



**HARVEST TECHNOLOGY GROUP LIMITED**

# **STATUTORY REPORT**

## **JUNE 2021**

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# Directors Report



The Directors present their report together with the financial statements of Harvest Technology Group Limited ("Company") and the entities it controls (together, "the Group") for the financial year ended 30 June 2021. To comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

## Directors Details

The names of Directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

### CHAIRMAN & INDEPENDENT NON-EXECUTIVE DIRECTOR – JEFFREY SENGLMAN

Jeffrey Sengelman DSC AM CSC MAICD is a retired Major General in the Australian Defence Force, with a distinguished career spanning almost 40 years, most recently as Special Operations Commander, Australia.

He has been a trusted senior adviser to both Government and the Chief of the Defence Force on security issues of national significance, and a principal adviser on Counter Terrorism.

Jeffrey holds a Bachelor of Arts, a Master of Arts in International Relations and a Master of Arts in Strategic Studies and is a graduate of the Australian Command and Staff College, United States Army War College and a Fellow of the Harvard Kennedy School of Government.

Interests in shares:	500,000 fully paid ordinary shares
Interests in performance rights:	500,000 Class B Performance Rights
	500,000 Class C Performance Rights

### EXECUTIVE DIRECTOR – PAUL GUILFOYLE

Paul Guilfoyle is a motivated leader with a reputation for turning vision into reality and has the ability to identify and enable threads of opportunity to bring together strategic partners. This has earned him the respect of, and a seat at the table, with key industry players.

Paul is very much a people-centred individual and is distinguished by his talent for creating and investing in highly engaged teams. A great believer in thinking outside the box, he is an enabler of innovation and inspires team members to extend their thinking beyond current practice.

Having been involved in a number of senior roles throughout his career and with a proven track record in business transformation, he is well-versed in spearheading strategic shifts within an organisation to drive future competitive advantage and profit performance, and ensure Clients receive quality service.

Interests in shares:	33,337,846 fully paid ordinary shares
Interests in performance rights:	11,000,000 Class 2 Performance Rights
	13,200,000 Class 3 Performance Rights

### NON-EXECUTIVE INDEPENDENT DIRECTOR – MARCUS MACHIN

A law graduate of Cambridge University, Marcus Machin has extensive international experience in finance, shipping and oil and gas. Based in Dubai for the past 25 years, initially as the Finance Director for a major regional participant in oil services, engineering, vessel-owning and investment, Marcus established arabCapital in 2000 as a corporate finance and advisory practice focused primarily on the international shipping and oil services sectors.

Since 2000, arabCapital has worked in association with the Tufton Oceanic Finance Group (Tufton) London, a finance house focused on shipping and oil services and together with Tufton has concluded over US\$1.0 billion of institutional investments in managed investment fund vehicles.

Interests in shares:	15,203,864 fully paid ordinary shares
Interests in performance rights:	2,500,000 Class 2 Performance Rights
	3,000,000 Class 3 Performance Rights

#### **NON-EXECUTIVE INDEPENDENT DIRECTOR – ROD EVANS**

Rod is an experienced company director and has been involved in successful start-ups, turnarounds and business growth across medium and large-scale businesses. Rod currently chairs the boards of Cranecorp Australia, a crane services business, and Ashburton Assurance Australasia, a quality assurance audit business. He has held previous board positions in civil, financial services, water supply, venture capital and community not-for-profit.

Rod has held a range of executive roles in strategy and investment, including Managing Director of an ASX listed venture capital provider, senior executive roles in corporate strategy with Alinta Limited and Neptune Marine Services Limited. He has also headed the resource sector investment attraction program for the Western Australian Government. He is currently the principal of The Ideas Factory Australia, a specialist ideation and strategy business. During his career Rod has worked on mergers, acquisitions and new initiatives in Australia and overseas with values up to AUD\$20 billion.

Interests in shares:	3,047,553 fully paid ordinary shares
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#### **NON-EXECUTIVE INDEPENDENT DIRECTOR – STUART CARMICHAEL**

Stuart Carmichael has extensive international corporate advisory, mergers and acquisitions, and operational experience. Mr Carmichael held various senior executive leadership positions with UGL, DTZ, AJG, and KPMG Corporate Finance. He has extensive corporate and operational experience across multiple geographies having lived and worked in the US, UK, Europe, the Middle East and Australia.

Stuart's sector experience includes the construction, transportation and logistics, facilities management, corporate real estate and professional services sectors. He graduated from the University of Western Australia with a Bachelor of Commerce degree, majoring in Accounting and Finance and is a qualified Chartered Accountant.

Stuart was appointed as a Non-Executive Independent Director on July 8, 2021.

Other company directorships:

- Non-Executive Chairman - Schrole Limited (ASX:SCL)
- Non-Executive Chairman - K-TIG Limited (ASX:KTG)
- Non-Executive Director - De.mem Limited (ASX:DEM)
- Non-Executive Director - ClearVue Technologies Limited (ASX:CPV)
- Non-Executive Director - Swick Mining Services Limited (ASX:SWK)
- Non-Executive Director - Osteopore Limited (ASX:OSX)

Interests in shares:	601,720 fully paid ordinary shares
Interests in performance rights:	750,000 Class 2 Performance Rights
	900,000 Class 3 Performance Rights

## Company Secretaries

Joel Ives was appointed to the role of Company Secretary on 30 November 2020, with Brett Tucker resigning on that date.

