OCEAN GUARDIAN

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ANNUAL REPORT
30 JUNE 2020

OCEAN GUARDIAN HOLDINGS LIMITED

ABN 76 089 951 066
FACTORY 1, 6A PROSPERITY PARADE
WARRIEWOOD NSW 2102

Contents

Directors' Report

The Directors of Ocean Guardian Holdings Limited (Ocean Guardian) present their report together with the financial statements of the Consolidated Entity, being Ocean Guardian Holdings Limited (the Company) and its controlled entities (the Group) for the year ended 30 June 2020 and the Independent Audit Report thereon.

Directors

The following persons were Directors of Ocean Guardian during or since the end of the financial year:

Alan J Broome AM
Chairman and Independent Non-Executive Director
Director since 2015

Alan is a professional chairman, director and business advisor with over 40 years' experience in building both small and large enterprises, primarily technology and mining related. In 2000, he was awarded the Order of Australia (AM) for services to mining. Alan was a long-standing Chairman of Ocean & Earth, one of the world's largest surf hardware companies; thus, he brings a wealth of knowledge to Ocean Guardian in developing and launching new products in aquatic sports.

Lindsay Lyon
Managing Director and Chief Executive Officer
Director since 2012

Lindsay has a successful track record in the creation and growth of both private and public companies. His corporate experience includes senior executive of a multi-national, CEO of an ASX listed company and the launch of globally focused start-up ventures that involved capital raisings, IPO's, M&A and management of a P&L while delivering customer satisfaction and shareholder value with no compromise on quality or safety standards. Lindsay's focus is on innovation, business strategy, global business development, channels, branding strategies, partnering, and strong teamwork.

Amanda Wilson
Executive Director and US General Manager
Director since 2012

Amanda has over 12 years of experience in worldwide product marketing and sales management. Amanda has held various positions in marketing, product management and engineering with Emerson Process Management located in Minnesota USA, and Mobilarm, Australia. Amanda holds a bachelor's degree in Mechanical Engineering from Iowa State University and an MBA from the University of St. Thomas.

Company Secretary

Hugh Ealey was appointed as secretary of Ocean Guardian and Shark Shield Pty Ltd on 19 July 2016 and is the Chief Financial Officer. Hugh is a chartered accountant with experience gained at PWC and in various listed and unlisted companies.

Principal activities

During the year, the principal activities within the Group were:

- manufacture, sale and marketing of electrical shark deterrent devices
- innovation, design and development of new electrical shark deterrent products

There have been no significant changes in the nature of these activities during the year.

Dividends – Ocean Guardian Holdings Limited

There were no dividends paid or declared during the year.

Review of operations

During the financial year the Company successfully completed the development of and launched a new range of products for the boating, fishing, and spearfishing segments:

- BOAT01: creates a protective swimming area around a vessel or pontoon
- FISH01: protects your catch from "shark tax" in ocean sport fishing
- eSPEAR: volume consumer hand-held device for divers, spear fishers and snorkellers

The first manufacturing order of the BOAT01 and FISH01 products were sold out and contributed to a strong start to the year with first half sales of $1,068,541 growing 23% on the FY19 first half sales of $871,437 however a lack or capital restricted ability to maintain supply against the strong demand.

The Company was progressing towards profitability when the COVID-19 global pandemic struck and disrupted the Company's manufacturing supply chain in China. Supply chain issues resulted in approximately five months of the second half of the year without our key SKU's.

The first batch of eSPEAR arrived in Q3 and were delivered to pre-order customers who had paid in advance. However as noted above manufacturing and shipment of the Company's core DIVE and SURF products has been held up. The Company's manufacturing partner has been very supportive in agreeing to extended payment terms but with the Company's trade finance facility has been fully drawn, the Company has been unable to secure stock shipments to deliver the orders it is holding.

The Company received government COVID-19 support including Cash Boost, JobKeeper and a new ATO payment arrangement. However, the lack of stock and marketing budget to properly promote the new products meant that sales in the 2nd half of the year were 32% lower than the same period last year.

FY20 finished with total sales growth of 1% and a net loss of $540,288 which was a $34,839 improvement on the FY19 loss of $575,127.

Significant changes in the state of affairs

Discussions have been ongoing with prospective investors and a further $100,000 in convertible notes was raised during the year. The convertible notes together with other short term loans and ongoing support from the Company's banker enabled the Group to complete development of the new products.

On 20 September 2019, the Company engaged an investment and corporate advisory firm to assist with a capital raise, trade sale or IPO. The proposals presented by that firm were unacceptable to the Company and the engagement was terminated.

