware of the need to have sufficient management to properly supervise its development and research programmes, sales, and marketing, and the Board will continually monitor the management roles in the Company. As our projects require an increased level of involvement the Board will look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company's projects.

11.2 Corporate Governance Statement

The Company and the Board are committed to achieving and demonstrating the highest standards of Corporate Governance. The Board continues to review the framework and practices to ensure that they meet the interests of shareholders. The Company and its controlled entity together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. Additionally, they comply with the 3rd edition of the ASX Corporate Governance Principles and Recommendations.

(a) **Board of Directors**

Role of the Board

The primary responsibilities of the Board of Directors are set out in a written policy and include:

- (i) establishment of long-term goals of the Group and strategic plans to achieve these goals;
- (ii) monitoring the achievement of these goals;
- (iii) review of the management accounts and reports to monitor the progress of the Group;

- (iv) review and adoption of budgets for the financial performance of the Group and monitoring the results on a regular basis to assess performance;
- (v) review and approval of the annual and interim financial reports;
- (vi) nominating and monitoring the external auditor;
- (vii) approving all significant business transactions;
- (viii) appointing and monitoring senior management;
- (ix) all remuneration, development and succession issues;
- (x) ensuring the Group has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities;
- (xi) overseeing the process for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- (xii) ensuring that the Company has a suitably qualified Company Secretary who shall be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board; and
- (xiii) ensuring that the Company reports on its measurable objectives in relation to gender diversity and assesses annually both the objectives and progress in achieving gender diversity.

The Board evaluates this policy on an ongoing basis.

Board composition

The Board seeks to establish a Board that consists of Directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Group's business with excellence. To maintain this, the Group's policy is that Directors should serve at least 3 years. At the completion of the first 3 years, the position of the Director is reviewed to ascertain if circumstances warrant a further term.

The specific skills that the Board collectively bring to the Company include:

- (i) industry experience;
- (ii) commercial experience;
- (iii) public company experience;
- (iv) analytical;
- (v) financial;
- (vi) risk management;
- (vii) strategic planning;

- (viii) strategic leadership;
- (ix) corporate governance;
- (x) communications; and
- (xi) inter personal.

The Board comprises one Executive Director and two Non-Executive Directors. A written agreement is entered into with each Director and Senior Executive of the Company setting out the terms of their employment. In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

Details of the Directors are set out in Section 7.8 of this Prospectus.

The Board is primarily responsible for identifying potential new Directors and has the option to use an external consulting firm to identify and approach possible new candidates for Directorship. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new director with particular skills, candidates with the appropriate experience, expertise and diversity are considered. Each incumbent director is given the opportunity to meet with each candidate on a one to one basis. The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of shareholders.

The Board undertakes appropriate checks before appointing a person as a Director or putting forward to shareholders a candidate for election as a Director.

The Board ensures that shareholders are provided with all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a Director.

The appointment of the Directors must be approved by the majority of the Shareholders at the first Annual General Meeting after the appointment.

Retirement and re-election of directors

The Constitution of the Group requires one third of Directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of Directors to retire at that Annual General Meeting. Retiring Directors are eligible for re-election by Shareholders.

The Board is not of a size that warrants a separate nomination committee.

Independence of directors

The Board has reviewed the position and association of each of the Directors in the office at the date of this report and considers that only one Director is independent. In considering whether a Director is independent, the Board has regard to the independence criteria in ASX Corporate Governance Principles and Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new Directors upon appointment and reviews their independence, and the independence of the other Directors, as appropriate. As outlined above, the Board does not at this early stage in the Company's development comprise a majority of independent directors, however this policy will ultimately be adhered to as the Company grows and the ability to appoint further independent directors is appropriate and cost effective.

The Board considers that Mr David McArthur meets the criteria in Principle 2.

Director education

All new Directors complete an induction process. The non-executive directors are given every opportunity to gain a better understanding of the business, the industry, and the environment within which the Group operates, and are given access to continuing education opportunities to update and enhance their skills and knowledge. The Board are specifically provided the opportunity to enhance their financial, regulatory and compliance skills in relation to public companies through external courses.

Independent professional advice

With prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice at the Group's expense concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Board Performance Review

The performance of all Directors is assessed through review by the Board as a whole of a Director's attendance at and involvement in Board meetings, their performance and other matters identified by the Board or other Directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a Director's performance.

Director Remuneration

Details of the Group's remuneration is set out at Section 7.12 of this Prospectus. The group's remuneration policies are:

- (i) Non-Executive Directors will be remunerated by cash benefits (including statutory superannuation) and will not be provided with any benefits for ceasing to be a Director. Non executive directors may be offered performance based remuneration by way of options or incentive share rights. The Board

acknowledges the grant of options or incentive share rights to non- executive directors is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations, however the Board considers the grant of such options and share rights is reasonable in the circumstances for the following reasons:

- (A) the grant of options or incentive shares to non-executive directors will align the interests of the non-executive directors with those of Shareholders;
 - (B) the grant of the options or incentive shares is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the non-executive directors; and
 - (C) it is not considered that there are any significant opportunity costs to the Company or opportunities foregone by the Company in granting the non-executive directors options or incentive shares.
- (ii) Executive Directors may be remunerated by both fixed remuneration and equity performance based remuneration. A reasonable period of notice of termination will be required and will be detailed in the Executive's employment contract.

