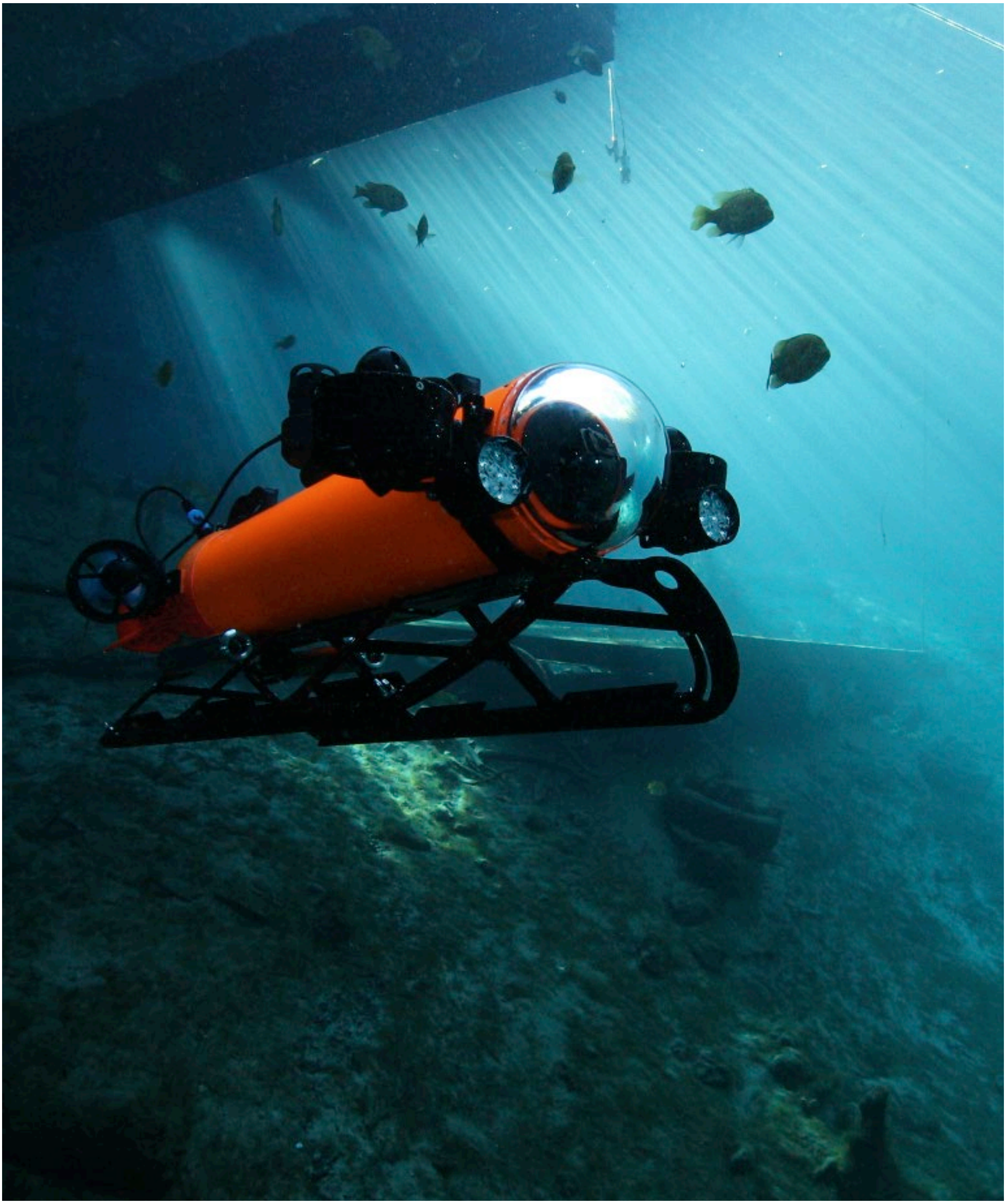
UUV Aquabotix Limited
2017 Annual Report

ABN 52 616 062 072



Appendix 4E

1. Company details

Name of entity:	UUV Aquabotix Limited
ABN:	52 616 062 072
Reporting period:	For the year ended 31 December 2017
Previous period:	For the year ended 31 December 2016

2. Results for announcement to the market

	Up/Down	% Movement		AUD$
Revenues from ordinary activities	Down	32%	to	747,131
Loss from ordinary activities	Down	4,041%	to	(4,559,109)
Loss for the year	Down	4,041%	to	(4,559,109)
Dividends: No dividends are being proposed or have been paid	Nil	Nil		Nil

Commentary related to the above results
Refer to the Directors Report in the attached Annual Report for commentary on the above results.

3. Net tangible assets

	As at 31 Dec 2017 Cents	As at 31 Dec 2016 Cents
Net tangible assets/(liabilities) per ordinary security	2.90	(0.14)

4. Details of entities over which control has been gained in the period

On 28 April 2017, UUV Aquabotix Limited completed through an IPO the remaining conditions precedent for the complete acquisition of Aquabotix Technology Corporation. Note 3 to the financial report contains details of how this transaction has been accounted for.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Audit qualification or review

The financial statements have been audited and an unqualified opinion has been issued.

8. Attachments

The Annual Report of UUV Aquabotix Limited for the year ended 31 December 2017 is attached.

9. Signed

Peter James
Chairman

Sydney
28 February 2018


Endura 100
BOTIX

Contents

Front cover: Integra Hybrid AUV/ROV on autonomous mission in Blue Grotto in Williston, Florida, USA.
Image right: Endura portside in Fall River, USA.

Corporate directory

Directors

Peter James (Non-Executive Chairman)
Jay Cohen (Non-Executive Director)
Durval Tavares (Executive Director)
Brendan Martin (Executive Director & Chief Financial Officer)

Chief Executive Officer

David Batista

Company secretary

Anand Sundaraj

Registered office

C/o Sundaraj & Co
Level 13, St James Centre
111 Elizabeth Street
Sydney, NSW 2000, Australia
Ph +61 2 8072 1400
info@aquabotix.com
www.aquabotix.com

Principal place of business

21 Father de Valles Boulevard,
Suite 106, Fall River
Massachusetts, 02723, USA
Ph +1 508 676 1000

Share register

Link Market Services Limited
Level 4, 152 St Georges Terrace
Perth, WA 6000, Australia
Ph +61 1300 554 474

Auditor

RSM Australia Partners
Level 13, 60 Castlereagh Street
Sydney, NSW 2000, Australia

Solicitors

Steinepreis Paganin
16 Milligan Street
Perth, WA 6000, Australia

K&L Gates
70 West Madison Street, Suite 300
Chicago, IL 60602 USA

Moses & Singer
The Chrysler Building
405 Lexington Avenue
New York, NY 10174, USA

Bankers

Commonwealth Bank of Australia
Level 21, 201 Sussex Street
Sydney, NSW 2000, Australia

Silicon Valley Bank
3003 Tasman Drive, Santa Clara,
CA 95054, USA

Stock exchange listing

UUV Aquabotix Limited shares (ASX code: UUV) and options (ASX code: UUVO) are listed on the Australian Securities Exchange.

Website

www.aquabotix.com

Corporate Governance Statement

www.aquabotix.com/investors

Chairman's letter

Peter James
Independant
Non-Executive
Chairman

Dear Fellow Shareholders,

The 2017 financial year was an exciting year for UUV Aquabotix Limited and its subsidiary (together "Aquabotix" or "the Company"), with a number of key milestone achievements. The Company's initial public offering ("IPO") on the ASX on 28 April 2017 was oversubscribed by a range of retail and institutional investors, raising $7,000,000 (the maximum level of subscriptions targeted by the Company in the IPO).

As foreshadowed in its IPO prospectus, following the listing, Aquabotix made several key hires, including a new Chief Executive Officer, David Batista, a Chief Operating Officer, Derek Daly, a Chief Development Officer, Ted Curley, and other key sales and support personnel. The new management brought onboard during the year is actively considering expanding the product range to accommodate demand at various price points and in various verticals and is engaged in discussions about exciting corporate partnerships in the industry.

The Company has invested to build a scalable and sustainable enterprise with some notable changes already evident, including a build-out of its distributor network, adding 10 distributors to its network in the last five months of 2017. The Company is working on substantially increasing sales through this distributor network going forward with early signs this is working, with the placement of two orders through these new distributors late in 2017. The Company is also looking at much more proactive engagement with potential key customers in a range of verticals, including the defence market, through its newly acquired human capital.

During the year, Aquabotix received and shipped several important orders, validating that its products are suitable for even the most discerning customers. These include orders from the US Navy, the US Coast Guard, NASA's Jet Propulsion Lab, Virginia Institute of Marine Science (VIMS), Kelly Slater Wave Co, Korean Institute of Geo-science and Mineral Resources (KIGAM) and Morgan Environmental Ltd, amongst others.

Chairman's letter

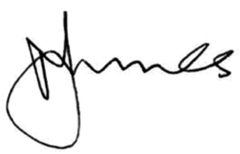
Aquabotix has made several product and technology advancements since the IPO, including the launch of its second-generation hybrid vehicle – the Integra AUV/ROV (autonomous underwater vehicle/remotely operated vehicle). Single-person deployable, portable and battery-powered, the Integra AUV/ROV allows users to conduct multiple underwater missions, while providing a cost-efficient alternative to deploying separate AUVs and ROVs for individualised tasks. Importantly, the Integra remains one of only a few commercially available hybrid vehicles on the market.

Aquabotix introduced Live Remote Control, a new product feature that allows users to pilot underwater vehicles and cameras from any modern device, through a web browser, from anywhere in the world. Any business, research centre, security force of defence unit with a multi-site presence in the underwater world will see an application for this class-leading technology. Live Remote Control enables users to operate Aquabotix's Endura ROV, Integra AUV/ROV and AquaLens Connect (networked underwater camera system) during underwater explorations from any location, all through a web application that connects to browser-based devices such as computers, phones and iPads. Through this capability, browser-based and multiple-user functionality is supported in a new web-based interface.

The market and industry fundamentals have only strengthened over the past year with the Unmanned Underwater Vehicles (UUV) market, estimated at USD$2.7 billion in 2017, projected to reach USD$5.2 billion by 2022. The underwater robotics industry is undergoing rapid consolidation at substantial valuations. In December 2016, Boeing acquired Liquid Robotics at a purchase price reported to be USD$300 million. Other recent high-profile transactions in the sector included General Dynamics buying Bluefin Robotics, and L3 Technologies making two acquisitions, of OceanServer Technology and Open Water Power. Aquabotix is one of the very few remaining independents in an industry that is rapidly consolidating.

On behalf of the Board I would like to thank our Executive team for their significant contributions this year. I know they remain enthused to grow the business in 2018 and beyond.

I would also like to thank our fellow shareholders for your support as we look to grow the Company in the year ahead.



Peter James
Independent Non-Executive Chairman

Image right: Integra Hybrid AUV/ROV ready for deployment at Blue Grotto in Williston, Florida, USA.


AQUABOTIX

About UUV Aquabotix Limited

History of UUV Aquabotix Limited and its subsidiaries

Formed on 4 March 2011 as Aquabotix Technology Corporation, the Company is based in Sydney and Fall River, Massachusetts, and is a unique and established underwater robotics company. It manufactures commercial/industrial-grade underwater drones (also known as unmanned underwater vehicles or UUVs) and commercial/industrial-grade networked underwater cameras for commercial, high-end consumer and military applications in a wide range of industries, including defence, marine construction, research and aquaculture among others.

On 22 November 2016, UUV Aquabotix Limited was incorporated in Australia for the primary purpose of acquiring Aquabotix Technology Corporation, listing on the ASX and engaging in the business of offering products manufactured by Aquabotix globally, as well as managing and operating Aquabotix's business.

