

31 July 2017

ASX Announcement

Quarterly Update and Appendix 4C - correction

UUV Aquabotix Ltd (ASX:UUV) ("Aquabotix" or the "Company") refers to its Quarterly Update and Appendix 4C lodged aftermarket closed on Friday 28 July 2017. Management has identified a minor error in that release which, if left uncorrected, could lead to confusion. The headings in the columns on pages 8 to 12 refer to "thousands of dollars" when in fact they should simply refer to "dollars". The Appendix 4C is appended to this announcement and restated in full.

Further Information

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About UUV Aquabotix Limited

Based in Sydney, Australia and Fall River, Massachusetts, USA, Aquabotix is an established underwater robotics company which manufactures and sells commercial and industrial-grade underwater drones and networked underwater cameras for commercial, high-end consumer and military applications. The Company owns the intellectual property in a range of unmanned underwater vehicles and underwater camera products and is an early-mover in a nascent industry.

ENDS



28 July 2017

ASX Announcement

Quarterly Report - For the Quarter Ended 30 June 2017

UUV Aquabotix Ltd (ASX:UUV) ("Aquabotix" or the "Company") is pleased to provide the following update on its activities during the three-month period ended 30 June 2017 and its Appendix 4C quarterly cash flow report for the same period.

Successful Completion of Initial Public Offering ("IPO")

The Company successfully listed its securities on the Australian Securities Exchange on 28 April 2017 in a substantially oversubscribed IPO, under which the Company raised \$7 million through the issuance of 35,000,000 shares at an issue price of \$0.20 per share. Each IPO investor has also received listed options at \$0.22 strike price and a 2-year exercise period, on a 1-for-1 basis for the number of issued shares.

Listing on the ASX represents a significant milestone for the Company, with the proceeds being used to:

- build out a distributor network in the United States, Australia and elsewhere internationally;
- expand its direct sales force, with an increased emphasis on sales outside of the United States and a particular emphasis on specific industry verticals (e.g. defence, marine construction, aquaculture)
- expand the executive, operations, research and development and support teams;
- expand its research and development in order to, among other things:
 - maintain Aquabotix's products' competitiveness and "edge",
 - develop new versions of its existing products as demand evolves,
 - develop new products to meet market demand, and
 - add product extensions to its existing products, such as sensor add-ons and software subscription products;
- make an additional investment in intellectual property protection; and
- establish a multi-faceted publicly-traded underwater robotics company with sufficient resources for quick development and response to market requirements.

Market Environment

The Unmanned Underwater Vehicles (UUV) market is estimated at US\$2.69 Billion in 2017 and is projected to reach US\$5.20 Billion by 2022, at a CAGR of 14.07% from 2017 to 2022, according to Markets and Markets.¹ This revised market size analysis is an update to Markets and Markets' previous estimate of the UUV market being US\$4.00 Billion by 2020. The growth of the market can be attributed to the rising number of deep-water offshore oil & gas production activities and increasing maritime security threats.

¹ Markets and Markets report published 5 July 2017 "*Unmanned Underwater Vehicles (UUV) Market by Type (Remotely Operated Vehicle & Autonomous Underwater Vehicle), ROV & AUV Market by Application, Product, Propulsion System, Payload, and Region - Global Forecasts to 2022*"



AquaBotix's Endura underwater drone approaching inspecting harbourside infrastructure

Industry consolidation continues with another transaction completed during the quarter, in addition to other recently observed deals involving major players. In particular:

- **General Dynamics acquired Bluefin Robotics**, a manufacturer of large-bodied unmanned vehicles, in February 2016.
- **Boeing acquired Liquid Robotics**, maker of a wave and solar-powered autonomous robot, in December 2016, reportedly for a consideration in the hundreds of millions of dollars.
- **L3 Technologies acquired OceanServer Technology**, a Massachusetts-based manufacturer of autonomous unmanned undersea vehicles (UUVs), in April 2017.
- **L3 Technologies acquired Open Water Power**, a Massachusetts-based company that develops high-density aluminium batteries for unmanned undersea vehicles, in May 2017.