(b) **Managing Business Risk**

The Group maintains policies and practices designed to identify and manage significant risks including:

- (i) reviewing and discussing with management the Group's risk governance structure, risk assessment, and risk management practices, and the guidelines, policies and processes for risk management;
- (ii) reviewing and discussing with management the Board's risk appetite and strategy relating to key risks, including economic risk, environmental risk, social sustainability risk, credit risk, liquidity and funding risk, market risk, product risk and reputational risk, as well as the guidelines, policies and processes for monitoring, managing and mitigating such risks;
- (iii) discussing with the Company's executive team the Group's risk assessment and risk management guidelines, policies and processes, as the case may be. The committee shall meet separately at least twice a year with the executive team;
- (iv) receiving, as and when appropriate, reports from the Company's EGM-corporate on the results of risk management reviews and assessments;
- (v) reviewing disclosure regarding risk contained in the Company's Annual Report;

- (vi) reviewing and assessing the nature and level of insurance coverage;
- (vii) reviewing reports on selected risk topics as the committee deems appropriate from time to time;
- (viii) Initiating and monitoring special investigations into areas of corporate risk or breakdowns in internal controls; and
- (ix) discharging any other duties or responsibilities delegated to the committee by the Board.

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Board may consult with the Group's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The Board receives regular reports about the financial condition and operating results of the consolidated Group. The Managing Director (or in his absence the Chairman) and Chief Financial Officer (or someone who fulfils the role that would otherwise be performed by a CFO) annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief states that:

- (i) the Group's financial reports present a true and fair view of the Group's financial condition and operational results and are in accordance with relevant accounting standards; and
- (ii) the Group's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

The Company assesses its exposure to economic, environmental and social sustainability risks. The Board assesses the likely impact of changes and implements strategies to minimise exposure to these risks.

Due to its size and activities the Company does not have an internal audit function.

(c) **Internal Controls**

Procedures have been established at the Board and Executive management levels that are designed to safeguard the assets and interests of the Group, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the Executive Directors perform the following procedures:

- (i) ensure appropriate follow-up of significant audit findings and risk areas identified;
- (ii) review the scope of the external audit to align it with Board requirements; and
- (iii) conduct a detailed review of published accounts.

(d) **Audit Committee**

The role of the Audit Committee is documented in a Charter which is approved by the Board of Directors.

The primary role of the Audit Committee is to:

- (i) assist the Board in fulfilling its overview of the audit process;
- (ii) assist the Board in overseeing financial reporting;
- (iii) assist the Board in fulfilling its overview of the systems of internal control which the Board and management have established;
- (iv) monitor, review and recommend the adoption of the financial statements of the Company;
- (v) regularly review the adequacy of accounting, internal controls, reporting and other financial management systems and practices of the Company;
- (vi) review the financial report and other financial information distributed externally;
- (vii) review any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- (viii) review audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- (ix) review the nomination and performance of the auditor;
- (x) liaise with external auditors and ensure that the annual and half-year statutory audits are conducted in an effective manner;
- (xi) monitor the establishment of appropriate ethical standards;
- (xii) monitor the procedures in place to ensure compliance with the Corporations Act 2001 and Australian Securities Exchange Listing Rules and all other regulatory requirements;
- (xiii) address any matters outstanding with the auditors, the Australian Taxation Office, the Australian Securities and Investments Commission, the Australian Securities Exchange and financial institutions; and
- (xiv) improve the quality of the accounting function.

The Committee consists of the following Directors

- (i) Mr David McArthur (Chairman); and
- (ii) Mr Hamish Jolly.

It is noted that best practice recommendations suggest that the committee should comprise only independent, non executive directors. As already stated, the Company is not yet of a size that warrants the appointment of more non executive directors. As the Company grows and the need for further directors is appropriate, the Company will move to appoint additional non executive directors.

The auditors and the Executive Director/s are invited to attend Audit Committee meetings at the discretion of the Committee. The Committee shall meet two times per year.

(e) **Remuneration Committee**

The Remuneration Committee operates in accordance with its Charter. The main responsibilities of the Remuneration Committee are:

- (i) determine remuneration policies and remuneration of Directors;
- (ii) determine remuneration and incentive policies of Key Executives;
- (iii) determine the Group recruitment, retention and termination policies and procedures for senior management;
- (iv) determine and review incentive schemes;
- (v) determine and review superannuation arrangements of the Group; and
- (vi) determine and review professional indemnity and liability insurance for Directors and senior management.

The Committee consists of the following Directors.

- (i) Mr David McArthur (Chairman); and
- (ii) Mr Hamish Jolly.

