CLEANSUBSEA LIMITED
(formerly GRD-Franmarine Holdings Limited)

ABN 50 120 233 490

General Purpose Financial Report
For the year ended 30 June 2018

CleanSubSea Limited
ABN 50 120 233 490
General Purpose Financial Report for the year ended 30 June 2018

Contents **Page**

Corporate Information	1
Directors' Report	2
Auditor's Independence Declaration	7
Independent Auditor's Report	8
Directors' Declaration	10
Consolidated Statement of Profit and Loss and Comprehensive Income	11
Consolidated Statement of Financial Position	12
Consolidated Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes to the Consolidated Financial Statements	15 – 39

Corporate Information

This financial report includes the financial statements and notes of the consolidated entity (or "Group") consisting of CleanSubSea Limited ("Company") and CleanSubSea Operations Pty Ltd.

During the year ended 30 June 2018, the GRD-Franmarine Holdings Ltd changed its name to CleanSubSea Ltd and GRD-Franmarine Operations Pty Ltd changed its name to CleanSubSea Operations Pty Ltd.

The company's functional currency is Australian Dollars ($).

A description of the Company's operations and of its principal activities is included in the review of operations and activities in the Directors' report on pages 2 to 6. The Directors' report is not part of the financial report.

Directors

Roger Dyhrberg	(Executive Chairman)
Rory Anderson	(Executive Director)
Ian Macliver	(Non-Executive Director) *(resigned 31 January 2018)*
Ian Campbell	(Non-Executive Director) *(resigned 13 July 2018)*
Walter Purio	(Non-Executive Director) *(appointed 13 July 2018)*

Company Secretary

Shannon Coates

Registered Office

Suite 5
62 Ord Street
West Perth, WA 6005

Auditors

Moore Stephens
Chartered Accountants
Level 15
Exchange Tower
2 The Esplanade
Perth, WA 6000

Bankers

National Australia Bank Limited
1238 Hay Street
West Perth, WA 6005

Directors' Report

Your directors present their report on the consolidated entity consisting of CleanSubSea Limited and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors

The following persons were directors of CleanSubSea Limited during the financial year and up to the date of this report unless otherwise indicated:

Roger Dyhrberg (Executive Chairman)

Roger is the founder of GRD-Franmarine Operations Pty Ltd and the inventor of the Envirocart in-water hull cleaning system. Since 1981, Roger has developed extensive experience as a Director and Managing Director of several private companies and has an exceptional reputation for innovation in subsea engineering. Over the last 29 years Roger has focused on building Franmarine Underwater Services and Gage Road Diving businesses. Roger has focused on innovation and niche environmental areas that provided a competitive advantage. Some of his achievements include a world first mechanical seagrass transplantation system which won a golden Gecko award in 2000. Roger is also a current sitting member of the Biofouling Management Expert Group (BMEG), the leading Scientific and Industry Advisory on Biofouling Management.

Rory Anderson (Executive Director) – *B.Ec, B.Bus, MBA, MAICD*

Rory has over 25 years professional experience and success in both the corporate world and more recently, the SME environment. This includes corporate profit and loss accountability as Regional Vice President, Operational General Manager and global business development and supply chain management positions, culminating in the successful start-up and ownership of his own business which is now a market leader in Malaysia, employs over 180 people and operates across four countries. His primary focus has been in corporate business start-ups and effective, scalable business growth for established businesses. Rory has been a previous Board member on two corporate subsidiary joint ventures in Asia and currently is a Board member for two SME businesses.

Ian Campbell (Non-Executive Director) – *GAICD – Resigned 13 July 2018*

Ian was a senator for Western Australian the Australian Federal Parliament and brings a wealth of experience at the highest levels of the Australian Government and in reforming the Australian corporate legal framework. Ian is a former Member of Federal Cabinet where he held the portfolios of Environment and Heritage and Human Services, Minister for Local Government, Territories and Roads. As Parliamentary Secretary to the Treasurer, Ian developed what is widely acknowledged as the most sweeping reform of business law in Australia's history, the Corporate Law Economic Reform Program (CLERP). The CLERP Reforms have been widely lauded by the business community for their improvements to Australia's governance regime. Ian has also acted as Parliamentary Secretary to the Minister for Communications, Information Technology and the Arts. Prior to entering Parliament, Ian worked as a commercial and industrial property consultant as well as acting as a director of a number of private groups.

Directors' Report (continued)

Ian Macliver (Non-Executive Director) – *B.Com, FCA, F Fin, FAICD – Resigned 31 January 2018*

Ian is founder and Managing Director of Grange Consulting Group Pty Ltd and Executive Chairman of Grange Capital Partners Pty Ltd. Prior to establishing Grange Consulting, Ian held positions over nine years in a general manager or executive director position for various listed and corporate advisory companies. His experience covers all areas of corporate activity including capital raisings, acquisitions, divestment, takeovers, business and strategic planning, debt and equity reconstructions, operating projects and financial reviews and valuations. Ian is also currently a director/chairman of a number of ASX listed companies.

