



Robert Clisdell
Director
1 May 2019

UUV AQUABOTIX LTD
ACN 616 062 072

ENTITLEMENT ISSUE PROSPECTUS

For a renounceable entitlement issue of one (1) Share for every one (1) Share held by those Shareholders registered at the Record Date at an issue price of \$0.006 per Share to raise up to approximately \$974,813 (based on the number of Shares on issue as at the date of this Prospectus) (**Offer**).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

Mr Peter James
Non-Executive Chairman

Mr Jay Cohen
Non-Executive Director

Mr Robert Clisdell
Non-Executive Director

Management

Whitney Million
Chief Executive Officer

Jonathan Swain
Company Secretary

Share Registry*

Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
Perth WA 6000

Telephone: +61 1300 554 474
Facsimile: +61 2 9287 0303

Auditor*

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

Registered Office

C/- Sundaraj & Ker
'Australia Square'
Level 36
264-278 George Street
Sydney NSW 2000

Telephone: +61 2 8880 5130

Email: investors@aquabotix.com
Website: www.aquabotix.com

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Lead Manager

Brentridge Capital Pty Ltd
Level 36, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

2. TIMETABLE

Announcement of Offer	Tuesday, 23 April 2019
Lodgement of Prospectus with the ASIC	Wednesday, 1 May 2019
Lodgement of Prospectus & Appendix 3B with ASX	Wednesday, 1 May 2019
Notice sent to Optionholders	Wednesday, 1 May 2019
Notice sent to Shareholders	Friday, 3 May 2019
Ex-date	Monday, 6 May 2019
Rights Trading commences	Monday, 6 May 2019
Record Date for determining Entitlements	Tuesday, 7 May 2019
Prospectus sent out to Shareholders & Company announces this has been completed	Friday, 10 May 2019
Rights Trading Ends	Tuesday, 14 May 2019
Shares quoted on a deferred settlement basis	Wednesday, 15 May 2019
Last day to extend Closing Date*	Thursday, 16 May 2019
Closing Date*	Tuesday, 21 May 2019
ASX notified of under subscriptions	Friday, 24 May 2019
Issue date/Deferred Settlement Trading Ends	Tuesday, 28 May 2019
Quotation of Shares issued under the Offer*	Wednesday, 29 May 2019

*The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES

This Prospectus is dated 1 May 2019 and was lodged with the ASIC on that date. The ASIC, the ASX and their officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws. In particular, this document may only be distributed by the Company in the United States to existing shareholders of the Company who are institutional "accredited investors" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the US Securities Act of 1933.

3.1 Risk factors

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 7 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

3.2 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in section 4 of this Prospectus.

4. DETAILS OF THE OFFER

4.1 The Offer

The Offer is being made as a renounceable entitlement issue of one (1) Share for every one (1) Share held by Shareholders registered at the Record Date at an issue price of \$0.006 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus, a maximum of 162,468,795 Shares will be issued pursuant to this Offer to raise up to approximately \$974,813.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6 for further information regarding the rights and liabilities attaching to the Shares.

The purpose of the Offer and the intended use of funds raised are set out in Section 5.1 of this Prospectus.

As Shareholders would be aware, the Company lodged a prospectus for a renounceable entitlement issue on 21 February 2019 to raise up to \$960,000 by the issue of Shares at an issue price of \$0.03 (**Original Prospectus**). As announced on 25 March 2019, the participation of Shareholders under the Original Prospectus was relatively low with approximately \$75,000 being raised. Due to this, and as foreshadowed in the Original Prospectus, the Company entered into Long Hill Loan to provide the Company with additional working capital (refer to Section 8.6 for further details).

The purpose of the Offer under this Prospectus is to raise a similar amount as was intended to be raised under the Original Prospectus by the issue of Shares at a lower issue price of \$0.006. The amount required to be raised by the Company to meet its short term commitments and working capital requirements has not changed since the Original Prospectus and therefore the amount sought to be raised under the Offer is similar to what the Company intended to raise under the Original Prospectus. The funds raised under the Offer are to be used in a similar allocation to what was disclosed in the Original Prospectus, with an additional allocation to repay the Long Hill Loan (refer to Section 5.1 for further details).

The issue price under the Offer has been discounted to attract Eligible Shareholders to take up their Entitlement and raise a greater amount than was raised under the Original Prospectus. The change in the entitlement ratio (to a one for one basis) is to ensure that a similar amount is raised as was sought to be raised under the Original Prospectus while accounting for the discounted issue price.

4.2 Minimum subscription

There is no minimum subscription.

4.3 What Eligible Shareholders may do

The number of Shares to which Eligible Shareholders are entitled is shown on the accompanying personalised Entitlement and Acceptance Form. Eligible Shareholders may:

- (a) take up all of their Entitlement (refer to section 4.4);
- (b) sell all of their Entitlement on ASX (refer to section 4.5);
- (c) take up a proportion of their Entitlement and sell the balance on ASX (refer to section 4.6);
- (d) take up a proportion of their Entitlement and allow the balance to lapse (refer to section 4.7);
- (e) sell all or a proportion of their Entitlement other than on ASX (refer to section 4.8); or
- (f) allow all or part of their Entitlement lapse (refer to section 4.9).

Eligible Shareholders may also apply for Shortfall Shares under the Shortfall Offer (refer to Section 4.15).

4.4 Taking up all of your Entitlement

Should you wish to accept all of your Entitlement, then applications for Shares under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus or by completing a BPAY® payment, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque for the Application Monies indicated on the Entitlement and Acceptance Form.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to the account name set out in the Entitlement and Acceptance Form and lodged and received at any time after the issue of this Prospectus and on or before the Closing Date at the Company's Share Registry (by delivery or by post) in accordance with the details set out in the Entitlement and Acceptance Form.