## Board Meetings and Attendance

The Board is required to meet a minimum of 6 times per year. Directors are required to allocate sufficient time to perform their responsibilities effectively, including adequate time to prepare for Board meetings.

During the reporting year, the Board met 11 times. The number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

	Full meetings of Directors	Meetings of Audit & Risk Management Committee
Director	No. of meetings attended	No. of meetings attended
Jeff Sengelman	11	2
Paul Guilfoyle	11	2
Rod Evans	11	2
Marcus Machin	11	2
Stuart Carmichael <sup>(1)</sup>	-	-

<sup>(1)</sup> Appointed as a director after year end

## Principal Activities

The principal activities of the entities within the Group during the year were the:

- provision of offshore solutions and engineering services for subsea intervention projects and asset integrity risk mitigation
- development and delivery of proprietary software, products and services enabling the secure encrypted transfer of data, including high-fidelity video and audio, from anywhere via satellite or congested networks at ultra-low bandwidths.

The above products and services are provided primarily to the Energy sector.

There have been no significant changes in those activities during the year.

## Review of Operations

Key priorities for the Group during FY2021 were to build on momentum with a new pipeline of vessel projects, delivery of the Group Strategic Plan, achievement of milestones in the product development roadmap, establishment of development agreements with established key global players, and a targeted expansion of the US subsidiary to capitalise on available opportunities, each driven by a focus on revenue growth and ongoing diversification of customer base. Main highlights of FY2021 include:

- Release of Three-Phase Corporate Strategic Plan
- Group entered a tripartite global marketing alliance with Inmarsat Enterprise (Inmarsat) and Applied Satellite



#### Technology Group (AST)

- Establishment of the Company's wholly owned US subsidiary, Harvest Technology Group, Inc., and appointment of Andy Lowery as US regional lead
- Integration of Infinity remote communications platform into Unmanned Aerial Vehicles (UAV) (drones)
- Infinity product suite expanded to include RemTeq™ for agnostic remote-control operations from anywhere in the world
- Group recognised as an ABA100® Winner for Technology Innovation in The Australian Business Awards 2020 for its Infinity Remote Inspection System (RIS)
- Interim agreement established with Iristick NV to commence proof of concept trials for integration of the Infinity Nodestream and Wearwolf™ technology into Iristick's industrial smart glasses
- Engagement of Chief Customer Officer and Head of Regional Sales to drive Customer Experience team
- Group selected as Key Supplier for Nodestream technology on Ocean Infinity's largest oceangoing robotic fleet in the world
- World first 8-Channel Remote Inspection System (RIS) Encoder integrated to Fugro Australia Marine Pty Ltd (Fugro) USV
- Execution of lease agreement and completion of fit out for purpose-designed central innovation hub at Technology Park WA
- Successfully raised \$7.6 million via a private Placement
- Engagement of Chief Technology Officer - Software to drive Research and Development
- Acquisition of U.S. based software-as-a-service (SaaS) company SnapSupport Inc.

### Corporate Strategic Plan – Delivering on Promise

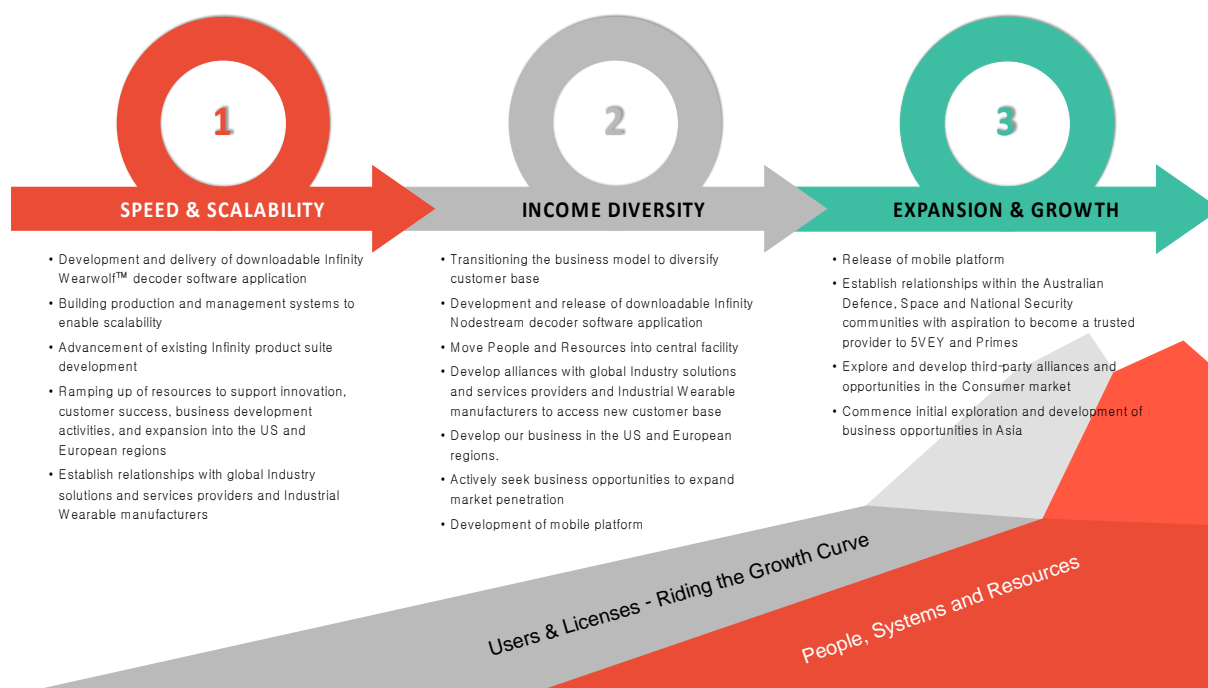
The Group presented its Three-Phase Strategic Plan launched to the market in October 2020 and since then has been focused on implementation of the steps required for a global roll-out of its leading-edge technology. Phase 1 of the strategic plan is on track and the objectives within this phase are being met or exceeded. The Group is confident of moving to Phase 2 before the end of 2021.