Walter Purio (Non-Executive Director) – *BSc, MBA, AFNI, GAICD, Master 1 – Appointed 13 July 2018*

Captain Walter P. Purio is the Managing Director of P and H Marine Australasia Pty Ltd and currently assists oil and gas companies in Australia to develop their strategies to provide LNG as a marine fuel to the Australasian region. He acts as CEO of the LNG Marine Fuel Institute and serves as a non-executive director to Pelican Clean Energy Pty Ltd which provides marine expertise, insight and advice to government, resource and oil and gas companies as they explore the potential to develop an LNG as a marine fuel industry in the Southern Hemisphere. Captain Purio is a seasoned maritime industry executive who has worked across several marine disciplines including commercial shipping, marine finance, marine compliance, naval operations, offshoring, mining and support to the oil and gas industry and holds a BS degree from the U.S. Merchant Marine Academy and MBA's from the University of Chicago and the Katholieke Universitat Leuven, Belgium.

Company Secretary

Steven Wood was the company secretary of CleanSubSea Limited during the financial year and resigned on 6 June 2018. Shannon Coates was appointed the company secretary of CleanSubSea Limited on 3 July 2018 and is company secretary to the date of this report.

Directors' Meetings

The number of directors' meetings and the number of meetings attended by each of the Directors of the Company during the financial year to 30 June 2018 are:

	Number of Meetings Eligible to Attend	Number of Meetings Attended
Number of Meetings Attended		
Director		
Ian Macliver	4	4
Roger Dyhrberg	7	7
Rory Anderson	7	6
Ian Campbell	7	7

Directors' Report (continued)

Principal Activities

During the year, the principal continuing activities of the Group consisted of the development of new hull cleaning technology for use in the shipping industry.

Results of Operations

CleanSubSea Limited has had a very busy and successful year.

Key milestones achieved include:

- CleanSubSea received Operational Planning Approval from Fremantle Port Authority (FPA) to commence In-Water Hull Cleaning (IWHC).
- Through its online portal FPA began offering Envirocart™ as an IWHC service to all vessels using the Port of Fremantle. The first port in the highly regulated Australian market to do so.
- First commercial trial cleans were completed and began to generate revenue.
- Successful completion of Proof of Concept Robotic Artificial Intelligence capabilities.
- CleanSubSea Ltd entered into the Oil & Gas sector with the completion of a full IWHC of the Joides Resolution, a Siem Offshore 140m research drilling vessel.
- Roger Dyhrberg presented to the International Maritime Organisation (IMO) in London, "A Practical Solution to Marine Biosecurity".
- CleanSubSea completed its first Australian Navy (RAN) vessel clean. Further Naval vessel cleans have been requested and are planned for the future.
- Strengthening of the Envirocart™ operational & environmental competitive advantage.

The consolidated entity's loss from ordinary activities after income tax expense for the financial year was $2,558,781 (2017: $2,579,905 loss).

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the consolidated entity during the financial year.

Events Subsequent to the End of the Reporting Period

The following events have arisen since 30 June 2018:

a) Director Ian Campbell tendered his resignation as director on 13 July 2018. Captain Walter Purio was appointed to the Board on 13 July 2018.
b) Robert George tendered his resignation as Chief Executive Officer of the Company on 9 July 2018.
c) Shannon Coates of Evolution Corporate was appointed as Company Secretary on 3 July 2018.
d) CleanSubSea Ltd has appointed a new corporate adviser, Geoff Pocock of Polaris Consulting.

Directors' Report (continued)

Apart from the above matters, there is, at the date of this report, no matter or circumstance which has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

a) the consolidated entity's operations in future financial years; or
b) the results of those operations in future financial years; or
c) the consolidated entity's state of affairs in future financial years.

Likely Developments and Expected Results of Operations

In the opinion of the Directors, information as to the likely developments and expected results of the Company in subsequent years would prejudice the interests of the Company and therefore have not been included in this report.

Dividends

No dividends were paid during the year ended 30 June 2018 (2017: nil).

Environmental Regulation

The consolidated entity has assessed whether there are any particular or significant environmental regulations which apply to it and has determined that there are none.

Options

No options over issued shares or interests in the company or the controlled entity were granted during or since the end of the financial year, and there were no options outstanding as at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification of Officers

During or since the end of the financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

a) The Company has entered into an agreement to indemnify Mr Ian Campbell, a former Director of the Company, up to the maximum extent permitted by law, against certain liabilities incurred by the Directors while acting as a Director of the Company, including costs and expenses in successfully defending legal proceedings.

b) The Company has agreed to insure Mr Ian Campbell, a former Director of the Company, against all liabilities that may arise from his former position as a Director of the Company.

c) The Company has agreed to insure the current Directors and Officers of the Company against all liabilities to another person that may arise from their position as Director and Officers of the Company, except where the liability arises out of misconduct. Further disclosure of information relating to this policy is not permitted under the contract of insurance.