It is noted that best practice recommendations suggest that the committee should comprise only independent, non executive directors. As already stated, the Company is not yet of a size that warrants the appointment of more than one non executive director. As the Company grows and the need for further directors is appropriate, the Company will move to appoint additional non executive directors.

(f) **Ethical Standards**

In pursuit of the highest level of ethical standards, the Group has adopted a Code of Conduct which establishes the standards of behaviour required of Directors and employees in the conduct of the Group's affairs. This code is provided to all Directors and employees. Unethical behaviour is to be reported to the Company's human resources manager, a more senior manager, or the Company Secretary.

The Code of Conduct is based on respect for the law, and acting accordingly, dealing with conflicts of interest appropriately, using the consolidated entity's assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings,

treating other people with dignity and being responsible for actions and accountable for the consequences.

(g) **Trading in the Company's Securities by Directors and Employees**

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all Directors and employees. Under the policy, Directors are prohibited from short-term or "active" trading in the Company's securities and Directors and employees are prohibited from dealing in the Company's securities whilst in the possession of price sensitive information. The Company's Managing Director (or in his place the Chairman) must be notified of any proposed transactions.

This policy is provided to all Directors and employees.

(h) **Continuous Disclosure**

The Group has in place a continuous disclosure policy, a copy of which is provided to all Group officers and employees who may from time to time be in possession of undisclosed information that may be material to the price or value of the Group's securities.

The continuous disclosure policy aims to ensure timely compliance with the Group's continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules and to ensure officers and employees of the Group understand these obligations.

The procedure adopted by the Group is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who, in consultation with the Board (where practicable) and any other appropriate personnel will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once every 12 month period, the Board will review the company's compliance with this continuous disclosure policy and update it from time to time, if necessary.

(i) **Shareholders**

The Board aims to ensure that Shareholders are kept informed of all major developments affecting the Group. Information is communicated to Shareholders as follows:

- (i) as the Group is a disclosing entity, regular announcements are made to the Australian Securities Exchange in accordance with the Group's disclosure policy, including the half-year review, the year-end audited accounts and an Annual Report;
- (ii) the Board ensures the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- (iii) shareholders are advised in writing of key issues affecting the Group by effective use of the Group's share registry or electronically via the website;

- (iv) any proposed major changes in the Group's affairs are submitted to a vote of Shareholders, as required by the Corporations Act 2001 and the Australian Securities Exchange Listing Rules;
- (v) the Board encourages full participation of Shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Group's strategies and goals. All Shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Group; and
- (vi) the external auditor is requested to attend the Annual General Meetings to answer any questions concerning the audit and the content of the auditor's report.

(j) **Diversity Policy**

The Group is committed to workplace diversity and recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improved employee retention, accessing different perspectives and ideas, and benefitting from all available talent.

The Group will strive to:

- (i) recruit and manage on the basis of an individual's competence, qualification and performance;
- (ii) create a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- (iii) appreciate and respect the unique aspects that an individual brings to the workplace;
- (iv) where possible and practicable, increase participation and employment opportunities for indigenous people;
- (v) create a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workplace diversity and successful management of diversity, and at all times recognising that employees may have restrictions placed on them by domestic responsibilities outside the workplace;
- (vi) take action to prevent discrimination; and
- (vii) create awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

At this early stage in the Company's development the Company management is essentially comprised of executive directors. As the Company grows and the level of activity increases, the Board will aim to achieve measurable objectives and strategies to support the framework and objectives of the policy.

(k) **ASX Corporate Governance principles and recommendations not followed - "if not, why not" approach**

Pursuant to the ASX Listing Rule 4.10.3, the Company advises that it does not fully comply with recommendations 2.1, 2.4, 4.1, 7.3 and 8.1 of the ASX *"Corporate Governance Principles and Recommendations (Third Edition)"* for reasons stated above.

12. MATERIAL CONTRACTS

All contracts which may be material in terms of the Offer or the operation of the business of the Company are summarised below.

12.1 IP Assignment Deed

SMS and the University of Western Australia (**UWA**) entered into an assignment deed (**Assignment Deed**) pursuant to which UWA has assigned all rights, title and interests that it may have attaching to the technology, trade secrets and confidential information that resulted from the report prepared by UWA titled *"Predicting cryptic and conspicuous wetsuit colours and patterns for the purposes of shark attack mitigation in Western Australian waters"* and dated 15 November 2012 (**Wetsuit IP**) (the Wetsuit IP constitutes the SAMS technology).

SMS has granted UWA an irrevocable, royalty free licence to use the Wetsuit IP for teaching, research, and other non-commercial purposes.

In consideration for the assignment of the Wetsuit IP from UWA to SMS, SMS undertakes to pay to UWA a 2% royalty on gross commercial revenues derived by SMS from the Wetsuit IP as set out in the research agreement dated 27 February 2012 (**Research Agreement**) to be calculated annually for each financial year ending 30 June.