UUV Aquabotix Limited listed on the ASX, on 28 April 2017, raising AUD$7 million through the issue of 35 million shares at an issue price of $0.20 per share.

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. With key design and system elements protected by patents the Company continues to build off its flexible and fully digital platform which has resulted in the largest list of integrated accessories available in its category.

Aquabotix is a technology leader being one of very few companies worldwide offering commercially-available hybrid underwater drones, which are capable of both autonomous and remote human operation. This is important to note as the other hybrid vehicles can cost as much as ten times the price of the Integra, Aquabotix's second generation hybrid vehicle.

Image above: Integra 100 topside at Blue Grotto Florida, USA.

Aquabotix's systems are among the few commercially available and affordable solutions to the underwater requirements of the industries which purchase them. This has led users as diverse as defence agencies, marine construction companies and scientific organisations to have purchased Aquabotix's products, which generally range between USD$1,500 and USD$150,000 per unit in price.

About UUV Aquabotix Limited

Business Model

Aquabotix sells its commercial/industrial-grade underwater drones and networked underwater cameras, supported by its proprietary software, to customers. Aquabotix's business model is aimed at generating a revenue stream from such sales (as well as from the installation of underwater cameras), followed by revenues from add on software modules, data analysis tools, customer training, and extended warranties.

The actual and prospective end-users of Aquabotix's products are based around the world, range widely in nature, and include, among others: defence agencies, oil and gas, aquaculture and marine construction companies, and recreationalists.

Underwater robotics is a relatively nascent industry, and Aquabotix is one of the early movers in it. There is a limited number of underwater drone solutions that are readily commercially-available to end-users in the market and are credible, proven over time, effective and cost-effective. Demand for Aquabotix's products is driven by the fact that it is one of the few industry participants with existing products (as opposed to prototypes or concepts) and the fact that its products have been in use in a range of industries for several years, achieve their users' operating objectives, are highly technically functional, and are cost-effective.

Aquabotix views its industry as segmented into three broad layers:

- At the "top end" are the meaningfully more expensive military-grade solutions for unique and critical missions, such as unmanned submarines, that as a practical matter, are likely to be available largely only to governments and defence agencies.
- In the "middle market" are cost-effective "every-day workhorse" solutions for government and commercial users.
- The "lower layer" consists of consumer-grade products largely unsuitable for commercial use.

Aquabotix currently focuses on the "middle market", where there exists a substantial potential government and commercial end-user market, with the market participants having the capacity to purchase systems and post-sale support on an ongoing basis.

Aquabotix generates sales to this market through a combination of direct sales to end-users and sales through dealers, distributors and independent representatives. Geographically, although Aquabotix has sold its products to clients in 45 different countries, North American sales have historically predominated.

Image right: Endura portside in Fall River, USA.

About UUV Aquabotix Limited

Corporate

The Company has made several important additions to its management team in the year ended 31 December 2017, including the appointment of the new Chief Executive Officer, Mr. David Batista, Chief Development Officer, Mr. Ted Curley, and Chief Operating Officer, Mr. Derek Daly.

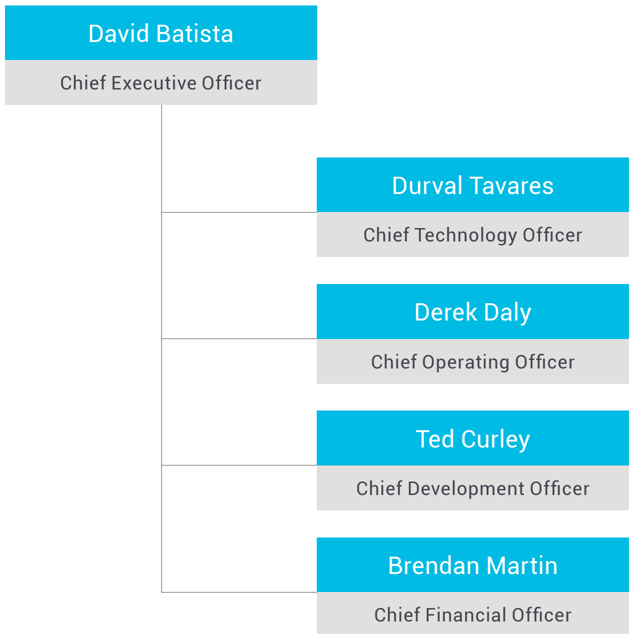
Mr. David Batista was appointed to the Chief Executive Officer ("CEO"). The appointment provides the Company with strong leadership in the small-cap listed space, whilst enabling a smooth transition for the founder Durval Tavares to the role of Chief Technology Officer ("CTO") of the Company. Mr Batista is an investment and M&A transactions specialist with over 20 years' experience working in small-cap listed companies. Most recently Mr Batista was the Senior Managing Director of Viriathus Holdings LLC, an independent investment firm. Previously he has held roles with HPC Capital Management Corp., SoundView Technology Group and Lehman Brothers.

Mr Durval Tavares has become the CTO of the Company, where he will oversee the continued advances that the Group is making in the development of technology for unmanned underwater vehicles.

Mr. Ted Curley was appointed to the position of Chief Development Officer ("CDO") of its U.S. subsidiary, Aquabotix Technology Corporation. Mr. Curley will be based in the Massachusetts office and his duties include overseeing all facets of the sales and business development functions. Mr. Curley is a top producing sales and marketing leader in the unmanned underwater industry, with over 25 years' sales experience. Most recently Mr. Curley was Director of Sales - Vehicles at Teledyne Marine, a division of Teledyne Technologies, Inc. ("Teledyne'). Teledyne is an American industrial conglomerate, primarily based in the United States but with global operations and is listed on the New York Stock Exchange with a market capitalisation of approximately USD$5.25 billion.

Mr Derek Daly was appointed to the position of Chief Operating Officer ("COO") of its U.S. subsidiary, Aquabotix Technology Corporation. Mr. Daly will be based in the Massachusetts office and his duties include overseeing all facets of the engineering, development and manufacturing functions. Mr. Daly is an unmanned systems, robotics and automation specialist with over 30 years' experience in the defence and commercial sectors. Most recently Mr. Daly was President and COO at Comark LLC, a defence facing ruggedized industrial computer manufacturer. Previously, he served as Vice President (Land Systems) at QinetiQ North America, a division of QinetiQ Group Plc (LSE: QQ.) ("QinetiQ") and Group Director Unmanned Systems at Foster-Miller, which was acquired by QinetiQ. QinetiQ is a London Stock Exchange-listed science and engineering company with a primary focus on defence and security and an approximately AUD$2.7 billion market capitalisation.

These appointments complete the build-out of the Company's executive function, depicted in the below organisational chart:



About UUV Aquabotix Limited

Environment

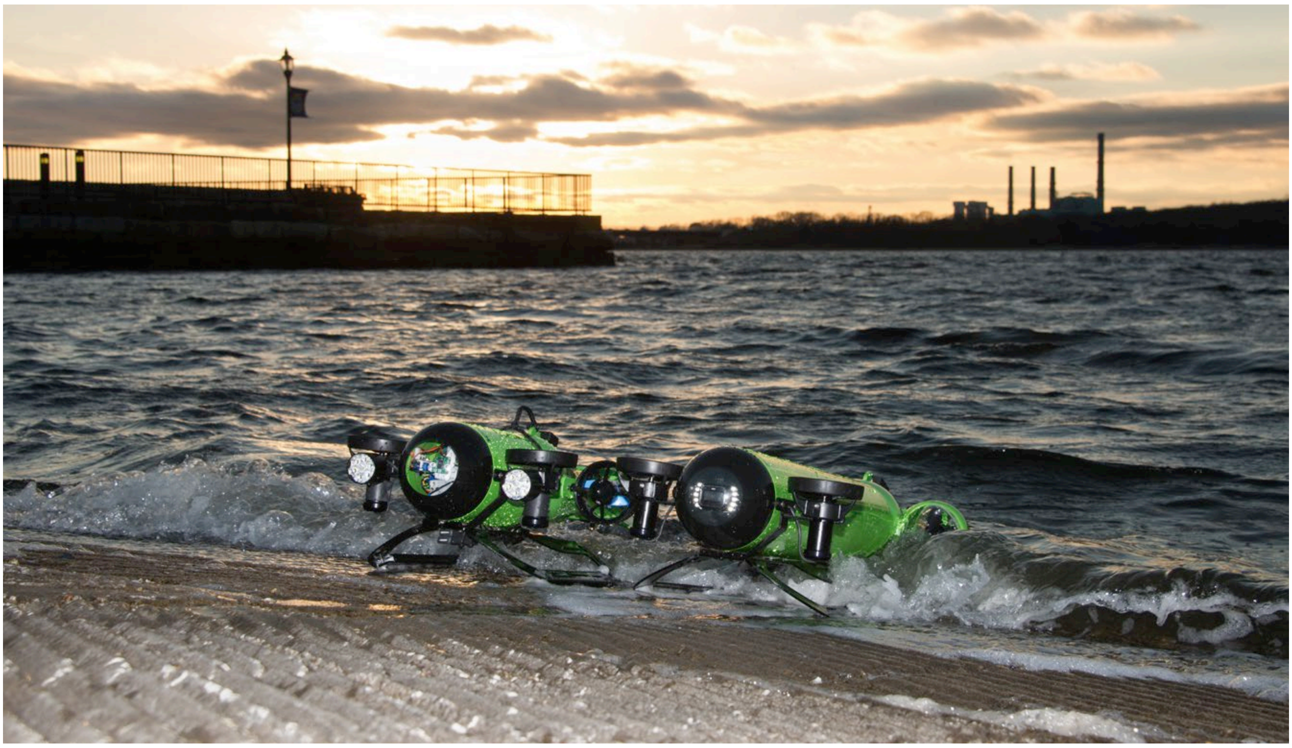
The US Department of Defense and Department of Homeland Security spend approximately USD$22b per year on maritime surveillance at present. It is expected that more of this surveillance work will be conducted using unmanned vehicles and various acoustic devices, as opposed to traditional large vessel and man-power heavy methods that are currently in place.

The underwater robotics industry is undergoing rapid consolidation at substantial valuations. In December 2016, Boeing acquired Liquid Robotics at a purchase price reported to be USD$300 million. Other recent high-profile transactions in the sector included General Dynamics buying Bluefin Robotics, and L3 Technologies making two acquisitions, of OceanServer Technology and Open Water Power.

The industry fundamentals remain strong with the Unmanned Underwater Vehicles (UUV) market is estimated at USD$2.7 billion in 2017 and is projected to reach USD$5.2 billion by 2022, at a CAGR of 14.1% from 2017 to 2022, according to Markets and Markets.

Image above: Endura and Integra underwater vehicles with varying body lengths, to accommodate differing payloads.