Directors' Report (continued)

No indemnification has been obtained for the auditors.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

Moore Stephens Chartered Accountants continues in office in accordance with Section 327 of the Corporations Act 2001.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

This directors' report is made in accordance with a resolution of the Board of Directors.

Roger Dyhrberg
Executive Chairman
Perth

Signed 28th day of September 2018

MOORE STEPHENS

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000
PO Box 5785, St Georges Terrace,
WA 6831

T +61 (0)8 9225 5355
F +61 (0)8 9225 6181

www.moorestephens.com.au

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF CLEANSUBSEA LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Neil Pace

NEIL PACE
PARTNER

Moore Stephens

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 30th day of September 2018.

MOORE STEPHENS

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000
PO Box 5785, St Georges Terrace,
WA 6831
T +61 (0)8 9225 5355
F +61 (0)8 9225 6181
www.moorestephens.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLEANSUBSEA LIMITED

Opinion

We have audited the financial report of CleanSubSea Limited (the Company) and its controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, other explanatory information and the declaration by those charged with governance.

In our opinion the accompanying financial report of CleanSubSea Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year then ended; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the Group's ability to continue as a going concern. As disclosed in Note 1 the Group is dependent on various funding initiatives in order to fund working capital and discharge its liabilities in the ordinary course of business. At this time we are uncertain as to whether or not the required funding can be raised and the timing of such, which may cast doubt as to the Group's ability to continue as a going concern. The financial statements do not include any adjustments that may be required if the Group were unable to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CLEANSUBSEA LIMITED (CONTINUED)

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to include the economic decisions of the users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standard Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our audit report.

Neil Pace

NEIL PACE
PARTNER

Moore Stephens

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 30th day of September 2018.

Directors' Declaration

In the directors' opinion:

The directors declare that the financial statements and notes set out on pages 11 to 39 are in accordance with the Corporations Act 2001 and:

a) comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and

b) give a true and fair view of the company and consolidated entity's financial position as at 30 June 2018 and of their performance, as represented by the results of their operations and its cash flows, for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Roger Dyhrberg
Executive Chairman

Perth, Western Australia
Signed 28th day of September 2018

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	2018 $	2017 $
REVENUE			
Revenue from Ordinary Activities		76,037	33,847
Other Revenue	2	850,175	151,052
Total Revenue		926,212	184,899
OPERATING EXPENSES			
Administrative Expenses		(157,603)	(145,820)
Contractors Fees	3	(156,850)	(108,903)
Depreciation Expense	3	(500,785)	(80,039)
Employee Benefits Expense	3	(1,478,323)	(1,074,962)
Finance Costs		(21,149)	(16,858)
Research and Development		(506,561)	(722,669)
Share Based Payments	20	(28,870)	(82,386)
Other Expenses from ordinary activities		(634,852)	(533,167)
Total Operating Expenses		(3,484,993)	(2,764,804)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		(2,558,781)	(2,579,905)
Income Tax Relating to Ordinary Activities	4	-	-
NET LOSS FROM ORDINARY ACTIVITIES		(2,558,781)	(2,579,905)
Other Comprehensive Income net of Tax		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,558,781)	(2,579,905)
Total comprehensive income attributable to:			
Members of the parent entity		(2,558,781)	(2,579,905)
Non-controlling interest		-	-
		(2,558,781)	(2,579,905)

The above consolidated statement of profit and loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 30 June 2018

	Note	2018 $	2017 $
CURRENT ASSETS			
Cash Assets	6	758,353	921,486
Trade and Other Receivables	7	25,108	43,149
Prepayments		45,021	45,511
TOTAL CURRENT ASSETS		828,482	1,010,146
NON-CURRENT ASSETS			
Property Plant and Equipment	8	897,651	1,208,321
Intangible Assets	9	141,014	95,431
TOTAL NON-CURRENT ASSETS		1,038,665	1,303,752
TOTAL ASSETS		1,867,147	2,313,898
CURRENT LIABILITIES			
Trade and Other Payables	11	425,848	491,768
Provisions	12	77,419	73,606
Borrowings	13	3,030	2,716
TOTAL CURRENT LIABILITIES		506,297	568,090
NON- CURRENT LIABILITIES			
Borrowings	13	1,927	4,957
TOTAL NON-CURRENT LIABILITIES		1,927	4,957
TOTAL LIABILITIES		508,224	573,047
NET ASSETS		1,358,923	1,740,851
EQUITY			
Contributed Equity	14	7,612,910	5,436,057
Accumulated Losses	15	(6,253,987)	(3,695,206)
TOTAL EQUITY		1,358,923	1,740,851

