

AQUABOTIX™

Innovation for the Underwater World

Quarterly Report

For the Quarter Ended
31 March 2018



30 April 2018

ASX Announcement

Quarterly Report - For the Quarter Ended 31 March 2018

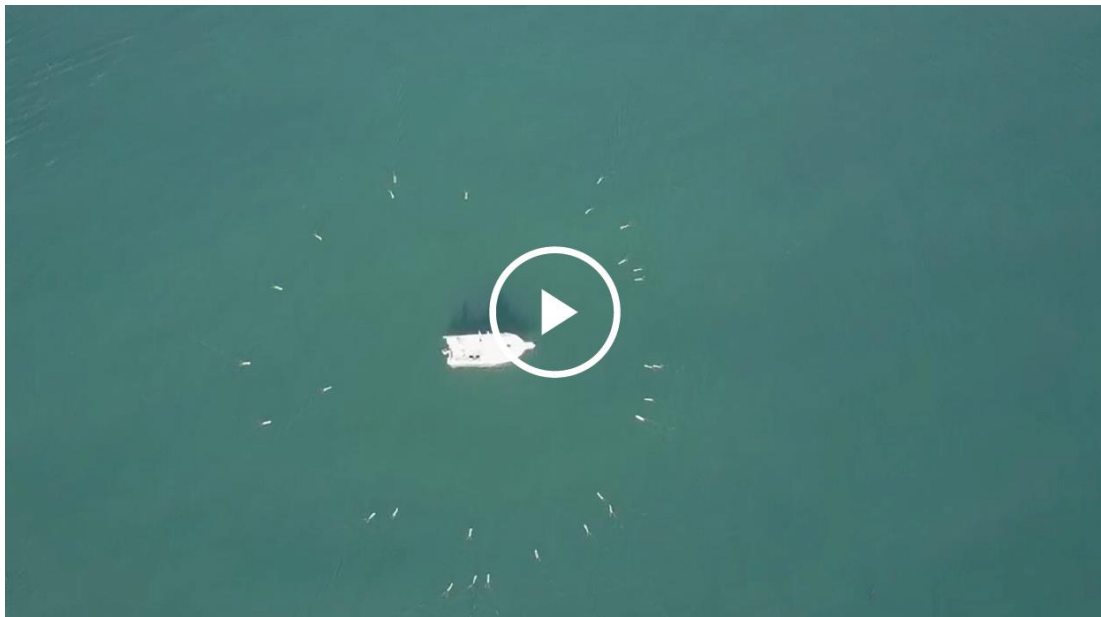
UUV Aquabotix Ltd (ASX:UUV) ("Aquabotix" or the "Company") provides the following update on its activities during the three-month period ended 31 March 2018 and its Appendix 4C quarterly cash flow report for the same period.

Key Developments During the Quarter

The key developments during the quarter include the following.

Sales, Marketing and Product Development

- On 9 April 2018, the Company launched *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, be easily controlled via one operator on the surface, and perform dives on command to collect valuable intelligence. *SwarmDivers™* can be viewed in operation here:



SwarmDivers™ in a swarm of approximately 30 units encircling a vessel

No other micro hybrid surface / underwater unmanned vehicles or swarming unmanned surface vehicles with diving capabilities are known to be commercially available to corporate and governmental users.

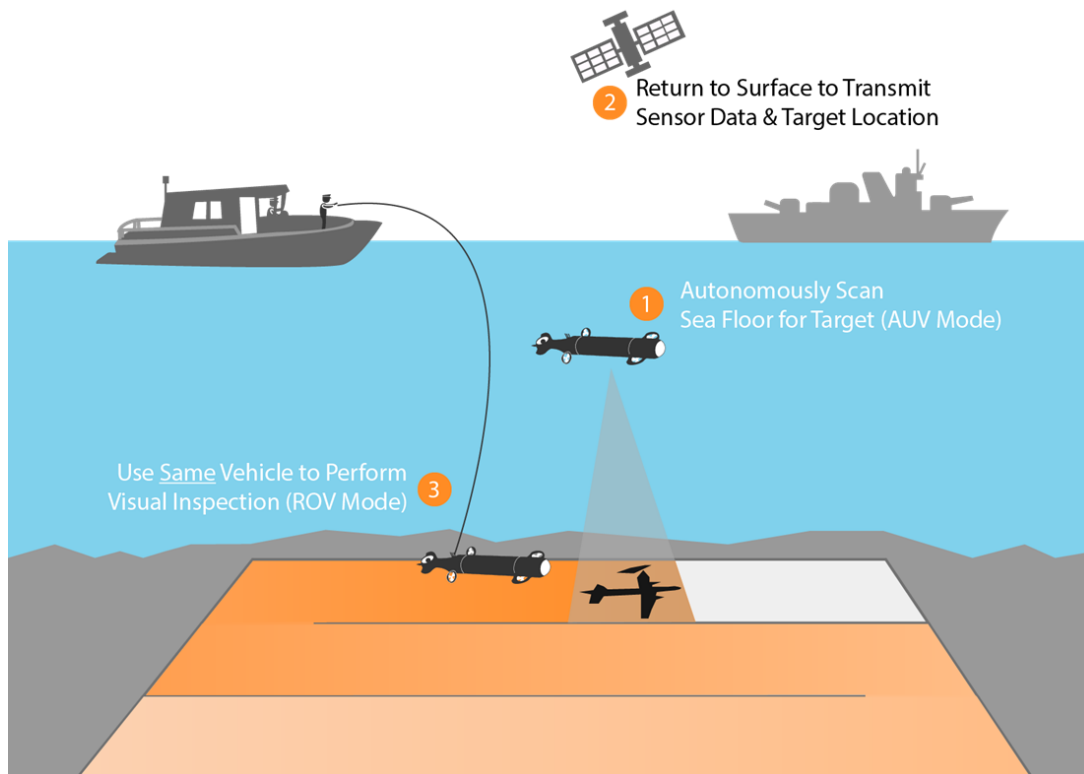
Naval swarming has become an area of focus for naval forces globally. In addition to defence and security applications, *SwarmDivers™* can be deployed in research, harbour management and oceanography.