Should SMS at any stage trade insolvent or be unable to pay its debts when due, the Wetsuit IP will be automatically re-assigned to UWA for no cost.

The Assignment Deed contains various other terms and conditions considered standard for an arrangement of this type.

12.2 Clever Buoy Phase 1 and 2 Project Agreements

(a) Background

On 28 February 2014, SMS and Optus Networks Pty Ltd (ABN 92 008 570 330) (**Optus**) entered into an agreement (**Phase 1 Agreement**) pursuant to which SMS and Optus agreed to collaborate in a trial to develop a rapid prototype of a marine buoy which uses sonar technology to detect potentially harmful sharks, triggering a telemetric signal (**Clever Buoy**) (**Clever Buoy Project**) (**Phase 1**). The Phase 1 Agreement was completed as follows:

- (i) building of the Clever Buoy rapid prototype commenced on 2 March 2014;
- (ii) the Clever Buoy prototype was completed in the week commencing 18 May 2014;
- (iii) the Clever Buoy prototype was launched to the media and trialling commenced in the week commencing 25 May 2014; and
- (iv) the trial was successfully completed in the week commencing 29 June 2014.

(b) **Interests in the Clever Buoy Project**

Optus's interest in the Clever Buoy Project is to provide direct financial support and in-kind technical telemetric support for the project, with the rights to:

- (i) leverage promotional opportunities, marketing, and branding through its association with Clever Buoy outputs;
- (ii) be the exclusive provider of satellite services in respect of any commercialised version of the Clever Buoy in geographies covered by Optus and SingTel services; and
- (iii) provide mobile services in respect of any commercialised version of the Clever Buoy within Australia.

SMS's interest in the Clever Buoy Project is the development, testing, and commercialisation of the Clever Buoy product as an effective shark mitigation (detection and potential deterrence) and marine monitoring technology for sale in the global market.

(c) **Phase 2 Agreement**

Following the success of Phase 1, Optus and SMS have entered into an agreement (**Phase 2 Agreement**) to further develop the Clever Buoy Project (**Phase 2**). Phase 2 consists of two stages as follows:

- (i) Stage 1 – design and issue resolution stage (Stage 1); and
- (ii) Stage 2 – construction, testing, and deployment of a commercial ready prototype Clever Buoy system (**Stage 2**).

Stage 1 was completed successfully in June 2015.

Stage 2 involves the construction, testing, and a 30 day demonstration of the Clever Buoy. During Stage 2, SMS must use its best endeavours to secure a first buyer of a prototype Clever Buoy system. Stage 2 is currently underway and is anticipated for completion during the first quarter of 2016.

(d) **Material terms of the Phase 2 Agreement**

The material terms of the Phase 2 Agreement are as follows:

- (i) Optus shall provide funding for Stage 1 and Stage 2 up to a maximum of \$481,000 plus GST (**Optus Funding**).
- (ii) In consideration for the Optus Funding, Optus shall:
 - (A) have exclusive rights on a world-wide basis in respect of branding, promotion, marketing, media opportunities and other activities associated with the Clever Buoy Project (**Sponsorship Rights**) from the commencement date of the Phase 2 Agreement, until Phase 2 has been completed to the reasonable satisfaction of Optus (**Term**) and for a period of 6 months after the Term (**Restraint Period**);

- (B) be the exclusive provider of satellite services in respect of any commercialised version of the Clever Buoy in geographies where Optus provides such services;
 - (C) provide all mobile network services within Australia in respect of any commercialised version of the Clever Buoy;
 - (D) be the mobile network service provider (through SingTel's subsidiaries in respect of any commercialised version of the Clever Buoy in geographies where SingTel's subsidiaries provide such services).
- (iii) Upon completion of Phase 2:
- (A) SMS retains the exclusive right to continue development of the Clever Buoy technology beyond the Term; and
 - (B) SMS may seek investment and partnerships for the continued development of the Clever Buoy following the end of the Restraint Period, subject to the requirement that no investor or collaborator in development of the Clever Buoy is a competitor with Optus's business.
- (iv) SMS owns all intellectual property created by it in the development of the Clever Buoy except for:
- (A) intellectual property rights already owned by Optus at the commencement of the Phase 2 Agreement, and intellectual property rights created by Optus in the development of the Clever Buoy including without limitation: telemetry; telecommunications; and associated system designs; and
 - (B) pre-existing third party intellectual property which will be owned by that third party unless bought by or licensed by SMS.
- (v) Optus may be entitled to a royalty from gross revenues derived by SMS generated from the Clever Buoy and associated products and services relating to or connected with the Clever Buoy less agreed deductions which will be negotiated by both parties in good faith after the completion of Phase 2 and in the context of any development plan that is put in place.

The Phase 2 Agreement contains various other terms and conditions considered standard for an agreement of this nature, including rights of termination.

12.3 License Agreements

SMS has entered into licence agreements with various surfing and ocean apparel brands, retailers, and a wetsuit manufacturer (**Licensee's**). Pursuant to these arrangements, SMS has granted each Licensee either a non-exclusive or exclusive licence to use its shark deterrent SAMS technology for a range of permitted uses (**Licence Agreements**).

