

Appendix 4E Preliminary Final Report

For the year ended 31 December 2020

UUV Aquabotix Limited

1. Company details

Name of entity:	UUV Aquabotix Limited
ABN:	52 616 062 072
Reporting period:	For the year ended 31 December 2020
Previous period:	For the year ended 31 December 2019

2. Results for announcement to the market

	Up/Down	% Movement		AUD\$000
Revenues from ordinary activities	Up	42%	to	457,767
Loss from ordinary activities	Down	44%	to	(1,347)
Loss for the year	Down	45%	to	(1,324)

Commentary related to the above results

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. Refer to notes 1(c) and note 4 for further information on the financial impact of the de-consolidation.

3. Dividends

No dividends are being proposed or have been paid.

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

Name of entity:	Aquabotix Technology Corporation
Date of loss of control:	23 December 2020

	31 December 2020 \$000	31 December 2019 \$000
Contribution to profit or loss during the period	(896)	(1,324)

5. Net tangible assets

	31 December 2020 cents	31 December 2019 cents
Net tangible asset backing per ordinary share	0.03	0.05

Preliminary consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	31 December 2020 \$	31 December 2019 \$
Revenue	3	457,767	322,166
Cost of goods sold		(286,707)	(119,298)
Gross profit		171,060	202,868
Other income	3	71,951	8,652
Gain on deconsolidation of subsidiary	4	228,071	-
Expenses			
General and administrative expense		(1,557,113)	(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		(32,108)	(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		-	-
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 period		(1,324,227)	(2,423,438)
		Cents	Cents
Basic loss per share	7	(0.001)	(0.75)
Diluted loss per share	7	(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.

Preliminary consolidated Statement of Financial Position

	Note	31 December 2020 \$	31 December 2019 \$
ASSETS			
Current assets			
Cash and cash equivalents		911,323	260,254
Trade and other receivables		37,265	91,204
Inventories		-	109,834
Total current assets		948,588	461,292
Non-current assets			
Property, plant and equipment		-	32,752
Total non-current assets		-	32,752
Total assets		948,588	494,044
LIABILITIES			
Current liabilities			
Trade and other payables		226,192	169,245
Employee benefits		-	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			
Share capital	5	13,779,012	12,065,190
Reserves	6	1,216,443	1,162,212
Accumulated losses		(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.

Preliminary consolidated Statement of Changes in Equity

	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 income/(loss) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,324,227)</u>	<u>(1,347,290)</u>
<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	<u>13,779,012</u>	<u>1,216,443</u>	<u>-</u>	<u>(14,273,059)</u>	<u>722,396</u>
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 period	<u>-</u>	<u>-</u>	<u>(14,174)</u>	<u>(2,409,264)</u>	<u>(2,423,438)</u>
<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	<u>12,065,190</u>	<u>1,139,149</u>	<u>23,063</u>	<u>(12,948,832)</u>	<u>278,570</u>

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

Preliminary consolidated Statement of Cash Flows

	31 December 2020 \$	31 December 2019 \$
Cash flows from operating activities		
Receipts from customers	511,706	320,245
Payments to suppliers and employees	(1,440,131)	(2,327,444)
Net cash flows used in operating activities	(928,425)	(2,007,199)
Cash flows from investing activities		
Purchase of plant and equipment	-	-
Net cash flows used in investing activities	-	-
Cash flows from 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	-	(90,006)
Net cash flows provided by financing activities	1,598,969	1,549,725
Cash and cash equivalents at beginning of period	260,254	704,377
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	-	13,351
Cash and cash equivalents at the end of the financial year	911,323	260,254

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

Notes to the Financial Statements

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) Basis of preparation

The preliminary final report has been prepared in accordance with the ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report has 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").

The financial statements have been prepared on an accruals basis under the historical cost convention.

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

(b) New or amended Accounting Standards and interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

(c) 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 4 for further details on the effect of the deconsolidation on the financial statements.

(d) 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 Company 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 Company 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 Company's former subsidiary Aquabotix Technology Corporation
- the Company had net current assets and net assets of \$722,396 including cash and cash equivalents of \$911,323 as at 31 December 2020;
- the Company 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.

1. Summary of Significant Accounting Policies (continued)

(e) Going Concern (continued)

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.

2. 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 31 December 2020	USA \$	Australia \$	Elimination \$	Total \$
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)

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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3. Revenue

Revenue from contracts with customers

Sale of goods	457,767	285,013
Rendering of services	-	37,153
	<u>457,767</u>	<u>322,166</u>

Other revenue

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

Total revenue	<u>529,718</u>	<u>330,818</u>
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4. 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)
	<u>(73,451)</u>
Derecognition of liabilities	
Trade and other payables	156,727
Unearned income	69,312
Borrowings	98,546
	<u>324,585</u>
Net assets de-consolidated	<u>251,134</u>
Impact of de-consolidation on net profit before income tax	228,071
Foreign currency translation reserve	23,063
Net assets de-consolidated	<u>251,134</u>

5. Issued equity

	Note	No. of shares	\$
Opening balance at 31 December 2019		516,984,204	12,065,190
Placement – January 2020	(a)	77,500,000	77,500
Placement – March 2020	(b)	87,500,000	87,500
Placement – April 2020	(c)	59,375,000	47,500
Rights issue – July 2020	(d)	1,583,822,997	1,583,823
Shares issued in lieu of payment for services	(e)	6,000,000	6,000
Shares issued in lieu of Director's fees	(f)	16,387,300	37,500
Shares issued on conversion of options	(g)	333,334	333
Shares issued to CEO in lieu of salary	(h)	28,164,771	31,546
Shares issued to employees in lieu of salaries	(i)	12,307,205	12,307
Capital raising costs		-	(170,187)
Balance at 31 December 2020		2,388,374,811	13,779,012

Note (a) Issue of 77,500,000 shares at \$0.001 to Azalea Consulting Pty Ltd (an entity associated with Winton Willesee and Erlyn Dale)

Note (b) Issue of 87,500,000 shares at \$0.001

Note (c) Issue of 59,375,000 shares at \$0.0008 to Azalea Consulting Pty Ltd (an entity associated with Winton Willesee and Erlyn Dale)

Note (d) Issue of 1,583,823,000 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 (e) 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 (f) 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 (g) 333,334 options exercised at \$0.001

Note (h) Issue of 28,164,771 shares to Whitney Million (a former Chief Executive Officer) at \$0.00112 in lieu of salary of \$31,546

Note (i) Issue of 12,307,205 shares to employees in lieu of salaries and entitlements of \$12,307

6. Reserves

	Options reserve \$	Foreign exchange reserve \$
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)
Balance at 31 December 2020	1,216,443	-

7. 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
(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.

8. 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.

9. Events after the reporting date

The impact of the COVID-19 pandemic is ongoing 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.

10. Compliance statement:

- ☐ The accounts have been audited
- ☐ The accounts have been subject to review
- ☒ The accounts are in the process of being audited or subject to review
- ☐ The accounts have not yet been audited or reviewed

11. Description of any likely audit qualification

The Audit Report is not expected to contain any qualifications.



Winton Willesee

Director

26 February 2021

Corporate Information

Directors

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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Corporate Governance Statement: <https://www.aquabotix.com/investors.html>

Auditors

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Level 13, 60 Castlereagh Street
Sydney, NSW 2000

Share Registry

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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.