The Company received a substantial amount of interest in the product during the days following the launch of the product, and continues to field a range of enquiries from governmental and corporate users, as well as the press. The interest in the product is broad and relates to a wide range of uses, users and applications. Consequently, the launch of *SwarmDiver™* has enabled the Company to commence discussions with a range of governmental users about their product requirements, and a range of larger defense companies about potential co-operation.

The interest in the newly-rolled out product was evidenced by the fact that within days following the launch, Aquabotix's "Swarming Micro USV/UUV" presentation was chosen, out of over 230 applications by the National Defense Industrial Associations' 2018 Special Operations Forces Industry Conference Innovation Showcase. The conference takes place in May 2018 in Tampa, Florida, the home of the United States Special Operations Command (USSOCOM), and is the premier event for the special operations forces' community, showcasing the latest cutting-edge technology to special forces operators.

- Aquabotix has also been selected to participate in the *Advanced Naval Technology Exercise 2018* ("ANTX 2018"). ANTX 2018 is called by the Naval Undersea Warfare Center Division of the United States Navy. The theme of ANTX 2018 is "Human Machine Optimization and Integrated Targeting in Maritime Environments". The exercise will be held at the Naval Undersea Warfare Centre ("NUWC") facility in Middletown, Rhode Island, USA, with live demonstrations to be held at Narragansett Bay Test Facility, also in Rhode Island. The event is scheduled for August 2018. Aquabotix has been selected to participate in this exercise alongside such substantially larger industry leaders as L3 Technologies, General Dynamics Mission Systems, Northrup Grumman and Lockheed USS.

Using its Integra Hybrid remotely-operated vehicle / autonomously operated vehicle ("ROV/AUV") in untethered autonomous mode, Aquabotix will perform a pre-programmed mission using side-scan sonar to perform a lawnmower pattern of the sea floor in order to identify targets and points of interest. The vehicle will then return to the surface for data analysis. Using the same vehicle as a force multiplier, an operator will attach the tether to the Integra Hybrid ROV/AUV to perform a close-up visual inspection of the targets in ROV mode. The result is a single inspection class underwater vehicle which can perform tether-free autonomous tasks while having the flexibility to also be used directly in ROV mode. Operating with a hybrid ROV/AUV allows for less equipment to perform more complex tasks.



Schematic of Aquabotix's Integra deployed in both ROV and AUV modes, integrating into a defense ecosystem

- In March, Aquabotix exhibited at *Oceanology International 2018*, in London, UK. The event is the leading forum where industry, academia and government share knowledge and connect with the world's marine science and ocean technology communities.

At Oceanology International, the Company demonstrated its Live Viewing and Live Remote Control software by having show attendees operate a vehicle at the Company's facility in Fall River, Massachusetts, USA., from the exhibit stand in London, UK.

Additionally, during the conference, Aquabotix featured the Endura ROV in a Water Tank utilising a new underwater GPS positioning system. Collaboration with the Norwegian technology company, Water Linked AS was announced at the show. Water Linked's Underwater GPS system, which relies on acoustics to transmit data through the water, is designed to operate in challenging environments such as water tanks, shallow water within ports, fish cages for aquaculture and environments where existing conventional underwater positioning systems typically break down.