About UUV Aquabotix Limited



Market Position

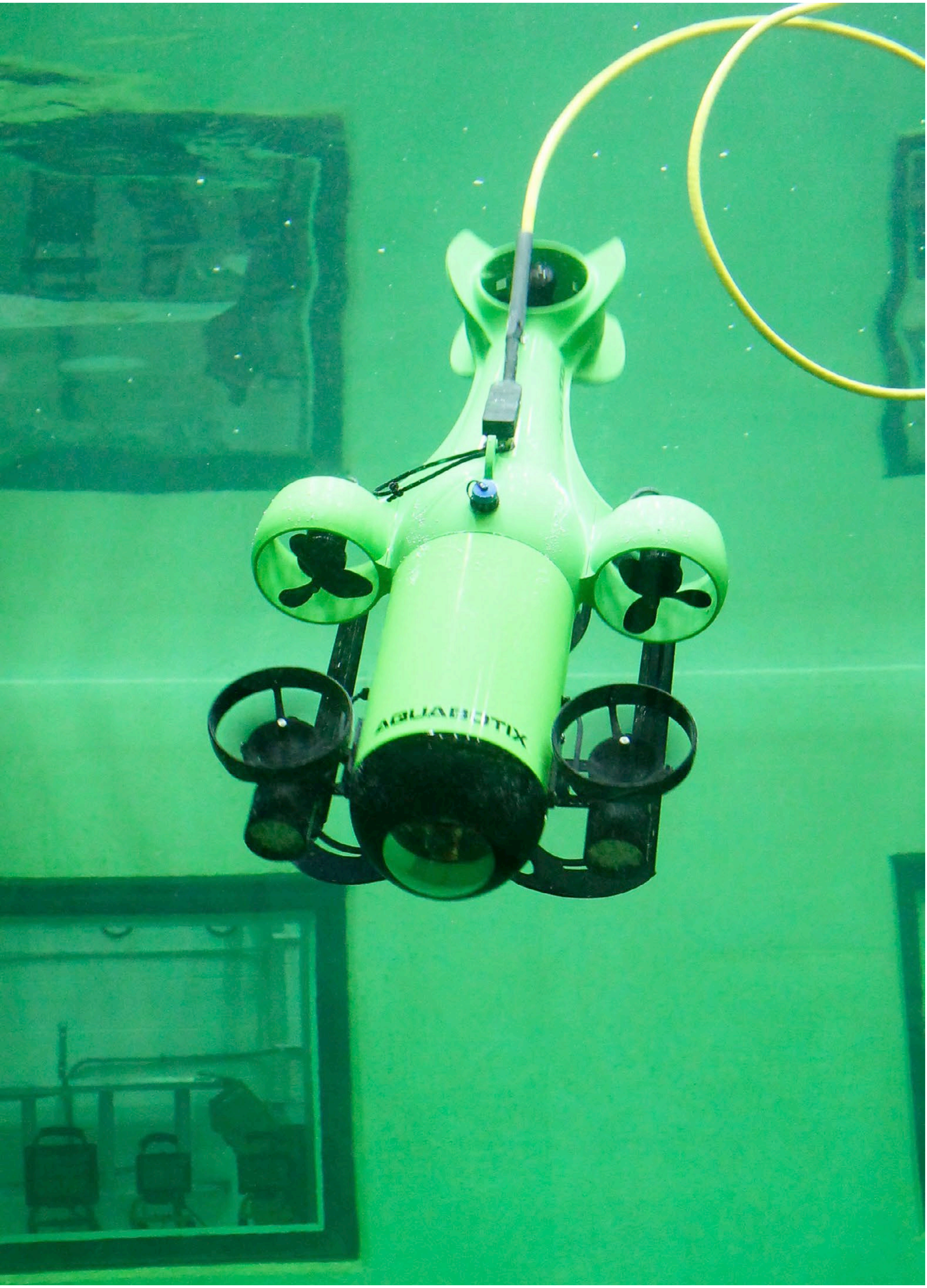
It is commonly accepted that UUVs trail UAVs (Unmanned Aerial Vehicles) by approximately seven years in terms of technological advancement and market acceptance. Given we are now seeing UAVs employed in active warfare, assisting lifesavers to deploy floatation devices, surveying major infrastructure and delivering parcels to homes, it is clear to see the strides that are possible within the UUV space. From oceanography to aquaculture, to pipeline and well-head monitoring, to ship hull inspections and mapping, unique applications continue to emerge.

Aquabotix currently plays in the single man deployable ROV and AUV market. The AUV single man deployable market in particular is set to triple in size within the next five years, and with Aquabotix's Integra, a hybrid ROV/AUV, the Company is well placed to capture market share in this space.

Aquabotix continually evolves its product suite using open architecture and strives for further standardisation and modularity in its design. The Company's ability to integrate new sensors, typically within one to two months, puts it at the forefront of the industry. Next generation vehicles will draw on the scalable contract manufacturing and hardening processes now in place, with vehicles of different sizes and mission specifications in the development pipeline.

Improved battery life, at a lower cost, is one key area that will improve the effectiveness of all market participants. Aquabotix will continue to assess and integrate class leading batteries for increased time on mission, as appropriate. Another key area for industry-wide improvement is in affordable miniaturised underwater communications devices. These two elements will see UUVs become more mission ready over time.

Image above: Pair of Endura ROVs launched from a boat ramp.
Image right: Endura ROV being demonstrated at UMass Dartmouth's School for Marine Science and Technology (SMAST).


AQUABOTIX

Director's report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Company' or 'Aquabotix') consisting of UUV Aquabotix Limited and the entities it controlled at the end of, or during, the year ended 31 December 2017.

The following persons were directors of UUV Aquabotix Limited during the financial year and up to the date of this report, unless otherwise stated:

Name	Position
Peter James	Non-Executive Chairman, appointed 9 March 2017
Jay Cohen	Non-Executive Director, appointed 9 March 2017
Durval Tavares^	Executive Director, appointed 9 March 2017
Brendan Martin	Executive Director & Chief Financial Officer
Robert Clisdell	Non-Executive Director, appointed 22 November 2016, resigned 9 March 2017
Peter Wall	Non-Executive Director, appointed 22 November 2016, resigned 9 March 2017

^ Durval Tavares was appointed Chief Executive Officer 9 March 2017, and resigned from this position 28 November 2017.

Chief Executive Officer

David Batista, appointed 28 November 2017.

Company Secretary

Anand Sundaraj, appointed 9 March 2017.

Information on the Corporate Executive Team

Peter James
Non-Executive Chairman

Mr James has over 30 years' experience in the technology, telecommunications and media industries, and has extensive experience as Chair, Non-Executive Director and Chief Executive Officer across a range of publicly listed and private companies. He recently completed 12 years as a Non-Executive Director for ASX-listed iiNet, Australia's second largest DSL internet Services Provider, prior to it being acquired by TPG Telecom for $1.56bn. Mr James joined the Board of UUV Aquabotix Limited and was elected Chairman in March 2017.

Other current directorships
Chair of ASX-listed companies Macquarie Telecom Group Limited, Nearmap Limited, Dreamscape Networks Limited and DroneShield Limited.

Former directorships (last 3 years)
Non-Executive Director of iiNet

Interests in shares
398,213

Interests in options
6,250,000

Contractual rights to shares
None

Director's report

Admiral Jay M. Cohen
Non-Executive Director

Admiral Jay M. Cohen is former Chief of Naval Research (United States Navy) and has served as the United States Department of the Navy Chief Technology Officer Admiral Cohen is a graduate of the United States Naval Academy. He holds a joint Ocean Engineering degree from Massachusetts Institute of Technology (MIT) and Woods Hole Oceanographic Institution and Master of Science in Marine Engineering and Naval Architecture from MIT. Earlier in his career, he commanded USS Hyman G. Rickover and served on the U.S. Atlantic Fleet before commanding the submarine tender USS L.Y. Spear including a deployment to the Persian Gulf in support of Operation Desert Storm.

Admiral Cohen was promoted to the rank of Rear Admiral in 1997 and reported to the Joint Staff as Deputy Director for Operations responsible to the President and Department of Defence leaders for strategic weapons release authority. In June 2000, he became the 20th Chief of Naval Research. He served during war as the Department of the Navy Chief Technology Officer, responsible for the $2b+/year Navy and Marine Corps Science and Technology (S&T) Program. Unanimously confirmed by the US Senate, he was sworn in as Under Secretary for Science & Technology at the Department of Homeland Security in 2006. Since leaving government, Admiral Cohen serves on corporate boards and is an independent consultant for science and technology in support of U.S. and international defence, homeland security and energy issues and solutions.

Other current directorships
None

Former directorships (last 3 years)
None

Interests in shares
None

Interests in options
1,400,000

Contractual rights to shares
None

Durval Tavares
Executive Director,
former CEO

Qualifications
BSEE

Mr. Tavares has over 30 years of successful business and entrepreneurial leadership experience in technology, defence and finance organisations in both the private and public sectors. Mr. Tavares has logged over 20 years working with underwater technology, including AUV, ROV, submarine and torpedo systems development for advanced defence projects and private contractors. His work at the Naval Underwater Warfare Center on submarine technology included several patents in his name.

While at Fidelity Investments for 10 years, Mr. Tavares was a Senior Executive responsible for leading new product development for the financial services giant.

Mr. Tavares earned his BSEE in Electrical Engineering from the University of Massachusetts, graduating first in his class. He has made frequent presentations to technical and motivational forums and is active in mentoring programs.

Other current directorships
None

Former directorships (last 3 years)
None

Interests in shares
29,387,143 ordinary shares
13,224,216 performance shares

Interests in options
None

Contractual rights to shares
None

Director's report

Brendan Martin
Executive Director &
Chief Financial Officer

Qualifications
Bachelor of Commerce, CA with the Institute of Chartered Accountants in Australia, Graduate Diploma in Applied Finance from FINSIA/Kaplan

Mr. Martin brings extensive experience in the Australian financial and industrials sectors across the Australian market.

Most recently Mr. Martin was General Manager Strategy & Investments at Broadspectrum Limited, which was acquired by Ferrovial Servicios in May 2016 for an enterprise value of AUD$1.3 billion. Prior to Broadspectrum, Mr. Martin ran Bergen Capital (Australia) LLC's Australian office, and held banking and advisory roles with Investec Bank and Citi. Mr. Martin began his career with PricewaterhouseCoopers in the insolvency and valuations practices.

Other current directorships
None

Former directorships (last 3 years)
None

Interests in shares
125,000

Interests in options
4,125,000

Contractual rights to shares
None

Robert Clisdell
Former Non-Executive Director
(resigned on 9 March 2017)

Mr Clisdell is a non-executive director of DroneShield Limited (ASX: DRO) and is the head of Bergen Capital (Australia) LLC's Sydney office.

Interests in shares
Not applicable as no longer a director

Interests in options
Not applicable as no longer a director

Contractual rights to shares
Not applicable as no longer a director

Company secretary

Anand Sundaraj (BSc, LLB (Hons)) has held the role of Company Secretary since March 2017. Mr. Sundaraj is a Principal of Sundaraj & Co, a Sydney-based law firm. Mr. Sundaraj specialises in mergers and acquisitions and capital raisings. Prior to starting his own firm, Mr. Sundaraj worked for international law firms Allen & Overy, King & Wood Mallesons and Herbert Smith Freehills as well as for global investment bank Credit Suisse. Mr. Sundaraj is the company secretary of several ASX listed companies. He is also the author of Listed Companies: ASX Listing Rules" in Australian Corporation Practice, published by LexisNexis.

Meetings of directors

The Company's Board of Directors ('the Board') met 10 times during the year ended 31 December 2017 and the number of meetings attended by each director were as follows:

Meetings	Eligible to Attend	Attended
Peter James	9	9
Jay Cohen	9	7
Durval Tavares	9	9
Brendan Martin	10	10
Robert Clisdell	1	1
Peter Wall	1	1

Eligible to attend: represents the number of board meetings held during the time the director held office.

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Director's report

Principal activities

During the financial year the principal continuing activities of the Group consisted of manufacturing and developing underwater drones

Dividends

No dividends were paid during the current or previous financial year.

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $4,559,109 (31 December 2016: profit of $115,694).

Key Information	Year ended 31 December 2017 AUD $	Year ended 31 December 2016 AUD $	% Change
Revenues from ordinary activities	747,131	1,106,829	(32)
(Loss)/profit from ordinary activities after tax attributable to shareholders	(4,559,109)	115,695	(4,041)
(Loss)/profit for the year attributable to shareholders	(4,559,109)	115,695	(4,041)

Effective April 2017, Aquabotix Technology Corporation acquired UUV Aquabotix Limited in a reverse acquisition transaction. UUV Aquabotix Limited then listed on the ASX on 28 April 2017, raising $7,000,000 which has funded increased investment in sales and marketing, R&D, legal, administration costs and working capital.