The plan includes the following three (3) phases:

- Phase 1 – Improving speed to market and setting course for scalability
- Phase 2 – Establishing income diversity
- Phase 3 – Expansion and growth

These phases are underpinned by a series of synchronised implementation plans that address the challenges of successfully growing an organisation, transitioning to new markets and sectors as well as significantly scaling up for growth. The strategy uses a conditions-based methodology to ensure that the foundations for success are established before proceeding onto more ambitious phases thereby reducing risk, cost, and complexity.

Phase 1, which is in progress and due for completion in the second half of 2021, focuses on significantly improving the speed to market for new applications and building production and management systems to enable scalability. Emphasis has been placed on development of global alliance and sales opportunities and the ramping up of resources to support innovation, business development, and expansion into the U.S. All conditions for this phase remain on track to be successfully achieved, which will allow the Group to commence Phase 2 with high confidence. Phase 2 seeks to deliver significant growth in revenue and diversified income streams.



Phase 1 conditions involve:

- Development and delivery of downloadable Infinity Wearwolf™ decoder software application
- Building production and management systems to enable scalability
- Advancement of existing Infinity product suite development
- Ramping up of resources to support innovation, customer success, business development activities, and expansion into the US region
- Establishment of relationships with global Industry solutions and services providers and Industrial Wearable manufacturers
- Establishment of central facility

Phase 2 is focused on income diversity by transitioning the business model away from its current majority focus on energy and resources sectors services by rapidly expanding commercial opportunities and developing elevated sustained levels of Annual Recurring Revenue (ARR).

Phase 3 of the plan will see the Group continue to transition the business model and have income producing operations in US, whilst establishing a presence in Europe and Asia. The Group will be seen as a trusted and reliable provider of quality services internationally and will seek to move into the consumer-based market, with development of key third-party relationships in this arena.

## Expansion into the US Region

The Group is targeting global expansion to capitalise on growth in demand for high quality video, data, audio communication and remote-control solutions. In keeping with its strategic plan, the Group announced on September 11, 2020, that Andy Lowery had been appointed as the Group's regional lead in the United States to drive growth across US based industry verticals and contribute to the global business strategy. The incorporation of the Group's wholly owned US subsidiary, Harvest Technology Group Inc. (HTG Inc.) was completed on October 21, 2020. In the same month, Andy was further appointed as President and Director of HTG Inc.

Resources have been engaged to support and implement processes to manage the operations, finance, commercial, legal, and product centric functions of the business. Recruitment for a local customer experience team is planned for the second half of 2021.



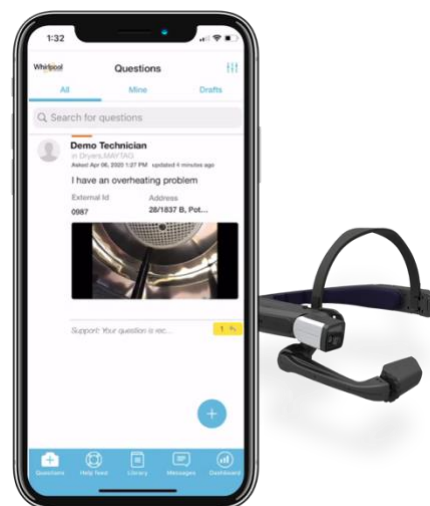
On 15 June 2021, the Group purchased Silicon Valley-based software-as-a-service (SaaS) company SnapSupport. The Group's U.S. entity then initiated the integration of SnapSupport, Inc. into the business to provide the basis for regional revenue. Discussions have now commenced with select hardware partners, resellers, and customers.

## Acquisition of SaaS Product

The Group executed a formal Stock Purchase Agreement (SPA) to acquire SnapSupport Inc. on June 15, 2021 (Acquisition).

SnapSupport leadership, operations and technical personnel are being integrated into the Group, paving the way for the Group to continue its strategic objective of accelerating a SaaS-based business model and expanding access into the U.S. and other international growth markets with its ground-breaking technology.

SnapSupport has commercially viable solutions that are already proven, fit-for-purpose and can quickly harness the advantages of the Group's livestreaming capability. At the core of Harvest's proven Network Optimised Livestreaming technology is the ability to securely deliver high-definition, real-time voice, video, and data over ultra-low bandwidth from remote locations where connectivity is often congested or absent.



The Group's opportunity to enhance communication for those working in remote environments is complemented by SnapSupport's SaaS-based mobile platform, enabling hands-free inspections, real-time collaboration with experts, and viewing of performance data from connected equipment.

SnapSupport currently supports large-scale global customers with over 900 active users and will provide the Group with a fast and cost-effective pathway to speed-up the global rollout of its SaaS business model. Demand for SnapSupport solutions continues to grow and expand into new market sectors with the recent execution of a contract with UK-based global medical devices company Spectrum Medical Ltd (Spectrum), involving the deployment of the SnapSupport application to 2,000 clinicians across multiple hospitals worldwide. Users of Spectrum devices will now be able to resolve questions faster with live mobile chat features enhanced with video and photo capabilities, alongside a real-time connection to product experts automatically assigned by the app based on geographic location, expertise, and availability. The Spectrum contract opens the healthcare segment for SnapSupport, joining the ongoing focus on telecommunications, manufacturing, utility, and other industrial customers.