On 23 December 2019, the Company signed a non-binding term sheet with a global marine safety group proposing a script for script transaction that values the Ocean Guardian equity at $4,000,000 and provides for a $1,500,000 cash injection to reduce balance sheet liabilities nominated by the Ocean Guardian Directors.

The marine safety group is undertaking a restructure and is not yet in a position to enter into an agreement however on 9 January 2020 did provided a working capital contribution of $188,990 as an advance towards a successful completion of a transaction.

On 27 December 2019, the Company also sought interest from shareholders in a private placement intended to raise approximately $2.6 million in order to reduce debt and provide working capital to finance the sales, marketing and inventory for the existing surf and dive product lines and new boating and fishing products as well as an initial investment in a new beach / resort product. There was no interest received from any shareholder, so the Company is pursuing the M&A transaction described above.

Events since the end of the financial year

No matter or circumstance has arisen since 30 June 2020 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

Likely developments in the operations of the group that were not finalised at the date of this report include the merger with the marine safety group described above and developing a beach barrier solution ready to market.

Directors' meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director is as follows:

Board Member	Entitled to attend	Attended
Alan Broome	4	4
Lindsay Lyon	4	4
Amanda Wilson	4	4

Shares under option

There were no unissued shares under option at the date of this report.

Environmental legislation

Ocean Guardian's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Indemnities given to and insurance premiums paid for officers

During the year, Ocean Guardian paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Group against a liability incurred as such by an officer.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

Auditors Independence Declaration

A copy of the Auditor's Independence Declaration as required under s.307C of the Corporations Act 2001 is included in page 8 of this financial report and forms part of this Director's Report.

This report is made in accordance with a resolution of Directors.

Lindsay Lyon	Alan Broome AM	Sydney
Managing Director	Chairman	4 September 2020

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AUDIT PTY LTD

Auditor's Independence Declaration

To those charged with governance of Ocean Guardian Holdings Limited

As auditor for the audit of Ocean Guardian Holdings Limited (“the Group”) for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

i. no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

Perth
4th September 2020

T +61 8 6324 2900
F +61 8 6555 9555
E info@eldertongroup.com
W www.eldertongroup.com
A Level 2, 267 St Georges Terrace, Perth WA 6000
P PO Box 983 West Perth WA 6872

OCEAN GUARDIAN

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	2020 $	2019 $
Revenue from continuing operations			
Sale of goods	4	1,458,213	1,441,030
Cost of goods sold including freight costs		(924,946)	(872,366)
Gross profit		**533,267**	**568,664**
Other income	4	184,637	178,651
Operating expenses			
Staff and consultants		(568,682)	(612,070)
Marketing and selling costs		(237,234)	(279,925)
Premises		(6,750)	(42,196)
Administration		(252,162)	(222,397)
Foreign currency losses		(8,070)	(42,164)
Loss before interest, tax, depreciation, amortisation		**(354,994)**	**(451,437)**
Depreciation and amortisation	11,12	(70,901)	(22,537)
Loss before interest and tax		**(425,895)**	**(473,974)**
Interest and finance costs	5	(114,393)	(101,353)
Loss before income tax		**(540,288)**	**(575,327)**
Income tax expense	6	-	-
Loss for the year		**(540,288)**	**(575,327)**
Other comprehensive income		-	-
Total comprehensive loss attributable to members of the entity		**(540,288)**	**(575,327)**

These financial statements must be read in conjunction with accompanying notes.

OCEAN GUARDIAN

Consolidated Statement of Financial Position

As of 30 June 2020

	Note	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	7	53,555	16,431
Trade and other receivables	8	46,581	93,901
Inventories	9	122,726	242,249
Other current assets	10	131,901	34,391
Total current assets		354,763	386,972
Non-current assets			
Property, plant and equipment	11	264,392	138,129
Intangible assets	12	1,150,654	1,056,622
Total non-current assets		1,415,046	1,194,751
TOTAL ASSETS		1,769,809	1,581,723
LIABILITIES			
Current liabilities			
Trade and other payables	13	1,037,368	738,009
Borrowings	14	1,105,657	791,901
Provisions	15	59,982	52,092
Other current liabilities	16	26,878	55,434
Total current liabilities		2,229,885	1,637,436
Non-current liabilities			
Borrowings	14	361,037	231,112
Provisions	15	35,400	29,400
Total non-current liabilities		396,437	260,512
TOTAL LIABILITIES		2,626,322	1,897,948
NET LIABILITIES		(856,513)	(316,225)
EQUITY			
Issued capital	17	11,375,359	11,375,359
Accumulated losses		(12,231,872)	(11,691,584)
TOTAL EQUITY		(856,513)	(316,225)

