

UUV Aquabotix Limited

ABN 52 616 062 072

ANNUAL REPORT
for the year ending
31 December 2020

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Corporate Information

Directors & Management

Winton Willesee (Non-Executive Chairman)
James Bahen (Non-Executive Director)
Erlyn Dale (Non-Executive Director)

Company Secretary

Winton Willesee & Erlyn Dale

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Share Registry

Link Market Services Limited
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Stock Exchange Listing

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

Website: www.aquabotix.com

Corporate Governance Statement:
<https://www.aquabotix.com/investor-relations.html>

Directors' Report

Your Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Company' or 'Aquabotix') consisting of UUV Aquabotix Limited and its controlled entities for the year ended 31 December 2020.

Directors

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

Winton Willesee - Non-Executive Chairman (appointed 3 October 2020)

James Bahen - Non-Executive Director (appointed 23 October 2020)

Erlyn Dale - Non-Executive Director (appointed 23 October 2020)

Peter James (resigned 2 October 2020)

Admiral Jay M. Cohen (resigned 23 October 2020)

Robert Clisdell (resigned 23 October 2020)

Winton Willesee: Non-Executive Chairman and Joint Company Secretary

Mr. Willesee is an experienced corporate professional with a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Mr Willesee has considerable experience with ASX listed and other companies over a broad range of industries, having held directorships, chairmanships and company secretarial positions with a number of ASX-listed companies over many years.

Mr. Willesee holds a Master of Commerce, a Post-Graduate Diploma in Business (Economics and Finance), a Graduate Diploma in Applied Finance and Investment, a Graduate Diploma in Applied Corporate Governance, a Graduate Diploma in Education and a Bachelor of Business. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors, a Member of CPA Australia and a Fellow of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators/Chartered Secretary.

Other ASX Directorships held within the last 3 years:

Nanollose Limited (ASX: NC6) Non-Executive Director (Current)

MMJ Group Holdings Limited (ASX: MMJ) Non-Executive Director (Current)

New Zealand Coastal Seafoods Limited (ASX: NZS) Chairman (Current)

Neurotech International Limited (ASX: NTI) Non-Executive Director (Current)

eSense-Lab Ltd (ASX: ESE) Non-Executive Director (Current)

Ding Sheng Xin Finance Co Limited (ASX: DXF) Non-Executive Director

James Bahen: Non-Executive Director

Mr Bahen is a Corporate Advisory Executive and Chartered Secretary who commenced his career in audit and assurance with a chartered accounting firm. He is currently a Company Secretary to a number of ASX listed companies.

Mr Bahen is a member of the Governance Institute of Australia (GIA) and holds a Graduate Diploma of Applied Finance and a Bachelor of Commerce degree majoring in Accounting and Finance.

Other ASX Directorships held within the last 3 years:

MinRex Resources Limited (ASX: MRR) Non-Executive Director (Current)

Directors' Report *(Continued)*

Erlyn Dale: Non-Executive Director and Joint Company Secretary

Miss Dale is an experienced corporate professional with a broad range of corporate governance, accounting and capital markets experience. Miss Dale holds positions as company secretary for a number of ASX listed public companies across a range of industries, with particular expertise in the facilitation of company listings, merger and acquisition transactions and capital raisings.

Miss Dale holds a Bachelor of Commerce (Accounting and Finance) and a Graduate Diploma in Applied Corporate Governance. She is a member of the Governance Institute of Australia/Chartered Secretary.

Other ASX Directorships held within the last 3 years:

New Zealand Coastal Seafoods Limited (ASX: NZS) Non-Executive Director (Current)

Meetings of Directors

The Company's full Board of Directors met 5 times during the year ended 31 December 2020. In addition, there were 5 sub-committee meetings held during the year ended 31 December 2020. The number of meetings eligible to be attended and the number of meetings attended by each director were as follows:

Name	Full Board Meetings		Sub Committee Meetings	
	Eligible to attend	Attended	Eligible to attend	Attended
Winton Willesee	2	2	-	-
James Bahen	2	2	-	-
Erlyn Dale	2	2	-	-
Peter James	3	3	5	5
Jay M. Cohen	3	3	-	-
Robert Clisdell	3	3	5	5

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

Review of Operations and Financial Results

The loss for the Group after providing for income tax and non-controlling interest for the year ended 31 December 2020 amounted to \$1,347,290 (31 December 2019 loss of \$2,409,264).

The Aquabotix Group started the 2020 calendar year with a significant order backlog, comprised of US government and other foreign defense contracts. During this reporting period, the Company successfully delivered against those order backlogs as well as newly established contracts, providing test support and training services and hardware for test and evaluation purposes to the extent practicable given impacts associated with COVID-19 on travel and customer prioritisation of these types of activities throughout the phases of this pandemic.

The delivery of these contract milestones over the period represented a solid upward trajectory in revenues recognised and increased net cash from operating activities, with even half-year 2020 figures exceeding those for the total of 2019 calendar year. In addition to the securing and delivering of contracts to key customers as detailed above, the Company announced in February 2020 that it had entered into a Non-Standard Navy Cooperative Research and Development Agreement with the United States Naval Undersea Warfare Center Division Newport with the intention of working together collaboratively on a project related to experimental coordination with swarms.

To complement its increasing revenues, in April 2020, the Company's United States-based subsidiary, Aquabotix Technology Corporation ("ATC"), received approval for a non-dilutive loan under the United States Government's Paycheck Protection program of approximately US\$76,000. In addition to this support, the Company received a cashflow boost from the Australian Tax Office of \$10,000 upon filing its first quarter activity statement. This temporary cashflow boost is non-assessable, non-exempt income intended to support businesses during the economic downturn associated with COVID-19.

In addition to these nondilutive funding sources, the Company undertook several investment activities to generate needed funds over the fiscal year. The Company raised \$1,769,156 in equity capital through the year including the rights issue funding referred to below.

Notwithstanding the increasing revenues and active financing program, the Company could not reach a point whereby it was operationally cashflow neutral.

Directors' Report *(Continued)*

The advent of COVID-19 pandemic created delays and disruptions that impacted the Company's ability to deliver products and services in accordance with its previous plans over the period. These operational impacts ultimately translated to decreased revenues and lagging cashflows, among other challenges for the Company.

On 23 January 2020, the Group learned that the licensor of one part of its licenced technology, Apium Inc., had filed a lawsuit against ATC in the U.S. District Court, Central District of California in Los Angeles. The lawsuit included claims for actual and anticipatory breach of the license agreement, a declaratory judgment that the license was terminated and that Apium itself has not breached the license, as well as a violation of the U.S. Defend Trade Secrets Act. As disclosed at the time, the Company and ATC believe the lawsuit was without merit and that Apium's actions were themselves a breach of the terms of the license agreement.

In November, acknowledging the pressures on the global economy and the business of ATC, both generally and as a result of the legal dispute with Apium, had made further capital investment into these operations unlikely at that time. The Company advised that ATC ceased the active conduct of its business operations.

Following shortly after that announcement, in December 2020, ATC filed for Chapter 7 bankruptcy in the United States Bankruptcy Court for the District of Massachusetts. With regard to the legal dispute between Apium and ATC, the Company notes that the filing of bankruptcy automatically stays the action, and a formal Notice of Stay of Proceedings due to the filing of bankruptcy was filed in December in the United States District Court, Central District of California in Los Angeles.

In the latter part of the reporting period the Board of directors of the Company changed with the retirement of Peter James, Robert Clisdell and Jay Cohen, and the appointments of Winton Willesee, Erlyn Dale and James Bahen. The Company wishes to again thank the outgoing directors for their efforts during their time in office.

In July 2020 the Company completed a rights issue to shareholders and in October 2020 completed the placement of the shortfall to that rights issue to raise a total of \$1,583,823 before costs.

The Company is now in a solid financial situation with a new Board in place consisting of directors experienced in the recapitalisation and reforming of ASX listed companies.

Principal Activities

During the financial year up until the cessation of the operations of ATC on 30 November 2020, the principal activities of the Group consisted of designing, developing, manufacturing, and selling underwater drone systems, related technologies, and man-machine teaming solutions.

Significant Changes in the State of Affairs

Other than discussed in the Review of Operations above, there have been no other significant changes in the state of affairs of the Company during the year ended 31 December 2020.

Contingent Liabilities

During January 2020, the Group learned that a licensor of technology incorporated into the SwarmDiver™ product, Apium Inc. ("Apium"), a small, privately held U.S. Company, filed a lawsuit against the Company's subsidiary, Aquabotix Technology Corporation ("ATC") in the U.S. District Court, Central District of California in Los Angeles.

