OCEAN GUARDIAN

Powered by
Shark Shield® Technology

Annual Report 30 June 2022

OCEAN GUARDIAN HOLDINGS LIMITED

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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 2022 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 USA General Manager
Director since 2012

Amanda Wilson is a marketing and sales professional with over 20 years of experience in product management, new product development, marketing, strategic planning and sales management. Amanda has previously worked for Emerson Automation Solutions in the U.S.A and Mobilarm in 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

As projected in last year's financial report, the Group has produced another new sales record of $2,636,567 which represents 33% growth on $1,987,768 last year. In addition to continued growth in the Company's B2C product range, the FY22 revenue includes a B2B sale of $507,541 recognised on the hardware stage of the first LR1000 Shark Barrier sale to Norwegian Cruises installed at Great Stirrup Cay in the Bahamas.

Revenue from the B2C consumer products would have been higher if the Company had not once again experienced a shortage of stock over the Australian summer due to Covid disruption to supply lines and having drawn down the maximum capacity of its trade finance facility. The trade finance facility was fully repaid with the pre IPO convertible note funds raised. There is now head room again in these facilities refer to Note 13a. All historical convertible notes which existed at the start of the financial year had matured and were converted to ordinary shares during the year.

Significant changes in the state of affairs

The Company appointed Morgans Financial Limited as its Lead Manager and Aetas Global Capital Pte Ltd as its Joint Lead Manager and Corporate Advisor with a mandate to raise approximately $12 million to commercialise the Shark Barrier, accelerate growth of the consumer products and provide working capital. The Company raised $1,606,000 in convertible notes funding in April 2002 which has been used to refinance the Company's fully utilised trade finance facility, strengthen the balance sheet and proceed to a second round of capital raising.

Events since the end of the financial year

Since 30 June 2022, the Company has received an additional $150,000 in convertible note funding on similar terms as the convertible notes outlined in Note 13b.

Installation of the LR1000 Shark Barrier in the Bahamas was completed in August 2022.

The performance milestone for the CEO's Class B performance shares (commercialisation of the Shark Barrier through the first installation) was achieved in August 2022 with the Board approving the conversion of the performance shares into 2,070,000 ordinary shares.

No other matter or circumstance has arisen since 30 June 2022 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

With improvements in the supply chain resulting in a consistent flow in inventory from the manufacturer, technical improvements in the BOAT01/FISH01 product range and the relaunch of the eSPEAR, the Company expects continued growth in the B2C consumer product revenue and improved margins.

With the additional resources of a Sales Director commencing in July 2022, the Company is working on several proposals for the LR1000 Shark Barrier and is confident of further sales in 2023 leveraging off the successful installation in the Bahamas, which was completed in August 2022

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	3	3
Lindsay Lyon	3	3
Amanda Wilson	3	3

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 7 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
Managing Director

Alan Broome AM
Chairman

Sydney
13 September 2022

Auditor's Independence Declaration

William Buck
ACCOUNTANTS & ADVISORS

Ocean Guardian Holdings Limited
Auditor's independence declaration under section 307c of the Corporations Act 2001

I declare that, to the best of my knowledge and belief during the year ended 30 June 2022 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck
Accountants & Advisors
ABN 16 021 300 521

Rainer Ahrens

Rainer Ahrens
Partner
Sydney, 13 September 2022

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Consolidated Statement of Profit and Loss and other comprehensive Income

For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue from continuing operations			
Sale of goods	3	2,636,567	1,987,768
Cost of goods sold including freight costs		(1,876,084)	(1,303,660)
Gross profit		**760,483**	**684,108**
Other income	3	96,200	236,401
Operating expenses			
Staff and consultants		(681,291)	(493,447)
Marketing and selling costs		(241,401)	(220,910)
Premises refunds / (charges)		5,645	(3,226)
Administration		(244,477)	(212,728)
Foreign currency gains / (losses)		33,559	76,969
Profit/(Loss) before interest, tax, depreciation, amortisation		**(271,282)**	**67,167**
Depreciation and amortisation	10,11	(156,477)	(70,906)
Intangible asset impairment	11	(74,796)	-
Loss before interest and tax		**(502,555)**	**(3,739)**
Interest and finance costs		(143,876)	(141,986)
Loss before income tax	4	**(646,431)**	**(145,725)**
Income tax expense	5	-	-
Loss for the year		**(646,431)**	**(145,725)**
Other comprehensive income		-	-
Total comprehensive loss attributable to members of the entity		**(646,431)**	**(145,725)**

