



APPENDIX 4D
FOR THE HALF-YEAR ENDED 30 JUNE 2020

UUV Aquabotix Limited
ABN 52 616 062 072

1. Company details

Name of entity: UUV Aquabotix Limited
ABN: 52 616 062 072
Reporting period: For the half-year ended 30 June 2020
Previous period: For the half-year ended 30 June 2019

2. Results for announcement to the market

	Half-year 30 June 2020	Half-year 30 June 2019	% change
Revenue from continuing activities	392,562	134,256	192.4
Loss from continuing activities after tax attributable to members	(825,684)	(1,820,419)	54.6
Net loss attributable to members	(825,684)	(1,820,419)	54.6
Dividends: No dividends are being proposed or have been paid			

Commentary related to the above results

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

3. Net Tangible Asset (NTA) backing per share

	As at 30 June 2020	As at 30 June 2019	% change
Net Tangible (Liabilities)/Asset (NTA) backing per share	(0.03)	(0.04)	30.5

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

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

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

6. There is no dividend reinvestment plan in operation.

7. There are no associates or joint venture entities.

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

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

Peter James
Director

27 August 2020

UUV Aquabotix Limited
ABN 52 616 062 072
DIRECTORS REPORT – 30 JUNE 2020

The directors submit their report, together with the financial statements, for UUV Aquabotix Ltd (the “Company” or “Aquabotix”) and its controlled entities, together the “Consolidated Entity” or the “Group” for the half-year ended 30 June 2020.

Directors

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

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

Principal Activities

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

Review of Operations

Based in Australia and Rhode Island/Radford Army Ammunition Plant, USA, Aquabotix is an established underwater robotics company which provides cutting edge, flexible use, man-machine teaming solutions to counter persistent, growing and developing security threats. The Company focuses primarily on the design, development and commercialisation of micro-sized, swarming autonomous products for a range of defence applications where urgent requirements exist.

Aquabotix’s SwarmDiver™ is one such product: a modular, flexible autonomous system designed for near shore and shallow water use. This solution is ideal for use in notoriously challenging environments such as the surf zone. SwarmDiver™ can deliver enhanced situational awareness, survivability, mobility and lethality as a low-cost force multiplier for armed forces in a range of operational scenarios. The SwarmDiver™ can be used as a stand-alone solution or integrated with a range of other systems to support many mission types and enable forces to add in both elements of surprise and continuous speed at the operational edge.

Since the Company’s launch of SwarmDiver™ in April 2018, the Group has demonstrated success in the ability to capture government contracts, deliver and build relationships with key customers, and secure non-dilutive funding all with the goal of capitalising on the Company’s unique positioning in the underwater robotics domain. Over this period, Aquabotix has continued this trend of success.

Capturing and Delivering Government Contracts:

Starting the 2020 calendar year, Aquabotix had an existing order backlog comprised of US and other foreign government contracts. During the period, the Company delivered training and test support to the United States Armed Forces, following successful delivery of hardware for test and evaluation purposes in late 2019. That order was the fourth order it has received that was funded by the United States military since launching the SwarmDiver™ product in 2018. Also, during the period, the Company delivered hardware to a military agency of a major Asian country aligned with Australia and the United States to partially complete an order valued at US\$350,000. This order was the first export order of SwarmDiver™ and the Company’s first order for the SwarmDiver™ EDGETM product line. It is anticipated that the final milestones of that Asian military agency contract will be completed shortly after international travel is safely available, as this portion of the work scope related to training and other testing support services has been delayed due to COVID-19. Again, in this instance, the Asian military agency contract was designed to support test and evaluation activities for consideration of SwarmDiver™ for potential future operational use. The delivery of these contract milestones over the period represent a solid upward trajectory in revenues recognized and increased net cash from operating activities, with the half-year 2020 figures exceeding those for the total of 2019 calendar year.

Beyond the immediate financial impact, these orders are significant in that they demonstrate critical initial success in the sales of SwarmDiver™ product for defence applications. In many cases, government funding is awarded in progressive stages with smaller initial investments in development or test and evaluation in the beginning, followed by more substantial awards as technology is proven and trusted to progress into higher

levels of commercialisation. As governments evaluate and qualify product for use in theatre, it is not uncommon for other global militaries to follow their technology implementation plans as allied forces oftentimes elect to

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DIRECTORS REPORT – 30 JUNE 2020

maintain interoperability of platforms. It is for these reasons that the Company's early successes in securing sales related to product qualification are more significant than the revenue streams attached to these orders.