If you wish to pay via BPAY® you must follow the personalised instructions in your Entitlement and Acceptance Form. Make sure that you use the specific Biller Code and unique Customer Reference Number (CRN) on your personalised Entitlement and Acceptance Form. You do not need to return a completed Entitlement and Acceptance Form but are taken to have made the declarations in the Entitlement and Acceptance Form and the representations outlined below in section 4.10. If you have more than one shareholding of Shares and consequently receive more than one Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those Shareholdings only use the CRN specific to that Shareholding as set out in the applicable Entitlement and Acceptance Form. Do not use the same CRN for more than one of your Shareholdings. This can result in your Application Monies being applied to your Entitlement in respect of only one of your Shareholdings (with the result that any application in respect of your remaining Shareholdings will not be valid).

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY® are received by 4:00pm (WST) on the Closing Date.

The Company shall not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

4.5 Selling all your Entitlement on ASX

The Entitlements under the Offer are renounceable which means that all or part of an Eligible Shareholder's rights to subscribe for Shares under the Offer may be traded on ASX. If you wish to sell all of your Entitlement on ASX, provide instructions to your stockbroker regarding the Entitlement you wish to sell on ASX. Trading of Entitlements will commence on ASX on 6 May 2019 and will cease on 14 May 2019.

There is no guarantee that an Eligible Shareholder will be able to sell all or any part of their Entitlement on ASX or that any particular price will be paid for the Entitlements sold on ASX.

4.6 Taking up a proportion of your Entitlement and selling the balance on ASX

If you wish to take up only part of your Entitlement, complete the accompanying personalised Entitlement and Acceptance Form for the number of Shares you wish to take up and follow the steps in section 4.4, or make a payment by BPAY in accordance with section 4.12.

Subsequently, provide instructions to your stockbroker regarding the proportion of your Entitlement you wish to sell on ASX.

4.7 Taking up a proportion of your Entitlement and allowing the balance to lapse

If you wish to take up only part of your Entitlement and allow the balance to lapse, complete the accompanying personalised Entitlement and Acceptance Form for the number of Shares you wish to take up and follow the steps in section 4.4. If you take no further action, the balance of your Entitlement will lapse and you will have forfeited any potential benefit to be gained from taking up or selling that part of your Entitlement.

4.8 Selling all or a proportion of your Entitlement other than on ASX

You may elect to transfer all or a proportion of your Entitlement to another person other than on ASX. If the purchaser of your Entitlement is an Ineligible Shareholder or a person that would be an Ineligible Shareholder if they were a registered holder of Shares, that purchaser will not be able to take up the Entitlement they have purchased.

If you are a shareholder on the issuer sponsored subregister and you wish to transfer all or a proportion of your Entitlement to another person other than on ASX, forward a completed standard renunciation and transfer form (obtainable from the Share Registry) and the applicable transferee's cheque for the Shares they wish to subscribe for payable to the account name set out in the Entitlement and Acceptance Form and crossed "Not Negotiable" to the Share Registry (by delivery or by post at any time after the issue of this Prospectus and on or before the Closing Date) in accordance with the details set out in the Entitlement and Acceptance Form.

If you wish to transfer all or a proportion of your Entitlement to or from another person on the CHES subregister you must engage your CHES controlling participant (usually your stockbroker). If the transferee wants to exercise some or all of the Entitlement, you should follow your stockbroker's instructions as to the most appropriate way to take up the Entitlement on their behalf. The Application Monies for Shares the transferee of the Entitlement wants to acquire must be received by Share Registry in accordance with section 4.4.

You may elect to transfer all or a proportion of your Entitlement to another person other than on ASX. If the purchaser of your Entitlement is an Ineligible Shareholder or a person that would be an Ineligible Shareholder if they were a registered holder of Shares, that purchaser will not be able to take up the Entitlement they have purchased.

4.9 Allow all or part of your Entitlement to lapse

Shareholders should be aware that their Entitlement may have value. Entitlements are renounceable, which enable Eligible Shareholders who do not wish to take up part or all of their Entitlement to seek to sell or trade all or some of their Entitlement on ASX.

If you do not wish to accept or trade any part of your Entitlement, you are not obliged to do anything. If you do not take up your Entitlement or dispose of your Entitlement by the Closing Date, the Offer to you will lapse.

4.10 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form or paying any Application Monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Prospectus and the accompanying Entitlement and Acceptance Form, and read them both in their entirety;
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application Monies, the application may not be varied or withdrawn except as required by law.

4.11 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to the account name set out in the Entitlement and Acceptance Form and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5:00pm WST on the Closing Date.

4.12 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and

- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 4:00 pm (WST) on the Closing Date. You should be aware that your financial institution may implement other cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

4.13 Effect on control of the Company

As at the date of this Prospectus and based on publicly available information, those persons (which together with their associates) have a relevant interest in 5% or more of the Shares on issue (each, a **Substantial Holder**) are set out in the table below. This table also shows the voting power of the Substantial Holders assuming 100% of Entitlements are taken up under the Offer.

Shareholder	Current Shares	Current voting power	Share Entitlement	Post Offer Shares	Post Offer voting power
Long Hill Capital II, LLC (and associates) ¹	54,358,855	33.46%	54,358,855	108,717,710	33.46%
Durval Tavares (and associates) ¹	34,839,787	21.44%	34,839,787	69,679,574	21.44%
Eagle's View Capital Partners LP (and associates) ¹	30,249,390	18.62%	30,249,390	60,498,780	18.62%

Notes:

1. Refer to Section 5.5 for details of each party's associates together with the Shares held by such associates.

The following table shows each Substantial Holder's relevant interest in Shares and potential maximum voting power, assuming the relevant Substantial Holder takes up their full Entitlement, and:

- (a) Scenario 1: all other Shareholders take up 75% of their Entitlements (including, as applicable, the other two Substantial Holders), and no other Shareholders sell their rights;
- (b) Scenario 2: all other Shareholders take up 50% of their Entitlements (including, as applicable, the other two Substantial Holders), and no other Shareholders sell their rights; and
- (c) Scenario 3: no other Shareholders take up their Entitlements (including, as applicable, the other two Substantial Holders), and no other Shareholders sell their rights.