The term of each Licence Agreement varies from a 1 year licence, to a perpetual licence (**Term**) and grants the Licensee the right to use the SAMS technology for a range of Permitted Uses (defined below) within a specified territory. In consideration for the Licensee's entering into the Licence Agreements, SMS may be paid a licensing fee, an ongoing royalty, or both a licensing fee and a royalty by the Licensee.

Each Licence Agreement grants the Licensee permission to use the SAMS technology for a specified permitted use, including:

- (a) manufacturing and retail of surfboards, wetsuits, and ocean swimming and triathlon sports apparel;
- (b) manufacturing and selling decals and inlays for all existing and new watercraft (including but not restricted to surfboards, body boards, surf-ski's, fishing-ski's and kayaks); and
- (c) print and manufacture jersey and neoprene products,

(together, the **Permitted Uses**).

Each Licensee acknowledges and undertakes to SMS that:

- (d) the Licensee will not dispute or challenge SMS's exclusive ownership of the SAMS technology;
- (e) nothing in the License Agreement confers on the Licensee any interest in the SAMS technology or right to use the SAMS technology except for the Permitted Uses; and
- (f) all enhancements, new uses and adoptions of the SAMS technology discovered by the Licensee are owned exclusively by SMS.

Each Licence Agreement may be terminated upon the happening of a material breach by the Licensee which fails to be remedied within a reasonable period. Upon termination through breach, or expiry of the Term, the Licensee must cease to use the SAMS technology and return all of SMS's property in the Licensee's possession.

The Licence Agreements contain additional terms and conditions considered standard for agreements of this nature.

12.4 Corporate Advisory Mandate

The Company has entered into a corporate advisory mandate with ACNS Capital Markets Pty Ltd (**Alto Capital**) (**Mandate**) pursuant to which Alto Capital has agreed to act as the exclusive corporate advisor in relation to the Offer and the Company's listing on the ASX, and as the Company's ongoing corporate advisor.

The Company has agreed to provide Alto Capital (or its nominees) with the following in relation to the services provided pursuant to the Mandate:

- (a) 1,089,758 Shares at a price of \$0.001 as an introduction fee for the vend of SMS into the Company, which, as at the date of this Prospectus, have been issued to Alto Capital (or its nominees);

- (b) a performance fee (which, as at the date of this Prospectus, has been issued to Alto Capital (or its nominees)) of:
 - (i) 1,214,546 Class A Performance Shares;
 - (ii) 910,909 Class B Performance Shares; and
 - (iii) 910,909 Class C Performance Shares,
- (c) 5% of all funds raised by Alto Capital during the pre-listing phase and on any subsequent capital raising for an initial 12 month period after the listing on the ASX;
- (d) the first right of refusal on any subsequent capital raisings for a period of 12 months following the listing on the ASX;
- (e) a minimum management fee of 1% during the pre-listing phase and on any subsequent capital raisings for an initial 12 month period following listing on the ASX, and guaranteed access to at least 20% allocation of any capital raising undertaken for an initial 12 month period after listing;
- (f) a \$5,000 per month corporate advisory fee for a minimum of 12 months, payable in arrears, commencing in 1 February 2016; and
- (g) 5,000,000 Options with an exercise price of \$0.25 each, exercisable anytime on or before 30 June 2019.

The Mandate contains various other terms and conditions considered standard for an agreement of this type including those regarding expenses and termination.

12.5 Agreements with Directors and Related Parties

Refer to Section 7.13 for a summary of agreements with Directors and related parties.

13. ADDITIONAL INFORMATION

13.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

13.2 Rights Attaching to Shares

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the

proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Variation of rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being

wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

13.3 Terms and conditions of Performance Shares

Terms and conditions defined below have the meaning given to them in this section 13.3 only, unless the context indicates otherwise.

Definitions

Intellectual Property means:

- (a) in relation to SAMS, the technology developed by SMS and subject to pending, current, and future provisional patent/s, patent/s and design protection registrations. These include, but are not limited to:

Country	Application Number	Filing Date	Status
International	PCT/AU2014/000215	6 March 2014	Pending
Australia	2014225293	6 March 2014	Pending
Canada	2903585	6 March 2014	Pending
China	2014800253982	6 March 2014	Pending
Europe	14759995	6 March 2014	Pending
Japan	Not yet allocated	6 March 2014	Pending
New Zealand	712942	6 March 2014	Pending
South Africa	2015/07396	6 March 2014	Pending
USA	14/773352	6 March 2014	Pending

The patent applications relate to a method for designing a material. The material is provided for use in underwater applications, for example for forming wetsuits or other underwater clothing. The use of the material is aimed at reducing the likelihood of shark attack.

- (b) In relation to Clever Buoy, the technology subject to pending, current, and future provisional patent/s, patent/s and design protection registrations. These include, but are not limited to:

Country	Application Number	Filing Date	Status
International	PCT/AU2015/050265	22 May 2015	Pending. International search report and opinion issued.