Aquabotix's, Korean Institute of Geoscience and Mineral Resources' and distributor Geotech Systems' representatives with Integra 100

- During the quarter, Aquabotix continued to build out its distributor network, adding five distributors to it, for a total of 15 distributors overall. Utilising this network, during the quarter, Aquabotix achieved the first sale of its product in Japan, a demanding market for robotics.

Flynn Technological Solutions was added to the distributor network at the beginning of the year and has already proven to be a key contributor and important addition to the U.S. sales network. *GeoTech Systems (South Korea)*, the Company's Korean distributor, is well connected to many of the Korean research organisations. *GeoTech Systems* also services the Navy, Coast Guard and Port & Harbor Security Agencies.

Fortune Faith Technology Inc. (Taiwan) and Ocean Net Consultoria y Sistema (Spain) have been added to the network soon after the Oceanology International, with *Moki Italia (Italy)* also added to the network recently to focus on the aquaculture market.

- With the launch of the SwarmDiver Micro USV/UUV, Aquabotix enjoyed wide-spread coverage in many publications and media outlets:
 - *Boston Citybizlist*, [Aquabotix Releases Revolutionary SwarmDiver Micro USV / UUV](#)
 - *Shepherd Media* “[Aquabotix unveils SwarmDiver micro USV/UUV](#)”
 - *Jane’s*, “[Aquabotix adds the SwarmDiver USV to its family of systems](#)”.
 - *Newsweek*, “[‘Amphibious warfare’ drones can operate in swarms to spy from the sea](#)”
 - *Institution of Mechanical Engineers*, [Underwater robot swarms could ‘overwhelm’ military targets](#)
 - *Marine Technology News*, [Aquabotix Unveils New Swarm USV/UUV](#)
 - *cnBeta*, Aquabotix [Launches Autonomous Clustering Robot SwarmDiver](#)
 - *The Register*, [Descent of the Machines: Aussie firm boasts of underwater drone swarms](#)
 - *Subsea World News*, [Aquabotix Rolls Out ‘SwarmDiver’ Micro USV/UUV](#)
 - *Drone Below*, [Underwater Drone Swarms Now a Thing!](#)
 - *Business Insider Australia*, [WATCH: A robot swarm working together to encircle a boat](#)
 - *New Atlas*, [Aquabotix unleashes swarming, swimming, autonomous robots](#)

Market

- In April, US Navy leadership publicly announced that it is embracing unmanned systems for future combat, stating 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 US Navy commitment to the further development of underwater drones is evidenced by its recent contract award to Raytheon of a US\$83 million base value contract, with options up to US\$363 million to develop an autonomous underwater vehicle for the US Navy to use in the detection and mitigation of sea mines. The US Navy also sought a vehicle that could operate in shallow waters and be an expendable modular neutraliser with a kill mechanism, propulsion and sensors.
- The underwater robotics industry is undergoing rapid consolidation at substantial valuations. In December 2016, Boeing acquired Liquid Robotics at a purchase price reported to be US\$300 million. Other recent high-profile transactions in the sector included General Dynamics buying Bluefin Robotics, and L3 Technologies making two acquisitions, of OceanServer Technology and Open Water Power. Aquabotix is one of the very few remaining independents in the industry that is consolidating.
- The industry fundamentals remain strong with the Unmanned Underwater Vehicles (UUV) market estimated at US\$2.69 Billion in 2017 and projected to reach US\$5.20 Billion by 2022, at a CAGR of 14.07% from 2017 to 2022, according to Markets and Markets. Markets and Markets also estimates for the autonomous underwater vehicle market that CAGR for the same period is estimated at 24.13%.
- Credence Research supports market size and industry growth projections stating that the UUV market will hit US\$5 billion by 2025, with commentary and analysis showing accelerated growth in autonomous underwater vehicles (AUVs) and hybrid vehicles. Rising investment over development of more advanced UUVs is the most prominent factor fueling the market growth. Several countries including the U.S., the U.K., Russia and France are

investing heavily into developing unmanned vehicles for marine defense. For instance, in February 2016, the U.S. Department of Defense (DoD) announced to invest nearly US\$600 million in prototyping UUVs of different sizes. The DoD plans to build UUVs for multiple payloads.

- The swarm intelligence market also has large anticipated growth in coming years with expected value at US\$447.2 Million by 2030, growing at a CAGR of 40.47% from 2020 to 2030, according to Markets and Markets. This growth projection is based on rising adoption of swarming drones in military and application in transportation business.