These financial statements must be read in conjunction with accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

Prior Year	Issued Capital	Reserves	Accumulated Losses	Total
Balance as at 1 July 2018	**10,093,049**	**-**	**(11,116,257)**	**(1,023,208)**
Loss for the period	-	-	(575,327)	(575,327)
Total other comprehensive income	-	-	-	-
Total loss for the period	**-**	**-**	**(575,327)**	**(575,327)**
Transaction with owners, directly recorded in equity				
Issue of ordinary shares	1,282,310	-	-	1,282,310
Issue of share capital under share based payment	-	-	-	-
Total transactions with owners	**1,282,310**	**-**	**-**	**1,282,310**
Balance at 30 June 2019	**11,375,359**	**-**	**(11,691,584)**	**(316,225)**

Current Year	Issued Capital	Reserves	Accumulated Losses	Total
Balance as at 1 July 2019	**11,375,359**	**-**	**(11,691,584)**	**(316,225)**
Loss for the period	-	-	(540,288)	(540,288)
Total other comprehensive income	-	-	-	-
Total loss for the period	**-**	**-**	**(540,288)**	**(540,288)**
Transaction with owners, directly recorded in equity				
Issue of ordinary shares	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**
Balance at 30 June 2020	**11,375,359**	**-**	**(12,231,872)**	**(856,513)**

These financial statements must be read in conjunction with accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,612,801	1,650,699
Payments to suppliers and employees (inclusive of GST)		(1,712,568)	(2,118,780)
Government grants and other income		98,798	158,651
Interest paid		(114,393)	(60,191)
Net cash outflow from operating activities	19	(115,362)	(369,621)
Cash flows from investing activities			
Payments for property plant and equipment		(71,192)	(55,324)
Payment for development costs, patents, trademarks		(97,632)	(96,255)
Net cash outflow from investing activities		(168,824)	(151,579)
Cash flows from financing activities			
Proceeds from issues of shares		-	70,000
Lease liability payments		(31,842)	-
Proceeds from convertible notes		100,000	150,000
Net proceeds / (repayment) of borrowings – third parties		(125,934)	238,081
Net cash inflow / (outflow) from financing activities		(57,776)	458,081
Net decrease in cash		(341,962)	(63,119)
Cash at the beginning of the financial year		(181,022)	(117,903)
Cash and cash equivalents at end of year	7	(522,984)	(181,022)

These financial statements must be read in conjunction with accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

NOTE 1. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Ocean Guardian Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

Ocean Guardian Holdings Limited is the Group's Ultimate Parent Company and is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Unit 1, 6A Prosperity Parade, Warriewood NSW 2102 Australia.

Ocean Guardian Holdings Limited and subsidiaries' (the Group) principal activities include:

- manufacture, sale and marketing of the Shark Shield shark deterrent devices
- design and development of new shark deterrent products

The consolidated financial statements for the year ended 30 June 2020 were approved and authorised for issue by the Board of Directors on 4 September 2020.

NOTE 2. NEW AND REVISED STANDARDS

ACCOUNTING STANDARDS ISSUED AND ADOPTED BY THE COMPANY

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and is applicable to annual reporting periods beginning on or after 1 January 2019.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

The Group first applied AASB 16 in the financial year ended 30 June 2020 in respect of the Unit 1, 6A Prosperity Parade, Warriewood premises lease that commenced on 1 July 2019. The tables below show the amount of adjustment for each financial statement line item affected by the application of AASB 16 for the current and prior years

	2020 $	2019 $
Impact on profit/(loss) for the year		
Increase in depreciation of right-of-use asset	40,790	-
Increase in finance costs	6,492	-
Decrease in premises expenses	(38,333)	-
Increase in the loss for the year	**8,949**	**-**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

	2020 $	2019 $
Impact on assets, liabilities and equity as at 1 Jul 2019		
Right-of-use asset	122,371	-
Lease liabilities	122,371	-
Net impact on net assets / (liabilities)	-	-
Accumulated losses	-	-

NOTE 3. SUMMARY OF ACCOUNTING POLICIES

(a) Overall Considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

(b) Basis of Preparation – GOING CONCERN

The Group incurred a net loss after tax for the year ended 30 June 2020 of $540,288 and a net cash outflow from operating and investing activities of $115,362 and $168,824 respectively. Net assets of the Company as at 30 June 2020 were a deficiency of $856,513.

On 23 December 2019, the Company signed a non-binding term sheet with a global marine safety group proposing a merger & acquisition transaction that provides for a $1,500,000 cash injection to reduce balance sheet liabilities nominated by the Ocean Guardian Directors.

