



**QUARTERLY REPORT**  
For the Quarter Ended  
30 June 2018



**A LEADER IN SMART TECHNOLOGY FOR UNDERWATER VEHICLES**  
**A FIRST MOVER IN A NASCENT INDUSTRY**

UUV Aquabotix Ltd | Sydney, Australia and Fall River, Massachusetts, USA  
ASX:UUV (shares) and ASX:UUVO (options)

## Quarterly Report - For the Quarter Ended 30 June 2018

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**UUV Aquabotix Ltd (ASX:UUV)** (“Aquabotix” or the “Company”) provides the following update on its activities during the three-month period ended 30 June 2018 and its Appendix 4C quarterly cash flow report for the same period.

The key developments during the quarter included the following.

### Change in Strategy

Following the appointment of an experienced defence industry executive, Ms. Whitney Million, as Chief Executive Officer of the Company at the end of the previous quarter, the new management restructured the Company’s operations, in order to target a utilisation of the Company’s valuable intellectual property assets to their full potential.

To that end, during the quarter, the Company announced the release of SwarmDiver™, a unique hybrid micro unmanned surface vehicle (“USV”) and unmanned underwater vehicle (“UUV”) that operates in a swarm. Multiple SwarmDivers™ can function simultaneously as a single coordinated entity and perform dives on command to collect valuable intelligence.

SwarmDivers™ are easily controlled by a single operator on the surface and can be deployed from any platform of opportunity. SwarmDivers™ have been successfully demonstrated and have the potential to fill a number of military and civilian needs. Since the product’s launch, potential users have demonstrated substantial interest. The Company is in discussions with various U.S. and other government agencies and other larger defence companies about the product’s application, potential sales, and co-operation.



*SwarmDivers™ on dock, awaiting demonstration*

SwarmDiver™ is substantially differentiated from the Company’s prior suite of unmanned underwater vehicle products – its Endura™ and Integra™ lines (the “underwater vehicles”). In offering the underwater vehicles in the past, the Company was one of a limited number of companies offering such vehicles, but it was not the only such company. In contrast, the Company is fortunate in that no micro hybrid USV/UUV or other swarming unmanned vehicle with diving capabilities, other than SwarmDiver™, is, to the best of the Company’s knowledge, commercially available to corporate and governmental users.

Accordingly, during the quarter, the Company undertook a reduction in its workforce by approximately 40% and redirected its focus on short-term wins involving SwarmDiver™ and on out-licensing the underwater vehicle technology rather than on sales of the legacy underwater vehicles.

De-emphasising small, short-term sales in a variety of verticals and shifting focus to developing larger volume sales, with a particular concentration on defence where demand is particularly prevalent, resulted in cash receipts from customers being down to \$19,829 during the quarter. Importantly, at the end of the quarter, three months after the Company announced its strategic changes, the Company secured its first tangible win from its new strategy. On 25 June 2018, the Company announced an award of US\$78,000 in non-dilutive hardware integration funding from

the United States Navy's Naval Undersea Warfare Center ("NUWC") to deliver a solution geared towards unexploded ordnance missions for the United States Navy. After delivery, this solution will be incorporated into Aquabotix's products, to support unexploded ordnance detection missions by the United States Navy and allied forces. Unusually, NUWC obligated the funds to the Company within one month after the Company commenced discussions with NUWC about the issue – a substantially expedited time-frame illustrating the urgency of the demand for solutions of the kind provided by the Company. This revenue is expected to be reflected in the Company's Appendix 4C for the current Q3 or the coming Q4 calendar quarter.



*Demonstration for military observers to evaluate SwarmDivers™ in operation*

The Company is continuing to pursue additional non-dilutive funding to support mission-specific product development directly through governmental users as well as through partnerships with larger defence companies. A number of concepts of operations using SwarmDiver™, either alone or in conjunction with other larger systems, have been identified to date and are being explored and pursued by the Company.

### **Pivoting Towards Defence**

- In addition to the NUWC funding described above, Aquabotix entered into a special purpose Cooperative Research and Development Agreement with the United States Naval Undersea Warfare Centre Division Newport. Through this, Aquabotix has access to the Narragansett Bay Test Facility, including its range and personnel, to test and demonstrate SwarmDiver™ and other relevant technologies.