Corporate

- During the period, and following a comprehensive review of the Company by its Chief Executive Officer (“CEO”), David Batista, Aquabotix was able to secure the services of a new experienced executive team with a proven record of success, with *Whitney Million* joining the company as CEO and *Alexander Blyskun* as CTO, and Durval Tavares stepping down as CTO. David Batista assisted with the transition to the new management team and stepped down from his position as CEO during the period.
- *Whitney Million* joined the Company as CEO following a nine-year career at BAE Systems, Inc. (“BAE”), a multinational subsidiary of BAE Systems plc, the London Stock Exchange-listed defence and security company with a market capitalisation of approximately £19 billion. Ms. Million rose up through the ranks at BAE and until recently led BAE’s Global Access Program, a program centered around the identification and development of export opportunities for small and medium-sized Australian enterprises. Prior to assuming this industrial strategy role, Ms. Million supported market development and new business capture for BAE by leading activities related to teaming, joint research, intellectual property licensing and transfer, and other industrial issues. Ms. Million holds a BBA (Corporate Finance and Investments) from East Tennessee State University and has completed professional programs at University of Virginia (Procurement and Contracts Management) and at Stanford University (Strategic Decision and Risk Management).
- *Alexander Blyskun* has commenced his role as CTO. Mr. Blyskun is a signal processing and communications systems expert with over 10 years’ experience with major defence industry participants. Until recently, Mr. Blyskun was a Senior Systems Engineer with Northrop Grumman Corporation (“Northrop Grumman”), the U.S.-based and NYSE-listed defence contractor with a market capitalisation of approximately US\$60 billion. At Northrop Grumman, Mr. Blyskun launched and led a major U.S. Department of Defense electronic warfare systems program as the technical lead and chief system architect. His prior roles include those as wireless systems engineer at TrellisWare Technologies, a spin-off of global communications company Viasat; digital signal processing engineer at the large multinational defence company Thales; and unmanned aircraft system engineer at the U.S. Air Force Institute of Technology. He holds a B.S. from Penn State and an M.S. from UCLA in Electrical Engineering with a focus on Signal Processing and Communications Theory.

Finance

- Cash receipts from customers for the quarter were \$187,584, down from \$227,754 in the previous quarter ended 31 December 2017.
- As at 31 March 2018, Aquabotix had a cash balance of \$2,519,430 as outlined in the accompanying Appendix 4C.
- As at 31 March 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	Performance Shares issued during the period	Performance Shares converted to UUV shares during the period	Performance Shares cancelled during the period	Performance Shares on issue at end of period
	(A)	(B) ¹	(C)	(D)	(A)+(B)-(C)-(D)
Class A ²	15,000,000	0	0	0	15,000,000
Class B ³	15,000,000	0	0	0	15,000,000
Class C ⁴	15,000,000	0	0	0	15,000,000
Total	45,000,000	0	0	0	45,000,000

Further Information

Brendan Martin - 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 and networked underwater cameras for commercial, high-end consumer and military applications. It is also one of very few companies worldwide offering commercially-available hybrid underwater drones, which are capable of both autonomous and remote operation. The Company owns the intellectual property in a range of unmanned underwater vehicles and underwater camera products and is an early-mover in a nascent industry.

¹ Performance Shares were issued to all pre-IPO shareholders.

² 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).

³ 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).

⁴ 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")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A	Year to date (3 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	187,584	187,584
1.2 Payments for		
(a) research and development	(209,886)	(209,886)
(b) product manufacturing and operating costs	(196,400)	(196,400)
(c) advertising and marketing	(47,399)	(47,399)
(d) leased assets	-	-
(e) staff costs	(665,086)	(665,086)
(f) administration and corporate costs	(460,449)	(460,449)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8,044	8,044
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(8,114)	(8,114)
1.7 Government grants and tax incentives	2,000	2,000
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,389,706)	(1,389,706)

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

3.	Cash flows from financing activities		
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	-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (3 months) \$A
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,887,828	3,887,828
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,389,706)	(1,389,706)
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)	-	-
4.5	Effect of movement in exchange rates on cash held	21,308	21,308
4.6	Cash and cash equivalents at end of quarter	2,519,430	2,519,430

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	1,006,188	2,887,828
5.2	Call deposits	1,513,242	1,000,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,519,430	3,887,828

6. Payments to directors of the entity and their associates

**Current quarter
\$A**

6.1 Aggregate amount of payments to these parties included in item 1.2

332,835

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

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

**Current quarter
\$A**

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

8. Financing facilities available
Add notes as necessary for an understanding of the position

**Total facility
amount at
quarter end
\$A**

**Amount drawn
at quarter end
\$A**

8.1 Loan facilities

-

-

8.2 Credit standby arrangements

-

-

8.3 Other (please specify)

-

-

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.

9.	Estimated cash outflows for next quarter	\$A
9.1	Research and development	100,000
9.2	Product manufacturing and operating costs	100,000
9.3	Advertising and marketing	50,000
9.4	Leased assets	-
9.5	Staff costs	700,000
9.6	Administration and corporate costs	250,000
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	1,200,000

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
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: 30 April 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.