The Company's ability to continue as a going concern and pay its debts as and when they fall due is dependent on the Company completing this corporate transaction in a timely manner or raising additional financing via any means available to it in order to fund the Company's ongoing activities

The Directors have reviewed the business outlook and the cash flow forecasts after taking into account the above matters and are of the opinion that the use of the going concern basis of accounting is appropriate as the Directors believe that the Company will achieve the corporate transaction set out above and be able to pay its debts as and when they fall due.

Should the Company be unable to raise capital as required to fund the Company's ongoing operating activities there would be conditions that may cause significant doubt on the Company's ability to continue as a going concern.

The accounts do not include any adjustments to the classification nor carrying value of recorded assets and liabilities. The financial statements are therefore prepared on the assumption that the Company is a going concern and will continue its operations for the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

(c) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2020. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

(d) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian Dollars ($AUD), which is also the functional currency of the Parent Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group Entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the $AUD are translated into $AUD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

On consolidation, assets and liabilities have been translated into Australian-Dollars ($AUD) at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into $AUD at the closing rate. Income and expenses have been translated into $AUD at the average rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

(e) Revenue

Revenue arises from the sale of goods. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

Revenue from the sale of goods is generally recognised at the point of delivery as this corresponds to the transfer of control of the goods and the cessation of all involvement in those goods.

Grants from the government are recognised at their fair value when received or when there is reasonable assurance that the grant will be received.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

All revenue is stated net of the amount of Goods and Services Tax (GST).

(f) Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

(g) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Ocean Guardian Holdings Limited and its wholly-owned Australian controlled entity, Shark Shield Pty Ltd, have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg the Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as other income.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Trade and Other Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

(k) Property, Plant and Equipment

Property, plant and equipment are carried at cost, independent or Directors' valuation. All assets, excluding freehold land and buildings, are depreciated over their useful lives to the Company. Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the assets charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted in determining recoverable amounts.

(l) Intangibles and Impairment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Patents and trademarks

Patents and trademarks are recognised as intangible assets at cost of acquisition and are considered to have an indefinite useful life. The costs of renewing patents and trademarks are expensed as incurred.

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and are tested annually for impairment if events or changes in circumstances indicate that they might be impaired.

(m) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(n) Employee Benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include salaries and wages, non-monetary benefits and accumulating annual leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The Group's liabilities for long service leave are included in other long-term benefits as they are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

(o) Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions) except where the Group is unable to estimate reliably the fair value of the equity instruments granted at the measurement date in which case the intrinsic value method is applied.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

(p) Provisions

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

(p) Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. 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 in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

(r) Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. In 2020, the Group recognised an impairment loss on licences.

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain equipment.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Global pandemic (COVID-19)

Management reviews the supply chain and the contracts with customers for the sale of goods to determine the impact on revenue.

	2020	2019
	$	$
NOTE 4. REVENUE		
Revenue from operating activities		
Sales of goods	1,458,213	1,441,030
Other income		
R&D Tax Incentive	69,628	158,651
Other government grants	84,682	-
Other	30,327	20,000
Other income	184,637	178,651
Interest	-	-
Group revenue	**1,642,850**	**1,619,681**

NOTE 5. FINANCE INCOME AND FINANCE COSTS

	2020	2019
Interest income	-	-
Interest expense		
Banks	55,849	45,424
Convertible Notes	25,742	35,943
Other	32,802	19,986
	114,393	**101,353**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

	2020 $	2019 $

NOTE 6. INCOME TAX

(a) Income tax expense

The income tax for the financial year differs from the amount calculated on the profit / (loss). The differences are reconciled as follows:

	2020 $	2019 $
Profit / (loss) before income tax	(541,546)	(575,327)
Income tax calculated @ 27.5% (2020 – 27.5%)	(148,925)	(158,215)
Tax losses not booked	148,925	158,215
Income tax attributable to operating profit / (loss)	-	-

(b) Tax losses

	2020 $	2019 $
Unused tax losses for which no deferred tax asset has been recognised	10,214,710	9,673,164
Potential tax benefit @ 27.5% (2019 – 27.5%)	**2,809,045**	**2,660,120**

NOTE 7. CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash at bank		
• Australian Dollar ($AUD)	38,894	10,324
• United States Dollar ($USD)	14,661	6,107
Cash and cash equivalents	**53,555**	**16,431**

Reconciliation to cash flow statement

	2020 $	2019 $
Cash and cash equivalents (above)	53,555	16,431
Bank overdraft (Note 14)	(576,539)	(197,453)
Balances per statement of cash flows	**(522,984)**	**(181,022)**

NOTE 8. TRADE AND OTHER RECEIVABLES - Current

	2020 $	2019 $
Trade receivables	24,035	86,278
Allowance for credit losses	(5,000)	(5,000)
	19,035	81,278
Other debtors	27,546	12,623
	46,581	**93,901**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of $5,000 (2019: $5,000) has been recorded accordingly within other expenses. The impaired trade receivables are mostly due from customers in the business-to-business market that are experiencing financial difficulties.