Substantial Shareholder	75% acceptance of Entitlements by other Eligible Shareholders		50% acceptance of Entitlements by other Eligible Shareholders		0% acceptance of Entitlements by other Eligible Shareholders	
	Number of Shares	Voting Power (%)	Number of Shares	Voting Power (%)	Number of Shares	Voting Power (%)
Long Hill Capital II, LLC (and associates) ¹	108,717,710	36.49%	108,717,710	40.13%	108,717,710	50.14%
Durval Tavares (and associates) ¹	69,679,574	23.78%	69,679,574	26.68%	69,679,574	35.32%
Eagle's View Capital Partners LP (and associates) ¹	60,498,780	20.73%	60,498,780	23.37%	60,498,780	31.39%

Notes:

1. Refer to Section 5.5 for details of each party's associates together with the Shares held by such associates.

As set out above, the maximum potential voting power of Long Hill Capital II, LLC and its associates (the majority Shareholder of the Company, along with its associates, as at the date of this Prospectus) resulting from it taking up its Entitlement, and assuming that no other Shareholders take up their Entitlements or sell their rights, would be 50.14%.

4.14 Dilution of existing Shareholders

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 50% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus).

Examples of how the dilution may impact Shareholders is set out in the table below:

Holder	Holding as at Record date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken Up	% post Offer
Shareholder 1	10,000,000	6.16%	10,000,000	10,000,000	3.08%
Shareholder 2	5,000,000	3.08%	5,000,000	5,000,000	1.54%
Shareholder 3	1,500,000	0.92%	1,500,000	1,500,000	0.46%
Shareholder 4	400,000	0.25%	400,000	400,000	0.12%
Shareholder 5	50,000	0.03%	50,000	50,000	0.015%

Notes:

1. This is based on a share capital of 162,468,795 Shares at the date of this Prospectus.
2. The dilutionary effect shown in the table is the maximum percentage on the assumption that all other Entitlements are accepted.

4.15 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.006 being the price at which Shares have been offered under the Offer.

Eligible Shareholders may apply for Shortfall Shares under the Shortfall Offer, subject to such Applications being received prior to the Closing Date and Shareholders taking up their full Entitlement. The issue price for each Share to be issued under the Shortfall Offer will be \$0.006, being the price at which Shares have been offered under the Offer.

The allocation of the Shortfall Shares will be at the discretion of the Board in conjunction with the Lead Manager. The Board will use its discretion in a manner not to exacerbate a potential unacceptable control effect.

In this regard, the Shortfall will not be placed to Long Hill Capital II, LLC (or its associates), Durval Tavares (or his associates) or Eagle's View Capital Partners LP (or its associates) or any other Shareholder who would acquire a voting power in excess of 20% as a result of placement of the Shortfall. Shortfall will be allocated in priority to Eligible Shareholders who take up their full Entitlement, who are not related to Directors, on a pro rata basis in accordance with Eligible Shareholders' Entitlements under the Offer, with any remaining Shortfall Shares to be allowed to lapse or placed to third parties. Where the number of Shares subscribed for by Eligible Shareholders under the Shortfall Offer exceeds the number of Shortfall Shares available, the Company will consider using its 15% placement capacity under the ASX Listing Rules to accept oversubscriptions and issue the Shares.

4.16 Underwriting

The Offer is not underwritten.

4.17 Lead Manager

Brentridge Capital Pty Ltd (**Brentridge** or **Lead Manager**) has been appointed as the lead manager to the Offer. The terms of the appointment of the Lead Manager are summarised in Section 8.5 of this Prospectus.

4.18 ASX listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

4.19 Issue of Shares

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Shares issued under the Shortfall Offer as soon as practicable after their issue.

4.20 Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia, New Zealand or, in certain limited cases as described below, the United States of America.

The information in this Prospectus has been prepared to comply with the applicable requirements of the securities laws of Australia and New Zealand. The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia or New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

New Zealand

The Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand).

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

United States

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws. In particular, this document may only be distributed by the Company in the United States to existing shareholders of the Company who are institutional "accredited investors" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the US Securities Act of 1933.

Nominees and custodians

Nominees and custodians may not submit an Entitlement and Acceptance Form on behalf of any Shareholder resident outside Australia and New Zealand without the prior consent of the Company, taking into account relevant securities law restrictions. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

Appointment of Nominee

Pursuant to ASX Listing Rule 7.7 and Section 615 of the Corporations Act, the Company has appointed a nominee, Patersons Securities Limited (ACN 008 896 311) (**Patersons**), to sell the Entitlements to which Ineligible Shareholders are entitled. The nominee will have the absolute and sole discretion to determine the timing and price at which the Entitlements may be sold and the manner of any such sale.

Any interest earned on the proceeds of the sale of these Entitlements will firstly be applied against expenses of such sale, including brokerage, and any balance will accrue to the relevant Ineligible Shareholders as described below.

The net proceeds of the sale of these Entitlements will then be forwarded by the Company as soon as practicable to the Ineligible Shareholders, in proportion to their share of such Entitlements (after deducting brokerage commission and other expenses).