Consideration for the acquisition was in the form of AU\$2,597,403 worth of fully paid ordinary HTG shares to be paid in two tranches (refer ASX announcement June 15, 2021).

## Innovation Hub

In February 2021, the Group entered into a non-binding Heads of Agreement to establish an innovation hub at Technology Park, Bentley, Western Australia, to centralise its corporate and technology operations. At the start of April 2021 lease negotiations were finalised, and an agreement executed for a 7-year lease, with a 5-year option.

The premises for the Group's new base of operations is purpose designed and developed to support continued growth in resources whilst validating its commitment to its people by creating a campus-style setting to foster innovation and development. It boasts high security and workspaces for software and hardware development, testing, and collaboration, enabling the Group to bring products to the market more efficiently.

Fit out of the premises commenced almost immediately following signing of the lease, with Buildwell Group contracted to conduct the refurbishment. Practical completion took place in the last week of July, paving the way for a staggered move from the existing facilities to the new hub. The Group was centrally located at the new premises during August 2021.

## Technology Innovation and Delivery

The COVID-19 global pandemic continued to have a positive effect for the Infinity suite of products as the need for remote communication increased, and the concept of 'working-from-home' became the new norm due to ongoing border closures and travel restrictions. The second half of 2020 was a busy period, with Infinity technology attracting an increase in interest from global market players.

In July 2020, the Harvest Infinity platform was expanded to include integration of UAV feeds to the Infinity Wearwolf™ wearable device. The integration is industry agnostic and can be operated under license to allow for mission-critical live video to be streamed directly from a UAV via a pilot operator wearing an Infinity Wearwolf™ headset. Two-way audio transmission is standard, and the system is designed specifically for remote applications that primarily require satellite connectivity, however, is capable of being used on any network.

The Infinity product range was extended to include RemTeq™ for remote control operations. RemTeq™ is a remote-control platform enabling the physical separation of control systems from machines or robots, allowing them to be controlled from anywhere in the world. This system is designed to be industry agnostic for interface control of remote robotic systems and has immediate application in the disconnected control of subsea remotely operated vehicles (ROV) and UAV's. Further applications include remote mining surveillance, agtech robotics, command centre deployments, space exploration and space craft management operations.

On July 30, 2020, utilising a low bandwidth satellite connection on the Inmarsat network, RemTeq™ successfully controlled a Blue Robotics Inc. "Blue ROV" deployed subsea 50km off the coast of Perth, from the onshore command centre located in Malaga, Western Australia. Control was achieved with a 40 kbit/s connection including an introduced latency of three (3) seconds and encompassed the ability for both thruster and manipulator command during subsea operation.

After further development of the RemTeq™ system, a successful trial was carried out during December 2020 for the control of an UAV conducting an overhead power line inspection in Western Australia. Group continues the development of an integrated system that will see the combination of the RemTeq™ and Nodestream technology, along with a compact satellite terminal, directly onto an Unmanned Aerial Vehicle (UAV).

In conjunction with Inmarsat Aviation and TTP plc, the Group commenced specific UAV trials with a mobile satellite terminal specifically designed for aviation. The trials include local and remote control of a UAV and will see the combination enabling high-quality video and control of the UAV from anywhere in the world using bandwidths under 200kbps on the Inmarsat satellite network. The trials are scheduled to conclude mid-2021.

The Infinity Nodestream Downloadable Decoder Application (Application) was released in trial version in February 2021 further expanding the Group's Remote Communication Platform (RCP). The RCP is the backbone of the Harvest Infinity suite of products for connected devices.

The Application is a software application that uses embedded software to offer existing and new clients the opportunity to decode and deliver high-quality, secure encrypted video and audio over ultra-low bandwidth satellite point-to-point communications from anywhere in the world directly to a user's desktop or laptop computer, without the need for any additional decoder hardware.

The Application was initially released for trial on Windows operating system (OS) and development for Mac OS was undertaken during February 2021 with Nodestream Mobile App development expanded to Android and iOS in March 2021.

During March 2021, the proof of concept for the integration of the Nodestream and Wearwolf™ technology into Iristick's industrial smart glasses was undertaken. Iristick is a technology company creating industrial smart safety glasses to support the digital transformation of enterprises. The final commercial product will communicate point-to-point with Nodestream decoding devices and the Application, which will run on laptops and desktop computers.

On June 1, 2021, former National Security Agency (NSA) Red Team Operations Officer and Technology Executive, Patrick Neise, joined the leadership team at Harvest to oversee the technology development roadmap for the group. Patrick's key focus as the Chief Technology Officer – Software will be to create a technology vision for the group and acquire the right talent in a highly competitive market as the Group moves into the cloud-native space and starts developing solutions for specific vertical markets. Work has commenced on unifying software

development environments and processes, defining and incorporate product and feature selection processes within the group and identifying and establishing level 1 and 2 support functions for group products.