Continuing with this string of notable success in progressing product to test and evaluation stages with key customers, in April 2020, the Company announced its first contract with the United States Army since the introduction of SwarmDiver™ to market two years ago. This US\$50,000 contract for the purchase of its SwarmDiver™ system, along with associated training services to be delivered in 2020 also contains options for the purchase of additional hardware and associated services to be delivered over the next two years, the value of which totals an additional US\$105,000. This award represents a significant and important expansion in the Company's customer base.

Securing Non-Dilutive Funding:

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 (PPP) of approximately US\$76,000 during the period. The PPP is a disaster relief program in the United States, providing loans to small businesses for the purpose of paying for payroll, rent, and utilities. These small business loans have a loan forgiveness feature that may enable the foregoing of repayment on a portion of the loan amount.

In addition, 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.

Key Customer Relationship Development:

In addition to the securing and delivering of contracts to key customers as detailed above, the Company announced on 17 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 ("NUWC"). Over the next three years, it is envisioned that Aquabotix will work collaboratively with NUWC on a project related to experimental coordination with swarms. Ultimately, the goal of this collaboration is to transition the results of United States Navy research for public and private sector use a task Aquabotix is keen to embark on this year. In the Company's short history, it has demonstrated an ability to transition cutting edge technologies and to make them accessible and affordable for a range of customers.

Impact of COVID-19:

The outbreak of COVID-19 is impacting global economic markets, and the nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The pandemic may give rise to issues, delays or restrictions in material procurement, product processing, and packaging and the Company's ability to deliver products and services to customers, which may result in increases in cost or adverse impacts on sales volume or timing. Whilst the demand for unmanned underwater vehicles has not abated, it appears the speed of contracting has slowed and the overall time from contract acceptance to delivery and completion of milestones, particularly those involving testing and training, has increased. These impacts have resulted in an increased focus on cash management for the Group. This remains a dynamic situation, and the Directors are actively monitoring the situation closely; however, as this remains a continually evolving challenge, the consequences are inevitably uncertain. In compliance with its continuous disclosure obligations, the Company will provide market updates as and when appropriate.

Company Funding:

During the period the Company announced investment totals of \$185,000 through entitlement offers and shortfall placements of 196,875,000 ordinary fully paid shares.

On 24 June 2020, the Company announced a partially underwritten pro-rata renounceable Rights Issue to raise up to approximately \$1,583,823 with eligible Shareholders entitled to two (2) new shares at an issue price of \$0.001 each for every one (1) share held at the Record Date, together with one (1) free attaching listed option for every three (3) shares subscribed for under the Rights Issue. The Options are exercisable at \$0.001 and will expire on 28 July 2023. The Rights Issue was partially underwritten by Canaccord Genuity (Australia) Limited (the "Underwriter") to an amount of \$1,000,000.

The Company received acceptances for 309,524,392 shares and applications for shortfall from existing shareholders for 196,027,696 shares raising \$505,552, with the balance of the underwritten portion subscribed through the Underwriter. The funding associated with this additional placement is not reflected in the figures contained in this report as funds were received after the close of the period.

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

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DIRECTORS REPORT – 30 JUNE 2020

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 has not been drawn down on.

Significant Changes in the State of Affairs

As announced on 28 January 2020, the Company's product SwarmDiver™ incorporates, among others, certain technology of which the Company's wholly owned United States subsidiary, ATC, is the licensee. On 23 January 2020, the Company learned that the licensor of the technology, Apium Inc. (Apium), had filed a lawsuit against 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 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 on 28 January 2020, the Company and ATC believe the lawsuit is without merit and that Apium's actions are themselves a breach of the terms of the license agreement. ATC is defending itself against these claims and pursuing counterclaims against Apium.

Roundings of Amounts

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

Auditor's Independence Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 30 June 2020.