Notwithstanding that the nominee may sell Entitlements, Ineligible Shareholders may nevertheless receive no net proceeds if the costs of the sale are greater than the sale proceeds. In this regard, Patersons will not be required to sell Ineligible Shareholders' Entitlement at a particular price. Neither the Company nor the nominee will be subject to any liability for failure to sell the Entitlements at a particular price. If, in the reasonable opinion of Patersons, there is no viable market for the Entitlements of the Ineligible Shareholders, or a surplus over the expenses of the sale cannot be obtained for the Entitlements that would have been offered to the Ineligible Shareholders, then those Entitlements will be allowed to lapse.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an

Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

4.21 Enquiries

Any questions concerning the Offer should be directed to Jonathan Swain, Company Secretary, on +61 2 8880 5130.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise up to approximately \$974,813.

The funds raised from the Offer are planned to be used in accordance with the table set out below:

Item	Proceeds of the Offer	Full Subscription (\$)	%
1.	Research and Development	\$113,921	12%
2.	Sales and Marketing	\$227,603	23%
3.	Expenses of the Offer ¹	\$135,496	14%
4.	Repayment of (related party) Long Hill Loan ²	\$206,312	21%
5.	Working capital	\$291,481	30%
	Total	\$974,813	100%

Notes:

1. Refer to Section 8.10 of this Prospectus for further details relating to the estimated expenses of the Offer.
2. Refer to the Company's announcement of 25 March 2019 and Section 8.6 for further details of the credit facility between the Company and its majority Shareholder Long Hill Capital II, LLC.

Shareholders should note that in the event the Company raises less than the full subscription under the Offer, the Long Hill Loan shall be repaid in full from the proceeds of the Offer (after expenses of the Offer) in priority to the other uses of funds noted above. After repayment of the Long Hill Loan and payment of the expenses of the Offer, the proceeds of the Offer will then be allocated pro rata across the other uses of funds noted above.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

5.2 Effect of the Offer

The principal effect of the Offer, assuming all Entitlements are accepted, and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by \$839,317 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer; and
- (b) increase the number of Shares on issue from 162,468,795 as at the date of this Prospectus to 324,937,590 Shares.

5.3 Pro-forma balance sheet

The audited balance sheet as at 31 December 2018 and the unaudited pro-forma balance sheet as at 31 December 2018 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Entitlements are accepted, no Options are exercised prior to the Record Date, the Long Hill Loan is repaid and including expenses of the Offer. The pro-forma balance sheet also includes all funding received by the Company after 31 December 2018.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	Audited 31/12/2018	Offer (assuming full subscription)	Funding received after 31/12/2018 1	Repayment of Long Hill Loan	Proforma
CURRENT ASSETS					
Cash	704,377	839,317	274,813	- 206,312	1,612,195
Other current assets	221,575				221,575
TOTAL CURRENT ASSETS	925,952	839,317	274,813	- 206,312	1,833,770
NON-CURRENT ASSETS					
Plant and equipment	130,741				130,741
TOTAL NON-CURRENT ASSETS	130,741	-			130,741
TOTAL ASSETS	1,056,693	839,317	274,813	- 206,312	1,964,511
CURRENT LIABILITIES					
Creditors and other current liabilities	388,421		206,312	- 206,312	388,421
TOTAL CURRENT LIABILITIES	388,421	-	206,312	- 206,312	388,421
TOTAL LIABILITIES	388,421	-	206,312	- 206,312	388,421
NET ASSETS (LIABILITIES)	668,272	839,317	68,501	-	1,576,090
EQUITY					
Share capital	10,191,710	839,317	74,813		11,105,840
Options Reserve	978,893				978,893

Other Reserves	37,237				37,237
Retained loss	- 10,539,568		6,312		- 10,545,880
TOTAL EQUITY	668,272	839,317	68,501	-	1,576,090

Notes:

1. Comprising funds received from the Long Hill Loan and funds raised under the Original Prospectus (refer to Section 4.1 for further details).

5.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, is set out below.

Shares

	Number
Shares currently on issue	162,468,795
Shares offered pursuant to the Offer	162,468,795
Total Shares on issue after completion of the Offer¹	324,937,590

Notes:

1. Where the number of Shares subscribed for by Eligible Shareholders under the Shortfall Offer exceeds the number of Shortfall Shares available, the Company will consider using its 15% placement capacity under the ASX Listing Rules to accept oversubscriptions and issue these Shares. Refer to Section 4.15 for further details.

Options

	Number
Options currently on issue:	
Class B Unlisted Options exercisable at \$0.22 on or before 19/04/2020	10,000,000
Class C Unlisted Options exercisable at \$0.30 on or before 19/04/2020	700,000
Class D Unlisted Options exercisable at \$0.30 on or before 19/04/2021	700,000
Class E Unlisted Options exercisable at \$0.30 on or before 19/04/2021	5,000,000
Class F Unlisted Options exercisable at \$0.30 on or before 19/04/2022	3,000,000
Class R Unlisted Options exercisable at \$0.11 on or before 18/04/2021	1,500,000
Class S Unlisted Options exercisable at \$0.11 on or before 18/04/2022	1,500,000
Class T Unlisted Options exercisable at \$0.11 on or before 18/04/2023	1,500,000
Class U Unlisted Options exercisable at \$0.11 on or before 18/04/2024	1,500,000

Class V Unlisted Options exercisable at \$0.11 on or before 30/05/2021	1,000,000
Class W Unlisted Options exercisable at \$0.11 on or before 21/12/2021	300,000
Class X Unlisted Options exercisable at \$0.11 on or before 18/07/2021	400,000
Class Y Unlisted Options exercisable at \$0.11 on or before 18/07/2021 (vesting on 18/07/2019)	400,000
Class Z Unlisted Options exercisable at \$0.11 on or before 18/07/2021 (vesting on 18/07/2020)	400,000
Class AA Unlisted Options exercisable at \$0.11 on or before 02/11/2021	200,000
Class AB Unlisted Options exercisable at \$0.11 on or before 02/11/2021 (vesting on 02/11/2019)	200,000
Class AC Unlisted Options exercisable at \$0.11 on or before 02/11/2021 (vesting on 02/11/2020)	200,000
Options offered pursuant to the Offer	Nil
Total Options on issue after completion of the Offer	28,500,000

Performance Shares

	Number
Class B Performance Shares	15,000,000
Class C Performance Shares	15,000,000
Performance Shares offered pursuant to the Offer	Nil
Total Performance Shares on issue after completion of the Offer	30,000,000

The capital structure on a fully diluted basis as at the date of this Prospectus (i.e. assuming all Options are exercised into Shares and all Performance Shares are converted into Shares) would be 220,968,795 Shares and on completion of the Offer (assuming all Entitlements are accepted and all Options are exercised into Shares and all Performance Shares are converted into Shares after the Record Date) would be 383,437,590 Shares.