Due to the high quality of streamed video over ultra-low bandwidth, it has become a normal requirement in many offices and customers are wanting additional features from their stream. Artificial Intelligence (AI) features such as alerts for personnel accessing exclusion zones or machine learning to get the best performance from their equipment is constantly requested. Harvest is working with several camera manufacturers to enable a variety of AI features compatible with the Infinity Nodestream encoder systems. Nodestream systems are manufactured with hardware enabling future proofing for upgrades with developing features as the technology is created.

## Innovation Award

In early October, the Group was selected as an ABA100® Winner for Technology Innovation in The Australian Business Awards 2020 for its Infinity Remote Inspection System (RIS). The award for Technology Innovation recognises products and services that provide innovative technological solutions for new and existing market needs. The Group's Collaboration Partner Fugro Australia Marine Pty Ltd (Fugro) offers the RIS under license as the 'Fugro neXt Remote Operations' for subsea inspection in offshore oil and gas. Fugro has an ongoing partnership with Australian telecommunications company Telstra to support the remote operations at the Remote Operations Centre (ROC) located at the International Telecommunications Centre in Gnangara, Western Australia.

## Customer Experience

In February 2021, the Group engaged David Fosberg as Chief Customer Officer to lead its Customer Experience team.

David was previously Co-Founder and Chief Marketing Strategist for Market Rhythm, a global marketing and creative agency with offices in the U.S. and Asia servicing top Fortune 500 technology companies. He was also VP Sales & Marketing for Samsung Electronics and held similar leadership positions with Intel and Dell, where his roles spanned from cloud computing, wireless, open source, SaaS, and smart devices.

The Group also welcomed its new Head of Regional Sales for the APAC region, Richard Coston, in March 2021. Richard has substantial experience in senior sales within the communications and satellite markets and was previously with AST Australia for 14 years. He is well-known and reputable throughout the industry and is a confident and enthusiastic addition to the team.

Key to realising the transition to diverse income streams in Phase 2 of the Strategic Plan, the Customer Experience team has been developing marketing and communications strategies to provide a framework to focus resources on identifying customer and partner targets, generating revenue and maintaining competitive advantage.

In May 2021, Loud Whispers LLC., a global consulting firm specialising in strategic communications and change management, was retained by the Group to provide public relations and communications content and programs to support marketing imperatives.

In addition to these initiatives, work is underway on the redevelopment of the Group website with the intent of providing a better user experience and driving increased awareness of its products and technology. The Group released its first digital newsletter in 2021 focused on sharing insights into its unique vantage point on the evolving remote operations landscape, key developing trends, and backstories on team members leading growth and innovation.

## Customer Growth & Global Relationships

The COVID-19 global pandemic continued to have a positive effect for the Infinity suite of products as the need for remote communication increased, and the concept of 'working-from-home' became the new norm due to ongoing border closures and travel restrictions. As the Group moved through FY2021, its customer base continued to increase and diversify beyond oil and gas and into education, mining, marine, satellite services and construction.



In September 2020, the Group entered a global marketing alliance for ultra-low bandwidth remote monitoring solutions with Inmarsat, the world leader in global, mobile satellite communications and AST Group, a global leader in satellite and radio communication systems. The alliance provides the Group access to the satellite communications infrastructure and tools to enable the transmission of high-quality synchronised video and audio over ultra-low bandwidth to provide the services required to remotely monitor assets, coordinate site surveys and conduct maintenance operations across the resources, energy and utilities sectors.

In late 2020, the Group engaged in discussions with Speedcast with a view to entering a global reseller arrangement for the Infinity suite of products. An agreement is currently under negotiation. Speedcast is the largest remote communications provider in the world, with more satellite capacity than any other service provider combined across an extensive multi-technology terrestrial and offshore network. Speedcast has been evaluating Harvest's Network Optimised Livestreaming solution from its U.S. office, and subsequently showcasing the service to several energy operators.

In March 2021, the Group was selected by Ocean Infinity as a key supplier for the supply and integration of its Infinity Nodestream technology to the first unmanned surface marine robot (USV) in its Armada fleet. A 12-Channel Encoder and Decoder were delivered for installation on the first Ocean Infinity Unmanned Marine Surface Robot (USV). Another world-first, the 12-Channel system offers a robust compact 1U rack mounted device for simultaneously encoding twelve (12) channels of video and audio in a single system transmitted at ultra-low bandwidth.

Ocean Infinity, an American marine robotics company based in Austin, Texas, U.S and Southampton, U.K., is currently building the world's largest fleet of unmanned marine surface robots. The planned USV's will deploy submersible robots capable of depths ranging to 6,000 metres that are remotely controlled via land-based command centres thousands of kilometres away.

Also in March 2021, the Group integrated a world-first 8-Channel Remote Inspection System (RIS) Encoder into Fugro's new Unmanned Surface Vessel (USV) "Maali". This encoder is specifically designed to interface directly into the existing Infinity RIS technology stack at the Remote Operations Centre located at the Telstra International Telecommunications Centre in Gnangara, Perth, Western Australia. The USV has successfully completed its first project conducting an inspection of a subsea pipeline for Woodside Energy near Dampier, off the northwest shelf of Western Australia. The 8-Channel encoder provided eight HD video streams back to a remote-control centre

and more importantly is compatible with the Infinity RIS (Remote Inspection System) thus can be streamed to any of Fugro's remote centres fitted with the Harvest RIS systems.

In May 2021, Harvest undertook a demonstration of the 8-channel Nodestream system with the Department of Defence (DOD). The demonstration spanned three states, covering land, sea and air, involving the MV Sycamore in NSW, Unmanned Aerial Devices (UAV) in WA, and command and control located in ACT. The demonstration was a success resulting in the DOD becoming a trial customer supported by their defence commercial shipping contractor, Teekay Shipping Australia.