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



Peter James
Director

Dated this 27th day of August 2020

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

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

RSM

RSM AUSTRALIA PARTNERS



G N Sherwood
Partner

Sydney, NSW

Dated: 27 August 2020

UUV Aquabotix Limited
ABN 52 616 062 072
HALF YEAR REPORT – 30 JUNE 2020

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UUV Aquabotix Limited
ABN 52 616 062 072
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CORPORATE INFORMATION

Directors and Management

Peter James (Non-Executive Chairman)
Jay Cohen (Non-Executive Director)
Robert Clisdell (Non-Executive Director)
Whitney Million (Chief Executive Officer)
Winton Willesee (Joint Company Secretary)
and Erlyn Dale

Registered Office

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Auditors

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

Bankers

Commonwealth Bank of Australia Level 21, 201 Sussex Street Sydney NSW 2000, Australia	Silicon Valley Bank, 3003 Tasman Drive, Santa Clara, CA 95054, USA
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Solicitors

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

Link Market Services Limited
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Australia
Telephone: +61 1300 554 474

Stock Exchange Listing

UUV Aquabotix Limited shares (ASX code UUV) and UUVOA Listed Options (ASX code UUVOA) are quoted on the Australian Stock Exchange.

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2020**

	Note	Half-year Ended 30 June 2020 \$	Half-year Ended 30 June 2019 \$
Revenue	4	392,562	134,256
Other income	4	10,224	1,339
Cost of sales		(187,180)	(55,994)
General and administrative expense	5	(928,400)	(1,275,698)
Selling and marketing expense		(5,903)	(29,681)
Research and development expense		(43,091)	(79,234)
Impairment of right of use asset	11	-	(380,071)
Depreciation expense		(5,832)	(36,252)
Share option expense		(57,042)	(69,139)
Interest expense		(2,026)	(27,683)
Foreign exchange gains/(losses)	4,5	1,004	(2,262)
Loss before income tax		<u>(825,684)</u>	<u>(1,820,419)</u>
Income tax expense		-	-
Loss for the period		<u>(825,684)</u>	<u>(1,820,419)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
- Adjustments on translation of foreign controlled entity		30,045	23,237
Total comprehensive loss for the period		<u>(795,639)</u>	<u>(1,797,182)</u>
		Cents	Cents
Basic and diluted loss per share	10	(0.13)	(0.96)

The accompanying notes form part of these financial statements.

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UUV Aquabotix Limited
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	Consolidated	
		As at 30 June 2020	As at 31 December 2019
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		419,384	260,254
Inventories		112,234	109,834
Trade and other receivables		79,642	91,204
TOTAL CURRENT ASSETS		611,260	461,292
NON-CURRENT ASSETS			
Plant and equipment		27,864	32,752
TOTAL NON-CURRENT ASSETS		27,864	32,752
TOTAL ASSETS		639,124	494,044
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		593,735	169,245
Provision for employee benefits		91,324	34,001
Contract liabilities		31,114	-
Customer deposits		12,495	12,228
Financial liabilities	12	110,593	-
TOTAL CURRENT LIABILITIES		839,261	215,474
TOTAL LIABILITIES		839,261	215,474
NET (LIABILITIES)/ASSETS		(200,137)	278,570
EQUITY			
Share capital	7	12,325,080	12,065,190
Reserves		1,249,299	1,162,212
Accumulated losses		(13,774,516)	(12,948,832)
TOTAL EQUITY		(200,137)	278,570

The accompanying notes form part of these financial statements.

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UUV Aquabotix Limited
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
HALF-YEAR ENDED 30 JUNE 2020

Consolidated	Issued Capital \$	Accumulated Losses \$	Options Reserve \$	Foreign exchange Reserve \$	Total \$
Balance at 1 January 2019	10,191,710	(10,539,568)	978,893	37,237	668,272
Comprehensive income					
Loss for the period	-	(1,820,419)	-	-	(1,820,419)
Other comprehensive income	-	-	-	23,237	23,237
Total comprehensive income for the period	-	(1,820,419)	-	23,237	(1,797,182)
Shares issued during the period	1,048,877	-	-	-	1,048,877
Share issue costs	(112,364)	-	-	-	(112,364)
Options issued in the period	-	-	69,139	-	69,139
Balance at 30 June 2019	11,128,223	(12,359,987)	1,048,032	60,474	(123,258)
Balance at 1 January 2020	12,065,190	(12,948,832)	1,139,149	23,063	278,570
Comprehensive income					
Loss for the period	-	(825,684)	-	-	(825,684)
Other comprehensive income	-	-	-	30,045	30,045
Total comprehensive income for the period	-	(825,684)	-	30,045	(795,639)
Shares issued during the period	287,545	-	-	-	287,545
Share issue costs	(27,655)	-	-	-	(27,655)
Options issued in the period	-	-	57,042	-	57,042
Options lapsed in the period	-	-	-	-	-
Balance at 30 June 2020	12,325,080	(13,774,516)	1,196,191	53,108	(200,137)

The accompanying notes form part of these financial statements.

