



APPENDIX 4D
FOR THE HALF-YEAR ENDED 30 JUNE 2019

UUV Aquabotix Limited
ABN 52 616 062 072

1. Company details

Name of entity: UUV Aquabotix Limited
ABN: 52 616 062 072
Reporting period: For the half-year ended 30 June 2019
Previous period: For the half-year ended 30 June 2018

2. Results for announcement to the market

	Half-year 30 June 2019	Half-year 30 June 2018	% change
Revenue from continuing activities	134,256	59,860	124.3
Loss from continuing activities after tax attributable to members	(1,820,419)	(3,324,101)	45.2
Net loss attributable to members	(1,820,419)	(3,324,101)	45.2
Dividends: No dividends are being proposed or have been paid			

Commentary related to the above results

See Director's Report, attached hereto, for related information.

3. Net Tangible Asset (NTA) backing per share

	As at 30 June 2019	As at 30 June 2018	% change
Net Tangible (Liabilities)/Asset (NTA) backing per share	(0.04)	0.64	(100.7)

4. Details of entities over which control has been gained or lost during the period

There were no changes to the group structure during the period.

5. There were no payments of dividends during the period.

6. There is no dividend reinvestment plan in operation.

7. There are no associates or joint venture entities.

8. This report is based on accounts that have been reviewed and are not subject to dispute or qualification.

The attached financial report is all the half-year information provided to the Australian Securities Exchange under Listing rule 4.2A.3. This report also satisfied the half-year reporting requirements of the Corporations Act 2001.

Peter James
Director

21 August 2019

UUV Aquabotix Limited
ABN 52 616 062 072
DIRECTORS REPORT – 30 JUNE 2019

The directors submit their report, together with the financial statements, for UUV Aquabotix Ltd (the “Company”) and its controlled entities, together the “Consolidated Entity” or the “Group” for the half-year ended 30 June 2019.

Directors

The names of directors who held office during the half year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated:

Peter James	(Non-Executive Chairman)
Robert Clisdell	(Non-Executive Director)
Jay Cohen	(Non-Executive Director)

Principal Activities

The principal activities of the Consolidated Entity were the development, manufacturing and selling of underwater and surface unmanned vehicles.

Review of Operations

During the period, the Company has demonstrated success in capturing government contracts, securing non-dilutive funding, and building relationships with key customers to capitalize on the Company’s unique positioning in the underwater robotics domain.

Capturing Government Contracts: In April 2019, the Company announced its third award related to SwarmDiver™ by the United States Military. This approximately US\$30,500 hardware sale will support test and evaluation activities as the Navy considers operational use of this technology.

Following on from the April 2019 order, Aquabotix announced in May 2019, yet another contract for delivery of SwarmDiver™ system hardware along with training and test support to enable the continuation of necessary Government evaluation activities for the United States Armed Forces’ consideration of the operational use of this product in theatre. This award, valued at approximately US\$150,000 represents the Company’s fourth and most sizeable Government contract for SwarmDiver™ since the product’s launch last year.

While these order values are small, the Company is clearly realising some critical initial successes in the sales of its SwarmDiver™ product for defence applications. In many cases, United States Government funding is awarded in progressive stages with smaller initial investments in development in the beginning, followed by more substantial awards for concept prove out and commercialisation stages. As the Government evaluates and qualifies product for use in theatre, it is not uncommon for other global militaries to follow their technology implementation plans. Allied forces oftentimes elect to maintain interoperability of platforms, and governmental users without available budget for rigorous testing may look to the implementation of technology by the United States Military to inform their procurement decisions. For these reasons, the Company’s early successes in securing sales related to product qualification for operational are more significant than the revenue streams attached to these orders. Having a qualified product for operational use would support the case for wide-spread adoption of Aquabotix’s technologies in the maritime defence and security industries.

Evolving Opportunities on a Global Scale: During the course of this period, a string of attacks on maritime assets in the Middle East region have spurred an increase in spending related to the implementation of enhanced security measures for commercial shipping vessels. In addition to government deployments, private maritime security companies are offering services to secure trade routes and vessels from these active and persistent threats. By some projections, maritime security guard deployments on commercial vessels is expected to increase by approximately 25% as a result of these recent attacks.