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

Consolidated Statement of Financial Position

As of 30 June 2022

	Note	2022 $	2021 $
ASSETS			
Current assets			
Cash and cash equivalents	6	173,735	59,696
Trade and other receivables	7	272,832	247,080
Inventories	8	336,320	95,185
Other current assets	9	520,673	178,800
Total current assets		1,303,560	580,761
Non-current assets			
Property, plant and equipment	10	293,464	201,022
Intangible assets	11	1,055,734	1,195,914
Total non-current assets		1,349,198	1,396,936
TOTAL ASSETS		2,652,757	1,977,697
LIABILITIES			
Current liabilities			
Trade and other payables	12	1,141,490	1,008,024
Borrowings	13	628,164	1,734,730
Provisions	14	130,834	59,249
Other current liabilities	15	9,944	73,032
Total current liabilities		1,910,432	2,875,035
Non-current liabilities			
Borrowings	13	1,452,660	60,500
Provisions	14	4,978	44,400
Total non-current liabilities		1,457,638	104,900
TOTAL LIABILITIES		3,368,070	2,979,935
NET LIABILITIES		(715,313)	(1,002,238)
EQUITY			
Issued capital	16	12,256,396	11,375,359
Reserves	17	52,319	-
Accumulated losses		(13,024,028)	(12,377,597)
TOTAL EQUITY		(715,313)	(1,002,238)

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

Prior Year	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance as at 1 July 2020	**11,375,359**	**-**	**(12,231,872)**	**(856,513)**
Loss for the period	-	-	(145,725)	(145,725)
Total other comprehensive income	-	-	-	-
Total loss for the period	**-**	**-**	**(145,725)**	**(145,725)**
Transaction with owners, directly recorded in equity				
Issue of ordinary shares	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**
Balance at 30 June 2021	**11,375,359**	**-**	**(12,377,597)**	**(1,002,238)**

Current Year	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance as at 1 July 2021	**11,375,359**	**-**	**(12,377,597)**	**(1,002,238)**
Loss for the period	-	-	(646,431)	(646,431)
Total other comprehensive income	-	-	-	-
Total loss for the period	**-**	**-**	**(646,431)**	**(646,431)**
Transaction with owners, directly recorded in equity				
Issue of ordinary shares	881,037	-	-	881,037
Share based payment reserve	-	52,319	-	52,319
Total transactions with owners	**881,037**	**52,319**	**-**	**933,356**
Balance at 30 June 2022	**12,256,396**	**52,319**	**(13,024,028)**	**(715,313)**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,700,665	1,974,239
Payments to suppliers and employees (inclusive of GST)		(3,440,847)	(2,338,251)
Government grants and other income		96,200	236,401
Interest paid		(114,063)	(141,986)
Net cash outflow from operating activities	19	(758,045)	(269,597)
Cash flows from investing activities			
Payments for property plant and equipment		(16,944)	(3,936)
Payment for development costs, patents, trademarks		(23,379)	(48,860)
Net cash outflow from investing activities		(40,323)	(52,796)
Cash flows from financing activities			
Proceeds from issue of shares		104,999	-
Lease liability payments		(47,292)	(43,238)
Proceeds from convertible notes		1,606,000	415,026
Net proceeds / (repayment) of borrowings – third parties		(53,300)	(164,715)
Net cash inflow / (outflow) from financing activities		1,610,407	207,073
Net decrease in cash		812,039	(115,320)
Cash at the beginning of the financial year		(638,304)	(522,984)
Cash and cash equivalents at end of year	6	173,735	(638,304)

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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 2022 were approved and authorised for issue by the Board of Directors on 13 September 2022.

NOTE 2. 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 2022 of $646,431 and a net cash outflow from operating and investing activities of $758,045 and $40,323 respectively. Net liability deficiency of the Group as at 30 June 2022 amounted to $715,313.