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UUV Aquabotix Limited
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CONSOLIDATED STATEMENT OF CASH FLOWS
HALF-YEAR ENDED 30 JUNE 2020

	Consolidated	
	Half-year Ended 30 June 2020 \$	Half-year Ended 30 June 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	430,419	163,569
Government grants and other support	130,517	-
Payments to suppliers and employees	(567,934)	(1,450,195)
Interest received	224	1,289
Finance costs paid	(2,026)	(5,420)
Income tax paid	-	-
Net cash used in operating activities	<u>(8,800)</u>	<u>(1,290,756)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used in investing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of shares	185,000	987,177
Proceeds from borrowings	-	200,000
Repayment of borrowings	(23,914)	(200,000)
Net cash provided by financing activities	<u>161,086</u>	<u>987,177</u>
Net increase/(decrease) in cash held	152,286	(303,579)
Foreign currency transactions	6,844	8,028
Cash and cash equivalents at beginning of period	260,254	704,377
Cash and cash equivalents at end of period	<u>419,384</u>	<u>408,826</u>

The accompanying notes form part of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020**

NOTE 1: BASIS OF PREPARATION

Basis of Preparation and Significant Accounting Policies

These general-purpose interim financial statements for half-year reporting period ended 30 June 2020 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

These general purpose financial statements does not include all the notes typical of inclusion within an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance and financial position of the Consolidated Entity as a full financial report. Accordingly, these financial statements should be read in conjunction with the annual report for the year ended 31 December 2019 and any other public announcements made by UUV Aquabotix Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

These interim financial statements were authorised for issue on 27 August 2020.

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020**

NOTE 2: GOING CONCERN

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

As disclosed in the financial report, the Group incurred a loss after tax of \$825,684 and had net cash outflows from operating activities of \$8,800 for the half year ended 30 June 2020. As at that date, the Group had net current liabilities of \$228,001, net liabilities of \$200,137 and cash and cash equivalents of \$419,384. The ability of the Group to continue as a going concern is dependent on a number of factors, the most significant of which is its ability to raising further capital.

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

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

- The Group announced in July 2020 that it had issued 999,999,997 ordinary fully paid shares at \$0.001 per New Share in respect of a placement announced on 24 June 2020. This Placement raised \$1,000,000 in funds. The Group has performed a cash flow forecast and determined that it has adequate cash resources in place to fund its operations for the next 12 months, assuming it raises further capital, which the directors consider is a reasonable assumption based on past experience.

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020**

NOTE 3: OPERATING SEGMENTS

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

The following table presents certain information regarding the geographical segments for the half year ended 30 June 2020.

<i>Segment Performance</i>	30 June 2020			Total
	USA	Australia	Elimination	
	\$	\$	\$	\$
External sales	392,562	-	-	392,562
Total segment revenue	392,562	-	-	392,562
Other income	-	10,000	-	10,000
Interest income	216	8	-	224
Impairment of right of use asset	-	-	-	-
Depreciation	(5,499)	(333)	-	(5,832)
Finance costs	-	(2,026)	-	(2,026)
Income tax expense	-	-	-	-
Loss after income tax expense	(435,785)	(389,899)	-	(825,684)
<i>Assets and liabilities</i>				
Segment assets	532,021	6,605,471	(6,498,369)	639,123
Segment liabilities	(7,056,397)	(281,232)	6,498,369	(839,260)
	30 June 2019			
<i>Segment Performance</i>	USA	Australia	Elimination	Total
	\$	\$	\$	\$
External sales	134,256	-	-	134,256
Total segment revenue	134,256	-	-	134,256
Other income	-	-	-	-
Interest income	872	467	-	1,339
Impairment of right of use asset	(380,071)	-	-	(380,071)
Depreciation	(35,585)	(668)	-	(36,252)
Finance costs	(22,494)	(5,189)	-	(27,683)
Income tax expense	-	-	-	-
Loss after income tax expense	(1,202,499)	(617,920)	-	(1,820,419)
<i>Assets and liabilities</i>				
Segment assets	298,270	6,133,495	(5,793,050)	638,715
Segment liabilities	(6,258,208)	(296,815)	5,793,050	(761,973)