5.5 Details of substantial holders

Based on publicly available information as at 30 April 2019, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Long Hill Capital II, LLC, Bergen Special Opportunity Fund LP, Bergen Global Opportunity Fund, Bergen Asset Management, LLC and Eugene Tablis	54,358,855 ¹	33.46%
Durval Tavares	34,839,787 ^{2&3}	21.44%
Eagle's View Offshore Fund Ltd Class B, Eagle's View	30,249,390 ⁴	18.62%

Offshore Fund Ltd Class E, Eagle's View Special Opportunities Fund LP, Eagle's View Diversified Opportunities Fund LP, Eagle's View Partners Ltd, Eagle's View Capital Partners LP, Eagle's View Multi-Strategy LLC, Berger Investments LLC		
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Notes:

1. Consisting of 51,940,027 Shares held by Long Hill Capital II, LLC, 1,253,751 Shares held by Bergen Special Opportunity Fund LP and 1,165,077 Shares held by BNP Paribas Securities Services Sydney.
2. Consisting of 6,337,330 Shares held by Durval Tavares directly, 23,049,813 Shares held for the benefit of Durval Tavares by the Trust for the Aquabotix Technology Corporation 401(k) Plan (a retirement trust established under US law), 4,337,330 Shares held by Debra Tavares (wife of Durval Tavares) directly and 1,115,314 Shares held for the benefit of Debra Tavares by the Trust for the Aquabotix Technology Corporation 401(k) Plan.
3. In addition, Dawn Doraz (daughter of Durval Tavares) holds a further 1,405,544 Shares in the Company with 309,810 Shares being held directly and 1,095,734 Shares being held for the benefit of Dawn Doraz by the Trust for the Aquabotix Technology Corporation 401(k) Plan.
4. Consisting of 3,400,710 Shares held by Eagle's View Offshore Fund Ltd Class B, 2,018,840 Shares held by Eagle's View Offshore Fund Ltd Class E, 978,250 Shares held by Eagle's View Special Opportunities Fund LP, 6,978,250 Shares held by Eagle's View Diversified Opportunities Fund LP, 4,641,040 Shares held by Eagle's View Partners Ltd, 11,712,300 Shares held by Eagle's View Capital Partners LP, 20,000 Shares held by Eagle's View Multi-Strategy LLC and 500,000 Shares held by Berger Investments LLC.

In the event all Entitlements are accepted there will be no change to the substantial holders on completion of the Offer.

Further information regarding the potential voting power of the substantial holders of the Company following the completion of the Offer is set out in Section 4.13.

6. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

6.1 General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

6.2 Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited). Amounts paid in advance of a call are ignored when calculating the proportion.

6.3 Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid or credited as paid is of the total amounts paid and payable in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they believe to be justified subject to the requirements of the Corporations Act. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, grant shareholders or a class of shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares on the terms determined by the Board.

6.4 Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

6.5 Shareholder liability

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

6.6 Transfer of shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

6.7 Future increase in capital

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

6.8 Variation of rights

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

6.9 Alteration of constitution

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

7. RISK FACTORS

7.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Company-Specific Risks

(a) Going concern

The Company's financial report for the year ended 31 December 2018 stated the Company and its controlled entities (together, the **Group**) "incurred losses of \$4,833,146 and had net cash outflows used in operating activities of \$4,436,926. The ability of the Group to continue as a going concern is dependent on a number of factors, the most significant of which is its ability to generate sufficient returns from operating activities, or to raise further capital, thus resulting in a material uncertainty that may cast doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business".

Notwithstanding the 'going concern' note included in the 2018 annual report, the Directors believe that there are reasonable grounds to believe that the Group will continue as a going concern post the 12-month period to April 2020, after consideration of the following factors:

- (i) the Company had net current assets of \$537,530, net assets of \$668,272 as well as cash and cash equivalents of \$704,377 as at 31 December 2018;
- (ii) the Company expects to generate increased revenues from the sale of SwarmDiver™ products and the SwarmDiver™ products' continued development within the next 12 months and beyond;
- (iii) the Company has the ability to issue additional shares to raise further working capital and has been successful in doing this previously, as evidenced by the successful capital raising completed during financial year ended 31 December 2017 and more recently the \$1,250,000 Share placement in July 2018;
- (iv) research and development and product development constitute a substantial part of the Company's costs. The Company has applied for, and is continuing to apply for further,

non-dilutive governmental funding contracts and grants. In the last 12 months, the Company was awarded two such non-dilutive U.S. Navy funded contracts for additional SwarmDiver™ product development. If further contracts or grants are awarded, the Company's research and development and product development costs may be funded, in whole or in part, using such funds;

- (v) the Company has the ability to apply for additional grants to fund export and marketing activities to further promote the sale of its products. During 2018, the Company received one such grant for participation in a trade mission and was accepted into the State of Massachusetts Export Compliance Fund, where it now receives ongoing export related services to support its business; and
- (vi) the Company also has the ability to scale down its operations in order to further curtail expenditure in the event insufficient cash is available to meet projected expenditure. Accordingly, the Directors were of the opinion that the Group would be able to continue as a going concern and that it was appropriate to adopt the going concern basis in the preparation of the financial report.