Aquabotix’s recently launched SwarmDiver EDGE™ product line was especially designed for this purpose of enhancing commercial and military security measures for vessels traveling through or taking harbor in potentially dangerous waterways. This system creates a visual boundary to act as a first line deterrent in protecting areas of interest. This capability can be used to supplement other existing security measures such as guard services to ensure the security of vessels and other targets of interest to opposing forces in ports or

UUV Aquabotix Limited

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DIRECTORS REPORT – 30 JUNE 2019

through geographical bottlenecks where historically attacks have been prevalent. Aquabotix is actively working with a range of potential government customers, particularly those in closest proximity to these recent attacks on additional contracts, and expects that the recent events may accelerate the timing of these further.

Securing Non-Dilutive Funding: In March 2019, the Company announced an award of a \$10,000 non-dilutive research funding grant from the New South Wales Defence Innovation Network (“DIN”). DIN is a new initiative funded by the New South Wales Department of Industry and a goal to facilitate collaboration and innovation in the defence sector. The grant is intended to support a project centered around the development of an innovative controls system for autonomous maritime vehicles, in response to end-user feedback following a range of trials and demonstrations for the Company's products. While the grant amount is small, it is indicative of the support of various governmental end-users and the recognized need for these products. The Company is continuing to seek grant funding and other non-dilutive funding streams to support development and commercialisation of its product offerings.

Key Customer Relationship Development: With the Company's announced shift in strategy to focus on defence sales, one key tenant of that strategy was to reduce reliance on distributor networks and establish Aquabotix directly as a trusted provider of solutions for government and defence contractors alike. At the end of 2018, Aquabotix announced a strategic cooperative agreement with large defence prime contractor, Thales, for the development of a rapid environmental assessment and autonomous mine countermeasures system. This represented a first and significant win in developing relationships with key customers to support a shift in Company focus.

In May 2019, Aquabotix announced its second such agreement, securing a teaming agreement with a joint venture of ManTech International Corporation for pursuits of United States Government funds under a current requirement related to Department of Defense systems. Through teaming, the Company may gain access to larger value prime contracts unattainable by small companies such as Aquabotix on a stand-alone basis. For these reasons, developing and enhancing customer relationships remains a core item of focus for Aquabotix in the coming months.

Company Funding: Also of note, during the period the Company announced investment totals of \$1,049,000 through entitlement offers and shortfall placements of 164,937,592 ordinary fully paid shares. Following the close of the period, in July 2019, the Company announced an additional placement of \$456,000 via an oversubscribed placement of 76,000,000 new fully paid ordinary shares. The funding associated with this additional placement is not reflected in the figures contained in this report.

In March 2019, the Company entered into an unsecured credit facility to cover working capital. This credit facility was fully repaid during the same period, following closure of an entitlements offer by the Company whereby funds were raised.

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 consolidated group during the half year ended 30 June 2019.

Roundings 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 thousand dollars, or in certain cases, the nearest dollar.

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DIRECTORS REPORT – 30 JUNE 2019

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 30 June 2019.

This directors' report is made in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.



Peter James
Director

Dated this 21st day of August 2019

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of UUV Aquabotix Limited for the half year ended 30 June 2019, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read 'G N Sherwood', with the initials 'GNS' written to the right.