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UUV Aquabotix Limited
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020

NOTE 4: REVENUE

	Consolidated	
	Half-year Ended 30 June 2020 \$	Half-year Ended 30 June 2019 \$
REVENUE FROM CONTRACTS WITH CUSTOMERS		
Sale of goods	355,482	128,356
Rendering of services	37,080	5,900
	392,562	134,256
OTHER INCOME		
Interest	224	1,339
Amounts received from Government Grants	10,000	-
	10,224	1,339
Net foreign exchange income	1,004	-
	11,228	1,339
REVENUE	403,790	135,595

In the 6 month period to 30 June 2020, the sale of goods were to customers outside of the United States of America, rendering of services revenues were to customers within the United States of America. In the 6 month period to 30 June 2019, all revenues were to customers within the United States of America. The recognition of the sale of goods was at a point in time, and the rendering of services was recognised upon completion of the services provided.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020

NOTE 5: EXPENSES

	Consolidated	
	Half-year Ended 30 June 2020	Half-year Ended 30 June 2019
	\$	\$
Loss before income tax includes the following specific expenses:		
General and administrative expense		
Defined contribution superannuation expense	4,703	4,703
Salaries and compensation	581,622	758,878
Professional fees	322,028	448,983
Travel	4,395	38,047
Minimum lease payments	-	9,781
Other occupancy expenses	15,652	15,306
	928,400	1,275,698
Depreciation		
Right-of-use asset	-	17,527
Plant and equipment	5,832	18,725
	5,832	36,252
Share option expense		
Share option expense	57,042	69,139
Foreign exchange (gains)/losses		
Foreign exchange (gains)/losses	(1,004)	2,262
Costs associated with leases		
Impairment of right-of-use asset	-	380,072

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UUV Aquabotix Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

NOTE 6: LOAN FACILITY AND RELATED PARTIES

On 24 March 2019, UUV Aquabotix Limited entered into a non-convertible unsecured credit facility agreement with Long Hill Capital II, LLC, one of the Group's shareholders. Under the agreement, Long Hill Capital II, LLC made available up to AUD\$200,000 provided that the Group draw down on the facility within 60 days of entering into the agreement. No fees were incurred in the set up of this facility, and interest is charged at a rate of 12% per annum, payable in arrears each quarter. The facility had 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 has not been drawn down on.

NOTE 7: CONTRIBUTED EQUITY

	Number of shares	\$
Balance at 1 January 2020	516,984,204	12,065,191
Issue of new shares, net of issue costs	274,927,071	259,889
Balance at 30 June 2020	791,911,275	12,325,080

NOTE 8: CHANGES IN COMPOSITION OF EQUITY

A summary of the capital structure of the Company at 30 June 2020 is set out below:

Shareholders	Shares	Unlisted Options	Listed UUVU Options	Performance Shares
Opening balance at 1 January 2020	516,984,204	107,000,000	-	30,000,000
Issue of new shares	274,927,071	-	-	-
Issue of new share options	-	29,687,500	-	-
Options exercised in the period	-	-	-	-
Options lapsed in the period	-	(10,700,000)	-	-
Performance shares lapsed in the period	-	-	-	(30,000,000)
Closing balance at 30 June 2020	791,911,275	125,987,500	-	-

Shares Issued in the Period:

- 77,500,000 shares were issued upon completion of a Rights issue in January 2020.
- 87,500,000 shares were issued upon completion of a placement announced in March 2020.
- 59,375,000 shares were issued upon completion of a placement announced in April 2020.
- 16,387,300 shares were issued in lieu of cash payment for Director fees as announced in April 2020.
- 6,000,000 shares were issued in lieu of cash payment for professional services as announced in May 2020.
- 28,164,771 shares were issued in lieu of cash payment for employee salaries as announced in June 2020.