The lawsuit includes claims for actual and anticipatory breach of the license agreement, a declaratory judgement that the license is terminated and that Apium itself has not breached the license, as well as violation of the Defend Trade Secrets Act, a U.S. law often invoked in licensing disputes. The Company believes that the lawsuit is completely without merit and that Apium's actions are themselves a breach of the terms of the license agreement. The Company notes that the filing of the bankruptcy automatically stays the action, and a formal Notice of Stay of Proceedings due to filing of bankruptcy was filed in December in the U.S. District Court, Central District of California in Los Angeles.

Other than detailed above, as at 31 December 2020 the Company had no contingent liabilities.

Significant Events after the Balance Date

The impact of the COVID-19 pandemic is on-going, and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. Given the company is largely dormant the pandemic is not expected to have any significant impact at all. The situation is rapidly developing and could change depending on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected or may significantly affect the results of the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Directors' Report (Continued)

Environmental regulation

The Group's operations are not subject to any significant environmental regulation under either Australian Commonwealth or State legislation. The Board considers that adequate systems are in place to manage the Group's obligations and is not aware of any breach of environmental requirements as they relate to the Group.

Dividends

No dividends were declared or paid to shareholders during the financial year (2019: \$nil).

Corporate Governance Statement

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

In establishing its corporate governance framework for the financial year ended 31 December 2020 (Reporting Period), the Board has referred to the Corporate Governance Principles and Recommendations (4th Edition) published by the ASX Corporate Governance Council. The Company sets out its compliance with, and departures from the Recommendations for the financial year ended 31 December 2020.

The Company's Corporate Governance Statement for the financial year ending 31 December 2020 was approved by the Board of Directors on 31 March 2021.

The Company's Corporate Governance Statement is available at the Company's website at <https://www.aquabotix.com/investor-relations.html>.

In the context of the Company's nature, scale and operations, the Board considers that the current corporate governance regime is efficient, practical, and cost-effective method of directing and managing the Company.

AGM

The Company anticipates that it will hold its next Annual General Meeting ('AGM') on or after 21 May 2021. In accordance with ASX Listing Rule 3.13.1, the closing date for the receipt of nominations from persons wishing to be considered for election as a director of the Company is 9 April 2021. Any nominations must be received in writing no later than 5.00pm (WST) on 9 April 2021 at the Company's registered office.

Remuneration Report (audited)

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

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

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

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

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ensures that executive reward satisfies the following key criteria for good reward governance practices:

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

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

Directors' Report - Remuneration Report (audited) *(Continued)*

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

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

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

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

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

Non-executive director's remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. No director is present during any discussions relating to the determination of his or her own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting.

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

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

Details of remuneration

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

The key management personnel of the Group consisted of the following directors of UUV Aquabotix Limited during the financial year and up to the date of this report, unless otherwise stated:

- Winton Willesee - Non-Executive Chairman (appointed 3 October 2020)
- James Bahen - Non-Executive Director (appointed 23 October 2020)
- Erlyn Dale - Non-Executive Director (appointed 23 October 2020)
- Whitney Million – Chief Executive Officer
- Peter James – former Non-Executive Chairman (resigned 2 October 2020)
- Admiral Jay Cohen – former Non-Executive Director (resigned 23 October 2020)
- Robert Clisdell – former Non-Executive Director (resigned 23 October 2020)

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

Directors' Report - Remuneration Report (audited) *(Continued)*

Executive remuneration governance

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders having consideration to the amount deemed to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Remuneration committee

Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Remuneration Committee. Pursuant Schedule 1 point 7 of the Company's Corporate Governance Plan www.aquabotix.com/investor-relations.html, the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee.

The Board will devote time on an annual basis to fulfil the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive. The Board of Directors is responsible for overseeing performance evaluations of senior executives on an annual basis. This evaluation is based on specific criteria, including the business performance of the Company, whether strategic objectives are being achieved and the development of management and personnel.

Directors' remuneration

The remuneration of an Executive Director is decided by the Board, without the affected Executive Director participating in that decision-making process.

In accordance with the Constitution, the total maximum remuneration of Non-Executive Directors is initially set by the Board and subsequent variation is by ordinary resolution of shareholders in general meeting in accordance with the Constitution, the *Corporations Act 2001* 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.

In addition, a Director may be paid fees or other amounts, subject to any necessary shareholder approval, including non-cash performance incentives such as options, as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

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 Group's remuneration policy for Executive Directors (including the Managing Director) and senior management is designed to promote superior performance and long-term commitment to the Group. Executives receive a base remuneration which is market related and may also be entitled to performance-based remuneration at the ultimate discretion of the Board.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the interests of the Group and the Company's shareholders to do so.

Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance, relevant comparative information and, where necessary, expert advice.

Executive remuneration framework

The Group's reward policy reflects the benefits of aligning executive remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Group. The main principles of the policy are:

- (a) remuneration is reasonable and fair, taking into account the Group's obligations at law, the competitive market in which the Group operates and the relative size and scale of the Group's business;
- (b) individual reward should be linked to clearly specified performance targets which should be aligned to the Group's short term and long-term performance objectives; and
- (c) executives should be rewarded for both financial and non-financial performance.

The total remuneration of Executive Directors (including the Managing Director) and other senior managers consist of the following:

- (a) Salary - Executive Directors and senior managers may receive a fixed sum payable monthly in cash;
- (b) Short term incentive - Executive Directors and nominated senior managers are eligible to participate in a profit participation plan if deemed appropriate. The Board may at its discretion award bonuses for exceptional performance in relation to each person's pre-agreed Key Performance Indicators;
- (c) Post-employment benefits – this refers to superannuation schemes; and

Directors' Report - Remuneration Report (audited) *(Continued)*

- (d) Long term incentives - Executive Directors may participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to executives outside of approved Employee Option Plans in exceptional circumstances.

KMP remuneration disclosures in detail

Details of the remuneration of the Directors of UUV Aquabotix Limited and other KMP are set out in tables below:

2020	Short-term benefits			Post-employment benefits Super-annuation	Share-based payments		Total
	Cash Salary and fees^^	Cash bonus	Other Benefits		Equity-settled shares	Equity-settled options#	
	\$	\$	\$	\$	\$	\$	\$

Non-Executive Directors:

Winton Willesee	16,145	-	-	-	-	-	16,145
James Bahen	6,888	-	-	-	-	-	6,888
Erlyn Dale	6,871	-	-	-	-	-	6,871
Peter James	58,666	-	-	-	25,000	-	83,666
Jay M. Cohen	19,795	-	-	-	-	-	19,795
Robert Clisdell	21,250	-	-	-	12,500	-	33,750
	129,615	-	-	-	37,500	-	167,115

Other Key Management Personnel:

Whitney Million	170,700	-	-	-	18,128	31,545	220,373
	300,315	-	-	-	55,628	31,545	387,488

NB: The Company intends to seek shareholder approval for the grant of 40 million and 20 million UUVOA options to Peter James and Rob Clisdell respectively in lieu of cash fees owed at the time of their resignations.

2019	Short-term benefits			Post-employment benefits Super-annuation	Share-based payments		Total
	Cash Salary and fees^^	Cash bonus	Other Benefits		Equity-settled shares	Equity-settled options#	
	\$	\$	\$	\$	\$	\$	\$

Non-Executive Directors:

Peter James	41,977	-	-	-	58,333	36,865	136,865
Jay M. Cohen	57,680	-	-	-	-	14,746	72,426
Robert Clisdell	20,834	-	-	-	29,166	25,805	75,805
	120,491	-	-	-	87,499	77,416	285,096

Other Key Management Personnel:

Whitney Million	326,087	-	10,901	-	-	36,414	373,402
	446,578	-	10,901	-	87,499	113,830	658,498

Directors' Report - Remuneration Report (audited) *(Continued)*

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

Name	Fixed remuneration		At risk – STI		At risk – LTI	
	2020	2019	2020	2019	2020	2019
<i>Non-Executive Directors:</i>						
Winton Willesee	100%	100%	-	-	-	-
James Bahen	100%	100%	-	-	-	-
Erlyn Dale	100%	100%	-	-	-	-
Peter James	100%	100%	-	-	-	-
Jay M. Cohen	100%	100%	-	-	-	-
Robert Clisdell	100%	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Whitney Million	100%	100%	-	-	-	-

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

No cash bonuses were paid or are payable for the financial year ended 31 December 2020 (2019: nil). There has been no forfeit of cash bonuses.

Employment agreements with Key Management Personnel

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

Name:	Whitney Million
Title:	Chief Executive Officer
Agreement commenced:	21 March 2018
Agreement terminated:	2 November 2020
Details:	Base salary of USD\$200,000 per annum for the period to 19 March 2020, the reduced to US\$100,000 by the board of Directors. A payment of US\$24,000 plus 35,000,000 UUVOA options valued at \$18,128 were paid to Ms Million on termination of employment as full and final settlement.
Agreement commenced:	2 November 2020
Agreement terminated:	Remains
Details:	Monthly fee of \$4,750. Termination notice period of three months.