In the event that the Offer is not completed successfully, there is significant uncertainty as to whether the Company can continue as a going concern, which is likely to have a material adverse effect on the Company's activities.

(b) **Control risk**

Long Hill Capital II, LLC is currently the largest Shareholder of the Company and has a relevant interest in approximately 33.46% of the voting Shares in the Company. Assuming Long Hill Capital II, LLC takes up its full Entitlement and no other Shareholders accept their entitlements, its voting power in the Company could be as high as 50.14%.

Long Hill Capital II, LLC's significant interest in the capital of the Company means that it is in a position to potentially influence the financial decisions of the Company, and its interests may not align with those of all other Shareholders.

Long Hill Capital II, LLC holds a relevant interest in more than 25% of the Company which means that it has the potential to prevent a special resolution from being passed by the Company (such resolution requiring at least 75% of the votes cast by members entitled to vote on the resolution). Special resolutions are required in relation to approve certain Company matters including potentially seeking the delisting of the Company, amending the Constitution, approving the voluntary winding up of the Company and, if at any time the share capital of the Company is divided into different classes of Shares, approving the variation of the rights attached to any such class.

(c) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its

operations, the Company may require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its development and research programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(d) **Shareholder dilution**

In the future, the Company may elect to issue Shares or other securities. While the Company will be subject to the constraints of the ASX Listing Rules regarding the issue of Shares or other securities, Shareholders may be diluted as a result of issues of Shares or other securities. Further, on the conversion of Performance Shares into Shares, Shareholders will be further diluted.

(e) **Limited operations**

The Company has limited operations and may be dependent on equity and debt fund-raising and/or dividends and distributions from its subsidiaries.

(f) **Acquisitions**

The Company's growth strategy may involve finding and consummating acquisitions in areas complimentary to its business. The Company may not be successful in identifying and acquiring suitable acquisition targets at acceptable cost. Further, acquisitions may require additional funding on acceptable terms, which may or may not be available at the relevant time. Further, the Company will experience competition in making acquisitions from larger companies with significantly greater resources.

(g) **International operations**

The Company sells its products to international customers and expects to continue to do business around the world. The Company's operations will therefore be subject to a number of risks inherent in global operations, including political and economic instability in foreign markets, inconsistent product regulation by foreign agencies or governments, imposition of product tariffs and burdens, cost of complying with a wide variety of international and U.S. export laws and regulatory requirements (including the U.S. Foreign Corrupt Practices Act, the U.S. Export Administration Act and the U.S. Arms Export Control Act (and the regulations promulgated thereunder)), risks stemming from the Company's lack of local business experience in specific foreign countries, foreign currency fluctuations, difficulty in enforcing intellectual property rights, foreign taxes, and language and other cultural barriers. Additionally, operating an international business with sales in a number of legal jurisdictions will necessarily require substantial input from a variety of legal counsel and expose the Company to legal costs that may be disproportionately high relative to its revenues, and will be incurred regardless of whether the Company derives revenues from a given jurisdiction or at all.

(h) **Disputes**

The activities of the Company may result in disputes with third parties, including, without limitation, the Company's investors, competitors, regulators, partners, distributors, customers, directors, officers and employees, and service providers. The Company may incur substantial costs in connection with such disputes.

(i) **Strategies**

There are no limits on strategies that the Company may pursue. The strategy may evolve over time due to, among other things, market developments and trends, technical challenges, the emergence of new or enhanced technology, changing regulation and/or industry practice, and otherwise in the Company's sole discretion. As a result, the current strategy, approaches, markets and products of the Company may not reflect the strategies, approaches, markets and products relevant to, or pursued by, the Company at a later date.

Further, a change in strategy may involve material and as yet unanticipated risks, as well as a high degree of risk, including a higher degree of risk than the Company's strategy in place as of the date hereof.

(j) **Governmental contracts**

A significant portion of the Company's revenues may depend on the Company's ability to do business with the U.S. as well as foreign governments and their various agencies, whether directly or indirectly. Such customers may:

- (i) award or terminate contracts at their convenience;
- (ii) terminate, reduce or modify contracts or subcontracts if its requirements or budgetary constraints change;
- (iii) cancel multi-year contracts and related orders if funds become unavailable;
- (iv) shift their spending priorities;
- (v) adjust contract costs and fees on the basis of audits done by its agencies;
- (vi) use and practice intellectual property developed in the performance of a government contract or subcontract;
- (vii) claim rights to intellectual property not properly protected pursuant applicable contract terms;
- (viii) seek penalties and fines exceeding the value of a contract for contract activity that results in the submission of a false claim to the government;
- (ix) debar the Company or its subsidiaries because of legal and other actions undertaken by or against the Company or its subsidiaries, the Company's officers, directors, shareholders,

employees and affiliates, or convictions of the Company's officers, directors, shareholders, employees or affiliates; and

- (x) inquire about and investigate business practices and audit compliance with applicable rules and regulations.

(k) **Contracts in general**

There are a number of risks associated with contracts entered into by the Company, including the risk that those contracts may contain unfavourable provisions, or be terminated, lost or impaired, or renewed on less favourable terms.

(l) **Supply**

The Company may experience delivery delays or inability to perform if its contract or component manufacturers fail to deliver conforming products to plan. The Company's products are currently manufactured in house; however, a contract manufacturer may be used in the future for production. Any operational issues that any future manufacturer incurs may affect the delivery of the products. The Company may depend on any future manufacturer to adjust operations accordingly with demand of the products to ensure no back log in production. There may also be a risk with working with only one future manufacturer, in that suspension or termination of the agreement to produce will temporarily halt all deliveries until an issue is resolved or a new agreement is made with another manufacturer.