G N Sherwood
Partner

Sydney, NSW
Dated: 21 August 2019

UUV Aquabotix Limited
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HALF YEAR REPORT – 30 JUNE 2019

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ABN 52 616 062 072
HALF YEAR REPORT – 30 JUNE 2019

CORPORATE INFORMATION

Directors and Management

Peter James (Non-Executive Chairman)
Jay Cohen (Non-Executive Director)
Robert Clisdell (Non-Executive Director) (appointed 10 March 2018)
Whitney Million (Chief Executive Officer) (appointed 21 March 2018)
Winton Willesee and Erlyn Dale (Joint Company Secretary) (appointed 26 July 2019)
Anand Sundaraj (Company Secretary) (resigned 25 January 2019, re-appointed 12 June 2019, resigned 26 July 2019)
Jon Swain (Company Secretary) (appointed 25 January 2019, resigned 12 June 2019)

Registered Office

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Australia
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E-mail: info@aquabotix.com
Website: www.aquabotix.com

Auditors

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

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
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Solicitors

Steinepreis Paganin 16 Milligan Street Perth WA 6000 Australia	K&L Gates LLP 70 West Madison Street, Suite 300 Chicago, IL 60602 USA	Moses & Singer LLP The Chrysler Building 405 Lexington Avenue New York NY 10174, USA
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Share Registry

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

Stock Exchange Listing

UUV Aquabotix Limited shares (ASX code UUV) and options (ASX code UUV0) are quoted on the Australian Stock Exchange.

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2019**

	Note	Half-year Ended 30 June 2019	Half-year Ended 30 June 2018
		\$	\$
Revenue	3,4	134,256	59,860
Other income	3,4	1,339	17,320
Cost of sales		(55,994)	(186,297)
General and administrative expense		(349,042)	(2,582,127)
Selling and marketing expense		(29,681)	(214,630)
Research and development expense		(79,234)	(9,351)
Consumables written down		-	(186,453)
Impairment of right of use asset		(380,071)	-
Depreciation expense		(36,252)	(16,327)
Share option expense		(69,139)	(236,499)
Interest expense		(27,683)	-
Foreign exchange (losses)/gains		(2,262)	30,403
Loss before income tax		(1,820,419)	(3,324,101)
Income tax expense		-	-
Loss for the period		(1,820,419)	(3,324,101)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
- Adjustments on translation of foreign controlled entity		23,237	37,969
Total comprehensive loss for the period		(1,797,182)	(3,286,132)
		Cents	Cents
Basic and diluted loss per share	10	(0.96)	(2.46)

The accompanying notes form part of these financial statements.

UUV Aquabotix Limited
ABN 52 616 062 072
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Consolidated	
		As at 30 June 2019	As at 31 December 2018
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		408,826	704,377
Inventories		87,375	131,618
Other assets		101,592	89,957
TOTAL CURRENT ASSETS		597,795	925,952
NON-CURRENT ASSETS			
Plant and equipment		40,920	130,741
TOTAL NON-CURRENT ASSETS		40,920	130,741
TOTAL ASSETS		638,715	1,056,693
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		327,563	259,201
Provision for employee benefits		19,365	117,078
Contract liabilities		22,783	-
Lease liabilities less than 1 year		48,620	-
Customer deposits		12,212	12,142
TOTAL CURRENT LIABILITIES		430,542	388,421
NON-CURRENT LIABILITIES			
Lease liabilities		331,431	-
TOTAL NON-CURRENT LIABILITIES		331,431	-
TOTAL LIABILITIES		761,973	388,422
NET (LIABILITIES)/ASSETS		(123,258)	668,272
EQUITY			
Contributed equity	7,8	11,128,223	10,191,710
Reserves		1,108,506	1,016,130
Accumulated losses		(12,359,987)	(10,539,568)
TOTAL EQUITY		(123,258)	668,272

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
HALF-YEAR ENDED 30 JUNE 2019

Consolidated	Contributed Equity	Accumulated Losses	Options Reserve	Foreign exchange Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2018	8,941,710	(5,773,496)	764,960	(21,279)	3,911,895
Comprehensive income					
Loss for the period	-	(3,324,101)	-	-	(3,324,101)
Other comprehensive income	-	-	-	37,969	37,969
Total comprehensive income for the period	-	(3,324,101)	-	37,969	(3,286,132)
Options lapsed in the period	-	89,516	(89,516)	-	-
Options issued in the period	-	-	236,499	-	236,499
Balance at 30 June 2018	8,941,710	(9,008,081)	911,943	16,690	862,262
Balance at 1 January 2019	10,191,710	(10,539,568)	978,893	37,237	668,272
Comprehensive income					
Loss for the period	-	(1,820,419)	-	-	(1,820,419)
Other comprehensive income	-	-	-	23,237	23,237
Total comprehensive income for the period	-	(1,820,419)	-	23,237	(1,797,182)
Shares issued during the period	1,048,877	-	-	-	1,048,877
Share issue costs	(112,364)	-	-	-	(112,364)
Options issued in the period	-	-	69,139	-	69,139
Balance at 30 June 2019	11,128,223	(12,359,987)	1,048,032	60,474	(123,258)