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

Directors' Report - Remuneration Report (audited) *(Continued)*

Key Management Personnel shareholdings

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

Name	Balance at 1 January 2020	Shares acquired	Shares issued in lieu of salary or fees	Other changes during the year ^	Balance at 31 December 2020
Winton Willesee	-	84,723,000	-	-	84,723,000
James Bahen	-	-	-	-	-
Erlyn Dale	-	5,000,000	-	-	5,000,000
Peter James	25,107,126	-	10,924,867	(36,031,993)	-
Robert Clisdell	8,665,197	-	5,462,433	(14,127,630)	-
Jay Cohen	-	-	-	-	-
Whitney Million	-	-	28,164,771	(28,164,771)	-
Total	33,772,323	89,723,000	44,552,071	(78,324,394)	89,723,000

^ Balance at the date of resignation as a Director or termination of employment

Options issued

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

Name	Number of options granted	Grant date	Vesting date and exercisable dated	Expiry date	Exercise price	Fair value per option at grant dated
Whitney Million	35,000,000	26 October 2020	26 October 2020	28 July 2023	\$0.001	\$18,128

Options granted carry no dividend or voting rights.

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

Directors' Report - Remuneration Report (audited) *(Continued)*

Option holdings

The number of options over ordinary shares in the Company held during the financial year ended 31 December 2020 by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Issued or Granted	Exercised	Expired forfeited other (a)	Balance at the end of the year	Options Vested at the end of the year	Options exercisable at the end of the year	Options unexercisable at the end of the year
Winton Willesee	-	74,595,166	-	-	74,595,166	74,595,166	74,595,166	-
James Bahen	-	-	-	-	-	-	-	-
Erlyn Dale	-	3,333,334	-	-	3,333,334	3,333,334	3,333,334	-
Peter James (a)	26,000,000	39,046,633	-	(65,046,633)	-	-	-	-
Robert Clisdell (a)	15,000,000	18,357,934	-	(33,357,934)	-	-	-	-
Jay Cohen (a)	8,000,000	-	-	(8,000,000)	-	-	-	-
Whitney Million	31,000,000	35,000,000	-	-	66,000,000	66,000,000	66,000,000	-
	80,000,000	135,333,067	-	(106,404,567)	143,928,500	143,928,500	143,928,500	-

(a) Balance of options held as at the date of resignation

Performance of the Company and shareholder returns

The performance of the Company is summarised below.

	2017 \$	2018 \$	2019 \$	2020 \$
Sales revenue	747,131	154,494	322,166	457,767
EBITDA	(4,565,627)	(4,803,011)	(2,329,871)	(1,333,812)
Loss after income tax	(4,559,109)	(4,833,146)	(2,409,264)	(1,347,290)
Basic loss per share (cents)	(4.23)	(3.35)	(0.75)	(0.001)
Share price as at 31 December (cents)	9.90	5.00	0.004	0.001
Dividends proposed or paid in the year	Nil	Nil	Nil	Nil

Directors' Report - Remuneration Report (audited) *(Continued)*

Remuneration consultants.

No remuneration consultants were used during the year.

Other transactions with key management personnel and their related parties.

Fees of \$44,400 were paid and \$2,000 was paid to Azalea Consulting Pty Ltd which is an entity associated with Mr Winton Willesee and Ms Erlyn Dale for company secretarial services and for the provision of the registered office.

Fees of \$708 are payable to Valle Corporate which is an entity associated with Mr Winton Willesee and Ms Erlyn Dale for accounting services.

All amounts were charged at standard commercial rates or less. There were no transactions with key management personnel and their related parties other than as disclosed above.

This concludes the remuneration report, which has been audited.

Directors' Report *(Continued)*

Shares under option

Unissued ordinary shares of UUV Aquabotix Limited under option at the date of this report are as follows:

Unlisted Option Class	Grant date	Expiry date	Exercise price	Number under option
Class D	20 April 2017	20 April 2021	\$0.30	700,000
Class E	20 April 2017	20 April 2021	\$0.30	5,000,000
Class F	20 April 2017	20 April 2022	\$0.30	3,000,000
Class R	21 March 2018	18 April 2021	\$0.11	1,500,000
Class S	21 March 2018	18 April 2022	\$0.11	1,500,000
Class T	21 March 2018	18 April 2023	\$0.11	1,500,000
Class U	21 March 2018	18 April 2024	\$0.11	1,500,000
Class V	1 June 2018	30 May 2021	\$0.11	1,000,000
Class W	11 December 2018	21 December 2021	\$0.11	300,000
Class X	18 July 2018	18 July 2021	\$0.11	400,000
Class Y	18 July 2018	18 July 2021	\$0.11	400,000
Class Z	18 July 2018	18 July 2021	\$0.11	400,000
Class AA	2 November 2018	2 November 2021	\$0.11	200,000
Class AB	2 November 2018	2 November 2021	\$0.11	200,000
Class AC	2 November 2018	2 November 2021	\$0.11	200,000
Class AD	12 and 18 December 2019	24 December 2023	\$0.005	32,750,000
Class AE	12 and 18 December 2019	24 December 2023	\$0.010	6,000,000
Class AF	12 and 18 December 2019	24 December 2023	\$0.015	6,500,000
Class AG	12 and 18 December 2019	24 December 2023	\$0.020	6,500,000
Class AH	23 June 2020	30 June 2022	\$0.008	29,687,500
				99,237,500

Listed Option Class	Grant date	Expiry date	Exercise price	Number under option
UUVOA	28 July 2020	28 July 2023	\$0.001	1,104,592,677

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

Shares issued on the exercise of options

333,334 ordinary shares of UUV Aquabotix Limited were issued during the year ended 31 December 2020 (31 December 2019: none) upon on the exercise of options granted.

Indemnity and Insurance of officers

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

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

Directors' Report *(Continued)*

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 17 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in Note 17 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

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

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

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

Rounding of amounts

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

Auditor's Independence Declaration

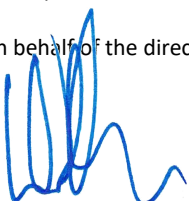
A copy of the auditor's independence declaration as required under the Section 307C of the *Corporations Act 2001* is set out on page 16.

Auditor

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

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

On behalf of the directors



Winton Willesee
Chairman
31 March 2021

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of UUV Aquabotix Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS



G N Sherwood
Partner

Sydney, NSW

Dated: 31 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Note	31 December 2020 \$	31 December 2019 \$
Revenue	4	457,767	322,166
Cost of goods sold		(286,707)	(119,298)
Gross profit		171,060	202,868
Other income	4	71,951	8,652
Gain on deconsolidation of subsidiary	5	228,071	-
Expenses			
General and administrative expense		(1,586,553)	(2,163,670)
Selling and marketing expense		(6,072)	(53,457)
Research and development expense		(54,335)	(96,431)
Depreciation expense		(9,163)	(44,625)
Loss on disposal of assets		(2,668)	(71,096)
Impairment of right-of-use asset		-	(380,072)
Lease liabilities released		-	390,313
Share option expense		(77,294)	(160,256)
Foreign exchange losses		-	(6,722)
Interest expense		(4,532)	(34,768)
US subsidiary bankruptcy expenses		(77,755)	-
Loss before income tax		(1,347,290)	(2,409,264)
Income tax expense	6	-	-
Loss after income tax		(1,347,290)	(2,409,264)
Other comprehensive income/(loss): <i>Items that may be reclassified to profit or loss</i>			
Translation of foreign controlled entity		23,063	(14,174)
Total comprehensive loss for the year		(1,324,227)	(2,423,438)
		Cents	Cents
Basic loss per share	25	(0.001)	(0.75)
Diluted loss per share	25	(0.001)	(0.75)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 December 2020 \$	31 December 2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	911,323	260,254
Trade and other receivables	8	37,265	91,204
Inventories	9	-	109,834
Total current assets		948,588	461,292
Non-current assets			
Property, plant and equipment	10	-	32,752
Total non-current assets		-	32,752
Total assets		948,588	494,044
LIABILITIES			
Current liabilities			
Trade and other payables	12	226,192	169,245
Employee benefits	13	-	34,001
Customer deposits		-	12,228
Total current liabilities		226,192	215,474
Total liabilities		226,192	215,474
Net assets		722,396	278,570
EQUITY			
Issued capital	20	13,779,012	12,065,190
Reserves	21	1,216,443	1,162,212
Accumulated losses	14	(14,273,059)	(12,948,832)
Total equity		722,396	278,570