Key Developments During the Quarter

The Company made significant progress during the quarter, including the following developments.

Sales

- Under the applicable accounting standard, the Company is required to recognise its revenue when it *ships* its products to its customers. Many of the Company's customers, particularly its governmental customers, pay for its products following shipment, typically on a net 60 to 90-day basis.
- The Company undertook minimal shipments of its products to its customers during the first calendar quarter of 2017, while it finalised its manufacturing processes with its new contract manufacturer. Once the Company finalised these processes, the Company then commenced shipments of commercial quantities of its products during the quarter that is the subject of this quarterly report (Q2 2017).
- Consequently, the Company achieved revenues of \$280,637 and cash receipts from customers of \$35,592 for the quarter ended 30 June 2017 (Q2 2017). Quarter on quarter, this compares to revenues of \$129,962 and cash receipts from customers of \$140,030 in the prior comparative period (Q2 2016).
- Given this 60 to 90-day lag in cash receipts following shipments and the recognition of accounting revenues, the Company expects to receive the cash receipts corresponding to this Q2 2017 revenue during Q3 2017, as well as most of the revenue recognised or to be recognized early in Q3 2017.
- The Company notes that on a quarter on quarter basis, its Q2 2017 revenue has doubled relative to Q2 2016.

- The Company has increased the average revenue per product unit from approximately \$5,000 to approximately \$15,000.
- The Company received revenue from multiple sales, including a sale of a highly customised \$125,000 unit to the United States Navy, won in a competitive tender process. This is a repeat sale to the United States Navy, providing further proof of the product capability and client satisfaction, by the world's most discerning customer in the space.
- The Company continued to grow its sales pipeline through both outbound and inbound channels and is firmly focused on sales growth now that the IPO is complete and appropriate structures are in place.



Aquabotix's Endura (long-body) representative of what will be delivered to the US Navy

- The Company's products were placed onto the U.S. Government GSA Schedule, enabling U.S. government and state and local buyers to purchase the Company's products seamlessly.
- The Company delivered a customised Endura unit to the Virginia Institute of Marine Science (VIMS).



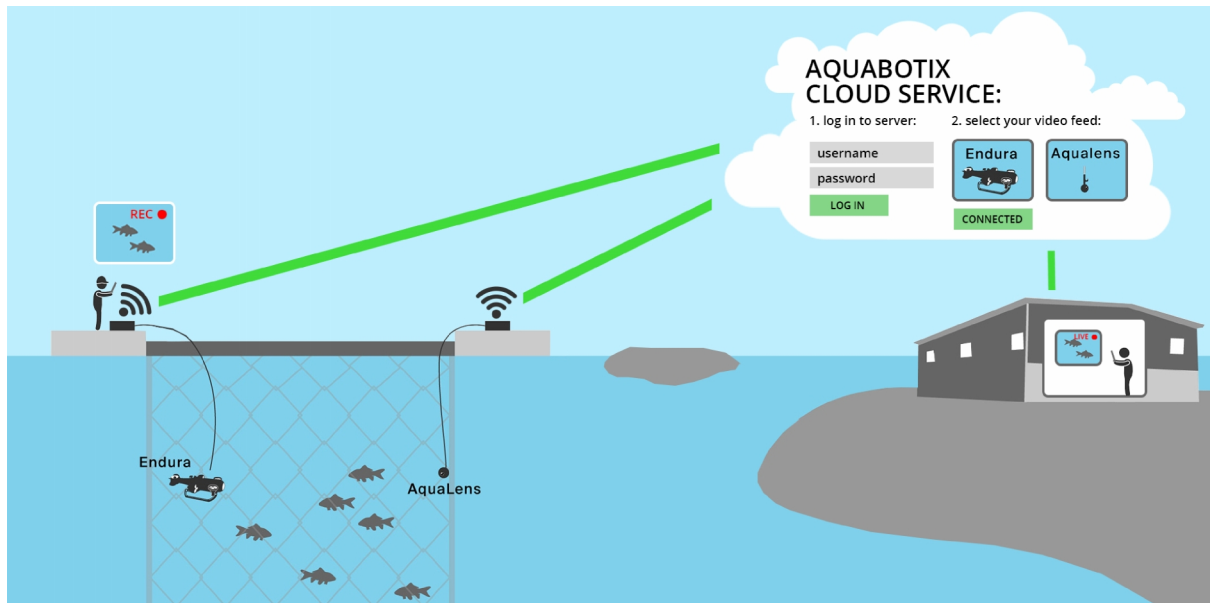
Aquabotix's Endura as delivered to VIMS

- The Company engaged and continues to be engaged in a number of private and governmental sales processes, using its in-house sales force.