The accompanying notes form part of these financial statements.

UUV Aquabotix Limited
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CONSOLIDATED STATEMENT OF CASH FLOWS
HALF-YEAR ENDED 30 JUNE 2019

	Consolidated	
	Half-year Ended 30 June 2019	Half-year Ended 30 June 2018
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	163,569	207,413
Government grants	-	3,714
Payments to suppliers and employees	(1,450,195)	(3,321,259)
Interest received	1,289	12,735
Finance costs paid	(5,420)	-
Income tax paid	-	-
Net cash used in operating activities	(1,290,756)	(3,097,397)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows from loans to other entities	-	-
Purchase of non-current assets	-	-
Acquisition of subsidiary, net of cash acquired	-	-
Net cash used in investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of shares	987,177	-
Proceeds from borrowings	200,000	-
Repayment of borrowings	(200,000)	-
Net cash provided by financing activities	987,177	-
Net decrease in cash held	(303,579)	(3,097,397)
Foreign currency transactions	8,028	70,643
Cash and cash equivalents at beginning of period	704,377	3,887,828
Cash and cash equivalents at end of period	408,826	861,072

The accompanying notes form part of these financial statements.

UUV Aquabotix Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2019

NOTE 1: BASIS OF PREPARATION

Basis of Preparation and Significant Accounting Policies

These general-purpose interim financial statements for half-year reporting period ended 30 June 2019 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of UUV Aquabotix Limited (the "Company") and its controlled entities, together the "Company", the "Consolidated Entity" or the "Group".

These general purpose financial statements does not include all the notes typical of inclusion within an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance and financial position of the Consolidated Entity as a full financial report. Accordingly, these financial statements should be read in conjunction with the annual report for the year ended 31 December 2018 and any other public announcements made by UUV Aquabotix Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

These interim financial statements were authorised for issue on 21 August 2019.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

The following Accounting Standards and Interpretations came into effect from 1 January 2019:

AASB 16 Leases

The Company adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Right-of-use assets

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

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019**

NOTE 1: BASIS OF PREPARATION

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

Lease liabilities

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

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

The impact on the financial position of the consolidated entity from the adoption of AASB 16 upon initial application of AASB 16 is detailed below.

- Recognised right-of-use assets of \$387,640, discounted based on the interest rate of 12%.
- Recognised lease liabilities of \$387,640 in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Net assets reduced by \$nil

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019**

NOTE 2: 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 discharge of liabilities in the normal course of business.

As disclosed in the financial report, the Group incurred a loss after tax of \$1,820,419 and had net cash outflows from operating activities of \$1,290,756 for the half year ended 30 June 2019. As at that date, the Group had net current assets of \$167,253, net liabilities of \$123,258 and cash and cash equivalents of \$408,826. 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 raising further capital.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Group 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 Group 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 Group announced on 15 July 2019 that it had issued 76,000,000 ordinary fully paid shares at \$0.006 per New Share in respect of a placement announced on 10 July 2019. This Placement raised \$456,000 in funds. The Group 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 raises further capital, which the directors consider is a reasonable assumption based on past experience.

Accordingly, the directors believe that the Group 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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019**

NOTE 3: OPERATING SEGMENTS

The Group has one operating segment, being the development and sales of underwater unmanned vehicles, including swarming underwater drones. This operating segment is monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of reviewing the segment results. The Chief Operating Decision Maker of the group is the Chief Executive Officer.