	2020 $	2019 $
Reconciliation of allowance for credit losses		
Balance 1 July	5,000	5,000
Amounts written off (uncollectible)	-	(6,667)
Impairment loss	-	6,667
Balance 30 June	**5,000**	**5,000**

An analysis of unimpaired trade receivables that are past due is given in Note 24(e).

The carrying amount of receivables whose terms have been renegotiated, that would otherwise be past due or impaired is $Nil (2019: $Nil).

NOTE 9. INVENTORIES

Stock in transit	-	-
Finished goods	122,726	242,249
	122,726	**242,249**
Inventories included in profit & loss as an expense:		
Cost of goods sold	690,169	736,531
Advertising & promotions	26,895	18,504
	717,064	**755,035**

NOTE 10. OTHER ASSETS - Current

Deposits invoiced for inventory orders	130,989	22,632
Prepayments	912	11,759
Non-financial assets	**131,901**	**34,391**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

	2020 $	2019 $
Furniture and fittings, at cost	5,134	4,864
Less: Accumulated depreciation	(3,136)	(2,264)
	1,998	2,600
Office equipment, at cost	14,735	14,542
Less: Accumulated depreciation	(13,516)	(10,189)
	1,219	4,353
Plant & equipment, at cost	236,791	166,062
Less: Accumulated depreciation	(57,197)	(34,886)
	179,594	131,176
Right-of-use asset - premises	122,371	-
Less: Accumulated depreciation	(40,790)	-
	81,581	-
Total carrying amount	**264,392**	**138,129**

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	1 July 2019	Additions	Disposals	Depreciation	30 June 2020
Furniture and fittings	2,600	270	-	(872)	1,998
Office equipment	4,353	193	-	(3,327)	1,219
Plant & equipment	131,176	70,730	-	(22,312)	179,594
Right-of-use asset	-	122,371	-	(40,790)	81,581
Total	**138,129**	**193,564**	**-**	**(67,301)**	**264,392**

NOTE 12. INTANGIBLES

	2020 $	2019 $
Licences, patents, trademarks	162,538	174,433
Product development		
FREEDOM+Surf	615,285	615,285
Long range boat and beach	237,155	171,358
Hand-held dive eSpear	95,160	68,394
Other	40,516	27,152
Sub-total product development	988,116	882,189
Total carrying amount	**1,150,654**	**1,056,622**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

Reconciliation of the carrying amounts of each class of intangible at the beginning and end of the current financial year are set out below.

	1 July 2019	Additions	Impairment	Amortisation	30 June 2020
Patents	99,228	-	(12,369)	-	86,859
Trademarks	75,205	474	-	-	75,679
Product development	882,189	105,927	-	-	988,116
Total	**1,056,622**	**106,401**	**(12,369)**	**-**	**1,150,654**

The directors have determined that the product development intangible assets carrying values do not exceed their recoverable amounts and therefore there is no impairment loss that needs to be recognised in the accounts at 30 June 2020. The products are at the introduction stage of their life cycle and the directors intend to commence amortisation once the products reach the growth stage.

	2020	**2019**
	$	**$**

NOTE 13. TRADE AND OTHER PAYABLES

Accounts payable	590,625	266,663
Sundry creditors and accrued expenses	446,743	471,346
	1,037,368	**738,009**

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

NOTE 14. BORROWINGS

Borrowing include the following financial liabilities:

Secured (current):		
Bank overdraft (a)	576,539	197,453
Trade finance bills of exchange (a)	123,078	382,823
Business loan (a)	21,000	21,000
Lease liability	43,237	-
Total secured borrowings	763,854	601,276
Unsecured (current):		
Loans from related parties	79,622	70,000
M&A advance from the marine safety group (£100,000) (c)	188,990	-
Other loans	73,191	120,625
Total unsecured borrowings	341,803	190,625
Total current borrowings	**1,105,657**	**791,901**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

	2020 $	2019 $
Secured (non-current)		
Business loan (a)	3,245	20,612
Lease liability	47,292	-
Total secured borrowings	50,537	20,612
Unsecured (non-current)		
Convertible notes (b)	250,000	150,000
Loans from related parties	60,500	60,500
Total unsecured borrowings	310,500	210,500
Total non-current borrowings	**361,037**	**231,112**

All borrowings are denominated in Australian Dollars ($AUD) except for the £100,000 received from the marine safety group as an advance against the proposed merger/acquisition.