The acquisition of SnapSupport in June 2021 adds an existing customer base of more than 900 active users, including Universal Communications Group (NZ) and Stora Enso, and will provide the Group with a fast and cost-effective pathway to speed-up the global rollout of its SaaS business model. Demand for SnapSupport solutions continues to grow and expand into new market sectors with the recent execution of a contract with UK-based global medical devices company Spectrum Medical Ltd (Spectrum), involving the deployment of the SnapSupport application to 2,000 clinicians across multiple hospitals worldwide.

Satellite airtime has been a priority with ongoing trials for Inmarsat over Cobham's Aviator UAV 200 onboard Harvest and Omnidrone UAVs. Private and medical flights have also been of interest with the requirement for high-quality video and audio required from private corporate aircraft and the Royal Flying Doctor Service. Proof of concept to be scheduled during the latter half of 2021.

Harvest has also been accepted onto Inmarsat's Application Solution Providers programme (ASP) within the Enterprise Business Unit, demonstrating further collaboration with leading industry satellite operators, and building value around their BGAN and Land Express (LX) service. This will create further awareness of Harvest solutions with Inmarsat's customers and distribution partners globally.

Harvest has been working with Iristick's Australian distributor, Gass Group, in alignment with Pivotal Satellite and Rajant Industrial Wi-Fi, which, combined can provide a start-to-finish solution for customers needing wearable solutions in remote satellite locations, utilising cost effective ultra-low bandwidth with the Infinity Wearwolf™ application. Together this collaboration can provide all devices required to cover anything from a small factory to a manufacturing plant anywhere in the world.

Infinity products were a focus for remote Australian areas in a development scope with Ecoquip Australia. Ecoquip provide zero carbon solar panel powered trailers for communication and lighting throughout Australia and are extremely interested in tackling any area where there is a requirement for communications or video streaming solution. The trailers have enough power and space to accommodate a range of custom solutions for camera and satellite systems to meet customer monitoring requirements in the most remote locations.

The AVR2 continues to prove itself as a stable product for the Oil and Gas market with many construction and inspection companies securing contracts for AVRLive streaming. AVRLive technology offers a live video stream from as low as 64kbps, providing the required levels of clarity for managers, clients, and inspectors to carry out their jobs without the need to be physically present on an offshore vessel or facility. AVRLive streaming is cost saving and ensures project schedules are not disrupted or delayed.

## Capital Raise

In May 2021, the Group undertook another successful equity raise for \$7.6m AUD, before costs, via a share placement to institutional and sophisticated investors (Placement) (refer ASX announcement May 3, 2021). The placement providing the Group with funds to continue its Three-Phase Strategic Plan.

Net proceeds from the Placement are being used to support the Group's aggressive growth strategy, in particular accelerating expansion in the US, planned software and product development initiatives, ramping up of resources to support innovation, customer base expansion and establishment of new global partner alliances to further increase market penetration, as well as ongoing working capital requirements.

The Placement was completed at an issue price of \$0.32 per share and 23,842,185 new fully paid ordinary shares.



## People & Systems

Investing in innovation is fundamental to the Group achieving all phases of the Strategic Plan. Step changes in technology are driven by teams of talented, committed, and high-performing people. It has been a key focus during 2020 and 2021 to recruit product and software developers and engineers to optimise and achieve the milestones of the Product Development Roadmap. Given the current employment market and the increased need for technology during the COVID-19 pandemic, sourcing the right people has not been without its challenges.

The need for corporate services to support innovation and development has also increased, with engagement of additional personnel in marketing, sales, finance, commercial, human resources, and administration. Since June 2020, the number of personnel in the Group has increased overall by 100%, with a 340% increase in software and hardware development personnel for R&D and embedded systems, and integration personnel for SnapSupport platform development.

Development and implementation of foundational systems within the business has been an ongoing focus within the business. Significant time and effort has been invested in the development of systems around quality assurance and control and compliance for product commercialisation and delivery, as well as the implementation of SAP Business By Design (SAP). SAP is a single-cloud Enterprise Resource Planning solution that connects the Group functions of procurement, inventory, project management, customer relationship management and finance, to provide a platform from which the business can easily scale and compete without complexity and high cost. This capability enables streamlining of end-to-end processes and the ability to quickly adapt to new opportunities whilst improving profit and efficiency in day-to-day operations. SAP was implemented in Australian operations in April 2021 and the US implementation is well underway.

## Marine Operations

The marine industry was hit severely during the pandemic, in particular from energy sector rescheduling and cancelling of projects initially due for completion during 2020. The VOS Shine remained in lay-up alongside Adelaide until early July 2020 to continue mitigation of the cost and risk impacts of COVID-19. During lay-up the vessel underwent annual surveys and scheduled maintenance. She was brought back into active status for mobilisation to an Inpex project in North-West Western Australia. The Shine commenced the Inpex campaign out of Dampier on August 26, 2020 and completed project demobilisation on September 17, 2020. The vessel transited to Fremantle to undertake marine assurance surveys for various oil and gas Operators and a short dry dock for stern tube changeout.

Return to work remained slow during the second half of 2020, with a number of projects pushed into 2021. As a result, the vessel was placed into cold stack in Fremantle to further mitigate continuing COVID cost impacts.

From the end of February 2021 through March 2021, the Shine (vessel) returned to work and successfully undertook an ROV support project for Santos' Ningaloo Vision in-field recommissioning.