- The Company commenced the build out of its international distribution network, with several high profile international distributor arrangements currently being negotiated.

Product

- The Company launched Live Remote Viewing technology, applicable to all Aquabotix products. This renders Aquabotix's products the only digital inspection-class remotely operated vehicles on the market with live remote viewing capability.



Artist's rendering of a sample use case in an aquaculture environment

- The Company commenced the development of a consumer underwater drone for the mass market and the engagement of the Wentworth Institute of Technology (WIT) for the design of that product.
- The Company rolled out its Endura Generation 3 product, with all brushless motors for increased responsiveness and power.
- The Company launched the Endura NRG model to address the specific needs of offshore and nearshore oil and gas companies, as well as energy generators. Endura NRG is specifically designed to operate in high current environments.



Endura 3 (left) and a range of sensors that have been integrated to the system and installed for recent deliveries, including environmental sensors, laser scaler, grabber arm and water sample collector (right)

Team

- The Company made several key hires, including:

- **Derek Daly, Chief Operating Officer**, an unmanned systems, robotics and automation specialist with over 30 years' experience in the defence and commercial sectors. Mr. Daly was previously at Comark and the large defence companies QinetiQ and Northrop Grumman, and



- **Jeff LaClaire, Vice President Global Sales**, a sales and business development executive with over 20 years' experience, specialising in drones and sports. Mr. LaClaire was previously at Drone Sports Association/ESPN Alliance, CBS Corp. and Atlanta Falcons.



Cash Balance

As at 30 June 2017, Aquabotix had a cash balance of \$5,683,660 as outlined in the accompanying Appendix 4C.

Performance Shares

As at 30 June 2017 45,000,000 Performance Shares are on issue. No performance share vesting, or conversion, milestones were met during the period.

	Performance shares on issue at start of period	Performance Shares issued during the period	Performance Shares converted to UUV shares during the period	Performance Shares cancelled during the period	Performance Shares on issue at end of period
	(A)	(B) ²	(C)	(D)	(A)+(B)-(C)-(D)
Class A ³	0	15,000,000	0	0	15,000,000
Class B ⁴	0	15,000,000	0	0	15,000,000
Class C ⁵	0	15,000,000	0	0	15,000,000
Total	0	45,000,000	0	0	45,000,000

² Performance Shares were issued to all pre-IPO shareholders.

³ Each Class A Performance Share will vest into one fully paid ordinary share upon the Shares achieving a 30-day volume weighted average price exceeding \$0.30 and the Company securing no less than 20 paying customers of remotely operated underwater vehicles within 24 months of the date the Company is admitted to the Official List (Class A Milestone).

⁴ Each Class B Performance Share will vest into one fully paid ordinary share upon the Company achieving, in relation to its technology, \$7,000,000 of cumulative revenue or \$2,500,000 of annual revenue in any given twelve-month period, within 36 months of the date the Company is admitted to the Official List (Class B Milestone).

⁵ Each Class C Performance Share will vest into one fully paid ordinary share upon the Company achieving, in relation to its technology, \$3,000,000 of cumulative earnings before interest and taxes (EBIT) or \$1,000,000 of annual EBIT in any given financial year, within 36 months of the date the Company is admitted to the Official List (Class C Milestone).