UUV Aquabotix Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

NOTE 8: CHANGES IN COMPOSITION OF EQUITY (CONTINUED)

Unlisted Options

- 32,750,000 Unlisted Options issued to directors and management are exercisable at 0.5 cents, with expiry date of 24 December 2023. These Options are subject to time and market vesting conditions.
- 32,750,000 Unlisted Options issued to directors and management are exercisable at 1.0 cents, with expiry date of 24 December 2023. These Options are subject to time and market vesting conditions.
- 6,500,000 Unlisted Options issued to directors and management are exercisable at 1.5 cents, with expiry date of 24 December 2023. These Options are subject to time and market vesting conditions.
- 6,500,000 Unlisted Options issued to directors and management are exercisable at 2.0 cents, with expiry date of 24 December 2023. These Options are subject to time and market vesting conditions.
- 9,100,000 Unlisted Options issued to directors and management are exercisable at 11 cents, each with various expiry dates, ranging between 19 April 2023 and 19 April 2024. These Options are subject to various time and market vesting conditions.
- 8,700,000 Unlisted Options issued to directors and management, exercisable at 30 cents, each with various expiry dates ranging between 20 April 2021 and 20 April 2023. These Options are subject to various time and market vesting conditions.

Unlisted Options Issued in the Period

- 29,687,500 Unlisted Options issued for professional services rendered are exercisable at 0.08 cents, with expiry date of 30 June 2022. These Options were expensed in the period.

Options Lapsed in the Period:

- 700,000 Unlisted Options issued to the Company's Advisory Committee are exercisable at 30 cents each on or before 20 June 2020. These Options had fully vested and expired in the period.
- 10,000,000 Unlisted Options issued to the Joint Lead Managers of the IPO are exercisable at 22 cents each on or before 20 April 2020. These options had fully vested and expired in the period.

Performance Shares:

- 15,000,000 Class B and 15,000,000 Class C Performance Shares lapsed during the period. No expense has been recognised in the financial statements for these performance shares. The process for redemption is ongoing with a payment of \$0.00001 per Performance Share being made to holders.

NOTE 9: PERFORMANCE SHARES

During the period ended 30 June 2020, the Class B and C Performance Shares lapsed as the milestones were not met:

Shareholders	Milestones	Number in Issue
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.	-
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.	-

None of the milestones were met in the period ended 30 June 2020 and no Performance Shares were converted to Ordinary Shares in the period.

UUV Aquabotix Limited
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020

NOTE 10. EARNINGS PER SHARE

	Consolidated	
	30 June 2020 \$	30 June 2019 \$
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of UUV Aquabotix Limited	(825,684)	(1,820,419)
	Cents	Cents
Basic and diluted loss per share	(0.13)	(0.96)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	657,500,785	188,895,281
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	-
Performance shares	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	657,500,785	188,895,281

All share options were considered anti-dilutive for the period ended 30 June 2020 and all performance shares and share options were considered anti-dilutive for the period ended 30 June 2019.

NOTE 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. As at 30 June 2020, there were no further amounts outstanding (31 December 2019: \$22,437) within other payables and accrued expenses to complete the settlement terms.

	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 at 30 June	-	-

As at 30 June 2020, the Company did not have any property, plant and equipment secured under leases.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020**

NOTE 12: FINANCIAL LIABILITIES

	2020 \$	2019 \$
Financial liabilities at amortised cost		
Current		
Paycheck Protection Program ⁽ⁱ⁾	110,593	-
Balance at 30 June	110,593	-

- (i) During the period ended 30 June 2020, the Group's US subsidiary, Aquabotix Technology Corporation, received approval for a non-dilutive loan under the US government's Paycheck Protection Plan (PPP) of \$110,593 (US75,900). The PPP is a disaster relief program in the US providing loans to small businesses for the purposes of paying for payroll, rent and utilities. These small business loans have a loan forgiveness feature that may enable the foregoing of repayment on a portion of the loan amount. The full amount was recognised as an operating cash inflow in the cashflow statement for the period and is currently sitting within current liabilities whilst the Company determines how much can be forgiven.

As at 30 June 2020, interest is payable on the full amount at a rate of 1% per annum. Repayments at the discretion of the Company are currently deferred until November 2020, with full repayment of any outstanding amounts by 26 April 2022. It is anticipated that a portion of this loan will be forgiven based primarily on the Company's payroll paid in the weeks subsequent to the loan disbursement.

Additionally, the Company received a cashflow boost from the Australian Tax Office of \$10,000 upon filing its quarterly activity statements during the period. This has been recognized as other income in the period, and as operating cash inflows in the cashflow statement. This temporary cashflow boost is non-assessable, non-exempt income intended to support businesses during the economic downturn associated with COVID-19.