The Group has appointed a broker with a mandate to raise approximately $12 million to commercialise the Shark Barrier, accelerate growth of the consumer products and provide working capital. The Group raised $1,606,000 in convertible notes which has been used to refinance the Group's trade finance facility, strengthen the balance sheet and proceed to a second-round capital raising. The convertible notes raised will result in automatic conversion to shares on the first occurrence of a conversion event described in the agreements unless redemption is agreed between the Group and the noteholder.

The Group has also raised an additional $150,000 in convertible note funding since the end of the financial year under similar terms as the $1,606,000 previously raised.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

With the completion of the installation of the Shark Barrier in the Bahamas, a final invoice for $US 111,000 will be issued in September.

The Group currently has significant head room available in it finance facility to fund future purchases of stock and is in the advanced stage of an IPO process. The Directors continue to closely monitor its costs and management thereof to ensure debts are incurred on a controlled basis only.

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 Group will achieve the corporate transaction set out above and be able to pay its debts as and when they fall due.

The Group's ability to continue as a going concern and pay its debts as and when they fall due is dependent on the Group receiving continued support from its banker and trade financiers and being successful in raising capital. These conditions along with the Group's financial position and performance to date, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 Group is a going concern and will continue its operations for the foreseeable future.

(c) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2022. 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

(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.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

Sale of goods

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.

Performance obligations satisfied over time

Where the Company transfers control of a good or service over time, revenue is recognised by reference to the stage of completion of the contract and whether the Company has an enforceable right to payment for the respective performance obligation completed to date. Stage of completion for services is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract stage where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

Other income

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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 (e.g. the Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as other income on receipt thereof

(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 initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for expected credit losses is raised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. Stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

The cost of work in progress comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on a weighted average cost basis. Inventory is categorised into a number of groupings across consumables and equipment spares. Management carries out a detailed review of inventory in these groups to determine the level of obsolescence required based on usage, recoverable amounts, and alignment to current equipment fleet.

Net realisable value is the estimated ordinary selling price less the costs necessary to make the sale.

(k) Property, Plant and Equipment

Property, plant and equipment are carried at cost, independent or Directors' valuation. All assets are depreciated over their useful lives to the Company as outlined below:

Furniture and Fittings - 5 years

Office Equipment – 3 years

Plant & Equipment – 10 years

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.

Right of Use Asset

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(l) Intangibles and Impairment

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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 with amortisation commencing once the market conditions enable the definite useful life to be determined.

(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. Due to their short-term nature they are measured at amortised cost and are not discounted.

(n) Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(o) 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

(p) 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.

(q) 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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.

(r) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. The component of the convertible note that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

(s) 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.

(t) 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.

(u) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations"

(v) 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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.

Revenue from contracts with customers involving sale of goods and services

When recognising revenue in relation to the sale of goods and services to customers, the key performance obligation is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access

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 2022, the Group recognised an impairment loss on patents and trademarks.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

	2022 $	2021 $
NOTE 3. REVENUE		
Revenue from operating activities		
Sale of consumer products	2,129,026	1,987,768
Shark Barrier product sales and installation	507,541	-
	2,636,567	1,987,768
Other income		
R&D Tax Incentive	45,257	49,359
Other government grants	41,218	161,584
Other	9,725	25,458
Other income	96,200	236,401
Group revenue	**2,732,767**	**2,224,169**

NOTE 4. LOSS BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES

	2022 $	2021 $
Finance costs		
Interest expense		
Banks	70,678	63,406
Convertible notes	49,727	49,103
Other	23,471	29,477
	143,876	**141,986**
Other costs		
Superannuation expense	41,218	36,004
Share-based payment expense	122,078	-

NOTE 5. 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:

	2022 $	2021 $
Profit / (loss) before income tax	(646,431)	(145,725)
Income tax calculated @ 25% (2022 – 26%)	(161,608)	(37,889)
Permanent / timing differences	37,608	(30,950)
Tax losses not booked	124,000	68,839
Income tax attributable to operating profit / (loss)	-	-

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

	2022 $	2021 $
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	10,999,794	10,503,797
Potential tax benefit @ 25% (2021 – 26%)	**2,749,949**	**2,730,987**

Tax comparatives have been adjusted for tax returns lodged.