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Issued Capital \$	Options reserve \$	Foreign exchange reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2020	12,065,190	1,139,149	23,063	(12,948,832)	278,570
Loss for the year	-	-	-	(1,347,290)	(1,347,290)
Exchange difference on translation of foreign operations	-	-	(23,063)	23,063	-
Total comprehensive loss for the year	-	-	(23,063)	(1,324,227)	(1,347,290)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued during the year	1,884,009	-	-	-	1,884,009
Share issue costs	(170,187)	-	-	-	(170,187)
Share options lapsed in the year	-	(49,703)	-	-	(49,703)
Share options issued in the year	-	25,402	-	-	25,402
Share option expense recognised	-	101,595	-	-	101,595
Balance at 31 December 2020	13,779,012	1,216,443	-	(14,273,059)	722,396
Balance at 1 January 2019	10,191,710	978,893	37,237	(10,539,568)	668,272
Loss for the year	-	-	-	(2,409,264)	(2,409,264)
Exchange difference on translation of foreign operations	-	-	(14,174)	-	(14,174)
Total comprehensive loss for the year	-	-	(14,174)	(2,409,264)	(2,423,438)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued in the year	1,873,480	-	-	-	1,873,480
Share options issued in the year	-	160,256	-	-	160,256
Balance at 31 December 2019	12,065,190	1,139,149	23,063	(12,948,832)	278,570

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

		31 December 2020 \$	31 December 2019 \$
Operating activities			
Receipts from customers		511,706	320,245
Payments to suppliers and employees		<u>(1,440,131)</u>	<u>(2,327,444)</u>
Net cash flows used in operating activities	27	<u>(928,425)</u>	<u>(2,007,199)</u>
Investing activities			
Purchase of plant and equipment		<u>-</u>	<u>-</u>
Net cash flows used in investing activities		<u>-</u>	<u>-</u>
Financing activities			
Net proceeds from issue of shares		1,769,156	1,772,877
Proceeds from borrowings		-	200,000
Repayment of borrowings		-	(200,000)
Share issue costs		(170,187)	(133,146)
Payments in respect of finance lease		<u>-</u>	<u>(90,006)</u>
Net cash flows provided by financing activities		<u>1,598,969</u>	<u>1,549,725</u>
Cash and cash equivalents at beginning of period		<u>260,254</u>	<u>704,377</u>
Net increase / (decrease) in cash and cash equivalents		670,544	(457,474)
De-recognition of subsidiary cash balance		(19,475)	-
Effects of exchange rate changes on cash and cash equivalents		<u>-</u>	<u>13,351</u>
Cash and cash equivalents at the end of the financial year	7	<u>911,323</u>	<u>260,254</u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 31 December 2020

Corporate Information

The consolidated financial report of UUV Aquabotix Limited (“the Company”) and its controlled entities (together “the Group”) for the year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 31 March 2021.

UUV Aquabotix Limited is a company incorporated in Australia, limited by shares which are publicly traded on the Australian Stock Exchange.

The principal activity of the Company during the period was to design, develop, manufacture and sell unmanned underwater vehicles (“UUVs”).

1. Summary of Significant Accounting Policies

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

(a) New accounting standards and interpretations

The Company has adopted all of the new, revised or amended Accounting Standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

(b) Basis of preparation

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

These financial statements have been prepared on the basis of historical cost as explained in the accounting policies below.

The accounting policies are consistent with prior periods and have been consistently applied unless otherwise stated. The principal accounting policies are set out below.

(c) Going Concern

During the year ended 31 December 2020, the Group incurred a loss after income tax of \$1,347,290 and had net cash outflows used in operating activities of \$928,425.

This consolidated financial report has been prepared on the basis that the Group will continue to meet its commitments and can therefore continue normal business activities and realise assets and settle liabilities in the ordinary course of business.

The Directors believe that there are reasonable grounds to believe that the Group will continue as a going concern for a period of at least 12 months following the date of this Report, after consideration of the following factors:

- the cessation of US-based operations and the filing for bankruptcy of the Group’s former subsidiary Aquabotix Technology Corporation
- the Group had net current assets and net assets of \$722,396 including cash and cash equivalents of \$911,323 as at 31 December 2020;
- the Group 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 2020; and
- the Company has scaled down its operations in order to minimise expenditure to ensure that sufficient cash is available to meet forecast requirements.

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.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

(d) Critical accounting estimates

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

(e) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 19.

(f) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of UUV Aquabotix Limited ('Company' or 'parent entity') for the period 1 January 2020 to 23 December 2020.

On this date, the Company's wholly owned US based subsidiary Aquabotix Technology Corporation ("ATC") filed for Chapter 7 bankruptcy in the United States Bankruptcy Court in the District of Massachusetts, and which time ATC was de-consolidated.

Subsidiaries are all those entities over which the Company has control, which occurs if the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is acquired and they are de-consolidated from the date that control ceases.

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

Accordingly, the Company's sole subsidiary ATC was deconsolidated as of 23 December 2020 – refer to Note 5 for further details on the effect of the deconsolidation on the financial statements.

(g) Operating segments

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

(h) Current and non-current classification

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

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

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

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

(i) Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

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

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

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

	USD	
	2020	2019
As at 31 December	0.77	0.70
Average rate for the period ending 31 December	0.72	0.69

(j) Revenue recognition

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

The Group enters into sales transactions involving either a sale to the client or the sale of services. The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction in order to reflect the substance of the transaction.

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods

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

Sale of services

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

Interest income

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

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

(k) Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(l) Income tax

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

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

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

(m) Goods and services and other value-added taxes ("GST")

Revenue, expenses and assets are recognised net of the amount of associated GST, except where the amount of GST incurred is not recoverable from the taxation authority, in which case it is recognised as part of the acquisition cost of an asset or as part of the expense.

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

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

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

(n) Cash and cash equivalents

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

For the statement of cash flows presentation purposes, cash and cash equivalents comprise the above.

(o) Trade and other receivables

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

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

(p) Trade and other payables

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

(q) Inventories

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

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

(r) 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 Group 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.

The Group 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.

(s) 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 Group'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.

(t) Employee benefits

Short-term employee benefits

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

Defined contribution superannuation expense

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

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

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

Share-based payments

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

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

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

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(u) Research and development

Research costs are expensed as incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the development and its costs can be measured reliably. Otherwise, development costs are expensed as incurred. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

(v) Property, plant and equipment

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

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

Furniture and equipment	3 - 5 years
Demonstration equipment	2 years
Manufacturing tools	5 - 7 years
Moulds	7 years

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

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

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

(w) Issued capital

Ordinary shares are classified as equity.

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

(x) Finance costs

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

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

(y) Earnings per share

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

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

(z) Financial instruments – recognition, initial measurement and derecognition

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

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

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

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

(aa) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely dependent of the cash inflows from other assets or other groups of assets (cash generating units).

(bb) Rounding of amounts

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

(cc) Reclassifications

During the period, certain amounts have been reclassified in order to comply with new accounting standards.

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

Australian accounting standards and interpretations that have recently been issued or amended but are not mandatory for 31 December 2020 reporting periods have not been early adopted by the Group. The Group has not yet assessed the impact of these new or amended standards and interpretations.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

2. Critical accounting judgements, estimates and assumptions

In the application of the Group's accounting policies, which are described in Note 1, Management is required to make judgements, estimates and assumptions in the preparation of the financial statements about matters that are not readily available from other sources. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share based payments

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

3. Segment information

Operating segment information

Until the cessation of operations of the Company's wholly owned US based subsidiary Aquabotix Technology Corporation ("ATC") and its subsequent filing for Chapter 7 bankruptcy in the United States Bankruptcy Court in the District of Massachusetts, there was one operating segment, being the development and sale of unmanned underwater vehicles.

Geographical segment information

The following tables present certain information regarding geographical segments for the years ended 31 December 2020 and 31 December 2019.

Segment performance	USA	Australia	Elimination	Total
31 December 2020	\$	\$	\$	\$
Segment revenue	457,767	-	-	457,767
Other income	-	71,734	-	71,734
Interest income	206	11	-	217
Depreciation	(9,163)	-	-	(9,163)
Finance costs	-	-	-	-
Income tax credit/(expense)	-	-	-	-
Loss after income tax expense	(896,342)	(450,948)	-	(1,347,290)
<i>Assets and liabilities</i>				
Segment assets	-	948,588	-	948,588
Segment liabilities	-	(226,192)	-	(226,192)

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

Segment performance 31 December 2019	USA \$	Australia \$	Elimination \$	Total \$
Total segment revenue	322,166	-	-	322,166
Other income	-	6,500	-	6,500
Interest income	1,656	496	-	2,152
Depreciation	(43,290)	(1,335)	-	(44,625)
Finance costs	(26,118)	(8,650)	-	(34,768)
Income tax credit/(expense)	-	-	-	-
Loss after income tax expense	(1,323,787)	(1,085,477)	-	(2,409,264)
<i>Assets and liabilities</i>				
Segment assets	203,675	6,546,799	(6,256,430)	494,044
Segment liabilities	(6,322,312)	(149,592)	6,256,430	(215,474)

	31 December 2020 \$	31 December 2019 \$
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4. Revenue

Revenue from contracts with customers

Sale of goods	457,767	285,013
Rendering of services	-	37,153
	457,767	322,166

Other revenue

Interest revenue	217	2,152
Government grant revenue	53,634	
Other revenue	18,100	6,500
	71,951	8,652

Total revenue

529,718 **330,818**

5. Deconsolidation of subsidiary

On 30 November 2020 the Company's wholly owned US based subsidiary Aquabotix Technology Corporation ("ATC") ceased active conduct of its business operations. Subsequently, on 23 December 2020 ATC filed for Chapter 7 bankruptcy in the United States Bankruptcy Court in the District of Massachusetts. Accordingly, ATC has been de-consolidated as at that date as the Company no longer has control over ATC.