(a) Bank borrowings

The Company has a finance facility with the Commonwealth Bank of Australia that includes a trade finance facility of $700,000 (including overdraft) and a business loan of $80,000 repayable over 5 years. The facility is secured by way of: a first ranking charge over all present and after acquired property of the Company and its Australian subsidiary and personal guarantees from Lindsay Lyon and Amanda Wilson.

(b) Convertible notes

The Company issued 30 convertible notes for $5,000 each in April 2019 at 12% interest per annum and 20 convertible notes for $5,000 each in November 2019 at 12% interest per annum . The notes are convertible into ordinary shares of the Company, at the option of the note holder or the Company under certain circumstances, or redeemable by the Company anytime up to and including the maturity date or repayable on the maturity date which is 24 months from the date of the agreement entered into with a particular note holder. The conversion rate differs depending on the type of conversion event.

(c) Advance from the marine safety group

On 23 December 2019, the Company signed a non-binding term sheet with a global marine safety group proposing a merger & acquisition transaction that provides for a $1,500,000 cash injection to reduce balance sheet liabilities nominated by the Ocean Guardian Directors.

On 10 January 2020, the marine safety group provided $188,990 (£100,000) as an advance against the $1,500,000 cash injection. Interest is being accrued @ 1% per annum and the loan is repayable on or before 4 January 2021 subject to the completion of the M&A transaction.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

	2020 $	2019 $
NOTE 15. PROVISIONS		
Employee entitlements (current)	**59,982**	**52,092**
Annual leave	17,000	17,000
Long service leave	18,400	12,400
Employee entitlements (non-current)	**35,400**	**29,400**

NOTE 16. OTHER LIABILITIES - Current

	2020 $	2019 $
Unearned revenue		
Back orders	26,878	8,275
Payments received in advance for the new product orders	-	47,159
	26,878	**55,434**

NOTE 17. ISSUED CAPITAL

The share capital of Ocean Guardian Holdings Limited consists only of fully paid ordinary shares; the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Ocean Guardian Holdings Limited.

Share capital	2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares	53,478,814	53,478,814	11,375,359	11,375,359

Movements in ordinary share capital	Number of shares	$
Opening balance 1 July 2019	53,478,814	11,375,359
New share issues	-	-
Balance at 30 June 2020	**53,478,814**	**11,375,359**

NOTE 18. INTERESTS IN SUBSIDIARIES

Name of subsidiary:	Shark Shield Pty Ltd
Country of incorporation and principle place of business:	Australia
Principle activity:	Manufacture, sale and marketing of the Shark Shield shark deterrent devices.

Proportion of ownership interests held by the Group at 30 June: 100% (2019: 100%)

OCEAN GUARDIAN

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

	2020 $	2019 $

NOTE 19. CASH FLOW INFORMATION

Reconciliation of profit after income tax to net cash inflow from operating activities

	2020 $	2019 $
Profit / (loss) after income tax	(540,288)	(575,327)
Non-cash flows in profit		
Depreciation and amortisation	70,901	22,537
Convertible notes interest capitalised and converted to shares	-	32,310
Change in operating assets and liabilities		
(Increase)/decrease in trade debtors	62,243	39,844
(Increase)/decrease in inventories	119,523	175,457
(Increase)/decrease in other operating assets	(112,433)	187,503
Increase/(decrease) in trade creditors	323,962	(266,471)
Increase/(decrease) in other operating liabilities	(53,160)	2,210
Increase in other provisions	13,890	12,316
Net cash inflow (outflow) from operating activities	**(115,362)**	**(369,621)**

NOTE 20. AUDITOR REMUNERATION

	2020 $	2019 $
Audit and review of financial statements		
Half year 31 December 2019	7,500	-
Current financial year	22,000	22,000
Remuneration from audit and review of financial statements	29,500	22,000
Other services		
Tax return and R&D tax incentive claim	9,450	8,775
Total auditor's remuneration	**38,950**	**30,775**

NOTE 21. RELATED PARTY TRANSACTIONS

The Group's related parties include its key management and others as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