Available tax losses will only be recognised when the board is confident of future taxable income being available to utilise such losses in the foreseeable future and after appropriate assessment of the continuity of ownership test and similar business test have been conducted.

NOTE 6. CASH AND CASH EQUIVALENTS

	2022 $	2021 $
Cash at bank		
• Australian Dollar ($AUD)	24,252	34,217
• United States Dollar ($USD)	149,483	25,479
Cash and cash equivalents	**173,735**	**59,696**

Reconciliation to cash flow statement

	2022 $	2021 $
Cash and cash equivalents (above)	173,735	59,696
Bank overdraft (Note 13)	-	(698,000)
Balances per statement of cash flows	**173,735**	**(638,304)**

NOTE 7. TRADE AND OTHER RECEIVABLES - Current

	2022 $	2021 $
Trade receivables	266,682	247,405
Allowance for credit losses	(6,000)	(12,870)
	260,682	234,535
Other debtors	12,150	12,545
	272,832	**247,080**

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 $6,000 (2021: $12,870) 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.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2022

	2022 $	2021 $
Reconciliation of allowance for credit losses		
Balance 1 July	12,870	5,000
Amounts written off (uncollectible)	(6,870)	-
Impairment loss	-	7,870
Balance 30 June	**6,000**	**12,870**

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 (2021: $Nil).

NOTE 8. INVENTORIES

	2022 $	2021 $
Finished goods	336,320	95,185
	336,320	**95,185**
Inventories included in profit & loss as an expense:		
Cost of goods sold	1,474,777	969,317
Advertising & promotions	11,187	6,011
	1,485,964	**975,328**

NOTE 9. OTHER ASSETS - Current

	2022 $	2021 $
Deposits invoiced for inventory orders	264,260	120,595
Capital raising costs to be deducted from capital raised	187,449	-
Prepayments	68,964	58,205
Non-financial assets	**520,673**	**178,800**

The Directors have elected to defer qualifying transactions on the balance sheet until the equity instruments to which the activity relates is recognised which is expected to occur in the 2023 financial year.

OCEAN GUARDIAN

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

	2022 $	2021 $
NOTE 10. PROPERTY, PLANT AND EQUIPMENT		
Furniture and fittings, at cost	5,742	5,742
Less: Accumulated depreciation	(4,957)	(4,017)
	785	1,725
Office equipment, at cost	26,337	13,018
Less: Accumulated depreciation	(13,587)	(11,594)
	12,750	1,424
Plant & equipment, at cost	241,881	238,256
Less: Accumulated depreciation	(105,164)	(81,174)
	136,717	157,082
Right-of-use asset - premises	143,212	122,371
Less: Accumulated depreciation	-	(81,580)
	143,212	40,791
Total carrying amount	**293,464**	**201,022**

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 2021	Additions	Disposals	Depreciation	30 June 2022
Furniture and fittings	1,725	-	-	(940)	785
Office equipment	1,424	13,319	-	(1,993)	12,750
Plant & equipment	157,082	3,625	-	(23,990)	136,717
Right-of-use asset	40,791	143,212	-	(40,791)	143,212
Total	**201,022**	**160,156**	**-**	**(67,714)**	**293,464**

NOTE 11. INTANGIBLES

	2022 $	2021 $
Licences, patents, trademarks	84,141	158,937
Product development		
FREEDOM+Surf	553,756	615,285
BOAT and FISH	221,751	244,976
Hand-held eSPEAR	96,495	96,495
Other	99,591	80,221
Sub-total product development	971,593	1,036,977
Total carrying amount	**1,055,734**	**1,195,914**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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 2021	Additions	Impairment	Amortisation	30 June 2022
Patents and trademarks	158,937	-	(74,796)	-	84,141
Product development	1,036,977	23,379	-	(88,763)	971,593
Total	**1,195,914**	**23,379**	**(74,796)**	**(88,763)**	**1,055,734**

The patents registered were reviewed and a number of patents were identified as no longer being held resulting in the impairment of those patents.

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 2022. Amortisation commences once the products pass the introduction stage of their life cycle and begin the growth stage. The expected life cycle of the products is approximately 10 years.