The effect of the de-consolidation of ATC on the loss before income tax for the period is as follows:

	31 December 2020 \$
Derecognition of assets	
Cash at bank	(19,475)
Trade and other receivables	(33,055)
Plant and equipment	(20,921)
	(73,451)
Derecognition of liabilities	
Trade and other payables	156,727
Unearned income	69,312
Borrowings	98,546
	324,585
Net assets de-consolidated	251,134

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

	31 December 2020 \$
Gain or de-consolidation recognised in net profit before income tax	228,071
Foreign currency translation reserve	23,063
Net assets de-consolidated	<u>251,134</u>

	31 December 2020 \$	31 December 2019 \$
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6. Income taxes

The components of tax recognised in profit or loss include:

Current tax	-	-
Deferred tax	-	-
Aggregate income tax expense	<u>-</u>	<u>-</u>

The income tax for the year can be reconciled to the accounting profit as follows:

Loss before income tax expense	(1,347,290)	(2,409,264)
Income tax credit calculated at the Australian statutory rate of 30%	(404,187)	(722,779)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income tax:		
Other non-allowable items		
Carried forward tax benefits not recognised in the current year	<u>404,187</u>	<u>722,779</u>
Income tax expense/(credit) recognised in profit or loss (relating to continuing operations)	<u>-</u>	<u>-</u>

As at December 2020, the Group had US domiciled tax losses of approximately \$12,972,467 relating to international operations, which will expire at various dates over the next seven years. Such losses may also be subject to changes in ownership provisions.

The operations of the US subsidiary ATC were discontinued on 30 November 2020 and ATC was placed into bankruptcy on 23 December 2020 and de-consolidated as a result.

Accordingly, some or all of these US domiciled tax losses may be limited in future periods or may expire before being able to be applied to reduce future foreign income tax liabilities.

The benefit of these losses has not been recognised and will only be recognised in the future when it is probable that future taxable profits will be available against which the benefits of the deferred tax assets can be utilised. In the opinion of the Directors, it is considered likely that these tax losses will not be available in the future.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

	31 December 2020 \$	31 December 2019 \$
7. Cash and cash equivalents		
Cash at bank and in hand	905,823	255,254
Short-term deposits	5,500	5,000
Total cash and cash equivalents	911,323	260,254

8. Trade and other receivables

Trade receivables	-	7,130
Less: allowance for expected credit losses	-	-
Total trade and other receivables	-	7,130
Prepayments and other receivables	37,265	74,883
Security deposits	-	9,191
Total trade and other receivables	37,265	84,074

Allowance for expected credit losses

The Group has not recognised any loss in profit or loss in respect of allowances for expected credit losses for the year ended 31 December 2020 (2019: \$nil).

Past due but not impaired

Customers with balances past due but without allowance for expected credit losses amount to \$nil as at 31 December 2020 (\$nil as at 31 December 2019).

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

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

	31 December 2020 \$	31 December 2019 \$
0 to 3 months overdue	-	7,130
3 to 6 months overdue	-	-
Total	-	7,130

9. Inventories

Raw materials and finished goods	-	109,834
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Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

10. Property, plant and equipment

	31 December 2020 \$	31 December 2019 \$
Plant and equipment – at cost	-	218,286
Less: accumulated depreciation	-	(185,534)
	<u>-</u>	<u>32,752</u>

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

	2020 \$	2019 \$
Balance at 1 January	32,752	130,741
Additions	-	-
Disposals	(2,668)	(71,259)
Depreciation	(9,163)	(27,098)
Exchange differences	-	-
Deconsolidation	(20,921)	368
Balance as at 31 December	<u>-</u>	<u>32,752</u>

11. Right-of-use asset

On 1 January 2019, the Company adopted AASB 16, *Leases*. In doing so, 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 vacated the property and negotiated a settlement to prematurely terminate this lease with the landlord.

This resulted in an impairment loss the first half of 2019, with a corresponding adjustment to the outstanding lease liability was recognised in August 2019 to reflect the updated negotiated position between the parties. The agreed settlement terms effectively reduced the total expected cash outflow related to this lease by approximately \$400,000 over the next four years.

	2020 \$	2019 \$
Balance at 1 January	-	-
Additions – AASB 16	-	387,640
Exchange differences	-	9,959
Less: accumulated depreciation	-	(17,527)
Less: Impairment	-	(380,072)
Balance as at 31 December	<u>-</u>	<u>-</u>

As at 31 December 2020, the Company did not have any property, plant and equipment secured under leases.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

12. Current liabilities – trade and other payables

	31 December 2020 \$	31 December 2019 \$
Trade payables	-	11,976
Accrued expenses		
Other payables and accrued expenses	226,192	157,269
Trade and other current liabilities	226,192	169,245

13. Employee benefits

Employee benefits – less than 1 year	-	34,001
Total employee benefits	-	34,001

14. Accumulated losses

Accumulated losses at the beginning of the financial year	(12,948,832)	(10,539,568)
Loss after income tax expense for the financial year	(1,347,290)	(2,409,264)
Foreign exchange translation	23,063	-
Accumulated losses at the end of the financial year	(14,273,059)	(12,948,832)

15. 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 within 60 days of entering into the agreement and subsequently repaid the full amount plus interest of \$4,035 in June 2019.

On January 28, 2020, UUV Aquabotix Limited entered into a non-convertible unsecured credit facility agreement, replacing the above facility, with Bergen Global Opportunity Fund LP ("the Lender"), a related party to the Company. Under the agreement, the Lender made available US\$248,000 by way of an unsecured credit facility, to be drawn down at its discretion by the Company over the following 12 months subject to it meeting various administrative conditions precedent. A further US\$352,000 may be drawn down by mutual agreement between the Company and the Lender. Initial fees of US\$48,000 will be payable if the Company elects to draw down on the facility. Interest is payable on any drawn down amount at a rate of 14.99%, payable in arrears on a quarterly basis. The facility is available for a period of 12 months from the date of execution of the agreement. In the event that facility is drawn down, the maturity date for repayment of the loans is 21 January 2021. As at the date of this report, the facility had not been drawn down on.

The facility with Bergen Global Opportunity Fund LP was never drawn down and was terminated by mutual consent on 23 October 2020.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

16. Financial risk management

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

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

Fair value of financial instruments

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

Market Risk

Foreign currency risk

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

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

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

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

	31 December 2020 \$	31 December 2019 \$
Cash	-	45,279
Trade and other receivables	-	16,320
Total Financial assets	-	61,599
Trade and other payables	-	(30,167)
Total Financial liabilities	-	(30,167)

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group is not exposed to any significant interest rate risk. The Group does not have any interest-bearing borrowings.

Credit risk

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

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

16. Financial risk management *(continued)*

Liquidity risk

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

Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial liabilities.

Contractual maturities of financial liabilities	Less than 6 months \$	6-12 Months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount (assets)/ liabilities \$
As at 31 December 2020							
Trade and other payables	226,192	-	-	-	-	226,192	226,192
Other financial liabilities	-	-	-	-	-	-	-
Total	226,192	-	-	-	-	226,192	226,192
As at 31 December 2019							
Trade and other payables	168,863	382	-	-	-	169,245	169,245
Other financial liabilities	12,228	-	-	-	-	12,228	12,228
Total	181,091	382	-	-	-	181,473	181,473

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

17. Remuneration of auditor

During the year, the following fees were paid or payable for services provided by the auditor, RSM Australia Partners and its related practices:

	31 December 2020 \$	31 December 2019 \$
Audit services	38,500	30,000
Review services	-	12,000
Total auditor's remuneration	38,500	42,000

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

18. Key Management Personnel disclosure and related party transactions

Compensation

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

	31 December 2020 \$	31 December 2019 \$
Short-term employee benefits	300,314	457,168
Share-based payments	87,173	201,330
Total Key Management Personnel compensation	387,487	658,498

Details of performance shares granted to directors and other members of key management personnel of the Group are included in Note 22.