The patent specification relates broadly to a system comprising sonar transducers located in underwater housings provided around a designated ocean area. The sonar transducers are arranged to detect objects within the area and processing equipment is provided to determine whether any detected objects match the characteristics of a shark. Communication devices are provided to transmit information regarding sharks detected to a remote location.

Rights attaching to the Performance Shares

- (c) **(Performance Shares)** Each Class A Performance Share, Class B Performance Share, and Class C Performance Share (together and each being a **Performance Share**) is a share in the capital of Shark Mitigation Systems Limited (ACN 149 970 445) (**Company**).
- (d) **(General meetings)** Each Performance Share confers on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to holders of fully paid ordinary shares in the capital of the Company (**Shareholders**). Holders have the right to attend general meetings of Shareholders.
- (e) **(No voting rights)** A Performance Share does not entitle the Holder to vote on any resolutions proposed by the Company except as otherwise required by law.
- (f) **(No dividend rights)** A Performance Share does not entitle the Holder to any dividends.
- (g) **(No rights to return of capital)** A Performance Share does not entitle the Holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
- (h) **(Rights on winding up)** A Performance Share does not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up.
- (i) **(Not transferable)** A Performance Share is not transferable.
- (j) **(Reorganisation of capital)** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (k) **(Application to ASX)** The Performance Shares will not be quoted on ASX. However, if the Company is listed on ASX at the time of conversion of the Performance Shares into fully paid ordinary shares (**Shares**), the Company must within 10 Business Days apply for the official quotation of the Shares arising from the conversion on ASX.
- (l) **(Participation in entitlements and bonus issues)** A Performance Share does not entitle a Holder (in their capacity as a holder of a Performance Share) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (m) **(No other rights)** A Performance Share gives the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Conversion of the Performance Shares

(n) **(Conversion on achievement of milestone)** Subject to paragraph (p), a Performance Share in the relevant class will convert into one Share upon achievement of:

(i) **Class A Performance Share:** each Class A Performance Shares will vest into one Share upon the Company achieving either:

- (A) an annualised earnings before interest, tax, depreciation and amortisation (**EBITDA**) of at least \$1,000,000 in relation to the Company's Intellectual Property; or
- (B) revenue of at least \$2,000,000 in relation to the Company's Intellectual Property; or
- (C) executing a new licensing agreement for the application of the SAMS technology by an entity involved in the production or distribution of marine apparel and/or equipment (**SAMS Licensing Agreement**); or
- (D) executing a commercial contract for the deployment of a Clever Buoy system (**Clever Buoy Contract**),

(Class A Milestone).

(ii) **Class B Performance Share:** each Class B Performance Shares will vest into one Share upon the Company achieving either:

- (A) an annualised EBITDA of at least \$2,000,000 in relation to the Company's Intellectual Property; or
- (B) revenue of at least \$4,000,000 in relation to the Company's Intellectual Property; or
- (C) in the event that a SAMS Licensing Agreement has already been achieved, the execution of a Clever Buoy Contract; or
- (D) execution of a second SAMS Licensing Agreement; or
- (E) in the event that a Clever Buoy Contract has been achieved, execution of a SAMS Licensing Agreement; or
- (F) the execution of a second Clever Buoy Contract,

(Class B Milestone).

(iii) **Class C Performance Share:** each Class C Performance Shares will vest into one Share upon the Company achieving either:

- (A) an annualised EBITDA of at least \$3,000,000 in relation to the Company's Intellectual Property; or

- (B) revenue of at least \$5,000,000 in relations to the Company's Intellectual Property; or
- (C) in the event that:
 - (I) two SAMS Licensing Agreement have already been achieved, a third SAMS Licensing Agreement; or
 - (II) two Clever Buoy Contracts have been achieved, a third Clever Buoy Contract; or
 - (III) one SAMS Licensing Agreement and one Clever Buoy Contract have been achieved, either a second SAMS Licensing Agreement, or a second Clever Buoy Contract,

(Class C Milestone),

(together the **Milestones**),

- (o) **(Conversion on change of control)** Subject to paragraph (p) and notwithstanding the relevant Milestone has not been satisfied, upon the occurrence of either:
 - (i) a takeover bid under Chapter 6 of the Corporations Act 2001 (Cth) having been made in respect of the Company having received acceptances for more than 50% of the Company's shares on issue and being declared unconditional by the bidder; or
 - (ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies,

that number of Performance Shares that is equal to 10% of the Shares on issue immediately following conversion under this paragraph will convert into an equivalent number of Shares. The conversion will be completed on a pro rata basis across each class of Performance Shares then on issue as well as on a pro rata basis for each Holder. Performance Shares that are not converted into Shares under this paragraph will continue to be held by the Holders on the same terms and conditions.