The financial position of the consolidated entity is strong with excellent liquidity and a small asset base, which is being fully utilised. With the expansion of its distributor network, the change in the management team structure and the continued focus on the growth on revenues of the Group, profitability is anticipated to improve during the year ending 31 December 2018 as management focus on future earnings and other ways of expanding the business.

The underwater drone industry is a fast-moving industry and the rate of technological change is astronomical. The main risk for the Group, and therefore the focus of management, is liquidity and inventory management. During the financial year management underwent an exercise to improve its inventory management by outsourcing certain parts of the production chain to third parties. This allows management to make special offers to customers without compromising on the Group's ability to customise each underwater drone to meet the specific requirements of our diverse customer base.

In November 2017, the Board appointed David Batista as the CEO of UUV Aquabotix Limited. Durval Tavares stepped down from the position to become the Chief Technical Officer as the Group made the decision to focus on developing new products.

Director's report

Key achievements for 2017 have included:

- Listing on the ASX on 28 April 2017
- Expansion of the distributor networks
- Expansion across the executive, sales, operations and research and development teams with key staff appointments made in each of these areas.

Significant changes in the state of affairs

Other than discussed in the Review of Operations above, there have been no significant changes in the state of affairs of the Company during the year ended 31 December 2017.

Matters subsequent to the end of the financial year

Other than as discussed above, no other matter has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

There has been increased competition in the underwater unmanned drone markets, resulting in increased pressure on prices and engaging prospective customers. Management plans to continue to expand its distributor networks to reach customers further afield and ramp up the research and development of its new product lines, particularly the Live Remote Control and the Integra AUV/ROV devices.

As the economic environment continues to improve and the new higher margin products being sold, management is confident that the prospects of the consolidated entity will continue to improve in the foreseeable future.

Environmental regulation

The Group's operations are not subject to any significant environmental regulation under Australian Commonwealth or State law.

Corporate Governance Statement

The Board of the Company (the "Board") recognises the importance of establishing a comprehensive system of control and accountability as the basis for the administration of corporate governance.

To the extent relevant and practical, the Company has adopted a corporate governance framework that is consistent with *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council ("Recommendations").

The Board has adopted the following suite of corporate governance policies and procedures which are contained with the Company's Corporate Governance Plan, a copy of which is available of the Company's website at www.aquabotix.com/investors:

- Board Charter
- Corporate Code of Conduct
- Audit and Risk Committee Charter
- Remuneration Committee Charter
- Nomination Committee Charter
- Performance Evaluation Policy
- Continuous Disclosure Policy
- Risk Management Policy
- Trading Policy
- Diversity Policy
- Shareholder Communication Policy

Director's report
Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Employment agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward.

The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board as a whole make up the Nomination and Remuneration Committee, which is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high-performance and high-quality personnel.

Remuneration report (audited)

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive director's remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The Company's annual aggregate non-executive directors' remuneration is currently set at $300,000.

Remuneration report (audited)

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPIs') being achieved. KPIs include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of UUV Aquabotix Limited:

- Peter James – Non-Executive Chairman (appointed 9 March 2017)
- Admiral Jay Cohen – Non-Executive Director (appointed 9 March 2017)
- Durval Tavares – Chief Executive Officer and Executive Director (appointed 9 March 2017, resigned as Chief Executive Officer 28 November 2017)
- Brendan Martin – Executive Director & Chief Financial Officer (appointed 22 November 2016)
- Robert Clisdell – Non-Executive Director (resigned 9 March 2017)
- Peter Wall – Non-Executive Director (resigned 9 March 2017)

And the following persons:

- David Batista – Chief Executive Officer (appointed 28 November 2017)

There have been no changes to the key management personnel since the end of the reporting period.

Director's report
Remuneration report (audited)

2017	Cash Salary and fees^^ $	Short-term benefits Cash bonus $	Non-monetary Benefits $	Other Benefits $	Post-employment benefits Super-annuation $	Other Post-employment benefits $	Long-term benefits Long Service Leave $	Share-based payments Equity-settled shares $	Equity-settled options $	Total $
Non-Executive Directors										
Peter James (Chairman)	-	-	-	-	-	-	-	-	285,830	352,497
Jay M. Cohen*	52,173	-	-	-	-	-	-	-	52,952	105,130
Robert Clisdell	-	-	-	-	-	-	-	-	-	-
Peter Wall	-	-	-	-	-	-	-	-	-	-
Executive Directors										
Durval Tavares**	164,285	-	-	29,364	-	-	-	-	-	193,649
Brendan Martin***	280,551	-^	-	-	26,652	-	-	-	198,580	505,783
Other Key Management Personnel										
David Batista	28,094	-	-	4,916	-	-	-	-	140,255	173,265
	591,770	-	-	34,280	26,652	-	-	-	677,622	1,330,324

* Represents fees of USD$40,000 converted to AUD.
** Represents Director fees of USD$20,000 converted to AUD, plus a salary of USD$105,954.
*** Represents remuneration from 17 January 2017 to 31 December 2017.
^ Mr. B Martin was paid a bonus of AUD$100,000 in January 2018.
^^ All fees are net of GST.

2016	Cash Salary and fees $	Short-term benefits Cash bonus $	Non-monetary Benefits $	Other Benefits $	Post-employment benefits Super-annuation $	Other Post-employment benefits $	Long-term benefits Long Service Leave $	Share-based payments Equity-settled shares $	Equity-settled options $	Total $
Non-Executive Directors										
Peter James (Chairman)	-	-	-	-	-	-	-	-	-	-
Jay M. Cohen	-	-	-	-	-	-	-	-	-	-
Robert Clisdell	-	-	-	-	-	-	-	-	-	-
Peter Wall	-	-	-	-	-	-	-	-	-	-
Executive Directors										
Durval Tavares	69,867	-	-	29,500	-	-	-	-	-	99,367
Brendan Martin	-	-	-	-	-	-	-	-	-	-
Other Key Management Personnel										
David Batista	-	-	-	-	-	-	-	-	-	-
	69,867	-	-	29,500	-	-	-	-	-	99,367

Remuneration report (audited)

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk – STI		At risk – LTI	
Name	2017	2016	2017	2016	2017	2016
Non-Executive Directors						
Peter James	100%	n/a	-	-	-	-
Jay M. Cohen	100%	n/a	-	-	-	-
Robert Clisdell	n/a	n/a	-	-	-	-
Peter Wall	n/a	n/a	-	-	-	-
Executive Directors						
Brendan Martin	65%	n/a	35%	n/a	-	-
Durval Tavares	100%	100%	-	-	-	-
Other Key Management Personnel						
David Batista	100%	n/a	-	-	-	-

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Nomination and Remuneration Committee.

The proportion of the cash bonus paid/payable or forfeited is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
Name	2017	2016	2017	2016
Executive Directors				
Brendan Martin	100%	-	-	-
Durval Tavares	-	-	-	-
Other Key Management Personnel				
David Batista	-	-	-	-

Remuneration report (audited)

Employment agreements with Executive Directors and Key Management Personnel

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Durval Tavares

Chief Technology Officer & Executive Director

Agreement commenced

9 March 2017

Term of agreement

No fixed term

Base salary of USD$206,000 for executive duties plus USD$30,000 for director duties, to be reviewed annually by the Board of Directors. 12-month non-solicitation and non-compete clauses, severance payment equal to 12 months' base salary upon termination without cause, immediate termination with cause, employment is at will, cash bonus at the discretion of the Board of Directors, subject to KPI achievement.

Brendan Martin

Executive Director & Chief Financial Officer

Agreement commenced

23 January 2017

Term of agreement

No fixed term

Base salary of AUD$285,000 plus superannuation, to be reviewed annually by the board of Directors. Immediate termination with cause, 6-month severance payable upon termination by the Company, eligible to participate in any short-term incentive program or long-term incentive program as offered by the Company.

David Batista

Chief Executive Officer

Agreement commenced

28 November 2017

Term of agreement

No fixed term

Base salary of USD$280,000, to be reviewed annually by the board of Directors. 3-month termination notice upon resignation, immediate termination with cause, eligible to participate in the incentive option program as offered by the Company.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Remuneration report (audited)

Share-based compensation

Issue of ordinary shares

There were no ordinary shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2017.

The number of shares in the Company held during the financial year by each Director of UUV Aquabotix Limited and other key management personnel, including their personally related entities, are set out in the table below:

Name	Opening Balance	Received upon exercise of options	Received listing of UUV Aquabotix Limited	Other changes during the year		Balance at 31 December 2017
Peter James	-	-	-	398,213	-	398,213
Durval Tavares	-	-	36,245,331	-	-	36,245,331
Brendan Martin	-	-	-	125,000	-	125,000
Jay Cohen	-	-	-	-		-
David Batista	-	-	-	-	-	-
Total	**-**	**-**	**36,245,331**	**523,213**	**-**	**36,768,544**

Issue of performance shares

45,000,000 performance shares in UUV Aquabotix Limited were issued on 20 April 2017 to shareholders of Aquabotix Corporation Technology as part of an exchange agreement, conditional upon UUV Aquabotix Limited obtaining listing approval. Further details are provided in Note 24 to the financial statements. No performance shares were converted or redeemed, nor were any milestones for performance shares met during the year ended 31 December 2017. Performance share holdings by Executive Directors and key management personnel, including their personally related entities, are as follows:

Name	Plan	Opening balance	Granted as compensation	Received upon listing of UUV Aquabotix Ltd	Exercise price	Balance at 31 December 2017
Durval Tavares	A	-	-	5,436,800	-	5,436,800
Durval Tavares	B	-	-	5,436,800	-	5,436,800
Durval Tavares	C	-	-	5,436,800	-	5,436,800
Total				**16,310,400**		**16,310,400**

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Peter James	3,000,000	20 Apr 2017	20 Apr 2018	20 Apr 2021	$0.30	$0.0429
Peter James	3,000,000	20 Apr 2017	20 Apr 2019	20 Apr 2022	$0.30	$0.0523
Jay Cohen	700,000	20 Apr 2017	Immediately	20 Apr 2020	$0.30	$0.0327
Jay Cohen	700,000	20 Apr 2017	20 Apr 2018	20 Apr 2021	$0.30	$0.0429
Brendan Martin	2,000,000	20 Apr 2017	20 Apr 2018	20 Apr 2021	$0.30	$0.0429
Brendan Martin	1,000,000	20 Apr 2017	20 Apr 2019	20 Apr 2022	$0.30	$0.0523
Brendan Martin	1,000,000	20 Apr 2017	20 Apr 2020	20 Apr 2023	$0.30	$0.0604
David Batista	1,500,000	28 Nov 2017	14 Mar 2018	20 Apr 2021	$0.30	$0.0157
David Batista	1,500,000	28 Nov 2017	14 Mar 2019	20 Apr 2022	$0.30	$0.0221
David Batista	3,000,000	28 Nov 2017	14 Mar 2020	20 Apr 2023	$0.30	$0.0279

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the Company. The number of options granted was determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 31 December 2017 are set out below:

Name	Value of options granted during the year $	Value of Options Exercised during the Year $	Value of options Lapsed during the Year $	Remuneration consisting of Options for the Year %
Peter James	285,830	-	-	81%
Jay Cohen	52,952	-	-	50%
Brendan Martin	198,580	-	-	39%
David Batista	140,255	-	-	81%

Remuneration report (audited)

Performance of the Company and shareholder returns

The performance of the Company is summarised below. No historical data has been provided as the Company only listed on the ASX in the current financial year.