The following table presents certain information regarding the geographical segments for the half year ended 30 June 2019.

<i>Segment Performance</i>	30 June 2019			
	USA	Australia	Elimination	Total
	\$	\$	\$	\$
External sales	134,256	-	-	134,256
Total segment revenue	134,256	-	-	134,256
Other income	-	-	-	-
Interest income	872	467	-	1,339
Impairment of right of use asset	(380,071)	-	-	(380,071)
Depreciation	(35,585)	(668)	-	(36,252)
Finance costs	(22,494)	(5,189)	-	(27,683)
Income tax expense	-	-	-	-
Loss after income tax expense	(1,202,499)	(617,920)	-	(1,820,419)
<i>Assets and liabilities</i>				
Segment assets	298,270	6,133,495	(5,793,050)	638,715
Segment liabilities	(6,258,208)	(296,815)	5,793,050	(761,973)

<i>Segment Performance</i>	30 June 2018			
	USA	Australia	Elimination	Total
	\$	\$	\$	\$
External sales	59,860	-	-	59,860
Total segment revenue	59,860	-	-	59,860
Other income	-	3,714	-	3,714
Interest income	1,601	12,005	-	13,606
Depreciation	(15,659)	(668)	-	(16,327)
Finance costs	-	-	-	-
Income tax expense	-	-	-	-
Loss after income tax expense	(2,466,969)	(857,132)	-	(3,324,101)
<i>Assets and liabilities</i>				
Segment assets	450,671	4,626,539	(3,868,344)	1,208,866
Segment liabilities	(4,148,955)	(65,993)	3,868,344	(346,604)

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019****NOTE 4: REVENUE**

	Consolidated	
	Half-year Ended 30 June 2019 \$	Half-year Ended 30 June 2018 \$
SALES REVENUE		
Receipts from customers	134,256	59,860
	<u>134,256</u>	<u>59,860</u>
OTHER INCOME		
Interest	1,339	13,606
Amounts received from Government Grants	-	3,714
Net foreign exchange income	-	30,403
	<u>1,339</u>	<u>47,723</u>
REVENUE	<u>135,595</u>	<u>107,583</u>

NOTE 5: EXPENSES

	Consolidated	
	Half-year Ended 30 June 2019 \$	Half-year Ended 30 June 2018 \$
Included within expenses for the period were:		
Cost of sales	55,994	186,297
Consumables written down	-	186,453
Impairment of right of use asset	380,071	-
Rental expense relating to operating leases	9,781	52,883
Depreciation expense	36,252	16,327
Defined contribution superannuation expense	4,703	16,771
Share option expense	69,139	236,499
Net foreign exchange loss	2,262	-
Interest expense	27,683	-

NOTE 6: LOAN FACILITY AND RELATED PARTIES

On 24 March 2019, UUV Aquabotix Limited entered into a non-convertible unsecured credit facility agreement with Long Hill Capital II, LLC, one of the Group's shareholders. Under the agreement, Long Hill Capital II, LLC made available up to AUD\$200,000 provided that the Group draw down on the facility within 60 days of entering into the agreement. No fees were incurred in the set up of this facility, and interest is charged at a rate of 12% per annum, payable in arrears each quarter. The facility has a maturity date of 20 March 2020.

The Group drew down on the full facility during the period, within 60 days of entering into the agreement, and subsequently repaid the full amount plus interest in June 2019.

UUV Aquabotix Limited

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019****NOTE 7: CONTRIBUTED EQUITY**

	Number of shares	\$
Balance at 1 January 2019	160,000,001	10,191,710
Balance at 30 June 2019	324,937,592	11,128,223

NOTE 8: CHANGES IN COMPOSITION OF EQUITY

A summary of the capital structure of the Company at 30 June 2019 is set out below:

Shareholders	Shares	Unlisted Options	Listed UUVO Options	Performance Shares
Opening balance at 1 January 2019	160,000,001	28,500,000	35,000,000	45,000,000
Issue of new shares	164,937,592	-	-	-
Options exercised in the period	-	-	-	-
Options lapsed in the period	-	-	(35,000,000)	-
Performance shares lapsed in the period	-	-	-	(15,000,000)
Closing balance at 30 June 2019	324,937,593	28,500,000	-	30,000,000

Shares:

- 2,468,794 shares were issued upon completion of a Rights issue in March 2019.
- 162,468,798 shares were issued upon completion of a Rights issue in June 2019.