*Narragansett Bay Test Facility in Newport, Rhode Island, USA*

- Aquabotix established a place of business at U.S. Army's Radford Army Ammunition Plant, a propellants and explosives manufacturing complex in the state of Virginia. This move supports continued development of SwarmDiver™ and other unmanned vehicles for a broader range of uses, such as expansion of offerings to include unmanned systems with explosive capabilities. Additionally, this allows access to funding and support from the U.S. Army for facility modifications, equipment upgrades, improvement projects, marketing, and strategic planning.



*Swarm of approximately 30 SwarmDivers™ encircling a target boat*

- Following its decision to co-locate with the U.S. Army at Radford Army Ammunition Plant, Aquabotix applied for a Federal Explosives License to enable it to conduct activities such as manufacturing, purchasing, storing and shipping explosive materials to support its development of SwarmDiver™ and other unmanned vehicles with integrated explosives.

### **Strengthening Customer and Partner Relationships**

- Aquabotix joined the South Eastern New England Defense Industry Alliance (“SENEDIA”), an alliance which seeks to identify, champion and coordinate issues that contribute to the national security of the United States of America. SENEDIA has a particular focus on thought leadership and technical innovation in undersea technologies. Participation in SENEDIA strengthens Aquabotix’s goal of continuing to develop its relationships with the United States industrial base, the Department of Defense, and the Department of Homeland Security.
- Aquabotix became a member of the Innovative Undersea Prototype Development Consortium (“iUPDC”) supporting the U.S. Navy’s Forward Deployed Energy and Communications Outpost (“FDECO”) program. FDECO’s mission is to prototype a forward deployed, open, scalable and coordinated undersea energy replenishment, data management, and communications infrastructure for undersea vehicles and sensors. Aquabotix was accepted as a member of this prestigious community as it has demonstrated a clear ability to make a meaningful technical contribution in this field.

## Market Updates

- In April, U.S. Navy leadership publicly announced that it is embracing unmanned systems for future combat, stating that these technologies are “absolutely intrinsic to how we’re going forward” in the Navy and Marine Corps during a panel discussion at the Navy League’s annual Sea-Air-Space conference in National Harbor, Maryland, USA.
- The U.S. Navy sought a vehicle that could operate in shallow waters and be an expendable modular neutraliser with a kill mechanism, propulsion, and sensors.
- A long string of strikes by Houthi rebels on vessels transiting the Red Sea using anti-ship cruise missiles, explosive-laden remotely operated boats, and improvised weapons has created a more urgent need for advanced naval defence systems globally and demonstrated the need for the specific UUVs/USVs of the kind offered by the Company for mine countermeasure operations.



## Corporate Changes

- During the quarter, Mr. Brendan Martin stepped down as Chief Finance Officer and Executive Director for Aquabotix, having accepted a senior role with a large listed company.

## Financial Summary

- As at 30 June 2018, Aquabotix had a cash balance of \$861,072 as outlined in the accompanying Appendix 4C. In addition, following the end of the quarter, on 18 July 2018, Aquabotix announced it has received commitments for an investment of \$1,250,000 through a placement of 25,000,000 ordinary fully paid shares (of which \$1,000,000 was received on 18 July 2018, and the balance is expected to be received following shareholders’ approval in the coming weeks). These funds are not reflected in the accompanying Appendix 4C.

## Performance Shares

As at 30 June 2018, 45,000,000 Performance Shares are on issue. No performance share vesting or conversion milestones were met during the period.