	2017 $	2016 $
Sales revenue	747,131	1,106,829
EBITDA	(4,565,627)	215,487
(Loss)/profit after income tax	(4,559,109)	115,695
Basic (loss)/earnings loss per share (cents)	(4.23)	0.27
Share price as at 31 December (cents)	9.90	n/a
Dividends proposed or paid in the year	Nil	Nil

Additional disclosures relating to key management personnel

Shareholding

The number of shares in UUV Aquabotix Limited held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Ordinary shares	Balance at the start of the year	Converted as part of the Exchange Agreement	Received as part of remuneration	Received on exercise of options	Additions	Total
Peter James	-	-	-	-	398,213	398,213
Jay Cohen	-	-	-	-	-	-
Durval Tavares	-	36,245,331*	-	-	-	36,245,331
Brendan Martin	-	-	-	-	125,000	125,000
David Batista	-	-	-	-	-	-
	-	**36,245,331**	-	-	**523,213**	**36,768,544**

* Equates to the number of shares as at the date of the Exchange Agreement, where the original shares in Aquabotix Technology Corporation were converted into shares in UUV Aquabotix Limited.

Director's report
Remuneration report (audited)

Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Granted as part of the IPO listing	Exercised	Expired forfeited Other	Balance at the end of the year	Options Vested at the end of the year	Options exercisable at the end of the year	Options unexercisable at the end of the year
Peter James	-	6,000,000	250,000	-	-	6,250,000	-	-	6,250,000
Jay Cohen	-	1,400,000	-	-	-	1,400,000	-	-	1,400,000
Durval Tavares	-	-	-	-	-	-	-	-	-
Brendan Martin	-	4,000,000	125,000	-	-	4,125,000	-	-	4,125,000
David Batista	-	6,000,000	-	-	-	6,000,000	-	-	6,000,000
	-	17,400,000	375,000	-	-	17,775,000	-	-	17,775,000

Other transactions with key management personnel and their related parties

There were no transactions with key management personnel and their related parties other than as disclosed above.

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of UUV Aquabotix Limited under option at the date of this report.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

No ordinary shares of UUV Aquabotix Limited were issued during the year ended 31 December 2017 and up to the date of this report on the exercise of options granted.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executive of the Company against a liability to the extent permitted by the Corporation Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

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.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 19 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 19 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Director's report

Officers of the Company who are former partners of RSM Australia Partners

There are no officers of the Company who are former partners of RSM Australia Partners.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors.

Peter James
Chairman

28 February 2018
Sydney

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of UUV Aquabotix Limited for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 28 February 2018

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

	Note	Consolidated 2017 $	2016 $
Revenue	5	747,131	1,106,829
Cost of goods sold		(511,501)	(279,100)
Gross profit		**235,630**	**827,729**
Other income	5	41,000	4,557
Expenses			
General and administrative expense	6	(2,754,007)	(473,682)
Selling and marketing expense		(234,242)	(35,193)
Research and development expense		(271,311)	(85,456)
Depreciation expense	6,12	(27,878)	(77,445)
Share option expense		(315,800)	(10,976)
Costs associated with Initial Public Offering	7	(1,073,769)	(6,860)
Foreign exchange losses		(152,128)	(75)
Interest expense		(6,604)	(26,904)
(Loss)/profit before income tax expense		**(4,559,109)**	**115,695**
Income tax expense	8	-	-
(Loss)/profit after income tax expense for the year		**(4,559,109)**	**115,695**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
- Adjustments on translation of foreign controlled entity		(22,339)	1,679
Total comprehensive (loss)/income for the year		**(4,581,448)**	**117,374**
		Cents	Cents
Basic (loss)/earnings per share	26	(4.23)	0.27
Diluted (loss)/earnings per share	26	(4.23)	0.18

Image right: First generation Hybrid AUV/ROV,
the precursor to Integra Hybrid AUV/ROV.

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position
As at 31 December 2017

	Note	Consolidated 2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	9	3,887,828	347,527
Trade and other receivables	10	318,642	205,980
Inventories	11	238,654	206,866
Total current assets		4,445,124	760,373
Non-current assets			
Property, plant and equipment	12	60,367	52,210
Total non-current assets		60,367	52,210
Total assets		4,505,491	812,583
Liabilities			
Current liabilities			
Trade and other payables	13	333,458	104,837
Borrowings	14	-	38,549
Provisions for employee benefits	15	247,084	6,934
Customer deposits		13,053	61,025
Total current liabilities		593,595	211,345
Non-current liabilities			
Borrowings	14	-	663,661
Total non-current liabilities		-	663,661
Total liabilities		593,595	875,006
Net assets/(liabilities)		3,911,895	(62,423)
Equity			
Issued capital	22	8,941,710	1,150,904
Reserves		743,681	1,060
Accumulated losses	16	(5,773,496)	(1,214,387)
Total equity		3,911,895	(62,423)

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity
For the year ended 31 December 2017

Consolidated	Issued Capital $	Options Reserve $	Accumulated Losses $	Foreign exchange Reserve $	Total equity $
Balance at 1 January 2016	1,085,134	-	(1,330,082)	(619)	(245,567)
Profit for the year	-	-	-	115,695	115,695
Other comprehensive income	-	-	-	1,679	1,679
Total comprehensive income for the year	**-**	**-**	**115,695**	**1,679**	**117,374**
Transactions with owners in their capacity as owners:					
Shares issued during the period	65,770	-	-	-	65,770
Balance at 31 December 2016	**1,150,904**	**-**	**(1,214,387)**	**1,060**	**(62,423)**
Balance at 1 January 2017	1,150,904	-	(1,214,387)	1,060	(62,423)
Loss for the year	-	-	(4,559,109)	-	(4,559,109)
Other comprehensive loss for the year	-	-	-	(22,339)	(22,339)
Total comprehensive loss for the year	**-**	**-**	**(4,559,109)**	**(22,339)**	**(4,581,448)**
Transactions with owners in their capacity as owners:					
Shares issued during the period (Note 22)	73,099	-	-	-	73,099
Shares issued on conversion of options and warrants (Note 22)	1,566,537	-	-	-	1,566,537
Shares issued on IPO (Note 22)	7,000,000	-		-	7,000,000
Share issue costs (Note 22)	(848,830)	-	-	-	(848,830)
Share options issued in the period (Note 25)	-	764,960	-	-	764,960
Balance at 31 December 2017	**8,941,710**	**764,960**	**(5,773,496)**	**(21,279)**	**3,911,895**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows
For the year ended 31 December 2017

	Note	Consolidated 2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		689,458	909,168
Payments to suppliers and employees		(3,428,791)	(938,771)
		(2,739,333)	(29,603)
Interest received		41,024	4,557
Interest and other finance costs paid		(6,604)	(26,905)
Net cash used in operating activities	**27**	**(2,704,913)**	**(51,951)**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	3	44,456	-
Purchase of non-current assets	12	(39,661)	(4,837)
Cashflows from loans to related entities	14	(327,053)	-
Net cash used in investing activities		**(322,258)**	**(4,837)**
Cash flows from financing activities			
Net proceeds from issue of shares and convertible notes	14,22	7,460,345	347,250
Share issue costs		(1,283,217)	-
Proceeds from warrants	14	506,093	-
Repayment of borrowings		-	(118,098)
Net cash from financing activities		**6,683,221**	**229,152**
Net increase in cash and cash equivalents		3,656,050	172,364
Cash and cash equivalents at the beginning of the financial year		347,527	166,316
Effects of exchange rate changes on cash and cash equivalents		(115,749)	8,847
Cash and cash equivalents at the end of the financial year	**9**	**3,887,828**	**347,527**

The above statement of financial position should be read in conjunction with the accompanying notes.

Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies

These consolidated financial statements and notes represent the consolidated financial report of UUV Aquabotix Limited ("the Company") and its controlled entities (together, "the Group"). UUV Aquabotix Limited is a company incorporated in Australia, limited by shares which are publicly traded on the Australian Stock Exchange (ASX). The principal activity of the Company during the period was the design, development, manufacture and sale of unmanned underwater vehicles.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on an accruals basis under the historical cost convention unless otherwise stated in the notes.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

As disclosed in the financial report, the Company incurred a loss after tax of $4,559,109 and had net cash outflows from operating activities of $2,704,913 for the year ended 31 December 2017. As at that date the Company had net current assets of $3,851,529, net assets of $3,911,895 as well as cash and cash equivalents of $3,887,828. The ability of the Company to continue as a going concern is dependent on a number of factors, the most significant of which is its ability to generating sufficient returns from operating activities, raising further capital or reducing costs.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that it is reasonably foreseeable that the Company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The Company had cash and cash equivalents of $3,887,828 as at 31 December 2017. As at that date the Company had net current assets of $3,851,529 and net assets of $3,911,895. The Company has performed a cash flow forecast and determined that it has adequate cash resources in place to fund its operations for the next 12 months assuming it either generates sufficient operating cashflows or raises further capital or reduces costs or a combination of these alternatives.

Note 1. Significant accounting policies
continued

- The Company announced on 18 January 2018 the first sale made in Japan following the appointment of a Japanese distributor late in 2017. The Board is confident that the Company will continue to expand its distribution network leading to an increase in units sold in 2018.
- If required, the Company has the ability to continue to raise additional funds on a timely basis pursuant to the Corporations Act 2001. The Company raised $7 million as part of the IPO in 2017 and the Directors have no reason to believe that it will not be able to continue to source equity or alternative funding if required.
- The Company can scale back on its expenditure if required.

Accordingly, the Directors believe that the Company will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The report does not include any adjustments relating to the amounts or classification or recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 21.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of UUV Aquabotix Limited ('company' or 'parent entity') as at 31 December 2017 and the results of all subsidiaries for the year then ended. UUV Aquabotix Limited and its subsidiaries together are referred to in these financial statements as the 'Company' or 'the Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the financial statements
31 December 2017

Business combinations – reverse acquisition accounting

On 24 February 2017, UUV Aquabotix Limited entered into an Exchange Agreement with the shareholders of Aquabotix Technology Corporation, effective 20 April 2017, acquired 100% of Aquabotix Technology Corporation and subsequently listed on the Australian Stock Exchange on 28 April 2017.

Under the accounting standard applicable to business acquisitions, AASB 3: *Business Combinations*, the acquisition does not meet the definition of a business combination as the net assets of UUV Aquabotix Limited did not represent a business at the date of acquisition. The transaction has therefore been accounted for as a reverse acquisition of UUV Aquabotix Limited by Aquabotix Technology Corporation. The transaction has been accounted for by reference to AAASB 2: *Share based payments*. Aquabotix Technology Corporation has been identified as the acquirer and UUV Aquabotix Limited the subsidiary.

Included within expenses in the statement of profit or loss and other comprehensive income are acquisition and initial public offering related costs totalling $1,073,769, including the options issued to the Joint Lead Managers to the value of $449,160, which is a non-cash item. The costs include advisory, legal, accounting and other professional fees.

The impact of the reverse acquisition on each of the primary statements is as follows:

Consolidated Statement of Financial Position: the 31 December 2017 statement of financial position represents both UUV Aquabotix Limited and Aquabotix Technology Corporation

Consolidated Statement of Profit or Loss and Other Comprehensive Income: the 31 December 2017 statement of profit or loss and other comprehensive income comprises 12 months of activities of Aquabotix Technology Corporation and the activity from the effective acquisition date of 20 April 2017 for UUV Aquabotix Limited. The 31 December 2016 statement of profit or loss and other comprehensive income comprises 12 months of activities of Aquabotix Technology Corporation.

Consolidated Statement of Changes in Equity: The 31 December 2017 statement of changes in equity comprises the changes in equity and transactions with equity holders for Aquabotix Technology Corporation for the period to the effective acquisition date of 20 April 2017 and from this date onwards for UUV Aquabotix Limited. The 31 December 2016 statement of changes in equity comprises the changes in equity and transactions with equity holders for the 12-month period for Aquabotix Technology Corporation.