	2022	2021
	$	$

NOTE 12. TRADE AND OTHER PAYABLES

Accounts payable	555,763	500,260
Sundry creditors and accrued expenses	370,092	476,744
Provision for installation and commissioning	180,730	-
Convertible note interest accrued (Note13(b)	34,907	31,020
	1,141,491	**1,008,024**

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 13. BORROWINGS

Borrowing include the following financial liabilities:

Secured (current):		
Bank overdraft (a)	-	698,000
Trade finance bills of exchange (a)	205,261	-
Trade finance – Moneytech	22,472	125,583
Business loan (a)	-	4,724
Lease liability	46,552	47,292
Total secured borrowings	274,285	875,599
Unsecured (current):		
Loans from related parties	41,250	79,622
Convertible notes (b)	250,000	665,026

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

	2022 $	2021 $
NOTE 13 BORROWINGS (continued)		
Other loans	62,629	114,483
Total unsecured borrowings	353,879	859,131
Total current borrowings	**628,164**	**1,734,730**
Unsecured (non-current)		
Convertible notes (b)	1,356,000	-
Lease liability	96,660	-
Loans from related parties	-	60,500
Total unsecured borrowings	1,452,660	60,500
Total non-current borrowings	**1,452,660**	**60,500**

All borrowings are denominated in Australian Dollars ($AUD).

(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). 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.

	2022	2021
Total facilities		
Bank Overdraft - CBA	200,000	700,000
Trade Finance facility - CBA	500,000	-
Trade Finance facility – Money Tech	125,000	125,000
	825,000	825,000
Used at the reporting date		
Bank Overdraft - CBA	-	698,000
Trade Finance facility - CBA	205,260	-
Trade Finance facility – Money Tech	22,472	125,583
	205,260	823,583
Unused at the reporting date		
Bank Overdraft - CBA	200,000	2,000
Trade Finance facility - CBA	294,740	-
Trade Finance facility – Money Tech	102,528	(583)
	598,268	1,417

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

(b) Convertible notes

During the year, the Company issued convertible notes totalling $1,606,000 at 10% interest per annum. The convertible notes raised will result in automatic conversion to shares on the first occurrence of a conversion event described in the agreements unless redemption is agreed between the Company and the noteholder. The agreements contain a range of conversion rates of which none are certain at the date of the financial report.

Convertible note interest of $34,907 has been accrued at balance date reflected in Note 12. The Company may pay accrued interest to the noteholder at its discretion from time to time. Interest does not accrue on accrued interest. When a convertible note is converted or redeemed, the Company will pay any accrued but unpaid interest in accordance with the agreement. On the occurrence of a conversion event, any unpaid interest will be converted into shares.

Post reporting date event

An additional $150,000 in convertible note funding has been received on the same terms as above.

	2022 $	2021 $
NOTE 14. PROVISIONS		
Employee entitlements (current)	130,834	59,249
Employee entitlements (non-current)	4,978	44,400
NOTE 15. OTHER LIABILITIES - Current		
Unearned revenue		
Back orders	**9,944**	**73,032**

NOTE 16. 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	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares	60,345,113	53,478,814	12,256,396	11,375,359

Movements in ordinary share capital	**Number of shares**	**$**
Opening balance 1 July 2021	53,478,814	11,375,359
Shares issued on conversion of convertible notes	4,366,301	688,278
Shares issued on conversion of Class A performance shares	2,070,000	69,759
Other new share issues	429,998	123,000
Balance at 30 June 2022	**60,345,113**	**12,256,396**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

	2022 $	2021 $
NOTE 17. RESERVES		
Share based payments		
Opening balance	-	-
Share based payment charged	122,078	-
Transferred on milestone being achieved	(69,759)	-
Closing balance	**52,319**	**-**

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

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% (2021: 100%)

NOTE 19. CASH FLOW INFORMATION

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

	2022 $	2021 $
Profit / (loss) after income tax	(646,431)	(145,725)
Non-cash flows in profit		
Depreciation, amortisation and impairment	231,273	70,906
Share based payments	122,078	-
Change in operating assets and liabilities		
(Increase)/decrease in trade debtors	127,187	(215,500)
(Increase)/decrease in inventories	(241,135)	27,542
(Increase)/decrease in other operating assets	(304,403)	(31,897)
Increase/(decrease) in trade creditors and accruals	(19,470)	(90,365)
Increase/(decrease) in other operating liabilities	(63,088)	107,175
Increase in other provisions	35,944	8,267
Net cash inflow (outflow) from operating activities	**(758,045)**	**(269,597)**