In May 2021, the vessel was contracted by Shearwater GeoServices Singapore Pte Ltd (Shearwater) to provide support for seismic vessel "Geo Coral" during a 3D multi-sensor survey campaign located off the coast of Northwest Western Australia.

In July 2021, the Shine commenced a contract with Carnarvon Petroleum Timor Unipessoal Lda, (Carnarvon) for the provision of offshore site survey services to perform a geotechnical and geophysical scope on their Buffalo-10 field in Timor-Leste waters. On completion of the project, the vessel commenced preparations for redelivery to its Owners in Singapore in September.

## Corporate

The Annual General Meeting was held on November 10, 2020, at the Perth Convention Centre. The AGM was conducted face-to-face and supported via video conference links with remote members of the Board utilising Infinity Nodestream products to stream video from their location and demonstrate the capability of the technology to attending investors. All resolutions were passed. Due to the inability to have a normal investor roadshow due to

COVID travel restrictions, a reduced scale roadshow was held following the completion of the AGM meeting. A number of demonstrations were set up, and investors were given the opportunity to remotely control an ROV some 30km away from the meeting room. Investor feedback was exceptionally positive.

The global COVID-19 pandemic and subsequent travel restrictions imposed by government have caused disruption to the energy sector and our marine operations. Known impacts have been reflected in the Statutory Report. We will continue to assess and manage ongoing impacts of COVID-19 during FY2022.

## Operating Results and Financial Condition Review

Revenue for financial year 2021 for continuing and discontinued operations was \$8,515,970 (2020: \$11,765,947). Revenue decreased in FY2021 largely because of COVID-19 implications affecting offshore operations with cancelled/delayed projects and travel restrictions having an impact. Marine operations were stronger in the second half of the year with the completion of three work scopes during this period.

The loss for the financial year ended 30 June 2021 attributable to members of the Group after income tax was \$10,238,659 (2020: loss of \$6,149,727). The increase in the loss was reflective of the drop in revenue plus the focus in the technology business has been on the further development of the Group's proprietary remote communications technology. This research and development work has focused on embedded technology and software driven applications to increase speed to market and build a platform for future scalability. Included in the loss were some significant non-cash expense items being Amortisation of Intellectual Property (\$0.836M) and Share Based Payments (\$2.139M).

The Group had a working capital surplus of \$8,387,754 as at 30 June 2021 (2020: \$7,782,257) and had net cash outflows of \$4,549,310 for the year (2020: net cash inflow of \$9,133,914). The operational inflows were impacted by the lag in receiving funds from work scopes completed in the last half of the year and this is reflected in the Statement of Financial Position in "Trade and other receivables". Included in the outflows were the second payment tranche on the Advanced Offshore Streaming Pty Ltd acquisition of \$750,000 and net inflows of \$9,201,498 from proceeds of shares and option exercises. There were cash balances of \$6,756,988 on hand at 30 June 2021 (2020: \$11,306,298).

The share price increase from a close of 18.5c/share on 30 June 2020 to 32c/share on 30 June 2021; an increase of 73% over the 12-month period.

## Significant Changes in The State of Affairs

During the year, the Group acquired SnapSupport, Inc. for a total consideration of \$2.59M. SnapSupport, Inc. is a Silicon Valley-based Software as a Service (SaaS) company that focuses on increasing productivity for remote field workers via a mobile-based platform enabling hands-free inspections, real-time collaboration with experts, and viewing of performance data from connected equipment.

## Dividends

The Directors recommend that no dividend be paid for the year ended 30 June 2021 (2020: nil).

## Significant Events After Balance Date

As disclosed in Note 7.6, in August 2021 the Group commenced the process of the redelivery and off-hire of the VOS Shine to Vroon Offshore Services B.V. in Singapore.



## Likely Developments

During FY2022, we are continuing to target the speed to market for new applications, the U.S. expansion and the implementation of production and management systems to support global scalabilities of its leading-edge technology. We plan to also:

- Transition from Phase 1 to Phase 2 of the Group's Three-Phase Strategic Plan
- Transition the business model away from its current majority focus on energy and resources sectors by rapidly expanding commercial opportunities, diversifying customer base and developing elevated sustained levels of Annual Recurring Revenue (ARR)
- Continued growth in people, resources and systems to support scalability, with focus on R&D, business development and sales, marketing, and corporate services
- Actively seek business opportunities to expand market penetration
- Focus on intensifying innovation, research and development
- Access opportunities in US and global markets with the addition of the SnapSupport Inc. product set
- Establishment of global reseller agreement with long-term strategic partner in Satellite communication services
- Establishment of long-term strategic partner relationship with Industry Leaders in wearables sector to access new customer base
- Establishment of trusted business relationships with Australian Defence, Space and National Security communities

## Unissued Shares Under Option

At the date of this report, unissued ordinary shares of the Company under option are:

Date options granted	Number of shares under option	Exercise price of option cents	Expiry date of option
22-Nov-18	500,000	12	30-Nov-21
18-Feb-20	3,840,000	6.5	18-Feb-23
18-Feb-20	1,920,000	10	18-Feb-23
	<b>6,260,000</b>		

These options do not entitle the holder to participate in any share issue of the Company.

During or since the end of the financial year, 32,021,667 shares were issued as a result of the exercise of options (2020: 5,541,669).

No options expired or lapsed during or since the end of the reporting period.

## Performance Shares

At the date of this report, no performance shares were on issue.