Unlisted Options

- 9,100,000 Unlisted Options issued to directors and management are exercisable at 11 cents, each with various expiry dates, ranging between 19 April 2023 and 19 April 2024. These Options are subject to various time and market vesting conditions.
- 8,700,000 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 2020. These Options are subject to various time and market vesting conditions.
- 700,000 Unlisted Options issued to the Company's Advisory Committee 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:

- 35,000,000 listed options which were exercisable at 22 cents on or before 20 April 2019 lapsed during the period. No expense has been recognised in the financial statements for these listed options.

Performance Shares:

- 15,000,000 Class A Performance Shares lapsed during the period. No expense has been recognised in the financial statements for these performance shares.

UUV Aquabotix Limited

ABN 52 616 062 072

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019**

Note 9: 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 per the table below. The Class A Performance Shares lapsed in April 2019 as the milestones were not met:

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. These shares lapsed during the period.	-
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 30 June 2019 and no Performance Shares were converted to Ordinary Shares in the period.

NOTE 10. EARNINGS PER SHARE

	Consolidated	
	30 June 2019 \$	30 June 2018 \$
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of UUV Aquabotix Limited	(1,820,419)	(3,324,101)
	Cents	Cents
Basic and diluted loss per share	(0.96)	(2.46)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	188,895,281	135,000,001
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	-
Performance shares	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	188,895,281	135,000,001

All performance shares and share options are considered anti-dilutive for the period ended 30 June 2019 and the period ended 30 June 2018.

UUV Aquabotix Limited
ABN 52 616 062 072
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

NOTE 11: CONTINGENT LIABILITIES

The directors believe the group has no contingent liabilities.

NOTE 12: EVENTS AFTER THE END OF THE INTERIM PERIOD

On 15 July 2019, the Company announced it had issued 76,000,000 shares via an oversubscribed placement of new fully paid ordinary shares, each at an issue price of \$0.006 per share with existing and new sophisticated and professional investors, raising \$456,000 to help fund its working capital requirements.

Other than the above, directors are not aware of any significant events since the end of the interim period.

NOTE 13: LEASE LIABILITIES AND RIGHT TO USE ASSET

On 1 January 2019, the Company adopted AASB 16, *Leases*. In doing so, as noted in Note 1, a right of use asset of \$387,640 and a corresponding lease liability of the same amount were recognised on the balance sheet on 1 January 2019. Since then, the Company has negotiated a settlement to prematurely terminate this lease with the landlord. While the timing of these actions have resulted in an impairment loss as at 30 June 2019, there will be corresponding adjustments to the outstanding lease liability at year end to reflect the updated negotiated position between the parties. The newly agreed settlement terms effectively reduce the total expected cash outflow related to this lease by approximately \$400,000 over the next four years.

UUV Aquabotix Limited
ABN 52 616 062 072
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of UUV Aquabotix Limited, the directors of the company declare that:
The financial statements and notes, as set out on pages 8 to 19, are in accordance with the *Corporations Act 2001*, including:

- a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
- b. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the financial half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Peter James

Director

Dated this 21st day of August 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

UUV AQUABOTIX LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of UUV Aquabotix Limited, which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of UUV Aquabotix Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of UUV Aquabotix Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of UUV Aquabotix Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the half-year financial report, which indicated that the consolidated entity incurred a loss after tax of \$1,820,419 and had net cash outflows from operating activities of \$1,290,756 for the half year ended 30 June 2019. As at that date the consolidated entity had net current assets of \$167,253 and net liabilities of \$123,258. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

RSM

RSM AUSTRALIA PARTNERS



G N Sherwood
Partner

Sydney, NSW
Dated: 21 August 2019