Consolidated Statement of Cash Flows: The 31 December 2017 statement of cash flows comprises the cash transactions for the 12-month period of Aquabotix Technology Corporation and from the effective acquisition date of 20 April 2017 for UUV Aquabotix Limited. The 31 December 2016 statement of cash flows comprises the cash transactions for the 12-month period of Aquabotix Technology Corporation.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is UUV Aquabotix Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 1. Significant accounting policies
continued

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

The table below shows the average exchange rates and the exchange rates as at the reporting date for the period.

	USD	
	2017	2016
As at 31 December	0.78	0.73
Average rate for the period ending 31 December	0.77	0.74

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into consideration any trade rebates or discounts. Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured.

Sales of goods

Revenue from sales of goods is recognised when the entity has delivered a product to the customer, which is defined as upon shipment. The recorded revenue is the gross amount of sale, including any fees payable for the transaction. Such fees are included in cost of goods sold.

Sales of services

Revenue from sales of services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income

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

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

- When the taxable temporary difference is associated with interests in subsidiaries and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

The Group currently does not recognise any deferred tax assets or liabilities.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current. A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less, and bank overdrafts.

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 impairment. 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 impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 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.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 1. Significant accounting policies
continued

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Furniture and equipment	3–5 years
Manufacturing tools	5–7 years
Moulds	7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits. The Group has no finance leases.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. They are initially recognised at fair value. Due to their short-term nature they are subsequently measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution superannuation expense and deferred compensation 401(K) plan

The group makes mandatory fixed percentage contributions for all Australian resident employees to complying third party superannuation funds.

The group has a qualified deferred compensation 401(K) plan for US resident employees. Eligible employees may defer a portion of their salaries subject to the limitations set by the relevant Inland Revenue Services in both Australia and the United States of America. The group's legal or constructive obligation is limited to these contributions.

Contributions to these superannuation funds and compensation plans are expensed in the period they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to certain key employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The costs of equity-settled transactions are measured at fair value on grant date. Fair value i s independently determined using Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 1. Significant accounting policies
continued

Research and development

Research and development costs are expensed as incurred.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of UUV Aquabotix Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Financial instruments – recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs.

The Company's financial assets include loans, trade and other receivables. After initial recognition, financial assets are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Company's financial liabilities include borrowings, trade and other payables. After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

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 Group for the annual reporting period ended 31 December 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

The standard introduces additional new disclosures. The Group will adopt this standard from 1 January 2018 but the impact of its adoption is not expected to be material for the Group.

Note 1. Significant accounting policies
continued

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the Group, although it is not considered to be material.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 January 2019 but the impact of its adoption is yet to be assessed by the Group.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made. Management have also exercised their judgement in determining not to raise any deferred tax assets on estimated tax losses until there is more certainty around the ability to utilise tax losses in the future.

Notes to the financial statements
31 December 2017

Note 3. Business Combinations

Name	Principal place of business / Country of incorporation	Percentage Owned %
UUV Aquabotix Limited – Legal parent, accounting subsidiary	Australia	100%

On 24 February 2017, UUV Aquabotix Limited entered into an Exchange Agreement with the shareholders of Aquabotix Technology Corporation, and, effective 20 April 2017, acquired 100% of Aquabotix Technology Corporation and subsequently listed on the Australian Stock Exchange on 28 April 2017. As noted in Note 1, the acquisition was treated as a reverse acquisition under the guidelines of AASB 3: *Business Combinations* and has been accounted for by reference to AASB 2: *Share based payments*.

Aquabotix Technology Corporation has been identified as the acquirer and UUV Aquabotix Limited the subsidiary for accounting purposes.

UUV Aquabotix Limited was a dormant shell company that was formed specifically to acquire Aquabotix Technology Corporation and list on the ASX. The deemed consideration for the Company was considered to be AUD$1. All costs incurred in UUV Aquabotix Limited prior to the IPO relating to the listing have been accounted for as "Costs associated with the Initial Public Offering".

Cost of acquisition	$
Deemed purchase consideration (Note 22(d))	1
Net liabilities of UUV Aquabotix Limited	(94,215)
	(94,214)

Assets and liabilities assumed at the date of acquisition	
Current assets	660,761
Non-current assets	4,007
Total assets	664,768
Current liabilities	(758,983)
Total liabilities	(758,983)
Net liabilities acquired	**(94,215)**

Cash used to acquire Company, net of cash acquired

Consideration paid in cash	-
Less: cash and cash equivalents acquired	44,456
	44,456

Analysis of cash flows associated with listing

Transaction costs attributable to listing on the ASX:	
– Included in costs of listing in the income statement (Note 7)	(624,609)
– Included in share issue costs (Note 22)	(848,830)
	(1,473,439)
Prepaid transaction costs acquired (included in current assets above)	190,222
Net cash outflows associated with listing	**(1,283,217)**

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into one operating segment: the development and subsequent sale of unmanned underwater vehicles. This segment is based on the internal reports that are reviewed and used by the Board of Directors (jointly identified as the Chief Operating Decision Makers ('CODM') to assess performance and determine the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a monthly basis.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans are eliminated on consolidation.

Geographical segment information

The following table presents certain information regarding the geographical segments for the 12 months ended 31 December 2017 and 31 December 2016.

Note 4. Operating segments continued

31 December 2017

Segment Performance	USA $	Australia $	Elimination $	Total $
External Sales	747,131	-	-	747,131
Total Segment Revenue	747,131	-	-	747,131
Interest Income	11,424	29,576	-	41,000
Depreciation	(26,876)	(1,002)	-	(27,878)
Finance Costs	(6,604)	-	-	(6,604)
Income tax expense	-	-	-	
Loss after income tax expense	(2,520,022)	(2,065,022)	25,935	(4,559,109)
Assets and liabilities				
Segment Assets	1,008,147	5,262,776	(1,765,432)	4,505,491
Segment liabilities	(2,132,665)	(205,803)	1,744,872	(593,596)

31 December 2016

Segment Performance	USA $	Australia $	Elimination $	Total $
External Sales	1,106,829	-	-	1,106,829
Total Segment Revenue	1,106,829	-	-	1,106,829
Interest Income	4,557	-	-	4,557
Depreciation	(77,445)	-	-	(77,445)
Finance Costs	(26,904)	-	-	(26,904)
Income tax expense	-	-	-	-
Profit after income tax expense	115,695	-	-	115,695
Assets and liabilities				
Segment Assets	812,583	-	-	812,583
Segment liabilities	(875,006)	-	-	(875,006)

Note 5. Revenue

	Consolidated 2017 $	Consolidated 2016 $
Sales revenue		
Sale of goods	731,586	1,021,924
Rendering of services	15,545	84,905
	747,131	1,106,829
Other revenue		
Interest	41,000	4,557
Other revenue	-	-
	41,000	4,557
Total revenue	788,131	1,111,386

Note 6. Expenses

Profit before income tax includes the following specific expenses:

	Consolidated 2017 $	Consolidated 2016 $
General and administrative expense		
Defined contribution superannuation expense	32,424	-
Salaries and compensation	1,698,211	272,235
Professional fees	685,179	79,920
Travel	152,859	14,899
Minimum lease payments	82,787	34,554
Other occupancy expenses	44,802	19,963
Other	54,745	52,111
	2,754,007	473,682

Note 6. Expenses continued

	Consolidated 2017 $	Consolidated 2016 $
Depreciation		
Plant and equipment	27,878	77,445
Share option expense		
Share option expense	315,800	10,976
Foreign exchange losses		
Foreign exchange losses	152,128	75
Costs associated with Initial Public Offering		
Costs associated with Initial Public Offering (see Note 7)	1,073,769	6,860

Note 7. Costs associated with initial public offering

	Consolidated 2017 $	Consolidated 2016 $
Cost of acquisition of legal parent (Note 3)	94,214	-
Listing and legal costs	349,670	-
Other professional fees	55,989	6,860
Printing and marketing fees	56,406	-
Other costs associated with the IPO	68,330	-
Share options issued to joint lead managers (Note 25)	449,160	-
	1,073,769	**6,860**

Note 8. Income tax expense

	Consolidated 2017 $	2016 $
The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
Aggregate income tax expense	**-**	**-**
Numerical reconciliation of income tax expense and tax at the statutory rate		
(Loss)/profit before income tax expense	(4,559,109)	115,695
Tax at the Australian statutory tax rate of 30%	(1,367,733)	34,709
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-allowable items	-	-
Carried forward tax benefits not recognised in the current year	1,367,733	(34,709)
Adjustment recognised for prior periods	-	-
Income tax expense	**-**	**-**

The Group has carry forward tax losses of $4,153,912 (2016: $958,803) relating to international operations, which will expire at various dates over the next 7 years. Such losses may also be subject to changes in ownership provisions. Accordingly, some or all of the international losses may be limited in future periods or may expire before being able to be applied to reduce future foreign income tax liabilities.

The benefit of these losses will only be recognised when it is probable that future taxable profits will be available against which the benefits of the deferred tax assets can be utilised.

Note 9. Current assets - cash and cash equivalents

	Consolidated 2017 $	2016 $
Cash on hand and at bank	609,696	347,527
Cash on deposit	3,278,132	-
	3,887,828	**347,527**

Note 10. Current assets - trade and other receivables

	Consolidated 2017 $	2016 $
Trade receivables	198,601	166,060
Less: Provision for impairment of receivables	-	-
	198,601	**166,060**
Prepayments and other receivables	111,777	30,164
Security deposits	8,264	9,756
	120,041	**39,920**
Trade and other receivables	**318,642**	**205,980**

Impairment of receivables

The Group has not recognised any loss in profit or loss in respect of impairment of receivables for the year ended 31 December 2017 (2016: $nil).

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $196,862 as at 31 December 2017 ($115,370 as at 31 December 2016).

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated 2017 $	2016 $
0 to 3 months overdue	89,231	68,465
3 to 6 months overdue	107,631	46,905
	196,862	**115,370**

Note 11. Current assets – inventories

	Consolidated 2017 $	Consolidated 2016 $
Raw materials and finished goods	238,654	206,866

Note 12. Non-current assets - property, plant and equipment

	Consolidated 2017 $	Consolidated 2016 $
Plant and equipment - at cost	204,598	177,032
Less: Accumulated depreciation	(144,231)	(124,822)
	60,367	52,210

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated – NBV	Moulds $	Tools $	Furniture and equipment $	Total $
Balance at 1 January 2016	105,029	7,032	13,509	125,569
Additions	-	4,837	-	4,837
Disposals	-	-	-	-
Depreciation expense	(65,849)	(4,269)	(7,327)	(77,445)
Exchange differences	(629)	(42)	(81)	(751)
Balance at 31 December 2016	38,551	7,558	6,101	52,210
Additions	-	18,102	21,559	39,661
Disposals	-	-	-	-
Depreciation expense	(19,707)	(3,822)	(4,349)	(27,878)
Exchange differences	(2,133)	(934)	(559)	3,626
Balance at 31 December 2017	**16,711**	**20,904**	**22,752**	**60,367**

Property, plant and equipment secured under finance leases

The Company does not have any property, plant and equipment secured under finance leases.

Note 13. Current liabilities - trade and other payables

	Consolidated 2017 $	2016 $
Trade payables	178,933	96,084
Accrued expenses		
Deferred revenue	25,269	2,429
Other accrued expenses	129,256	6,324
	154,525	8,753
Trade and other current liabilities	**333,458**	**104,837**

Refer to Note 17 for further information on financial instruments.