	2022 $	2021 $
NOTE 20. AUDITOR REMUNERATION		
Audit of the financial statements		
William Buck	45,000	-
Elderton	-	22,000
Other services - Elderton		
R&D tax incentive claim	7,250	7,975
Total auditor's remuneration	**52,250**	**29,975**

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.

Key management personnel disclosures		
Short-term employee benefits	384,920	409,480
Post-employment benefits	21,665	21,582
Share-based payment	122,078	-
	528,663	**431,062**

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

A Long Term Incentive that provides for the issue of 6,210,000 Performance Shares granted on 15 January 2021. The performance shares have non-market performance conditions which require the Board to conduct an annual assessment of these occurring, with the subsequent recognition of the respective tranche based on their value as determined on the day the shares were granted. Each performance Share will vest into one Ordinary share based on achieving the following performance milestones:

	Number	**Status**
Class A: Securing funding for the development of the Shark Barrier	2,070,000	Achieved Apr-22
Class B: Commercialisation of the Shark Barrier (first installation)	2,070,000	Achieved Aug-22
Class C: Listing of the Company on a stock exchange or trade sale	2,070,000	Expected FY23 Q2

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

The milestone relating to Class A shares was achieved during the year, with Class B shortly after year-end. The Class C milestone achievement is expected to occur on completion of a successful IPO during FY23 Q2.

	2022 $	2021 $
Share based payment expense		
Class A - 100% recognised	69,759	-
Class B - 50% recognised	34,879	-
Class C - 25% recognised	17,440	-
	122,078	**-**

The share-based payment expense is based on the value of the Performance Shares determined by reference to the valuation of a proposed merger that was being negotiated on arm's length terms between the Company and a potential acquirer following the execution of a non-binding term sheet in December 2019.

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

			2022	2021
Lindsay Lyon:	Unpaid back-pay	(a)	226,580	281,580
Lyonpark Super Fund:	Short term loan and Interest	(b)	-	27,171
Coastal Roofing WA Pty Ltd:	Short term loan and Interest	(b)	-	63,512
Amanda Wilson:	Unpaid US sales commission	(a)	72,582	55,875
Alan Broome:	Unpaid Directors' fees	(a) & (c)	53,168	137,500
James Wakim:	Unpaid Directors' fees	(c)	-	19,250
Lyonpark Super Fund:	Convertible notes	(c)	44,000	-
			396,330	**584,888**

Represented by:	2022	2021
(a) Trade and other payables- Note 12	311,080	444,766
(b) Unsecured borrowings (current) – Note 13	41,250	79,262
(c) Unsecured borrowings (non-current) – Note 13	44,000	60,500
	396,330	**584,528**

The amounts owing to Directors are not subject to interest except for the $44,000 in convertible notes on which interest is accruing @ 10% and becomes payable when the convertible note is converted or redeemed, as described in Note 13 (b).

NOTE 22. COMMITMENTS

The initial term of the premises lease expired on 30 June 2022 and the Company has exercised its option to extend the lease from 1 July 2022 for a further 3 years on the same terms with rent of $49,860 per annum payable in the first year.

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. The company's warranty periods to customers is matched with commercial warranty arrangements in place with the supplier / manufacturer minimising the exposure to the company.