	2020 $	2019 $
Key management personnel remuneration includes the following expenses:		
Executives		
Lindsay Lyon, CEO	232,058	239,250
Amanda Wilson, Executive Director	95,806	98,279
Non-executives		
Alan Broome, Chairman	30,000	40,000
James Wakim, Non-Executive Director	-	14,583
	357,864	**392,112**
Relatives of Directors employed/contracted in sales & marketing roles	-	1,923

Details of the CEO's remuneration expensed in the accounts for the year is follows:

Salary, super, consultancy	220,000	220,000
Annual leave cashed out	-	3,864
Provision for annual leave	8,458	11,786
Provision for long service leave	3,600	3,600
Total	**232,058**	**239,250**

The CEO's employment contract includes the following incentives:

Short Term Incentive

40% of Fixed Remuneration based on the achievement of the KPIs set by the Board of Directors if and when determined by the Board.

Long Term Incentive

The CEO's employment contract contains a Long Term Incentive that provided for the issue of 6,210,000 Performance Shares on completion of the ASX listing that was in progress at the time of negotiating the employment contract. Since the Company decided not to proceed with the ASX listing, the CEO's employment contract was amended to issue Performance Rights with the same performance milestones, without the requirement of an ASX listing. Each Performance Right will vest into one Ordinary share based on the Company achieving the following performance milestones:

	Number
Class A: Revenue of at least $2,475,000 in financial year FY19 (Note 1)	2,070,000
Class B: A positive EBITDA in financial year FY20	2,070,000
Class C: A positive Earnings Per Share (EPS) in financial year FY21	2,070,000

At the date of this report, none of the performance milestones have been achieved. The Company has adopted the policy of applying intrinsic value method for booking the share based payments expense

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

and accordingly share based payment expense will be booked when these performance rights are exercised.

	2020 $	2019 $
Amanda Wilson, Executive Director, remuneration includes the following:		
Retainer	35,000	35,000
Commission on American sales	60,806	63,279
Total	95,806	98,279

Amounts owing to Directors or their director related entities (excluding provisions for leave):

			2020 $	2019 $
Lindsay Lyon:	Unpaid back-pay	(a)	281,580	281,580
Lyonpark Super Fund:	Short term loan	(b)	23,622	20,000
Coastal Roofing WA Pty Ltd:	Short term loan	(b)	56,000	50,000
Amanda Wilson:	Unpaid US sales commission	(a)	36,129	15,819
Alan Broome:	Unpaid Directors' fees	(a) & (c)	104,500	71,500
James Wakim:	Unpaid Directors' fees	(c)	19,250	19,250
			521,081	**458,149**

Represented by:

	2020 $	2019 $
(a) Trade and other payables- NOTE 13	381,319	327,649
(b) Unsecured borrowings (current) – NOTE 14	79,262	70,000
(c) Unsecured borrowings (non-current) – NOTE 14	60,500	60,500
	521,081	**458,149**

The amounts owing to Directors are not subject to interest except for the $79,622 in short term loans on which interest is being calculated daily @ 12% and is payable on repayment of the loan 12 months from the date the loan was advanced.

NOTE 22. COMMITMENTS FOR EXPENDITURE

Operating leases as lessee

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2020 $	2019 $
Within 1 year	-	42,751
Later than 1 year but not later than 5 years	-	96,181
Commitments not recognised in the financial statements	**-**	**138,932**
Operating lease expense	-	37,509

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

NOTE 23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Company has no contingent assets.

A provision for future warranty claims has not been recorded in the accounts because the probability of future warranty claims is uncertain, and the amount cannot be reasonably estimated.

NOTE 24. FINANCIAL INSTRUMENT RISK

(a) Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

(b) Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

(c) Foreign currency sensitivity

Most of the Group's transactions are carried out in Australian Dollars ($AUD). Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US-Dollars ($USD).

To mitigate the Group's exposure to foreign currency risk, non-$AUD cash flows are monitored, and forward exchange contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within six months) from longer-term cash flows (due after six months).

Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward exchange contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated from $USD into $AUD at the closing rate:

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

	2020 $	2019 $
Cash and cash equivalents	14,661	6,107
Accounts receivable	19,670	46,584
Accounts payable	(422,704)	(136,878)
Net asset / (liability) exposure	**(388,373)**	**(84,187)**

The following table illustrates the sensitivity of profit and equity in regard to the Group's financial assets and financial liabilities and the $USD/$AUD exchange rate 'all other things being equal'. It assumes a +/- 5% change of the $AUD/$USD exchange rate for the year ended at 30 June 2020 which has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

Impact on profit / (loss) for the year:

$AUD had strengthened against the $USD by 5% (2019: 5%)	18,494	4,009
$AUD had weakened against the $USD by 5% (2019: 5%)	(20,441)	(4,431)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(d) Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 30 June 2020, the Group is exposed to changes in market interest rates on the bank overdraft. Other borrowings are at fixed interest rates. The exposure to variable interest rates on the Group's bank overdraft is considered immaterial.