Details of the share options granted to directors and other members of key management personnel of the Group are included in Note 24.

Additional detail in respect of remuneration disclosures for key management personnel are provided in the Remuneration Report on pages 6- 13.

Fees of \$44,400 were paid and \$2,000 was paid to Azalea Consulting Pty Ltd which is an entity associated with Mr Winton Willesee and Ms Erlyn Dale for company secretarial services and for the provision of the registered office.

Fees of \$708 are payable to Valle Corporate is an entity associated with Mr Winton Willesee and Ms Erlyn Dale for accounting services.

All amounts were charged at standard commercial rates or less.

19. Parent entity financial information

The individual financial statements for the accounting parent entity, UUV Aquabotix Limited, show the following aggregate amounts:

	31 December 2020 \$	31 December 2019 \$
Statement of profit or loss and other comprehensive income		
Loss for the year	(450,948)	(1,085,477)
Total comprehensive loss	(450,948)	(1,085,477)
Statement of financial position		
Current assets	948,588	6,546,799
Total assets	948,588	6,546,799
Current liabilities	(226,192)	(149,593)
Total liabilities	(226,192)	(149,593)
Net assets	722,396	6,397,206
Share Capital	13,779,012	9,480,516
Share option reserve	1,216,443	1,139,149
Accumulated losses	(14,273,059)	(4,222,458)
Total Equity	722,396	6,397,206

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

19. Parent entity financial information

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

No guarantees have been entered into by the parent entity as at 31 December 2020 or 31 December 2019.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2020 and 31 December 2019.

Capital commitments

The parent entity had no capital commitments as at 31 December 2020 and 31 December 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Issued equity

	Note	No. of shares	\$
Balance at 31 December 2018		160,000,001	10,191,711
Shares issued during the period with regard to capital raising	(a)	307,937,592	1,609,729
Shares issued during the period in lieu of Director fees	(b)	30,296,611	178,750
Shares issued in exchange for services rendered	(c)	18,750,000	85,000
Balance at 31 December 2019		516,984,204	12,065,190
Placement – January 2020	(d)	77,500,000	77,500
Placement – March 2020	(e)	87,500,000	87,500
Placement – April 2020	(f)	59,375,000	47,500
Rights issue – July 2020	(g)	1,583,822,997	1,583,823
Shares issued in lieu of payment for services	(h)	6,000,000	6,000
Shares issued in lieu of Director's fees	(i)	16,387,300	37,500
Shares issued on conversion of options	(j)	333,334	333
Shares issued to CEO in lieu of salary	(k)	28,164,771	31,546
Shares issued to employees in lieu of salaries	(l)	12,307,205	12,307
Capital raising costs		-	(170,187)
		2,388,374,811	13,779,012

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

- Note (a) During the period ended 31 December 2019, the Company undertook capital raisings and issued 307,937,592 ordinary shares, raising AUD\$1,609,729, net of capital raising costs of \$163,146. Of these costs, \$30,000 was settled in shares as per Note (c) below.
- Note (b) During the period ended 31 December 2019, the Company issued 30,296,611 shares in lieu of cash payment for Director fees, totalling \$178,750.
- Note (c) During the period ended 31 December 2019, the Company issued 18,750,000 in exchange for services rendered by professional advisers, with an aggregate deemed value of \$85,000.
- Note (d) Issue of 77,500,000 shares at \$0.001 to Azalea Investments Pty Ltd (an entity associated with Winton Willesee)
- Note (e) Issue of 87,500,000 shares at \$0.001
- Note (f) Issue of 59,375,000 shares at \$0.0008 to Azalea Investments Pty Ltd (an entity associated with Winton Willesee)
- Note (g) Issue of 1,583,822,997 shares at \$0.001 pursuant to the Prospectus dated 28 July 2020. Shares were issued as follows:
- Share subscriptions - 505,552,088 shares to raise \$505,552
 - Shares issued pursuant to Underwriting - 494,447,909 shares to raise \$494,448
 - Share issued pursuant to Rights Issue shortfall - 583,823,000 shares to raise \$583,823
- Note (h) Issue of 6,000,000 shares at \$0.001 in lieu of services provided by Azalea Consulting Pty Ltd (an entity associated with Winton Willesee and Erlyn Dale) for \$6,000
- Note (i) Issue of 16,387,300 shares at \$0.00228 in lieu of Director's fees to Peter James (former Director) for \$25,000 and Rondy Investments Pty Ltd (an entity associated with Robert Clisdell a former Director) for \$12,500
- Note (j) 333,334 options exercised at \$0.001
- Note (k) Issue of 28,164,771 shares to Whitney Million (Chief Executive Officer) at \$0.00112 in lieu of salary of \$31,546
- Note (l) Issue of 12,307,205 shares to employees in lieu of salaries and entitlements of \$12,307

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

20. Reserves

	Options reserve \$	Foreign exchange reserve \$
Opening balance at 31 December 2018	978,893	37,237
Share options issued during the year	160,256	-
Exchange difference on translation of foreign operations	-	(14,174)
	<hr/>	<hr/>
Opening balance at 31 December 2019	1,139,149	23,063
Options issued to employees in lieu of salaries	25,402	-
Share option expense recognised during the financial year	101,595	-
Employee share options lapsed and cancelled	(49,703)	-
Deconsolidation of foreign subsidiary (Note 4)	-	(23,063)
	<hr/>	<hr/>
Balance at 31 December 2020	1,216,443	-

Nature and purpose of reserves

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payment reserve

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

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

21. Changes in composition of entity

		Number of Unlisted Options	Number of Listed UUV options	Number of Performance Shares
Opening balances at 1 January 2020		28,500,000	-	45,000,000
Shares lapsed during the period	(i)	-	-	(15,000,000)
Options lapsed during the period	(ii)	-	-	-
Options issued to Directors and Management	(iii)	78,500,000	-	-
Closing balances at 31 December 2019		107,000,000	-	30,000,000
Expiry of Class B options	(iv)	(10,000,000)	-	-
Expiry of Class C options	(v)	(700,000)	-	-
Options issued pursuant to the Rights Issue	(vi)		696,458,395	
Underwriter options	(vii)		359,423,637	
Class AH options issued	(viii)	29,687,500	-	
Options Issued to US Employees in lieu of cash salaries and wages	(ix)		49,043,979	
Options exercised	(x)		(333,334)	
Performance shares lapsed during the period	Note 23			(30,000,000)
Closing balances at 31 December 2020		125,987,500	1,104,592,677	-

- (i) These performance shares lapsed unexercised on 26 April 2019.
- (ii) These Class A options were issued to all shareholders who subscribed for shares under the Initial Public Offering. The options had a strike price of \$0.22 and an expiry date of 20 April 2019.
- (iii) 78,500,000 Unlisted Options were issued to Directors and Management during the year to 31 December 2019. These Options were subject to various escrow and vesting conditions relating to length of employment with the Company. In 2018, 13,200,000 of these unlisted options lapsed unexercised as a result of staff leaving the Company.
- (iv) These options expired during the financial period.
- (v) These options were issued pursuant to the prospectus dated 28 July 2020.
- (vi) These options were issued as free attaching options to shares subscribed for under a placement to an entity associated with Winton Willesee prior to him becoming a Director.
- (vii) These options were issued to US based employees in lieu of unpaid cash salaries and wages of \$25,402 during the period.
- (viii) These options were exercised at a strike price of \$0.001 for consideration of \$333.

22. Performance shares:

The original shareholders of Aquabotix Technology Corporation were historically granted 45,000,000 Performance Shares, each convertible into one Ordinary Share in UUV Aquabotix Limited upon achievement of various performance milestones, as detailed in the table below.

During the period ended 31 December 2019, the Class A Performance Shares lapsed unexercised as the conditions required to convert them into Ordinary Shares were not met.

The Class B and Class C Performance shares lapsed on 30 November 2020 as the Company's wholly owned US based subsidiary Aquabotix Technology Corporation ("ATC") ceased active conduct of its business operations. Subsequently, on 23 December 2020 ATC filed for Chapter 7 bankruptcy in the United States Bankruptcy Court in the District of Massachusetts.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

Class	Performance Shares	Number on issue at 31 December 2020
15,000,000 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.	nil
15,000,000 Class B Performance Shares	each share will convert into one fully paid ordinary share upon the Company achieving, in relation to the Company's technology, \$7,000,000 of cumulative revenue or \$2,500,000 of annual revenue in any given twelve-month period, within 36 months of the date the Company is admitted to the Official List.	nil
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.	nil

23. Options issued

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

During the year ended 31 December 2020 there were no options issued under the share option plan.