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). There were no contracts in use/ on hand at 30 June 2022.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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:

	2022 $	2021 $
Cash and cash equivalents	149,483	25,479
Accounts receivable	48,007	75,120
Accounts payable	(293,697)	(337,225)
Net asset / (liability) exposure	**(96,207)**	**(236,626)**

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 2022 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% (2021: 5%)	4,581	11,268
$AUD had weakened against the $USD by 5% (2021: 5%)	(5,064)	(12,454)

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 2022, 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	113,743	247,405
Security bond	12,650	12,650
	126,393	**260,055**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

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:

Not more than three months	106,216	237,454
More than three months but not more than six months	2,497	6,671
More than six months	5,030	3,280
Total	**113,743**	**247,405**

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

As at 30 June 2022, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

30 June 2022	Within 6 months	6-12 months	1-5 years
Trade and other payables	988,553	-	-
Trade finance	227,733	-	-
Other loans	31,315	72,565	-
Convertible notes (a)	-	275,000	1,559,400
	1,247,601	**347,565**	**1,559,400**

(a) Includes convertible notes estimated interest @ 10% up to date of maturity; on the occurrence of a conversion event, any unpaid interest will be converted into shares.

NOTE 25. PARENT ENTITY INFORMATION

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

Statement of financial position		
Current assets		
Cash at bank	11	11
Other current assets	18,000	-
Total current assets	18,011	11
Non-current assets		
Investment in subsidiary	122,079	1
Loan to subsidiary	6,815,660	5,120,808
Less, impairment	(5,989,217)	(5,120,808)
Patents and trademarks	84,141	158,937
Non-current assets	1,032,663	158,938
Total assets	**1,050,674**	**158,949**
Current liabilities	287,908	699,046
Non-current liabilities	1,356,000	-
Total liabilities	**1,643,908**	**699,046**
Net assets	**(593,234)**	**(540,097)**
Issued capital	12,256,396	11,375,359
Reserves	52,319	-
Accumulated losses	(12,901,949)	(11,915,456)
Total equity	**(593,234)**	**(540,097)**
Statement of profit or loss and other comprehensive income		
Profit / (loss) for the year	(986,493)	(442,176)
Total comprehensive income	**(986,493)**	**(442,176)**

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

NOTE 26. COMMITMENTS

The parent entity has no commitments

NOTE 27. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The parent entity has no contingent assets or liabilities.

NOTE 28. 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 historically determined there is only one relevant business segment being for the consumer products.

With revenue being recognised on the first Shark Barrier sale in 2022 representing 19% of total revenue as disclosed in Note 3, it is expected that growth in the Shark Barrier business will represent a reportable segment. In 2022, the revenue was generated by existing Company resources also servicing the consumer business and accordingly it is not practicable to allocate resource costs across the consumer and Shark Barrier segments to determine a result below gross profit:

	Consumer $	Barrier $	Total $
Revenue from continuing operations			
Sale of goods	2,129,026	507,541	2,636,567
Cost of goods sold including freight costs	(1,422,872)	(453,212)	(1,876,084)
Gross profit	**706,154**	**54,329**	**760,483**
Less, unallocated expenses	-	-	(1,127,964)
Add, unallocated other income	-	-	96,200
Less, unallocated depreciation, amortisation and impairment	-	-	(231,274)
Less, unallocated interest expense	-	-	(143,876)
Net loss for the year			**(646,431)**

NOTE 29. POST-REPORTING DATE EVENTS

Performance shares

The performance milestone for the CEO's Class B performance shares (commercialisation of the Shark Barrier through the first installation) was achieved in August 2022 with the Board approving the conversion of the performance shares into 2,070,000 ordinary shares.

Convertible notes

An additional $150,000 in convertible note funding has been received on the same terms as described in Note 13.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

Directors' Declaration

For the year ended 30 June 2022

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 2022 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 13 September 2022

Independent Auditor's Report

Ocean Guardian Holdings Limited
Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ocean Guardian Holdings Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of 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 other explanatory information, 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 2022 and of its financial performance for the year ended on that date; 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 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 (including Independence Standards)* (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 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

We draw attention to Note 2 in the financial report, which indicates that the Company incurred a net loss of $646,431 (2021: $145,725) and incurred net cash outflows from operating activities of $758,045 (2021: $269,597) during the year ended 30 June 2022.

As stated in Note 2 these conditions, along with other matters outlined within Note 2, indicate that material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter

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OCEAN GUARDIAN

William Buck
ACCOUNTANTS & ADVISORS

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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, 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 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 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 ability of the Group 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 has 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 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 influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our independent auditor's report.

William Buck

William Buck
Accountants & Advisors
ABN: 16 021 300 521

Rainer Ahrens

Rainer Ahrens
Partner
Sydney, 13 September 2022