- (p) **(Deferral of conversion if resulting in a prohibited acquisition of Shares)** If the conversion of a Performance Share under paragraph (n) or (o) would result in any person being in contravention of section 606(1) of the Corporations Act 2001 (Cth) (**General Prohibition**) then the conversion of that Performance Share shall be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Share would result in a contravention of the General Prohibition:
 - (i) Holders may give written notification to the Company if they consider that the conversion of a Performance Share may result in the contravention of the General Prohibition. The absence of such written notification from the Holder will entitle the

Company to assume the conversion of a Performance Share will not result in any person being in contravention of the General Prohibition.

- (ii) The Company may (but is not obliged to) by written notice to a Holder request a Holder to provide the written notice referred to in paragraph (p)(i) within seven days if the Company considers that the conversion of a Performance Share may result in a contravention of the General Prohibition. The absence of such written notification from the Holder will entitle the Company to assume the conversion of a Performance Share will not result in any person being in contravention of the General Prohibition.
- (q) **(Lapse of Performance Share)** each Performance Share shall expire on the date that is five (5) years from the date of issue (**Expiry Date**) if the relevant Milestone attached to that Performance Share has not been achieved, at which time the Company will redeem the relevant Performance Shares in accordance with paragraph (r) below.
- (r) **(Redemption if Milestone not achieved)** If the relevant Milestone is not achieved by the Expiry Date, then each Performance Share in the relevant class will be automatically redeemed by the Company for the sum of \$0.00001 within 10 Business Days of the Expiry Date.
- (s) **(Conversion procedure)** The Company will issue the Holder with a new holding statement for any Share issued upon conversion of a Performance Share within 10 Business Days following the conversion.
- (t) **(Ranking upon conversion)** The Share into which a Performance Share may convert will rank pari passu in all respects with existing Shares.

The Performance Shares are being issued to: Michelle Anne Anderson as trustee for the MCA Trust (an entity related to Mr Craig Anderson, a director of the Company); Hamish Andrew Jolly as trustee for the Jolly Family Trust (an entity related to Mr Hamish Jolly, a director of the Company); and ACNS Capital Markets Pty Ltd as trustee for the ACNS Unit Trust (a promoter of the Company) (i.e., Alto Capital (or its nominees)).

The Performance Shares are being issued as consideration for the Company's acquisition of SMS.

Please see Section 7.3 for the impact that the issue of the Performance Shares will have on the Company's capital structure.

13.4 Terms and conditions of Options

Terms and conditions defined below have the meaning given to them in this section 13.4 only, unless the context indicates otherwise.

- (a) The Options are exercisable at \$0.25 each any time on or before 30 June 2019 (**Expiry Date**).
- (b) Each Option exercised will entitle the holder to one Share in the capital of the Company.
- (c) The notice attached to the certificate has to be completed when exercising the Options (**Notice of Exercise**).

- (d) Options may be exercised by the holder completing and forwarding to the Company a Notice of Exercise and payment of the exercise price for each Option being exercised prior to the Expiry Date.
- (e) All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then existing Shares.
- (f) Shares allotted and issued pursuant to the exercise of Options will be allotted and issued not more than 15 business days after the receipt of a properly executed Notice of Exercise and payment for the Exercise Price of each Option being exercised. The Company will apply for official quotation on ASX of Shares issued pursuant to the exercise of Options.
- (g) The holder of Options cannot participate in new issues of securities to holders of Shares unless the Options have been exercised and the Shares have been allotted and registered in respect of the Options before the record date for determining entitlements to the issue. The Company must give notice to the holder of the Options of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules. Options can only be exercised in accordance with these terms and conditions.
- (h) If the Company makes a pro rata bonus issue of Shares to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Shares have been allotted and registered in respect of the exercise of Options before the record date for determining entitlements to the bonus issue, then the number of Shares or other securities for which the holder of the Options is entitled to subscribe on exercise of the Options is increased by the number of Shares or other securities that the holder of the Options would have received if the Options had been exercised before the record date for the bonus issue. No change will be made to the Exercise Price.
- (i) If at any time the capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

13.5 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

13.6 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

Armour IP has acted as Patent Attorney and has prepared the Intellectual Property Report which is included in Section 10. The Company estimates it will pay Armour IP a total of \$1,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Armour IP has been paid \$64,487 (excluding GST for services provided to the Company in relation to patent and trademark services).

HLB Mann Judd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 9. The Company estimates it will pay HLB Mann Judd a total of \$12,500 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, HLB Mann Judd has been paid \$9,250 (excluding GST) for general accounting services provided to the Company.

ACNS Capital Markets Pty Ltd (trading as Alto Capital) has acted as Lead Manager in relation to the Offer. The Company estimates it will pay ACNS Capital Markets Pty Ltd the fees as set out in Section 12.4 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, ACNS Capital Markets Pty Ltd have been issued 1,089,758 Shares and 3,036,364 Performance Shares for services provided to the Company in relation to the Company's acquisition of SMS, and acting as the exclusive corporate advisor in relation to the Offer and the Company's proposed listing on the ASX.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$60,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has not received any fees from the Company for legal services.