NOTE 13: CONTINGENT LIABILITIES

As announced on 28 January 2020, the Company's product SwarmDiver™ incorporates, among others, certain technology of which the Company's wholly owned United States subsidiary, ATC, is the licensee. On 23 January 2020, the Company learned that the licensor of the technology, Apium Inc. (Apium), had filed a lawsuit against 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 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 on 28 January 2020, the Company and ATC believe the lawsuit is without merit and that Apium's actions are themselves a breach of the terms of the license agreement. ATC is defending itself against these claims and pursuing counterclaims against Apium.

The directors believe the group has no contingent liabilities.

UUV Aquabotix Limited
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020

NOTE 14: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	Consolidated	
	Half-year Ended 30 June 2020	Half-year Ended 30 June 2019
	\$	\$
LOSSES AFTER INCOME TAX FOR THE HALF YEAR	(825,684)	(1,820,419)
Adjustments for:		
Depreciation	5,832	36,252
Amounts paid for in shares in lieu of cash	102,544	-
Impairment of right-of-use asset	-	380,071
Share option expense	57,042	69,139
Interest expense	2,026	27,683
Foreign exchange differences	(1,004)	2,262
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	11,562	(11,635)
(Increase)/decrease in inventories	(2,400)	44,243
Increase/(decrease) in trade and other payables	424,490	68,362
Increase in contract liabilities	31,114	22,283
Increase/(decrease) in employee benefits	57,323	(97,713)
Increase in financial liabilities	110,593	-
Increase/(decrease) in other operating liabilities	17,762	(11,184)
Net cash used in operating activities	(8,800)	(1,290,656)

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UUV Aquabotix Limited
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020

NOTE 15: EVENTS AFTER THE END OF THE INTERIM PERIOD

On 24 June 2020, the Company announced a partially underwritten pro-rata renounceable Rights Issue to raise up to approximately \$1,583,823 with eligible Shareholders entitled to two (2) new shares at an issue price of \$0.001 each for every one (1) share held at the Record Date, together with one (1) free attaching listed option for every three (3) shares subscribed for under the Rights Issue. The Options are exercisable at \$0.001 and will expire on 28 July 2023. The Rights Issue was partially underwritten by Canaccord Genuity (Australia) Limited (the "Underwriter") to an amount of \$1,000,000.

The Company received acceptances for 309,524,392 shares and applications for shortfall from existing shareholders for 196,027,696 shares raising \$505,552, with the balance of the underwritten portion subscribed through the Underwriter. The funding associated with this additional placement is not reflected in the figures contained in this report as funds were received after the close of the period.

The outbreak of COVID-19 is impacting global economic markets, and the nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The pandemic may give rise to issues, delays or restrictions in material procurement, product processing, and packaging and the Company's ability to deliver products and services to customers, which may result in increases in cost or adverse impacts on sales volume or timing. Whilst the demand for unmanned underwater vehicles has not abated, it appears the speed of contracting has slowed and the overall time from contract acceptance to delivery and completion of milestones, particularly those involving testing and training, has increased. These impacts have resulted in an increased focus on cash management for the Group. This remains a dynamic situation, and the Directors are actively monitoring the situation closely; however, as this remains a continually evolving challenge, the consequences are inevitably uncertain. In compliance with its continuous disclosure obligations, the Company will provide market updates as and when appropriate.

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

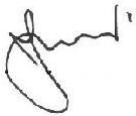
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UUV Aquabotix Limited
ABN 52 616 062 072
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of UUV Aquabotix Limited, the directors of the company declare that:
The financial statements and notes, as set out on pages 8 to 22, are in accordance with the *Corporations Act 2001*, including:

- a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
- b. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the financial half-year ended on that date.

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



Peter James
Director

Dated this 27th day of August 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT**TO THE MEMBERS OF****UUV AQUABOTIX LIMITED****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of UUV Aquabotix Limited, which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of UUV Aquabotix Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the half-year financial report, which indicated that the consolidated entity a loss after tax of \$825,684 and had net cash outflows from operating activities of \$8,800 for the half year ended 30 June 2020. As at that date, the Group had net current liabilities of \$228,001, and net liabilities of \$200,137. The ability of the Group to continue as a going concern is dependent on a number of factors, the most significant of which is its ability to raise further capital. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

RSM

RSM AUSTRALIA PARTNERS



GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 27 August 2020

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