The above consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2018

	Issued Capital	Performance Shares	Accumulated Losses	Total
	$	$	$	$
Balance at 30 June 2016	**2,475,166**	**32,477**	**(1,115,301)**	**1,392,342**
Additional issued capital	3,010,921	-	-	3,010,921
Performance shares issued	-	82,386	-	82,386
Share issue costs	(164,893)	-	-	(164,893)
Loss attributable to members	-	-	(2,579,905)	(2,579,905)
Balance at 30 June 2017	**5,321,194**	**114,863**	**(3,695,206)**	**1,740,851**
Additional issued capital	2,312,600	-	-	2,312,600
Performance shares issued	-	28,870	-	28,870
Conversion of A Class Performance shares	63,037	(63,037)	-	-
Share issue costs	(164,617)	-	-	(164,617)
Loss attributable to members	-	-	(2,558,781)	(2,558,781)
Balance at 30 June 2018	**7,532,214**	**80,696**	**(6,253,987)**	**1,358,923**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the year ended 30 June 2018

	Note	2018	2017
		$	$
Cash flows from operating activities			
Proceeds from sale of goods and services		76,036	33,847
Proceeds from grants received		824,981	279,298
Payments to employees and suppliers		(2,999,556)	(2,596,957)
Interest Received		15,736	4,189
Other Income		9,458	1,284
Net cash outflows from operating activities	16	**(2,073,345)**	**(2,278,339)**
Cash flows from investing activities			
Payments for intangible assets		(52,798)	(109,953)
Payments for property, plant and equipment		(182,899)	(851,028)
Net cash outflows from investing activities		**(235,697)**	**(960,981)**
Cash flows from financing activities			
Net proceeds from share issues		2,156,108	2,746,700
(Repayment of)/Proceeds from borrowings		(10,199)	(277,099)
Net cash inflows from financing activities		**2,145,909**	**2,519,601**
Net (decrease)/increase in cash held		**(163,133)**	**(719,719)**
Cash at the beginning of the financial year		921,486	1,641,205
Cash at the end of the financial year	6	**758,353**	**921,486**

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the Financial Statements

The consolidated financial statements and notes represent those of CleanSubSea Limited (formerly GRD-Franmarine Holdings Limited) and CleanSubSea Operations Pty Ltd (formerly GRD-Franmarine Operations Pty Ltd) (the "consolidated group" or "group"). CleanSubSea Limited is a company limited by shares, incorporated and domiciled in Australia.

1. Statement of Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and the Corporations Act 2001. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

Going Concern Basis of Accounting

The financial report has been prepared on a going concern basis. After taking into account all available information, the directors have concluded that they have reasonable grounds to believe:

a) The Company will be able to continue to pay its debts as and when they become due and payable; and

b) The basis of preparation of the financial report on a going concern basis is appropriate.

The Directors have formed this view based on a number of factors including:

a) The Company's net asset position as at 30 June 2018 of $1,358,923 (2017: $1,740,851).

b) The Company is forecasting to have sufficient resources to meet its minimum operating requirements for the next 12 months.

c) The ability of the Company to raise additional funds as and when required either in the form of equity of debt.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. The amounts presented in the financial statements have been rounded to the nearest dollar unless stated otherwise.

The following material accounting policies adopted by the Company in the preparation of the financial report, have been consistently applied unless otherwise stated.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 10.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

b) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

c) Plant and Equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

c) Plant and Equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

d) Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a diminishing value basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful lives for the current and comparative periods are as follows:

Furniture and fitting	5 - 20 years
Computer Assets	2 - 4 years
Office Equipment	5 - 15 years
Plant and Equipment	3 - 25 years (2017: 5 - 25 years)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

f) Revenue and Other Income

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Interest and other investment revenue is recognised as it accrues.

g) Contributed Equity

Issued and paid up capital is recognised at 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.

h) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

i) Borrowing Costs

Borrowing costs include interest, application fees, facility fees and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

j) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

k) Trade and other receivables

Trade and other receivables include amounts due from customers for services sold in the ordinary course of business and grants receivable. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

l) Trade and other payables

Payables, including goods received and services incurred but not yet invoiced, are recognised at the nominal amount when the Company becomes obliged to make future payments as a result of a purchase of assets or receipt of services.

m) Taxation

The charge for current income tax expenses is based on the profit for the financial year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

n) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

(i) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(iii) Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

o) Intangible Assets

Patents

Patents are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents are amortised over their useful life, being 20 years for standard patents.

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs have been capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs have a finite useful life and are amortised on a systemic basis based on the future economic benefits over the useful life of the project.

p) Operating Leases

Operating leases and the leased assets are not recognised on the Company's statement of financial position. Payments made under operating leases are recognised as an expense in the profit and loss statement.

q) Employee Benefits

Provision is made for the Group's (including the parent's) obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

s) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

(i) Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(ii) Probability of Performance Shares

The value of performance shares issued is based on as assessment of the probability of the relevant performance conditions being met as at reporting date. The fair value is determined by reference to the share price of the most recent capital raising and the relevant probability.

t) New Accounting Standards and Interpretations

During the current year the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. The adoption of these standards has not materially impacted on the recognition, measurement and disclosure of transactions entered into during the year, nor has it had any material impact on the financial statements of the Company.

u) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and Interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. The Company has assessed the impact of these new standards and interpretations to be not material to the Company's financial statements.