Note 14. Borrowings and related parties

	Consolidated 2017 $	2016 $
Borrowings – less than 1 year	-	38,549
Borrowings – greater than 1 year	-	663,661
	-	**702,210**

Amounts due to Related Parties

On 27 June 2014, Aquabotix Technology Corporation entered into a promissory note agreement with one of its shareholders for USD$350,000. The unsecured note paid interest of 5% per annum and was repayable upon the written demand of the lender at any time or after the maturity date or earlier upon the occurrence of an event or default. As at 31 December 2016, USD$293,232 was outstanding due to related parties, of which USD$1,232 related to accrued interest. Interest paid on this note for the 12 months ended 31 December 2016 was USD$15,324. The outstanding interest was repaid to the shareholder in February 2017.

On 14 November 2016, Aquabotix Technology Corporation entered into an agreement for two 24-month interest-free senior secured promissory notes (for USD$250,000 and USD$300,000 respectively), convertible into common shares of Aquabotix Technology Corporation, with one of its shareholders, and granted a warrant to that shareholder exercisable for common shares in Aquabotix.

In April 2017, the amounts outstanding under the promissory note agreement, both convertible notes and the warrant were converted into Aquabotix Technology Corporation's equity as part of the Exchange Agreement, prior to the initial public offering of UUV Aquabotix Limited.

In March 2017, Aquabotix Technology Corporation transferred USD$250,000 to UUV Aquabotix Limited prior to the completion of the Exchange Agreement, to assist with the costs associated with setting up the parent company and financing the initial public offering.

Notes to the financial statements
31 December 2017

Note 15. Employee benefits

	Consolidated 2017 $	2016 $
Employee benefits – less than 1 year	247,084	6,934

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Note 16. Equity – retained profits

	Consolidated 2017 $	2016 $
Accumulated losses at the beginning of the financial year	(1,214,387)	(1,330,082)
(Loss)/profit after income tax expense for the year	(4,559,109)	115,695
Accumulated losses at the end of the financial year	**(5,773,496)**	**(1,214,387)**

Note 17. Financial risk management

Financial risk management objectives

The Group's financial instruments consist mainly of deposits with banks, accounts receivables, accounts payables and inter-company funding. Due to the geographical position of the Group and its activities, it is exposed to a variety of financial risks: market risk (including foreign currency risk), interest rate risk, credit risk and liquidity risk. The Directors' overall risk management program focuses on enabling the Group to meet its financial targets and obligations whilst minimising the potential adverse effects on financial performance.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors. These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and mitigates financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 17. Financial risk management continued

Market risk

Foreign currency risk

The Group operates in both Australia and the United States of America. Transactions occur in both AUD and USD and cash and cash equivalents used to fund working capital requirements are held in both AUD and USD denominated bank accounts

Transactional currency exposure arises from sales or purchases other than the group entities' functional currency. Foreign exchange risk arises from commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the reporting Group's functional currency. The Group uses cashflow forecasting to manage its working capital.

The Group is also exposed to foreign currency exchange risk when capital is raised in AUD and transferred to the US entity. The Group closely monitors foreign currency movements but does not use hedging instruments to manage such risk. In order to protect against exchange rate movements, throughout the year, the Group held amounts denominated in foreign currencies as cash and cash equivalents.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets 2017 $	Assets 2016 $	Liabilities 2017 $	Liabilities 2016 $
US dollars	2,935,098	513,587	176,963	798,294
Australian dollars	1,808,296	-	1,970	-
	4,743,395	**513,587**	**178,933**	**798,294**

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group is not exposed to any significant interest rate risk. As a result of the IPO in April 2017, the Group does not have any long-term borrowings. Periodically, the Group places amounts into short-term term deposits to make the most of higher interest rates.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Credit risk is limited to major banks and trade receivables.

Liquidity risk

The Group manages liquidity risk by maintaining sufficient liquid assets (mainly cash and cash equivalents) in both Australia and the USA to be able to pay debts as and when they become due. The Group achieves this through the continual monitoring of cashflows and the maturity profile of term deposits. The Group will also raise additional capital as required to manage its liquidity risk.

The following table reflects the undiscounted contractual settlement terms for financial liabilities:

Contractual maturities of financial liabilities	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
As at 31 December 2017					
Trade and other payables	178,933	-	-	-	178,933
Other financial liabilities	-	-	-	-	-
Total	**178,933**	**-**	**-**	**-**	**178,933**
As at 31 December 2016					
Trade and other payables	96,084	-	-	-	96,084
Other financial liabilities	702,210	-	-	-	702,210
Total	**798,294**	**-**	**-**	**-**	**798,294**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 18. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2017 $	2016 $
Short-term employee benefits	626,050	99,367
Post-employment benefits	26,652	-
Long-term benefits	-	-
Share-based payments, including FV of share options granted	677,622	-
	1,330,324	**99,367**

Details of the share options granted to directors and other members of key management personnel of the Group are included in Note 25.

Note 19. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the Company, its network firms and unrelated firms:

	Consolidated 2017 $	2016 $
Audit services – RSM Australia Partners		
Audit or review of the financial statements	56,500	-
Other services – RSM Australia Partners		
Review of accounting matters	7,000	-
	63,500	**-**

Note 20. Commitments

	Consolidated 2017 $	2016 $
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	101,977	31,200
One to five years	458,913	98,800
More than five years	195,245	-
	756,135	**130,000**

Operating lease commitments relate to the contracted amounts for the rent of the offices in Fall River, Massachusetts under operating leases expiring in over five years with the option to extend. The lease has various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group has no other commitments.

Notes to the financial statements
31 December 2017

Note 21. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2017 $	2016 $
Loss after income tax	(2,065,022)	-
Total comprehensive loss	**(2,065,022)**	**-**

Statement of financial position

	Parent	
	2017 $	2016 $
Total current assets	5,259,771	-
Total assets	5,262,776	-
Total current liabilities	(205,802)	(1)
Total liabilities	(205,802)	(1)
Equity		
– Issued capital	7,000,001	1
– Share issue costs reserve	(642,965)	-
– Share option reserve	764,960	-
– Accumulated losses	(2,065,022)	-
Total equity	**5,056,974**	**1**

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2017 and 31 December 2016.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2017 and 31 December 2016.

Note 22. Issued capital

	Notes	Number of shares	$
Balance at 1 January 2017			
(USD$840,811 converted at 1.36986)		**352,504**	**1,150,904**
Equity contributed on issue of shares,			
conversion of warrants and convertible notes	(a) and (b)	454,444	1,639,636
Share Capital of Aquabotix Technology Corporation prior to the execution of the Exchange Agreement		**806,948**	**2,790,540**
Shares converted upon execution of the Exchange Agreement	(c)	(806,948)	(2,790,540)
Shares issued upon execution of the Exchange Agreement	(c) and (d)	100,000,001	2,790,540
Shares issued during period	(e)	35,000,000	7,000,000
Transaction costs in relation to share issue	(f)	-	(848,830)
Balance at 31 December 2017		**135,000,001**	**8,941,710**

Note (a) In January 2017, 19,176 shares in Aquabotix Technology Corporation were issued to certain employees of the Company.

Note (b) In February 2017, 435,268 shares in Aquabotix Technology Corporation were issued on conversion of warrants and convertible notes.

Note (c) As part of the acquisition of Aquabotix Technology Corporation by UUV Aquabotix Limited, the previous owners of Aquabotix Technology Corporation exchanged their 806,948 shares in Aquabotix Technology Corporation in for 100,000,000 shares in UUV Aquabotix Limited. These parties may also be issued with up to 45,000,000 Performance Shares in UUV upon the achievement of certain milestones. Further information on these can be found in Note 24.

Note (d) Included is the one share in the Company issued upon incorporation in November 2016 for $1.

Note (e) In April 2017, the Company issued 35,000,000 shares under an initial public offering to raise AUD$7,000,000. Attached to each share was one listed option.

Note (f) Included in transaction costs are the broker fees paid to the Joint Lead Managers. The value of the options issued to the Joint Lead Managers of AUD$449,160 has been expensed in the income statement.

Note 23. Changes in composition of entity

On 28 April 2017, the Company's securities were listed on the ASX following the completion of its initial public offering under which it raised $7,000,000 through the issuance of 35,000,000 shares together with 35,000,000 listed options at $0.20 per share. The listed options have an exercise price of $0.22 per option.

100,000,000 shares were issued to the members of Aquabotix Technology Corporation upon the effective completion of the Exchange Agreement between the Company and Aquabotix Technology Corporation on 20 April 2017 in consideration for their interests in that business and Aquabotix Technology Corporation became a wholly owned subsidiary of the Company.

A summary of the capital structure of the Company at 31 December 2017 is set out below:

Shareholders	Shares	Unlisted Options	Listed UUVO Options	Performance Shares
Existing shareholders of ATC	100,000,001	-	-	45,000,000
IPO shareholders	35,000,000	-	35,000,000	-
Options issued to Directors, Management and Advisory Board	-	18,600,000	-	-
Options issued to Joint Leader Managers	-	10,000,000	-	-
Total	**135,000,001**	**28,600,000**	**35,000,000**	**45,000,000**

Unlisted Options:

- 17,500,000 Unlisted Options issued to Directors and Management are exercisable at 30 cents, each with various expiry dates ranging between 20 April 2018 and 20 April 2023. These Options are subject to various time and market vesting conditions. See Note 25 for further details.
- 400,000 Unlisted Options issued to Directors and Management are exercisable at 50 cents, with expiry dates of 20 April 2023. These options are subject to various time and market vesting conditions. See Note 25 for further details.
- 700,000 Unlisted Options issued to Directors and Management are exercisable at 30 cents each on or before 20 June 2020. These Options have fully vested.
- 10,000,000 Unlisted Options issued to the Joint Lead Managers of the IPO are exercisable at 22 cents each on or before 20 April 2020. These options have fully vested.

Listed Options:

- These are exercisable at 22 cents on or before 20 April 2019.

Note 24. Performance shares

Existing shareholders of Aquabotix Technology Corporation were granted 45,000,000 Performance Shares, each convertible into one Ordinary Share in UUV Aquabotix Limited upon achievement of various performance milestones, as follows:

Shareholders	Milestones	Number in Issue
Class A Performance Shares	each share is convertible 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.	15,000,000
Class B Performance Shares	each share will convert into one fully paid ordinary share upon the Company achieving, in relation to the Company's 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.	15,000,000
Class C Performance Shares	each share is convertible into one fully paid ordinary share upon the Company achieving, in relation to the Company's 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.	15,000,000

None of the milestones were met in the period ended 31 December 2017 and no Performance Shares were converted to Ordinary Shares in the period.

Note 25. Share-based payments

During 2017, 18,600,000 share options were issued to directors and employees at exercise prices of $0.30 to $0.50 per share option and a total transactional value of $764,960. Of these share options issued, 17,400,000 were issued to directors and key management personnel, with a total transactional value of $677,622 as disclosed in the key management personnel disclosures (Note 18) and the remuneration report in the directors' report.