	Performance shares on issue at start of period (A)	Performance Shares issued during the period (B) <sup>1</sup>	Performance Shares converted to UUV shares during the period (C)	Performance Shares cancelled during the period (D)	Performance Shares on issue at end of period (A)+(B)-(C)-(D)
Class A <sup>2</sup>	0	15,000,000	0	0	15,000,000
Class B <sup>3</sup>	0	15,000,000	0	0	15,000,000
Class C <sup>4</sup>	0	15,000,000	0	0	15,000,000
Total	0	45,000,000	0	0	45,000,000

### Further Information

Whitney Million – Chief Executive Director

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### About UUV Aquabotix Limited

Based in Sydney, Australia and Fall River, Massachusetts, USA, Aquabotix is an established underwater robotics company which manufactures and sells commercial and industrial-grade underwater drones for commercial, high-end consumer and military applications. It is also the first company globally that is offering commercially-available swarming underwater drones. Please visit [www.aquabotix.com](http://www.aquabotix.com) for further information.

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<sup>1</sup> Performance Shares were issued to all pre-IPO shareholders.

<sup>2</sup> Each Class A Performance Share will vest into one fully paid ordinary share upon the Shares achieving a 30-day volume weighted average price exceeding \$0.30 and the Company securing no less than 20 paying customers of remotely operated underwater vehicles within 24 months of the date the Company is admitted to the Official List (Class A Milestone).

<sup>3</sup> Each Class B Performance Share will vest into one fully paid ordinary share upon the Company achieving, in relation to its technology, \$7,000,000 of cumulative revenue or \$2,500,000 of annual revenue in any given twelve-month period, within 36 months of the date the Company is admitted to the Official List (Class B Milestone).

<sup>4</sup> Each Class C Performance Share will vest into one fully paid ordinary share upon the Company achieving, in relation to its technology, \$3,000,000 of cumulative earnings before interest and taxes (EBIT) or \$1,000,000 of annual EBIT in any given financial year, within 36 months of the date the Company is admitted to the Official List (Class C Milestone).

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

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

#### Name of entity

UUV Aquabotix Limited

#### ABN

52 616 062 072

#### Quarter ended ("current quarter")

30 June 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A</b>	<b>Year to date (6 months) \$A</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	19,829	207,413
1.2 Payments for		
(a) research and development	(29,502)	(239,388)
(b) product manufacturing and operating costs	(228,840)	(425,240)
(c) advertising and marketing	(107,176)	(154,575)
(d) leased assets	-	-
(e) staff costs	(813,162)	(1,478,248)
(f) administration and corporate costs	(555,246)	(1,015,695)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4,691	12,735
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	(8,114)
1.7 Government grants and tax incentives	1,714	3,714
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,707,692)</b>	<b>(3,097,398)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A</b>	<b>Year to date (6 months) \$A</b>
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2</b> Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3</b> Cash flows from loans to other entities	-	-
<b>2.4</b> Dividends received (see note 3)	-	-
<b>2.5</b> Other (provide details if material)	-	-
<b>2.6</b> <b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10</b> <b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,519,430	3,887,828
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,707,692)	(3,097,398)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A</b>	<b>Year to date (6 months) \$A</b>
4.5	Effect of movement in exchange rates on cash held	49,334	70,642
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>861,072*</b>	<b>861,072</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A</b>	<b>Previous quarter \$A</b>
5.1	Bank balances	711,072	1,006,188
5.2	Call deposits	150,000	1,513,242
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>861,072*</b>	<b>2,519,430</b>

\*Following the end of the quarter, on 18 July 2018, the Company announced it received commitments for an investment of \$1,250,000 through a placement of shares (of which \$1,000,000 was received on 18 July 2018, and the balance is expected to be received following shareholders' approval in the coming weeks). These funds are not reflected in the balance above.

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	124,443**
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

\*\*This includes both directors' fees paid to Messrs. James, Cohen, Tavares and Clisdell, and salary and severance payments to Mr. Brendan Martin in connection with his employment.

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

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

	Current quarter \$A
	-
	-

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**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (please specify)

	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
	-	-
	-	-
	-	-

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

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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A</b>
9.1 Research and development	50,000
9.2 Product manufacturing and operating costs	100,000
9.3 Advertising and marketing	35,000
9.4 Leased assets	-
9.5 Staff costs	610,000
9.6 Administration and corporate costs	240,000
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>1,035,000</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

### Compliance statement

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

Sign here: .....  
(Director/Company secretary)

Date: 27 July 2018

Print name: ....Anand.Sundaraj.....

### Notes

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