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the company, together with an assessment of the potential impact of such pronouncements on the company when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

u) New Accounting Standards for Application in Future Periods (continued)

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The Company has assessed that the adoption of AASB 9 will not have a significant impact on its future financial statements, given the majority of the financial assets held by the Company are cash and cash equivalents.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards* – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: A*ccounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements.

Notes to the Financial Statements (continued)

1. Statement of Accounting Policies (continued)

u) New Accounting Standards for Application in Future Periods (continued)

Although the directors anticipate that the adoption of AASB 15 may have an impact on the company's future financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact. Had the new standard been adopted during the current reporting period, it would not have had a material effect on the presentation of the financial statements.

- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:
- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The adoption of AASB 16 will impact the company's financial statements, mainly due to the property lease for the premises of the Company which will be required to be recognised in the statement of financial position as described above. However it is not expected that the new standard will have a material effect on the net profit or loss of the Group.

Notes to the Financial Statements (continued)

2. Revenue from Ordinary Activities

	2018 $	2017 $
Other Revenue		
- Interest received	15,736	4,128
- Rebates received	1,586	943
- Gain on Disposal of Asset	-	341
- Other Income	7,872	-
- Grant funding income	824,981	145,640
Total Other Revenue	850,175	151,052

3. Loss from Ordinary Activities

The loss from ordinary activities before income tax includes the following specific expenses:

	2018 $	2017 $
Contractors Fees	156,850	108,903
Employee Benefits	1,478,323	1,074,962
Depreciation & Amortisation	500,785	80,039

4. Income Tax Expense

	2018 $	2017 $
a. The components of tax expense (income) comprise:		
– Current tax expense (income)	-	-
– Deferred tax expense (income) relating to the origination and reversal of temporary differences	-	-
– Adjustments for under/(over) provision of current income tax of previous years	-	-
	-	-

Notes to the Financial Statements (continued)

4. Income Tax Expense (continued)

	2018	**2017**
	$	**$**

b. The prima facie tax on loss from ordinary activities before income tax is reconciled to income tax expense as follows:

	2018 $	2017 $
Accounting profit/(loss) from operations before income tax	(2,558,781)	(2,579,905)
Income tax (benefit)/expense calculated at 27.5%	(703,665)	(709,474)
Add:		
Tax effect of:		
– Fines and penalties	221	62
– Entertainment	459	209
– Share based payments	7,939	22,656
– Movement in deferred taxes not recognised	892,544	26,689
– Deferred tax asset/(liability) not recognised on tax losses	(197,498)	659,858
	-	-

c. Aggregate amount of tax charged/(credited) directly to equity relating to items that are recognised in equity:

	2018 $	2017 $
– Current tax	-	-
– Deferred tax	-	-
	-	-

5. Auditor's Remuneration

	2018	**2017**
	$	**$**
Remuneration of the auditor of the parent entity is as follows:		
Auditing or reviewing the financial statements	30,762	26,353
	30,762	26,353

Notes to the Financial Statements (continued)

6. Cash and Cash Equivalents

	2018	2017
	$	$
Cash on hand	872	950
Cash at bank	757,481	920,536
	758,353	921,486

7. Trade and Other Receivables

	2018	2017
	$	$
Deposits Held	20,625	20,625
Trade Debtors	4,483	-
GST Receivable	-	22,524
	25,108	43,139

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

8. Property, Plant & Equipment

	2018	2017
	$	$
Furniture and Fittings:		
At cost	14,652	14,452
Accumulated Depreciation	(3,036)	(1,036)
	11,616	13,416
Computer Assets:		
At cost	35,350	27,947
Accumulated Depreciation	(19,711)	(11,461)
	15,639	16,486
Office Equipment:		
At cost	13,307	11,656
Accumulated Depreciation	(6,086)	(1,769)
	7,221	9,887

Notes to the Financial Statements (continued)

8. Property, Plant & Equipment (continued)

Plant and Equipment:		
At cost	1,503,547	1,329,905
Accumulated Depreciation	(640,372)	(161,373)
	863,175	1,168,532
Total Property, Plant and Equipment	897,651	1,208,321

Movements in carrying amounts

Furniture and Fittings:		
Balance at the beginning of the reporting period	13,416	429
Additions	200	13,970
Disposals – at written-down value	-	-
Depreciation expense	(2,000)	(983)
Balance at the end of the reporting period	11,616	13,416
Computer Assets:		
Balance at the beginning of the reporting period	16,486	10,067
Additions	7,403	12,794
Disposals – at written down value	-	-
Depreciation expense	(8,250)	(6,375)
Balance at the end of the reporting period	15,639	16,486
Office Equipment:		
Balance at the beginning of the reporting period	9,887	-
Additions	1,651	11,656
Disposals – at written down value	-	-
Depreciation expense	(4,317)	(1,769)
Balance at the end of the reporting period	7,221	9,887
Plant and equipment:		
Balance at the beginning of the reporting period	1,168,532	499,617
Additions	173,645	735,836
Disposals – at written-down value	-	(1,159)
Depreciation expense	(479,002)	(65,762)
Balance at the end of the reporting period	863,175	1,168,532