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the company to certain key management personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

During the period, a number of options were issued to directors, management and other employees of the entity as well as to the Company's corporate advisors and investors who subscribed to shares under the Company's initial public offering. Using the Black Scholes Model, the fair value of each option is set out below and based on the following criteria and assumptions. Set out below are summaries of the options granted under the plan:

	Class A	Class B	Class C	Class D	Class E	Class F	Class G	Class H	Class I	Class J	Class K	Class L	Class M
No. of Options	35,000,000	10,000,000	700,000	700,000	5,000,000	4,000,000	1,000,000	400,000	400,000	400,000	1,500,000	1,500,000	3,000,000
Issue Date	20 Apr 17	20 Apr 17	20 Apr 17	20 Apr 17	20 Apr 17	20 Apr 17	20 Apr 17	23 May 17	23 May 17	23 May 17	28 Nov 17	28 Nov 17	28 Nov 17
Expiry (years)	2	3	3	3	3	3	3	3	3	3	3	3	3
Exercise price ($)	0.22	0.22	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.50	0.30	0.30	0.30
Vesting period	Immediately	Immediately	Immediately	20 Apr 18	20 Apr 18	20 Apr 19	20 Apr 20	20 Apr 18	20 Apr 19	20 Apr 20	20 Apr 20	20 Apr 20	20 Apr 20
Underlying Volatility	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Risk free interest rate	1.57%	1.66%	1.66%	1.66%	1.66%	1.90%	1.90%	1.66%	1.90%	1.90%	1.66%	1.90%	1.90%
Calculated fair value of each option ($)	0.0328	0.0449	0.0327	0.0429	0.0429	0.0523	0.0604	0.0421	0.0516	0.0427	0.0157	0.0221	0.0279
Expense recorded for the periodended 31 December 2017 ($)	-	449,160	22,904	20,996	149,972	73,138	14,059	11,251	6,570	3,571	7,553	2,390	3,396
Total Expense													**764,960**

Class A options were issued to all shareholders who subscribed for shares under the initial public offering for $nil consideration. No expense will be recognised until these options are exercised. Class B options were issued to the brokers as part of the fees for their services relating to the IPO and have been expensed immediately. Class C, D, E, F and G options were issued to Directors and Management and will be expensed over their vesting period. Class H, I, J, K, L and M options were issued to Management and will be expensed over their vesting period.

The weighted average share price during the financial year was $0.14 (2016: n/a).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.26 years (2016: n/a).

Note 26. Earnings per share

	Consolidated 2017 $	2016 $
(Loss)/profit after income tax attributable to the owners of UUV Aquabotix Limited	**(4,559,109)**	**115,695**

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	107,871,578	43,500,778
Adjustments for calculation of diluted earnings per share:		
– Performance shares	-	-
– Options over ordinary shares	-	21,400,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	**107,871,578**	**64,900,778**

	Cents	Cents
Basic (loss)/earnings per share	(4.23)	0.27
Diluted (loss)/earnings per share	(4.23)	0.18

For the period ended 31 December 2017, the weighted average number of shares reflects Aquabotix Technology Corporation's weighted average ordinary shares before the Exchange Agreement became effective on 20 April 2017 multiplied by the exchange ratio established in the acquisition, and the weighted average total actual shares of UUV Aquabotix Limited in issue after the date of the acquisition.

For the period ended 31 December 2016, the weighted average number of shares reflects Aquabotix Technology Corporation's weighted average ordinary shares multiplied by the exchange ratio established in the acquisition.

For the period ended 31 December 2016, the weighted average number of options over ordinary shares reflects Aquabotix Technology Corporation's weighted average options over ordinary shares multiplied by the exchange ratio established in the acquisition.

All performance shares and share options were considered anti-dilutive in the period ended 31 December 2017.

Note 27. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2017 $	2016 $
(Loss)/profit after income tax expense for the year	(4,559,109)	115,696
Adjustments for:		
– Depreciation and amortisation	27,878	77,445
– Share-based payments	315,800	11,065
– Foreign exchange differences	152,128	74
– Prior period adjustment	-	5,255
– Cost of listing	1,073,769	-
Change in operating assets and liabilities:		
– Increase in trade and other receivables	(112,662)	(140,606)
– Increase in inventories	(31,788)	(98,940)
– Increase/(decrease) in trade and other payables	82,849	80,886
– Increase/(decrease) in other operating liabilities	346,222	(102,752)
Net cash from operating activities	**(2,704,913)**	**(51,951)**

Note 28. Events after the reporting period

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Director's declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Peter James
Chairman

28 February 2017
Sydney

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INDEPENDENT AUDITOR'S REPORT
To the Members of UUV Aquabotix Limited

Opinion

We have audited the financial report of UUV Aquabotix Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a loss after tax of $4,559,109 and had net cash outflows from operating activities of $2,704,913 for the year ended 31 December 2017. As at that date the Group had net current assets of $3,851,529, net assets of $3,911,895 as well as cash and cash equivalents of $3,887,828. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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RSM

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
Accounting for Acquisition of Aquabotix Technology Corporation Refer to Note 3 in the financial statements	
During the year, UUV Aquabotix Limited ("UUV") entered into an Exchange Agreement with the existing shareholders of Aquabotix Technology Corporation ("ATC") to acquire 100% of the share capital of ATC. We identified the acquisition as a key audit matter due to the complexity and judgment involved in the accounting for this transaction. The effect of this transaction was that the shareholders of ATC hold 100% in the combined entity immediately after the transaction, and therefore ATC has been determined to be the accounting acquirer and UUV the accounting subsidiary. The acquisition did not meet the definition of a business combination under AASB 3 *Business Combinations* as the activities of UUV did not represent a business at the date of acquisition. Whilst not in the scope of AASB 3, the transaction has been accounted for using the principles of reverse acquisition accounting set out in that standard. The acquisition of ATC is technically complex from an accounting perspective, involving significant management judgement when determining the acquiring entity, the fair value of consideration paid and whether the accounting acquiree meets the definition of a business under AASB 3 *Business Combinations*.	Our audit procedures in relation to the accounting for acquisition included: • Reviewing the Exchange Agreement to obtain an understanding of the transaction and the related accounting considerations. • Critically evaluating management's determination that UUV is the accounting acquiree and did not meet the definition of a business as set out in AASB 3 *Business Combinations.* • Reviewing and assessing the reverse acquisition entries for compliance with both the agreement and applicable accounting standards. • Assessing the appropriateness of the financial statement disclosures in relation to the acquisition. • Review the Prospectus so as to determine that the accounting entries in relation to the transaction in the Company's records were consistent with the information contained in the Prospectus.

Share-based payments
Refer to Note 25 in the financial statements

The Group issued share options to joint lead managers, directors and employees during the year. These were equity-settled options, which management valued using a Black Scholes model. Share-based payments are technically complex to account for and are subject to significant management judgement in determining the inputs used to determine the fair value. This was considered a key audit matter due to the technical complexity and judgments required in determining if the transactions were appropriately accounted for in accordance with AASB 2 *Share Based Payments*.	Our audit procedures in relation to share-based payments included: • Making inquiries of management and reviewing relevant agreements to understand the share-based payment schemes established in the year. • Critically evaluate the key assumptions used in determining the fair value of the share options at grant date having consideration of the market, the share price, the expected volatility, the vesting period, and the number of options expected to vest. • Recalculating the estimated charge to the Statement of Profit or Loss and the related balance in the Reserves. • Reviewing the accounting treatment adopted by management and ensuring it is in line with the treatment set out in AASB 2 *Share Based Payments.* • Considering the adequacy of the Group's disclosures in respect of the judgements taken in the valuation models.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, 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 accordingly we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, 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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 28 of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of UUV Aquabotix Limited, for the year ended 31 December 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM AUSTRALIA PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 28 February 2018

Image right: Aquabotix Hydroview ROV, the first inspection class ROV to utilize an iPad app for live view and control.

Shareholder information

The shareholder information set out below was applicable as at 20 February 2018.

Ordinary shares

Analysis of number of ordinary shareholders by size of holding:

	Number of holders	Total Shares	% Issued Share Capital
1 to 1,000	15	1,473	0.00
1,001 to 5,000	40	167,231	0.12
5,001 to 10,000	105	898,583	0.67
10,001 to 100,000	305	11,975,812	8.87
100,001 and over	70	121,956,902	90.34
Total	**535**	**135,000,001**	**100.00%**
Unmarketable Parcels	-	-	-

Voting rights

At a general meeting, every shareholder present in person or by proxy, body corporate representative, or attorney has one vote on a show of hands and one vote for each share held on a poll.

Votes are cast by a show of hands unless a poll is demanded. A poll may be demanded by the chairperson or at least five shareholders entitled to vote on the resolution or Shareholders with at least 5% of the votes that may be cast on the resolution on a poll.

Option and performance shareholders do not have voting rights.

Listed Options

Analysis of number of listed option holders by size of holding:

	Number of holders	Total Options	% Issued Share Capital
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	21	210,000	0.60
10,001 to 100,000	193	7,467,851	21.34
100,001 and over	61	27,322,149	78.06
Total	**275**	**35,000,000**	**100.00%**

Shareholder information

Unlisted options

Analysis of number of unlisted option holders by size of holding:

	Number of holders	Total Options	% Issued Share Capital
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	9	28,600,000	100.00
Total	**9**	**28,600,000**	**100.00%**

Performance shares

Analysis of number of performance shareholders by size of holding:

	Number of holders	Total Shares	% Issued Share Capital
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	1	83,649	0.19
100,001 and over	11	44,916,351	99.81
Total	**12**	**45,000,000**	**100.00%**

Shareholder information

Twenty largest shareholders at 9 February 2018

The names of the twenty largest shareholders of quoted equity securities are listed below:

	Number held	% of total shares Issued
Long Hill Capital II LLC	51,940,027	38.47
Aquabotix Tech. Corp. 401(K) Durval Tavares	23,049,813	17.07
Dural Tavares	6,337,330	4.69
Aquabotix Tech Corp. 401(K) Deniz A Diogo	6,163,223	4.57
Debra Tavares	4,337,330	3.21
Aquabotix Tech. Corp. 401(K) Michael Dechambeau	3,343,215	2.48
Eagle's View Capital Partners LP	1,712,300	1.27
Jeffrey Pace	1,487,085	1.10
Bergen Special Opportunity Fund LP	1,253,751	0.93
Eagle's View Partners Ltd	1,198,809	0.89
Eagle's View Partners Ltd	1,181,329	0.88
Aquabotix Tech Corp 401(K) Debra Tavares	1,115,314	0.83
Aquabotix Tech Corp 401(K) Dawn Doraz	1,095,734	0.81
Eagle's View Special Opportunities Fund LP	978,250	0.72
Eagle's View Partners LTD.	978,250	0.72
Eagle's View Diversified Opportunities Fund LP	978,250	0.72
Eagle's View Offshore Fund Ltd	734,050	0.54
Eagle's View Offshore Fund Ltd	685,500	0.51
Mr William Anthony Andrews	683,500	0.51
Rainbo Pty Ltd	647,653	0.48
Deniz A Diogo	635,234	0.47
Mr William Henry Hernstadt	515,000	0.38
Total	**111,050,947**	**82.26**
Balance of register	23,949,054	17.74
Total issued share capital	**135,000,001**	**100.00**

Shareholder information

Substantial shareholders

The names of shareholders with substantial shareholdings are listed below:

	Shares held	Notice date
Deniz Diogo	6,798,457	1 May 2017
Durval Tavares	34,838,787	1 May 2017
Long Hill Capital II, LLC	51,940,027	2 May 2017
Neal Berger	7,200,000	12 May 2017

Number of holders in each class of equity security

Equity security class	Number of holders
Fully paid ordinary shares	535
Listed options (exercise price of $0.22, expiry on 19 April 2019)	275
Class A Performance Shares	12
Class B Performance Shares	12
Class C Performance Shares	12
Class B unlisted options (exercise price of $0.22, expiry on 19 April 2020)	3
Class C unlisted options (exercise price of $0.30, expiry on 19 April 2020)	1
Class D unlisted options (exercise price of $0.30, expiry on 19 April 2021)	1
Class E unlisted options (exercise price of $0.30, expiry on 19 April 2021)	2
Class F unlisted options (exercise price of $0.30, expiry on 19 April 2022)	2
Class G unlisted options (exercise price of $0.30, expiry on 19 April 2023)	1
Class H unlisted Options (exercise price of $0.30, expiry on 19 April 2021)	2
Class I unlisted options (exercise price of $0.30, expiry on 19 April 2022)	2
Class J unlisted options (exercise price of $0.50, expiry on 19 April 2023)	2
Class K unlisted options (exercise price of $0.30, expiry on 19 April 2021)	1
Class L unlisted options (exercise price of $0.30, expiry on 19 April 2022)	1
Class M unlisted options (exercise price of $0.30, expiry on 19 April 2023)	1

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