During the financial year 26,750,000 Class AE options that were issued to directors and management in 2019 lapsed with the balance of 6,000,000 Class AE options remaining vested.

The movement of options during the period is set out in Note 22.

The total options on issue as at 31 December 2020 was 1,203,830,177, comprising 99,237,500 unlisted options and 1,104,592,677 listed UUVOA options and details are set out on page 15 of the Directors Report.

24. Earnings (loss) per share

	31 December 2020 \$	31 December 2019 \$
(a) Loss attributable to the owners of UUV Aquabotix Limited		
Loss after income tax attributable to the owners of UUV Aquabotix Limited	(1,347,290)	(2,409,264)
	Cents	Cents
(b) Loss per share		
Basic loss per share	(0.001)	(0.75)
Diluted loss per share	(0.001)	(0.75)
	Number	Number
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	1,267,712,828	321,327,466

All performance shares and share options were considered anti-dilutive in the period ended 31 December 2020 and 31 December 2019.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2020

25. Contingent liabilities

During January 2020, the Group learned that a licensor of technology incorporated into the SwarmDiver™ product, Apium Inc. ("Apium"), a small, privately held U.S. Company, filed a lawsuit against the Company's subsidiary, Aquabotix Technology Corporation ("ATC") in the U.S. District Court, Central District of California in Los Angeles.

The lawsuit includes claims for actual and anticipatory breach of the license agreement, a declaratory judgement that the license is terminated and that Apium itself has not breached the license, as well as violation of the Defend Trade Secrets Act, a U.S. law often invoked in licensing disputes.

The Company believes that the lawsuit is completely without merit and that Apium's actions are themselves a breach of the terms of the license agreement.

The Company notes that the filing of the bankruptcy automatically stays the action, and a formal Notice of Stay of Proceedings due to filing of bankruptcy was filed in December in the U.S. District Court, Central District of California in Los Angeles.

The Company intends to seek shareholder approval for the grant of 40 million and 20 million UUVOA options to Peter James and Rob Clisdell respectively in lieu of cash fees owed at the time of their resignations.

Other than detailed above, as at 31 December 2020 the Company had no contingent liabilities.

26. Reconciliation from loss after income tax to net cash outflow from operating activities

	31 December 2020 \$	31 December 2019 \$
Operating loss for the year after tax	(1,347,290)	(2,409,264)
<i>Add/ (deduct) non-cash items- income and expenses</i>		
Depreciation	9,163	44,625
Share option expense	77,294	160,256
Effects of foreign currency translation	-	6,722
Impairment of Right-Of-Use asset	-	380,072
Lease liabilities release	-	(390,313)
Loss on disposal of assets	-	71,096
Operating expenses paid in shares	91,789	145,000
Effect of deconsolidation of subsidiary working capital	66,128	-
<i>Change in operating assets and liabilities</i>		
Increase/(decrease) in trade and other receivables	53,939	(1,247)
Decrease/(increase) in inventory	109,834	21,784
(Decrease)/increase in trade and other payables	56,947	(89,955)
(Decrease)/increase in other operating liabilities	(46,229)	54,025
Net cash flows from (used in) operating activities	(928,425)	(2,007,199)

27. Events after the reporting date

The impact of the COVID-19 pandemic is on-going, and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. Given the company is largely dormant the pandemic is not expected to have any significant impact at all. The situation is rapidly evolving and could change depending on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected or may significantly affect the results of the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Directors' Declaration

In the opinion of the Directors:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer for the year ended 31 December 2020 required by section 295A of the *Corporations Act 2001*.

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

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Directors



Winton Willesee
Chairman

31 March 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of UUV Aquabotix Limited

Opinion

We have audited the financial report of UUV Aquabotix Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed this matter
<p>Deconsolidation of Subsidiary Refer to Note 5 in the financial statements</p>	
<p>On 30 November 2020, the Company’s wholly owned US based subsidiary, Aquabotix Technology Corporation (“ATC”) ceased active conduct of its business operations. Subsequently, on 23 December 2020, ATC filed for Chapter 7 bankruptcy in the United States Bankruptcy Court in the District of Massachusetts. Accordingly, ATC has been deconsolidated as at that date as the Company no longer has control over ATC.</p> <p>No proceeds were received from this deconsolidation and inter-company loan was forgiven during the year.</p> <p>We identified the deconsolidation of ATC as a key audit matter as it is a significant transaction that has resulted in the deconsolidation of the Group’s only subsidiary. In addition, the accounting in relation to this transaction is non-routine and complex.</p>	<p>Our audit procedures in relation to deconsolidation of subsidiary included:</p> <ul style="list-style-type: none"> • Obtaining a detailed understanding of the transaction and related accounting entries in relation to the deconsolidation of ATC that occurred in December 2020; • Reviewed the ASX announcements and other documentation in relation to ATC’s filing for bankruptcy to ensure that control was effectively lost prior to the financial year end; • Reviewed the Company’s consolidation workings including the underlying accounting records of ATC at the time control was lost, and assessed that the accounting treatment and related adjustments were in accordance with the requirements of AASB 10, Consolidated Financial Statements; and • Assessed the presentation and disclosures of deconsolidation in the financial statements to evaluate compliance with the requirements of Australian Accounting Standards.
<p>Share-based payments Refer to Note 24 in the financial statements</p>	
<p>The Group issued share options to directors and employees during the year. These were equity-settled options, which management valued using a Black Scholes model.</p> <p>Share-based payments are technically complex to account for and are subject to significant judgement by management in determining the inputs used to determine the fair value.</p> <p>This was considered a key audit matter due to the technical complexity and judgments required in determining if the transactions were appropriately accounted for in accordance with AASB 2 <i>Share Based Payments</i>.</p>	<p>Our audit procedures in relation to share-based payments included:</p> <ul style="list-style-type: none"> • Making inquiries of management and reviewing relevant agreements to understand the share-based payment schemes established in the year. • Critically evaluate the key assumptions used in determining the fair value of the share options at grant date having consideration of the market, the share price, the expected volatility, the vesting period, and the number of options expected to vest. • Recalculating the estimated charge to the Statement of Profit or Loss and the related balance in the Reserves. • Reviewing the accounting treatment adopted by management and ensuring it is in line with the treatment set out in AASB 2 <i>Share Based Payments</i>. • Considering the adequacy of the Group’s disclosures in respect of the judgements taken in the valuation models.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 13 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of UUV Aquabotix Limited, for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

RSM

RSM AUSTRALIA PARTNERS



GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 31 March 2021

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 26 February 2021.

1. Quotation

Listed securities in UUV Aquabotix Ltd are quoted on the Australian Securities Exchange under ASX code UUV (Fully Paid Ordinary Shares) and UUVOA (Listed Options).

2. Voting Rights

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

- (a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and
- (b) on a show of hands, every person present, who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

There are no voting rights attached to any Options on issue.

3. Distribution of Equity Securities:

i) Fully paid Ordinary Shares

Shares Range	Holders	Units	%
1 - 1,000	32	3,482	-
1,001 - 5,000	27	110,340	-
5,001 - 10,000	52	451,775	0.02
10,001 - 100,000	235	11,694,420	0.49
100,001 and above	1,391	2,376,114,794	99.49
Total	1,737	2,388,374,811	100.00%

On 26 February 2021, there were 472 holders of unmarketable parcels of less than 28,856,645 ordinary shares (based on the closing share price of \$0.003).

ii) UUVOA Listed Options exercisable at \$0.001 on or before 28 July 2023

Shares Range	Holders	Units	%
1 - 1,000	4	337	-
1,001 - 5,000	5	15,129	-
5,001 - 10,000	1	6,000	-
10,001 - 100,000	33	1,770,026	0.16
100,001 and above	199	1,102,801,185	99.84
Total	242	1,104,592,677	100.00%

iii) Unlisted Options exercisable at \$0.11 on or before 18 April 2021

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	1	1,500,000 ¹	100.00
Total	1	1,500,000	100.00%

¹Holders who hold more than 20% of securities are:

Whitney Gayle Million – 1,500,000 options

iv) Unlisted Options exercisable at \$0.11 on or before 18 April 2022

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	1	1,500,000 ¹	100.00
Total	1	1,500,000	100.00%

¹Holders who hold more than 20% of securities are:

Whitney Gayle Million – 1,500,000 options

v) Unlisted Options exercisable at \$0.11 on or before 18 April 2023

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	1	1,500,000 ¹	100.00
Total	1	1,500,000	100.00%

¹Holders who hold more than 20% of securities are:

Whitney Gayle Million – 1,500,000 options

vi) Unlisted Options exercisable at \$0.11 on or before 18 April 2024

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	1	1,500,000 ¹	100.00
Total	1	1,500,000	100.00%

¹Holders who hold more than 20% of securities are:

Whitney Gayle Million – 1,500,000 options

vii) Unlisted Options exercisable at \$0.11 on or before 30 May 2021

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	1	1,000,000 ¹	100.00
Total	1	1,000,000	100.00%

¹Holders who hold more than 20% of securities are:

Rondy Investments Pty Ltd <Clisdell Family No 1>– 1,000,000 options

viii) Unlisted Options exercisable at \$0.11 on or before 18 July 2021

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	2	400,000 ¹	100.00
Total	2	400,000	100.00%

¹Holders who hold more than 20% of securities are:

Matthew Moore – 200,000 options

Crystal Glenn – 200,000 options

ix) Unlisted Options exercisable at \$0.11 on or before 18 July 2021

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	2	400,000 ¹	100.00
Total	2	400,000	100.00%

¹Holders who hold more than 20% of securities are:

Matthew Moore – 200,000 options

Crystal Glenn – 200,000 options

x) Unlisted Options exercisable at \$0.11 on or before 18 July 2021

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	2	400,000 ¹	100.00
Total	2	400,000	100.00%

¹Holders who hold more than 20% of securities are:

Matthew Moore – 200,000 options

Crystal Glenn – 200,000 options

xi) Unlisted Options exercisable at \$0.11 on or before 21 December 2021

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	1	300,000 ¹	100.00
Total	1	300,000	100.00%

¹Holders who hold more than 20% of securities are:

Tricity Partners Pty Limited <Martin Family> – 300,000 options

xii) Unlisted Options exercisable at \$0.0008 on or before 30 June 2022

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	1	29,687,500 ¹	100.00
Total	1	29,687,500	100.00%

¹Holders who hold more than 20% of securities are:

Azalea Investments Pty Ltd – 29,687,500 options

xiii) Unlisted Options exercisable at \$0.11 on or before 2 November 2021

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	1	200,000 ¹	100.00
Total	1	200,000	100.00%

¹Holders who hold more than 20% of securities are:

Ian Estaphan Owen – 200,000 options

xiv) Unlisted Options exercisable at \$0.11 on or before 2 November 2021

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	1	200,000 ¹	100.00
Total	1	200,000	100.00%

¹Holders who hold more than 20% of securities are:

Ian Estaphan Owen – 200,000 options

xv) Unlisted Options exercisable at \$0.11 on or before 2 November 2021

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	1	200,000 ¹	100.00
Total	1	200,000	100.00%

¹Holders who hold more than 20% of securities are:

Ian Estaphan Owen – 200,000 options

xvi) Unlisted Options exercisable at \$0.005 on or before 24 December 2023

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	7	32,750,000 ¹	100.00
Total	7	32,750,000	100.00%

¹Holders who hold more than 20% of securities are:

Peter Richard James – 10,000,000 options

Rondy Investments Pty Ltd <Clisdell Family No 1> – 7,000,000 options

xvii) Unlisted Options exercisable at \$0.010 on or before 24 December 2023

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	7	32,750,000 ¹	100.00
Total	7	32,750,000	100.00%

¹Holders who hold more than 20% of securities are:

Peter Richard James – 10,000,000 options

Rondy Investments Pty Ltd <Clisdell Family No 1> – 7,000,000 options

xviii) Unlisted Options exercisable at \$0.015 on or before 24 December 2023

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	1	6,500,000 ¹	100.00
Total	1	6,500,000	100.00%

¹Holders who hold more than 20% of securities are:

Whitney Gayle Million – 6,500,000 options

xix) Unlisted Options exercisable at \$0.020 on or before 24 December 2023

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	1	6,500,000 ¹	100.00
Total	1	6,500,000	100.00%

¹Holders who hold more than 20% of securities are:

Whitney Gayle Million – 6,500,000 options

xx) Unlisted Options exercisable at \$0.30 on or before 28 April 2021

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	3	5,700,000 ¹	100.00
Total	3	5,700,000	100.00%

¹Holders who hold more than 20% of securities are:

Peter Richard James – 3,000,000 options

Tricity Partners Pty Limited <Martin Family> – 2,000,000 options

xxi) Unlisted Options exercisable at \$0.30 on or before 28 April 2022

Shares Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 and above	1	3,000,000 ¹	100.00
Total	1	3,000,000	100.00%

¹Holders who hold more than 20% of securities are:

Peter Richard James – 3,000,000 options

4. Substantial Shareholders

Notwithstanding the Company has not received a notice of ceasing to be a substantial shareholder from either Deniz Diogo or Durval Tarvaes (both of whom lodged notices of becoming substantial shareholders in 2017 with 6,798,457 and 34,839,787 shares respectively), the Company does not believe those holders to be substantial shareholders and will not include them in further disclosures.

5. Restricted Securities

There are no restricted securities on the register as at 26 February 2021.

6. On market buy-back

There is currently no on market buy-back in place.

7. Twenty Largest Shareholders:

The twenty largest shareholders of the Company's quoted securities as at 26 February 2021 are as follows:

UUV Fully Paid Ordinary Shares:

	Name	No. of Shares	%
1	SCINTILLA STRATEGIC INVESTMENTS LIMITED	100,000,000	4.19
2	SILVERINCH PTY LIMITED	84,723,000	3.55
3	COMSEC NOMINEES PTY LIMITED	73,158,253	3.06
4	BOND STREET CUSTODIANS LIMITED	55,495,612	2.32
5	MR MICHAEL SCHLOMAN	50,000,000	2.09
6	HONGMEN PTY LTD	40,000,000	1.67
6	8TIVE TRADING PTY LTD	40,000,000	1.67
7	PETER RICHARD JAMES	32,676,281	1.37
8	R J & A INVESTMENTS PTY LTD	30,000,000	1.26
9	WHITNEY GAYLE MILLION	28,164,771	1.18
10	MR PHILLIP JAMES RAE	25,000,000	1.05
10	MR DRAGOSLAV JEVTIC & MRS NICOLE JEVTIC	25,000,000	1.05
11	AC YOUNG PTY LTD	24,723,000	1.04
12	AQUABOTIX TECH. CORP. 401(K)	23,049,813	0.97
13	AMAX PACIFIC PTY LIMITED	22,500,000	0.94
14	MR DANIEL ROSS BAOHM	22,000,000	0.92
15	SCINTILLA CAPITAL PTY LTD	20,000,000	0.84
15	RUI LONG INTERNATIONAL PTY LTD	20,000,000	0.84
16	CITICORP NOMINEES PTY LIMITED	19,925,263	0.83
17	MR MOHAMMAD MANZUR MURSHED	18,500,000	0.77
18	MR HIEN QUANG TRINH	18,000,000	0.75
19	MR ADRIAN TREVOR BANDUCCI	16,000,000	0.67
20	RONDY INVESTMENTS PTY LTD	15,700,407	0.66
	Total	804,616,400	33.69

8. Twenty Largest Option holders:

The twenty largest option holders of the Company's quoted securities as at 26 February 2021 are as follows:

UUVOA Listed Options:

	Name	No. of Shares	%
1	HAMMERHEAD HOLDINGS PTY LTD	96,000,000	8.69
2	GEORDIE BAY HOLDINGS PTY LTD	75,476,806	6.83
3	UPSKY EQUITY PTY LTD	66,666,666	6.04
4	MR MICHAEL FRANK MANFORD	60,903,636	5.51
5	MR DRAGOSLAV JEVTIC & MRS NICOLE JEVTIC	50,000,000	4.53
6	LONGREACH 52 PTY LTD	38,666,666	3.50
7	WHITNEY GAYLE MILLION	35,000,000	3.17
8	CHRISTIE JAMES FUNDS MANAGEMENT PTY LTD	32,379,966	2.93
9	SILVERINCH PTY LIMITED	28,241,000	2.56
10	SCINTILLA STRATEGIC INVESTMENTS LIMITED	26,666,667	2.41
11	LOKTOR HOLDINGS PTY LTD	24,907,666	2.25
11	AC YOUNG PTY LTD	24,907,666	2.25
12	MR ARJUNAN SUNDARAMOORTHY	22,500,000	2.04
13	HALE COURT HOLDINGS PTY LTD	21,403,302	1.94
14	MR JASON TANG	20,000,000	1.81
14	MR JASON PETER WILLARD	20,000,000	1.81
15	RONDY INVESTMENTS PTY LTD	18,277,934	1.65
16	AZALEA INVESTMENTS PTY LTD	16,666,666	1.51
17	PERSHING AUSTRALIA NOMINEES PT Y LTD	15,189,860	1.38
18	MR GREGORY MILTS	13,000,000	1.18
19	MR MARK ANTHONY BROGLIO	12,500,000	1.13
20	MRS LISA MARLANE ROBERTS	12,484,745	1.13
	Total	731,839,246	66.25