Notes to the Financial Statements (continued)

9. Intangible Assets

	2018 $	2017 $
Patents	155,819	103,021
Less: Accumulated amortisation	(14,805)	(7,590)
Net Carrying Amount	141,014	95,431
Total Intangible Assets	141,014	95,431

10. Interests in Subsidiaries

CleanSubSea Ltd is the legal Australian parent entity. The legal subsidiaries are as follows:

Name of Subsidiary	Country of Incorporation	% Equity Interest		Investment ($)	
		2018	2017	2018	2017
CleanSubSea Operations Pty Ltd (formerly GRD-Franmarine Operations Pty Ltd)	Australia	100	100	114,122	114,122

11. Trade and Other Payables

	2018 $	2017 $
Unsecured liabilities:		
Trade Creditors	189,612	340,730
GST Payable	12,321	-
Insurance Premium Funding	51,474	50,838
Superannuation Payable	24,139	39,811
Payroll Accruals	7,686	5,124
Accrued Expenses	125,402	31,932
Credit Card	15,214	23,333
	425,848	491,768

The average credit period on trade and other payables (excluding GST payable) is 30 days from end of the month. No interest is payable on outstanding payables during this period, except for insurance premium funding which incurs interest at 3.7%.

Notes to the Financial Statements (continued)

12. Provisions

	2018	2017
	$	$
Employee benefits	77,419	73,606
Total Provisions	77,419	73,606

Provision for employee benefits represents amounts accrued for annual leave.

The current portion of this provision includes the total amount accrued for annual leave entitlements. Based on past experience, it is not expected that the full amount of the annual leave balance classified as a current liability will be settled within the next 12 months. However, these amounts must be classified as current liabilities since there is no unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

13. Borrowings

	2018	2017
	$	$
Current liabilities:		
Chattel Mortgage	3,030	2,716
Total Current Borrowings	3,030	2,716
Non-Current liabilities:		
Chattel Mortgage	1,927	4,957
Total Non-Current Borrowings	1,927	4,957

The chattel mortgage borrowings are subject to an annual interest rate of 11%.

14. Equity

a) Ordinary Shares

	2018	2018	2017	2017
	$	Number of shares	$	Number of shares
Ordinary shares on issue	7,532,214	67,869,626	5,321,194	55,211,636

Notes to the Financial Statements (continued)

14. Equity (continued)

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up of the Company ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Movement in ordinary shares on issue	2018 $	2018 Number of shares	2017 $	2017 Number of shares
Balance at beginning of financial period	5,321,194	55,211,636	2,475,166	44,934,542
Capital raising	2,375,637	12,657,990	3,010,921	10,277,094
Share issue costs	(164,617)	-	(164,893)	-
Balance at end of financial period	7,532,214	67,869,626	5,321,194	55,211,636

b) Performance Shares

	2018 $	2018 Number of shares	2017 $	2017 Number of shares
Class A Performance Shares (i)	-	-	64,861	4,949,325
Class B Performance Shares (ii)	16,518	4,000,000	7,347	4,000,000
Class C Performance Shares (iii)	17,329	3,500,000	12,752	3,500,000
Class D Performance Shares (iv)	46,849	3,000,000	29,903	3,000,000
	80,696	10,500,000	114,863	15,449,325

(i) The Class A Performance Shares were convertible to ordinary shares upon the Company completing in-water copper based antifouling coating trials by 31 October 2015, receiving successful preliminary report test results by 31 January 2016 and approval for in-water hull cleaning of copper-based antifouling coating by 30 September 2016. All of the above performance conditions have been achieved and the Class A Performance Shares have been converted to ordinary shares during the year.

The conditions on B, C and D Class Performance shares were modified during the year, as approved by shareholders at the general meeting held on 15 November 2017.

(ii) The Class B Performance Shares are convertible to ordinary shares upon the Company achieving 4 Envirocarts in commercial operations, 3 binding licence agreements in place with registered industry operators and Envirocart revenue (including licence and royalty revenue) of $2,500,000, within 12 months of stock exchange listing.

(iii) The Class C Performance Shares are convertible to ordinary shares upon the Company achieving Envirocart revenue of $10,000,000 in any 12 month rolling period, within 24 months of stock exchange listing.

Notes to the Financial Statements (continued)

14. Equity (continued)

(iv) The Class D Performance Shares are convertible to ordinary shares upon the Company achieving an EBITDA of $4,500,000 in any 12 month rolling period within 36 months of stock exchange listing.

Terms and Conditions of Shares

Each performance share will convert into one fully paid ordinary share subject when the relevant performance conditions are achieved. If the performance conditions are not achieved, the total number of performance shares on issue for that holder will convert into one fully paid ordinary share. The performance shares do not hold any entitlement to voting rights, dividend rights, or rights to capital on winding up of the company.