(e) Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, investment in bonds etc.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

Trade receivables	24,035	86,278
Security bond	12,650	12,650
Other debtors	15,000	-
	51,685	**98,928**

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For the year ended 30 June 2020

The Group continuously monitors defaults of customers and other counterparties, identified either by individual or group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

Some of the unimpaired trade receivables are past due as at the reporting date. Information on financial assets past due but not impaired are as follows:

	2020	2019
	$	$
Not more than three months	21,599	85,794
More than three months but not more than six months	2,436	484
Total	**24,035**	**86,278**

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a wholesale, retail and direct customers in various geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(f) Liquidity risk analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period to fund inventory purchases.

The Group's objective is to maintain cash to meet its liquidity requirements for 30-day periods at a minimum. This objective was not met for the reporting periods which is why the company is raising capital.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2020

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables are insufficient for the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

As at 30 June 2020, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

30 June 2020	Within 6 months	6-12 months	1-5 years
Bank overdraft	-	376,539	200,000
Trade and other payables	251,100	504,688	281,580
Trade finance bills of exchange	123,078	-	-
Business loan	9,527	9,994	4,724
Other loans	14,205	218,668	188,990
Lease liability	21,304	21,934	-
Convertible notes	15,000	160,500	104,000
	434,214	**1,292,323**	**779,294**

NOTE 25. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity plus its convertible notes, less cash and cash equivalents as presented on the face of the statement of financial position.

The group is not subject to externally imposed capital requirements.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

	2020 $	2019 $
Total equity	(856,513)	(316,225)
Convertible notes	250,000	150,000
Cash and cash equivalents	(53,555)	(16,431)
Capital	**(660,068)**	**(182,656)**
Total equity	(856,513)	(316,225)
Borrowings	1,466,694	1,023,013
Overall financing	**610,181**	**706,788**
Capital-to-overall financing ratio	**(1.08)**	**(0.26)**

NOTE 26. PARENT ENTITY INFORMATION

Information relating to Ocean Guardian Holdings Limited (the Parent Entity):

	2020 $	2019 $
Statement of financial position		
Current assets	21	11
Non-current assets	162,537	174,433
Total assets	**162,558**	**174,444**
Current liabilities	10,479	6,288
Non-current liabilities	250,000	150,000
Total liabilities	**260,479**	**156,288**
Net assets	**(97,921)**	**18,156**
Issued capital	11,375,359	11,375,359
Accumulated losses	(11,473,280)	(11,357,203)
Total equity	**(97,921)**	**18,156**
Statement of profit or loss and other comprehensive income		
Profit / (loss) for the year	(116,077)	(240,946)
Total comprehensive income	**(116,077)**	**(240,946)**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

NOTE 27. SEGMENT INFORMATION

Management has determined the operating segments based on reports reviewed by the Board of Directors for making strategic decisions. The current Board of Directors monitors the business based on operational and geographical factors and has determined there is only one relevant business segment. The Company operates in one industry being consumer technology.

NOTE 28. POST-REPORTING DATE EVENTS

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

Directors' Declaration

For the year ended 30 June 2020

In the opinion of the Directors of Ocean Guardian Holdings Limited:

1. The consolidated financial statements and notes of Ocean Guardian Holdings Limited are in accordance with the *Corporations Act 2001*, including:

    a. Giving a true and fair view of its financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

    b. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

2. There are reasonable grounds to believe that Ocean Guardian Holdings Limited will be able to pay its debts as and when they become due and payable.

3. The consolidated financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

Lindsay Lyon Managing Director	Alan Broome AM Chairman	Sydney 4 September 2020

OCEAN GUARDIAN

Independent Auditor's Report

ELDERTON
AUDIT PTY LTD

Independent Audit Report to the members of Ocean Guardian Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report Ocean Guardian Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial 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 as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and 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.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 3 to the financial statements which outlines that the ability of the Company to continue as a going concern is dependent on the Company completing the merger and acquisition transaction in a timely manner or raising additional financing via any means available to it in order to fund the Company's ongoing activities.

As a result there is a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the Review of Operations and Directors Report and other information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

The other information obtained at the date of this auditor's report is included in the annual report, (but does not include the financial report and our auditor's report thereon).

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities 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 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 influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used in the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, used on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Elderton Audit Pty Ltd

Nicholas Hollens
Managing Director
Perth

4th September 2020