(m) **Product liability**

As with all new products, there is no assurance that unforeseen adverse events or manufacturing defects will not arise in the Company's products. Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of regulatory approval for the relevant products and/or monetary damages being awarded against the Company. In such event, the Company's liability may exceed the Company's insurance coverage, if any.

(n) **Litigation**

The Company is exposed to possible litigation risks including, but not limited to, intellectual property ownership disputes, contractual claims, environmental claims, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position.

(o) **Environmental**

The Company's operations are subject to government environmental legislation. While environmental issues are continually monitored to minimise the likelihood of risk there is no assurance that the Company's operations will not be affected by an environmental incident or subject to environmental liabilities. The introduction of new environmental legislation and regulations may result in additional cost to the Company arising from additional compliance, further capital expenditure and

monitoring which may have a material adverse impact on the financial position and performance of the Company.

(p) **Data loss, theft or corruption**

The Company stores data in its own systems and networks and also with a variety of third-party service providers. Exploitation or hacking of any of these systems or networks could lead to corruption, theft or loss of the data which could have a material adverse effect on the Company's business, financial condition and results. Further, if the Company's systems, networks or technology are subject to any type of 'cyber' crime, its technology may be perceived as unsecure which may lead to a decrease in the number of customers.

(q) **Foreign exchange**

The Company will be operating in a variety of jurisdictions, including the United States of America and Australia, and as such, expects to generate revenue and incur costs and expenses in more than one currency. Consequently, movements in currency exchange rates may adversely or beneficially affect the Company's results or operations and cash flows. For example, the appreciation or depreciation of the US dollar relative to the Australian dollar would result in a foreign currency loss or gain. Any depreciation of currencies in foreign jurisdictions in which the Company operates may result in lower than anticipated revenue, profit and earnings of the Company.

(r) **Insurance coverage**

The Company faces various risks in conducting its business and may lack adequate insurance coverage or may not have the relevant insurance coverage. The Company will need to review its insurance requirements periodically. If the Company incurs substantial losses or liabilities and its insurance coverage is unavailable or inadequate to cover such losses or liabilities, the Company's financial position and financial performance may be adversely affected. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

7.3 General Risks

(a) **Economic conditions and other global or national issues**

General economic conditions, laws relating to taxation, new legislation, trade barriers, movements in interest and inflation rates, currency exchange controls and rates, national and international political circumstances (including wars, terrorist acts, sabotage, subversive activities, security operations, labour unrest, civil disorder, and states of emergency), natural disasters (including fires, earthquakes and floods), and quarantine restrictions, epidemics and pandemics, may have an adverse effect on the Company's operations.

(b) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

Further, the value of the Shares may fluctuate more sharply than that of other securities, given the low per Share pricing of the Shares under the Prospectus, and the fact that investment in the Company is highly speculative.

(c) **Price of Shares**

As a publicly-listed company on ASX, the Company will be subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in its Share price. The price at which Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer price.

100,000,001 of the Company's Shares were released from escrow on 28 April 2019. After the end of escrow periods affecting Shares in the Company, a significant sale of then tradeable Shares (or the market perception that such a sale might occur) could have an adverse effect on the Company's Share price.

(d) **Investment speculative**

The risk factors set out in this Prospectus ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. These factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (i) the annual financial report most recently lodged by the Company with the ASIC;
- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
30/04/2019	Redemption of Class A performance shares
30/04/2019	Quarterly report and Appendix 4C
30/04/2019	Change in substantial holding
29/04/2019	Appendix 3B
26/04/2019	Update to Renounceable Entitlement Offer
23/04/2019	Pro-rata Renounceable Entitlement Offer
23/04/2019	Expiry of listed options
18/04/2019	Change of Director's Interest Notice (Robert Clisdell)
18/04/2019	Change of Director's Interest Notice (Peter James)
09/04/2019	Notice under ASX Listing Rule 3.10A
08/04/2019	US Navy purchase of SwarmDiver
28/03/2019	Appendix 3B
25/03/2019	Credit facility
25/03/2019	Closure of entitlements offer and under subscriptions
08/03/2019	Renounceable Entitlement Offer - Extension of Closing Date
07/03/2019	Defence innovation network grant
06/03/2019	Correction to top 20 shareholders in annual report
28/02/2019	Appendix 4G
28/02/2019	Appendix 4E and Annual Report

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.aquabotix.com.

8.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	\$0.05194	30 and 31 January 2019 and 3 – 6 February 2019
Lowest	\$0.007	26, 29 and 30 April 2019
Last	\$0.007	30 April 2019

8.4 Material contracts

The following are summaries of the significant terms of the material agreements which relate to the business of the Company.

8.5 Lead Manager Mandate

The Company has entered into a mandate letter with Brentridge Capital Pty Ltd (**Brentridge**) dated 23 April 2019 to act as lead manager to the Offer (**Lead Manager Mandate**). Brentridge is controlled by the Company's current majority shareholder, Long Hill Capital II, LLC. Robert Clisdell, a Director of the Company, is also a director of Brentridge and is Long Hill Capital II, LLC's nominee on the Company's Board of Directors.

Due to the association noted above, Robert Clisdell abstained from discussion of, and voting in relation to the entering into the Lead Manager Mandate.

Pursuant to the Lead Manager Mandate, Brentridge has agreed to use its reasonable endeavours to place any Shortfall under the Offer.

The Company has agreed to pay Brentridge a management fee of \$30,000 on completion of the Offer and a placement fee of 6% of the amount raised under the Offer (excluding any amounts raised as a result of Long Hill Capital II, LLC or its associates taking up their Entitlement) on completion of the Offer, and 6% of the amount raised under the Shortfall Offer, on completion of the Shortfall Offer. Any amounts paid are net of any selling fees owed to any third-parties appointed to assist with the Offer.