15. Accumulated (Losses)

	2018	2017
	$	$
(Accumulated losses)/ retained profits at the beginning of the financial year	(3,695,206)	(1,115,301)
Net loss attributable to members of the company	(2,558,781)	(2,579,905)
Accumulated losses at the end of the financial year	(6,253,987)	(3,695,206)

16. Reconciliation Of Net Cash Flows From Operating Activities To Operating (Loss) After Tax

	2018	2017
	$	$
Loss (after income tax) for the year	(2,558,781)	(2,579,905)
Non-cash items included in profit or loss:		
Depreciation and amortisation expense	500,785	80,039
Share Based Payments	28,870	82,386
	529,655	162,425

Notes to the Financial Statements (continued)

16. Reconciliation Of Net Cash Flows From Operating Activities To Operating (Loss) After Tax (continued)

Net changes in working capital:		
(Increase)/decrease in trade and other receivables	7,309	(131,987)
(Increase)/decrease in prepayments	490	(20)
Increase/(decrease) in trade and other payables	(149,301)	92,340
Increase/(decrease) in provisions	3,813	50,699
Increase/(decrease) in accruals	93,470	(5,549)
Increase/(decrease) in premium funding	-	31,909
Grant Income applied against capital items	-	133,657
	(44,219)	139,141
Net cash provided by operating activities	(2,073,345)	(2,278,339)

17. Related Party Transactions

a) Directors:

The names of each person holding the position of director of the Company during the financial year are set out on page 1 of the Director's report.

b) Directors holding of shares and share options:

The interests of directors of the Company and their related entities in shares of the Company at year end 30 June 2018 are as follows:

Director	Ordinary Shares	Performance Shares
Rory Anderson	2,356,542	4,500,000
Ian Campbell	872,619	-
Roger Dyhrberg	31,157,823	6,000,000
Ian Macliver	725,120	-

No directors have other rights or options over shares in the Company.

c) Transactions with Director related entities:

(i) The following expenses were paid during the year to Franmarine Underwater Services Pty Ltd, a company associated with Roger Dyhrberg:

(a) Contractor expenses of $153,470 (2017: $147,162)
(b) Research and development expenses of $260,664 (2017: $360,979)
(c) Rental expenses is nil (2017: $33,418)
(d) Reimbursable expenses of $13,028 (2017: $20,135)

Notes to the Financial Statements (continued)

17. Related Party Transactions (continued)

(ii) The following sales were made to Franmarine Underwater Services Pty Ltd, a company associated with Roger Dyhrberg:

(a) Lease of Envirocart of $43,841 (2017: nil)
(b) Envirocart Royalties of $32,195 (2017: nil)
(c) Hull clean is nil (2017: $33,847)
(d) Sale of plant and equipment is nil (2017: $1,500)

(iii) The following expenses were paid during the year to Grange Consulting Group Pty Ltd and Grange Capital Partners Pty Ltd, companies associated with Ian Macliver:

(a) Corporate advisory fees of $145,036 (2016: $88,653)
(b) Company secretarial fees of $22,400 (2016: $25,420)
(c) Reimbursable expenses of $21,181.10 (2016: $1,308)

18. Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks.

The Company does not have any derivative instruments at 30 June 2018 and does not speculate in any financial instruments.

a) Financial Risks

The activities of the Company expose it primarily to the financial risks of interest rate risk, liquidity risk and credit risk. The Board of Directors is responsible for monitoring and managing the financial risks of the Company. The Managing Director monitors these risks by the review and analysis of monthly management accounts and other financial data, and advises the Board of Directors of any significant issues on a timely basis. Changes identified were communicated to the administration team via the Managing Director who implements the changes.

b) Interest Rate Risk

The Company is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The following table summarises interest rate risk for the Company, together with effective interest rates as at balance date.

Notes to the Financial Statements (continued)

18. Financial Risk Management (continued)

Company 30 June 2018	Floating Interest Rate ($)	Fixed Interest Rate Maturing: 1 Year or Less ($)	Fixed Interest Rate Maturing: 1 to 5 Years ($)	Non-Interest Bearing ($)	Total ($)	Average Interest Rate: Floating (%)	Average Interest Rate: Fixed (%)
Financial Assets							
Cash Assets	757,482	-	-	872	758,354	0.26%	-
Receivables (excludes prepayments)	-	-	-	25,108	25,108	-	-
Total Financial Assets	757,482	-	-	25,980	783,462		
Financial Liabilities							
Payables (excludes Accruals)	-	66,688	-	233,758	300,446	-	3.7%
Borrowings	-	3,030	1,927	-	4,957	-	10%
Total Financial Liabilities	-	69,718	1,927	233,758	305,403		

Company 30 June 2017	Floating Interest Rate ($)	Fixed Interest Rate Maturing: 1 Year or Less ($)	Fixed Interest Rate Maturing: 1 to 5 Years ($)	Non-Interest Bearing ($)	Total ($)	Average Interest Rate: Floating (%)	Average Interest Rate: Fixed (%)
Financial Assets							
Cash Assets	920,536	-	-	950	921,486	0.6%	-
Receivables (excludes prepayments)	-	-	-	43,148	43,148	-	-
Total Financial Assets	920,536	-	-	44,098	964,634		
Financial Liabilities							
Payables (excludes Accruals)	-	50,837	-	408,998	459,836	-	4.2%
Borrowings	-	2,716	4,957	-	7,673	-	10%
Total Financial Liabilities	-	53,553	4,957	408,998	467,509		

To demonstrate the Company’s sensitivity to changes in interest rates, a movement in rates of plus/ minus 1% during the year would have increased/decreased interest income by $6,858 (2017: $8,322).