13.7 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Armour IP has given its written consent to being named as the Patent Attorney in this Prospectus, the inclusion of the Intellectual Property Report in Section 10 in the form and context in which the report is included. Armour IP has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

HLB Mann Judd has given its written consent to being named as Investigating Accountant and auditor in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 9 in the form and context in which the information and report is included. HLB Mann Judd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

ACNS Capital Markets Pty Ltd (trading as Alto Capital) has given its written consent to being named as the lead manager to the Company in this Prospectus. ACNS Capital Markets Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Computershare Investor Services Pty Ltd has given its written consent to being named as the share registry to the Company in this Prospectus. Computershare Investor Services Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

13.8 Expenses of the Offer

The total expenses of the Offer (including GST) are estimated to be approximately \$385,555 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Full Subscription (\$)
ASIC fees	\$2,320
ASX fees	\$65,265
Broker Commissions	\$240,000
Legal Fees	\$60,000
Investigating Accountant's Fees	\$10,000
Patent Attorney's Fees	\$1,000
Shareholders Meeting and Share Registry	\$3,000
Printing and Distribution	\$2,000
Miscellaneous	\$1,970
TOTAL	\$385,555

13.9 Continuous Disclosure Obligations

Following admission of the Company to the Official List, the Company will be a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information will be publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

13.10 Electronic Prospectus

If you have received this Prospectus as an electronic prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at www.sharkmitigation.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

13.11 Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad

range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

13.12 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company will apply to participate 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.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. 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.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. 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.

13.13 Privacy Statement

By completing and returning an Application Form, you will be providing personal information directly or indirectly to the Company, the Share Registry, and related bodies corporate, agents, contractors and third party service providers of the foregoing (**Collecting Parties**). The Collecting Parties collect, hold and will use that information to assess your Application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

By submitting an Application Form, you authorise the Company to disclose any personal information contained in your Application Form (**Personal Information**) to the Collecting Parties where necessary, for any purpose in connection with the Offer, including processing your acceptance of the Offer and complying with applicable law, the ASX Listing Rules, the ASX Settlement Operating Rules and any requirements imposed by any Public Authority.

If you do not provide the information required in the Application Form, the Company may not be able to accept or process your acceptance of the Offer.

If the Offer is successfully completed, your Personal Information may also be used from time to time and disclosed to persons inspecting the register of Shareholders, including bidders for your securities in the context of takeovers, public authorities, authorised securities brokers, print service providers, mail houses and the Share Registry.

Any disclosure of Personal Information made for the above purposes will be on a confidential basis and in accordance with the Privacy Act 1988 (Cth) and all other legal requirements. If obliged to do so by law or any Public Authority, Personal Information collected from you will be passed on to third parties strictly in accordance with legal requirements. Once your Personal Information is no longer required, it will be destroyed or de-identified. As at the date of this Prospectus, the Company does not anticipate that Personal Information will be disclosed to any overseas recipient.

Subject to certain exemptions under law, you may have access to Personal Information that the Collecting Parties hold about you and seek correction of

such information. Access and correction requests, and any other queries regarding this privacy statement, must be made in writing to the Share Registry at the address set out in the Corporate Directory of this Prospectus. A fee may be charged for access.

14. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Craig Anderson
Executive Director
For and on behalf of
SHARK MITIGATION SYSTEMS LTD

15. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

\$ means an Australian dollar.

Alto Capital means ACNS Capital Markets Pty Ltd.

Application Form means the application form attached to or accompanying this Prospectus relating to the Offer.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the official listing rules of ASX.

Board means the Board of Directors as constituted from time to time.

Clever Buoy means the technology subject to pending, current, and future provisional patent/s, and patent/s and design protection registrations which relates broadly to a system comprising sonar transducers located in underwater housings provided around a designated ocean area which are arranged to detect objects within the area and utilise processing equipment to determine whether any detected objects match the characteristics of a shark, and transmit that information via communication devices to a remote location.

Closing Date means the closing date of the Offer as set out in Section 2 (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

Company or **Shark Mitigation Systems Ltd** means Shark Mitigation Systems Ltd (ACN 149 970 445).

Constitution means the constitution of the Company.

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

Directors means the directors of the Company at the date of this Prospectus.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

Offer means the offer of Shares pursuant to this Prospectus as set out in Section 5.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Option means an Option to acquire a Share.

Optus means Optus Networks Pty Ltd (ACN 008 570 330).

Performance Share has the meaning as set out at Section 13.3.

Prospectus means this Prospectus.

Recommendations means *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council.

SAMS means the technology developed by SMS which is subject to pending, current, and future provisional patent/s, and patent/s and design protection registrations with applications which relate to a method for designing a material that can be provided for use in underwater applications, which is aimed at reducing the likelihood of shark attack.

Section means a section of this Prospectus.

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

Shareholder means a holder of Shares.

SMS means Shark Attack Mitigation Systems Pty Ltd (ACN 161 075 592).

UWA means the University of Western Australia.

WST means Western Standard Time as observed in Perth, Western Australia.