The Lead Manager Mandate may be terminated:

- (a) by the Company in the event Brentridge commits a material breach that remains unremedied for a period of ten business days after notification or without cause on or before 6 May 2019; and
- (b) by Brentridge at any time by giving ten business days written notification to the Company.

The Company has also agreed to offer Brentridge the role of lead manager/ corporate adviser in any further equity capital raising undertaken by the Company within 36 months of the date of completion of the Offer, subject to

competitive terms in respect of pricing, fees and timing relative to market practices at the relevant time.

8.6 Loan Agreement – Long Hill Capital II, LLC

As announced on 25 March 2019, the Company has entered into an agreement with its majority Shareholder, Long Hill Capital II, LLC dated 24 March 2019 pursuant to which Long Hill Capital II, LLC has agreed to provide the Company with a loan facility of \$200,000 (**Long Hill Loan**) (**Loan Agreement**). As at the date of this Prospectus, the Company was fully drawn down.

The material terms of the Long Hill Loan are as follows:

- (c) **Loan Amount:** the maximum amount which can be borrowed under the Long Hill Loan is \$200,000;
- (d) **Purpose:** the Long Hill Loan is to be used by the Company toward paying general corporate and working capital purposes that are reasonable in light of the nature of the Company's business as of the date of the Loan Agreement;
- (e) **Security:** the Long Hill Loan is unsecured;
- (f) **Interest:** interest is payable on the Long Hill Loan at a rate of 12% per annum on any amount drawn down (**Advance**) from the date of the Advance;
- (g) **Repayment:** the Long Hill Loan is repayable in cash upon the earlier of:
 - (i) 20 March 2020;
 - (ii) within one business day from the receipt of notice from Long Hill Capital II LLC in the event the Company engages in any 'Relevant Activity' (as defined in the Loan Agreement) which includes the issue of Shares. As noted in the table in Section 5.1, the Long Hill Loan shall be repaid from the proceeds of the Offer; and
 - (iii) immediately in the event that a standard event of default occurs in which case the principal amount of the loan outstanding plus any interest and multiplied by 130% will be repayable.

The Company may at any time prepay the Long Hill Loan in whole or part.

8.7 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or

- (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Entitlement	\$
Peter James	1,677,856	6,250,000	1,677,856	10,067
Jay Cohen	Nil	1,400,000	Nil	Nil
Robert Clisdell	60,000	1,050,000	60,000	360

The Board recommends all Shareholders take up their Entitlement and advises that Robert Clisdell and Peter James intend to take up their respective Entitlements.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$300,000 per annum.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive directors.

Director	FY2017 (Actual)	FY2018 (Actual)	FY2019 (Proposed)
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	\$AUD	\$AUD	\$AUD
Peter James	\$352,497 ¹	\$100,000	\$100,000
Jay Cohen	\$105,130 ²	\$53,502 ³	\$53,502 ³
Robert Clisdell	Nil	\$59,384 ⁴	\$50,000

Notes:

1. Consists of AUD\$285,830 in equity-settled options and AUD \$66,667 in salary and fees.
2. Consists of AUD\$52,173 in salary and fees and AUD\$52,952 in equity-settled options.
3. Consists of USD\$50,000 in salary and fees.
4. Consists of AUD\$39,784.22 in salary and fees and AUD\$19,599 in equity-settled options.

8.8 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$20,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$92,140.00 (excluding GST and disbursements) for legal services provided to the Company.

Brentridge Capital Pty Ltd has been appointed as the lead manager to the Offer and will be paid for these services as set out in Section 8.5 of this Prospectus.

During the 24 months preceding lodgement of this Prospectus with the ASIC, Brentridge Capital Pty Ltd has not been paid any fees by the Company.

Patersons Securities Limited has been to appoint as the nominee under ASX Listing Rule 7.7. Patersons Securities Limited will be paid for this service on standard industry terms and conditions. The Company will pay Patersons a brokerage fee of 1.5% on the total gross dollar value of all securities sold or \$2,000 (excluding GST), whichever is greater, for its service.

8.9 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC; and

Brentridge Capital Pty Ltd has given its written consent to being named as Lead Manager to the Company in this Prospectus. Brentridge Capital Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Patersons Securities Limited has given its written consent to be named as the Company's nominee under ASX Listing Rule 7.7. Patersons Securities Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

8.10 Expenses of the offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$135,496 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	3,206
ASX fees	5,560
Lead Manager fees	68,900 ¹
Legal fees	20,000

Printing and distribution	4,000
Miscellaneous	33,830
Total	135,496

¹ This figure assumes that the Offer is fully subscribed, and that Long Hill Capital II, LLC takes up its full Entitlement, in which case the Lead Manager will be paid a maximum of \$30,000 plus 6% of any amounts raised pursuant to the Offer (exclusive of any amounts paid by Long Hill taking up their Entitlement).

8.11 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 2 8880 5130 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.aquabotix.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8.12 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8.13 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.14 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate

distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Peter James
Non-Executive Chairman
For and on behalf of
UUV AQUABOTIX LTD

10. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Applicant means a Shareholder who applies for Shares pursuant to the Offer or a Shareholder or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company means UUV Aquabotix Ltd (ACN 616 062 072).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a Shareholder of the Company as at the Record Date other than an Ineligible Shareholder.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Ineligible Shareholder means a Shareholder as at the Record Date whose registered address is not situated in Australia, New Zealand or (in the case of institutional investors only) the United States of America.

Offer means the renounceable entitlement issue the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Patersons means Patersons Securities Limited (ACN 008 896 311).

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Shortfall means the Shares not applied for under the Offer (if any).

Shortfall Application Form means the shortfall application form either attached to or accompanying this Prospectus.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 4.15 of this Prospectus.

Shortfall Shares means those Shares issued pursuant to the Shortfall.

WST means Western Standard Time as observed in Perth, Western Australia.