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Board of Directors manage liquidity risk by monitoring forecast cash flows on a regular basis and ensuring that either adequate cash reserves are maintained or that funds can be accessed via loan facilities.

Notes to the Financial Statements (continued)

18. Financial Risk Management (continued)

The following table details the expected contractual maturity for its non-derivative financial liabilities.

2018	Total	1 year or less	1 – 5 years	5+ years
Financial liabilities due				
Trade and other payables	425,848	425,848	-	-
Provisions	77,419	77,419	-	-
Borrowings	4,957	3,030	1,927	-
Total expected outflows	508,224	506,297	1,927	-
Financial assets realisable				
Cash and cash equivalents	758,354	758,354	-	-
Total anticipated inflows	758,354	758,354	-	-
Net inflow	250,130	252,057	(1,927)	

2017	Total	1 year or less	1 – 5 years	5+ years
Financial liabilities due				
Trade and other payables	491,767	491,767	-	-
Provisions	73,606	73,606	-	-
Borrowings	7,673	2,716	4,957	-
Total expected outflows	573,046	568,089	4,957	-
Financial assets realisable				
Cash and cash equivalents	921,486	921,486	-	-
Total anticipated inflows	921,486	921,486	-	-
Net inflow	348,440	353,397	(4,957)	

d) Credit Risk Exposure

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has minor exposure to credit risk through is sundry receivables. The company's exposure to on balance sheet credit risk is indicated by the carrying amounts of those assets, as disclosed in the balance sheet.

All credit risks are located in Australia and the Company does not have any material credit risk exposure to any single receivable or group of receivables.

Notes to the Financial Statements (continued)

18. Financial Risk Management (continued)

The directors managed credit risk by regular monitoring of receivables and establishing allowances for impairment when it was expected that any receivables would be uncollectable.

All cash and cash equivalents are held with large reputable financial institutions within Australian and therefore credit risk is considered minimal.

	2018	2017
	$	$
Cash and cash equivalents:		
AA rated	758,354	921,486

e) Price Risk

The Company is not exposed to any material price risks associated with financial instruments.

f) Net Fair Values

The carrying amounts of financial assets and financial liabilities recorded in the financial statements represent their respective net fair values, determined in accordance with the accounting policies described in Note 1.

19. Remuneration of Directors and Key Management Personnel

Key Management Personnel

The key management personnel during the year ended 30 June 2018 includes the Directors and the Chief Executive Officer, Robert George.

Key Management Personnel Remuneration

	2018	2017
	$	$
Salary and Directors Fees	658,300	629,433
Short-term employee benefits	21,653	21,512
Post-employment benefits	86,453	98,121
Other long-term benefits	-	-
Termination benefits	-	-
Share Based Payments	28,870	82,386
	795,276	831,452

Notes to the Financial Statements (continued)

20. Share Based Payments

During the 2016 financial year, Class A, B, C and D Performance Shares were granted under the share sale agreement with CleanSubSea Operations Pty Ltd entered into on 1 April 2016. The Performance Shares hold no voting or dividend rights and are not transferrable.

Details of Performance Shares granted as remuneration and expensed as share based payments during the year are as follows:

	2018 $	2018 Number of shares	2017 $	2017 Number of shares
Class A Performance Shares	(1,824)	-	37,763	-
Class B Performance Shares	9,171	-	6,557	-
Class C Performance Shares	4,577	-	11,380	-
Class D Performance Shares	16,946	-	26,686	-
	28,870	-	82,386	-

Refer to Note 14 for details of the performance conditions attaching to each class of Performance Shares.

The value of the performance shares has been determined based on the value of each share on issue by the Company following the reverse acquisition and reduced according to the probability of the relevant performance conditions being achieved. The value of the performance shares has been expensed as a share based payment over the period in which the performance conditions are anticipated to be achieved.

21. Events Subsequent To Reporting Period

The following events have arisen since 30 June 2018:

a) Director Ian Campbell tendered his resignation as director on 13 July 2018. Captain Walter Purio was appointed to the Board on 13 July 2018.
b) Robert George tendered his resignation as Chief Executive Officer of the Company on 9 July 2018.
c) Shannon Coates of Evolution Corporate was appointed as Company Secretary on 3 July 2018.
d) CleanSubSea Ltd has appointed a new corporate adviser, Geoff Pocock of Polaris Consulting.

Apart from the above, no matters or events have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

22. Contingent Liabilities

There are no other contingent liabilities as at the date of this report.

Notes to the Financial Statements (continued)

23. Segment Reporting

The entity operates predominantly in one business and geographical segment.