**Further Information**

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About UUV Aquabotix Limited

Based in Sydney, Australia and Fall River, Massachusetts, USA, Aquabotix is an established underwater robotics company which manufactures and sells commercial and industrial-grade underwater drones and networked underwater cameras for commercial, high-end consumer and military applications. It is also one of very few companies worldwide offering commercially-available hybrid underwater drones, which are capable of both autonomous and remote operation. The Company owns the intellectual property in a range of unmanned underwater vehicles and underwater camera products and is an early-mover in a nascent industry.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

UUV Aquabotix Limited

ABN

52 616 062 072

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A	Year to date (6 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	35,592	274,197
1.2 Payments for		
(a) research and development	(40,412)	(88,272)
(b) product manufacturing and operating costs	(122,902)	(256,364)
(c) advertising and marketing	(74,034)	(128,777)
(d) leased assets	-	-
(e) staff costs	(336,457)	(431,799)
(f) administration and corporate costs	(252,181)	(369,786)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10,306	14,229
1.5 Interest and other costs of finance paid	-	(6,604)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(780,088)	(993,175)

Consolidated statement of cash flows		Current quarter \$A	Year to date (6 months) \$A
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment	4,007	17,542	
(b) businesses (see item 10)	-	-	
(c) investments	-	-	
(d) intellectual property	-	-	
(e) other non-current assets	-	-	
2.2 Proceeds from disposal of:			
(a) property, plant and equipment	-	-	
(b) businesses (see item 10)	44,456	44,456	
(c) investments	-	-	
(d) intellectual property	-	-	
(e) other non-current assets	-	-	
2.3 Cash flows from loans to other entities	-	(327,395)	
2.4 Dividends received (see note 3)	-	-	
2.5 Other (provide details if material)	-	-	
2.6 Net cash from / (used in) investing activities	40,449	(300,347)	
3. Cash flows from financing activities			
3.1 Proceeds from issues of shares	7,000,000	7,066,302	
3.2 Proceeds from issue of convertible notes	-	508,195	
3.3 Proceeds from exercise of share options	-	-	
3.4 Transaction costs related to issues of shares, convertible notes or options	(891,276)	(891,276)	
3.5 Proceeds from borrowings	-	-	
3.6 Repayment of borrowings	-	-	
3.7 Transaction costs related to loans and borrowings	-	-	

Consolidated statement of cash flows		Current quarter \$A	Year to date (6 months) \$A
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	6,108,724	6,683,221

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	349,281	347,527
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(780,088)	(993,175)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	40,449	(300,347)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,108,724	6,683,221
4.5	Effect of movement in exchange rates on cash held	(34,726)	(53,584)
4.6	Cash and cash equivalents at end of quarter	5,683,660	5,683,660

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5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	1,786,829	349,281
5.2	Call deposits	3,896,831	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,683,660	349,281

6. Payments to directors of the entity and their associates

**Current quarter
\$A**

6.1 Aggregate amount of payments to these parties included in item 1.2

215,489

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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7. Payments to related entities of the entity and their associates

**Current quarter
\$A**

7.1 Aggregate amount of payments to these parties included in item 1.2

-

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

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8. Financing facilities available
Add notes as necessary for an understanding of the position

**Total facility
amount at
quarter end
\$A**

**Amount drawn
at quarter end
\$A**

8.1 Loan facilities

Nil

Nil

8.2 Credit standby arrangements

Nil

Nil

8.3 Other (please specify)

Nil

Nil

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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9.	Estimated cash outflows for next quarter	\$A
9.1	Research and development	50,000
9.2	Product manufacturing and operating costs	280,000
9.3	Advertising and marketing	60,000
9.4	Leased assets	-
9.5	Staff costs	510,000
9.6	Administration and corporate costs	200,000
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	1,100,000

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	Aquabotix Technology Corporation	
10.2	Place of incorporation or registration	Massachusetts, USA	
10.3	Consideration for acquisition or disposal	100,000,000 shares in UUV Aquabotix Limited at A\$0.20 a share, equivalent to A\$20,000,000	
10.4	Total net assets	US\$306,947, which translates to A\$410,632 at 0.7475 exchange rate	
10.5	Nature of business	Development and manufacture of unmanned underwater drones	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Director)

Date: 28 July 2017

Print name: Brendan Martin

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.