17,398,710 performance shares expired or lapsed during or since the end of the reporting period (2020: 300,000).

Milestones for conversion of performance shares are detailed in note 7.1.

## Performance Rights

At the date of this report, the following performance rights were on issue:

Issue date	Expiry date	Number of performance rights
26-Apr-19	26-Apr-22	25,000,000
26-Apr-19	26-Apr-23	30,000,000
24-Jun-20	30-Jun-23	6,068,404
10-Nov-20	10-Nov-25	500,000
10-Nov-20	10-Nov-25	500,000
		<b>62,068,404</b>

These performance rights do not entitle the holder to participate in any share issue of the Company. During the financial year, 9,486,339 shares were issued as a result of the conversion of performance rights (2020: 25,000,000).

No performance rights expired or lapsed during or since the end of the reporting period (2020: nil). Milestones for conversion of performance rights are detailed in note 7.1.

## Environmental Legislation

The Group is not subject to any Environment Approvals, however, is aware of and maintains compliance to applicable environmental legislations during the performance of its daily operations.

## Indemnification and Insurance of Officers and Auditors

The Company has agreed to indemnify all the Directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year, the Company incurred an insurance premium of \$57,991 (2020: \$43,359) in respect of a policy insuring the Directors and Officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001.

No agreements have been entered into to indemnify the Group's auditors.

## Non-Audit Services

No non-audit services were provided by the auditor during the year.

## Remuneration Report

The Remuneration Report, page 19, outlines the remuneration arrangements in place for the key management personnel of the Group for the financial year ended 30 June 2021.

## Proceedings on Behalf of the Group

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

## Auditor

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HLB Mann Judd continues in office in accordance with section 327 of the Corporations Act 2001.

## Auditor Independence

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Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. The Independence Declaration for the year ended 30 June 2021 is set out on page 74.

Signed in accordance with a resolution of the Directors.



**JEFFREY SENGELMAN**

Chairman

Dated in Perth, Western Australia, this 29<sup>th</sup> day of September 2021.



# Remuneration Report



This report outlines the remuneration arrangements in place for the Directors of Harvest Technology Group Limited (the Group) for the year ended 30 June 2021. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The Remuneration Report details the remuneration arrangements for the Directors who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, whether executive or otherwise.

## Remuneration Philosophy

The performance of the Group depends upon the quality of the Executives and Key Management Personnel. The philosophy of the Group in determining remuneration levels is to:

- Set competitive remuneration packages to attract and retain high calibre people;
- Link Executive and KMP rewards to shareholder value creation; and
- Establish appropriate, demanding performance hurdles for variable Executive and KMP remuneration.

## Remuneration & Nomination Committee

The Remuneration & Nomination Committee is responsible for determining and reviewing compensation arrangements for the Key Management Personnel. The Remuneration & Nomination Committee assesses the appropriateness of the nature and amount of remuneration of Key Management Personnel on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

The Remuneration & Nomination Committee operates in accordance with its Charter. The main responsibilities of the Committee are:

- Determine remuneration policies and remuneration of Directors;
- Evaluate and approve incentive policies/schemes for Key Executives
- Ensure all Directors and senior executives have a written agreement setting out the terms of their appointment
- Evaluate the Managing Director's performance on an annual basis – a review was performed in the 2021 financial year
- Determine and review professional indemnity and liability insurance for Directors and senior management;
- Review the Board composition to ensure the Board has the correct balance of skills and expertise;
- Identify, evaluate and recommend candidates for the Board, the position of Managing Director and the position of Company Secretary;
- Appointment of the Managing Director and the Company Secretary;
- Succession planning for Board members and the Managing Director.

The Remuneration & Nomination Committee can seek independent external advice from consultants with specific industry experience relevant to the Group's remuneration assessment. Specific policies and procedures regarding remuneration determination is contained within the Directors Report.

Given the size of the Board, the Board fulfils the role of the Remuneration and Nomination Committee. The Committee met once during the year.

## Remuneration Structure

In accordance with best practice corporate governance, the structure of Executive Director and Non-Executive Director remuneration is separate and distinct.

### Executive Director and KMP Remuneration

Remuneration can consist of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

#### Fixed Remuneration

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary.

#### Variable Remuneration - Short-Term Incentive Scheme

The objective of the short-term incentive program is to link the achievement of the Group's operational targets with the remuneration received by Key Management Personnel charged with meeting those targets.

The total potential short-term incentive available may be set at a level so as to provide sufficient incentive to the Executive Directors and other Key Management to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

#### Variable Remuneration – Long-Term Incentive Scheme

The Group also makes long-term incentive payments, such as performance rights, to reward Directors and other Key Management Personnel in a manner that aligns this element of remuneration with the creation of shareholder wealth.

### Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Non-Executive Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was on 10 May 2016 when the Company was admitted to the Official ASX List and an aggregate remuneration of \$350,000 per annum was set. Any future changes would be approved by shareholders at an Annual General Meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the way it is apportioned amongst Non-Executive Directors is reviewed annually. The Remuneration & Nomination Committee considers advice from external advisors as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Non-Executive Director receives a fee for being a Director of the Company which is inclusive of statutory superannuation and membership of sub-committees.

The Remuneration & Nomination Committee reviewed the expected commitments of each Director relative to the activities of the Company and agreed Non-Executive Directors' fees of \$50,000 per annum for the 2021 financial year and \$75,000 for the Chairperson's fees. This is considered commensurate with the size and activity levels of the Group.

## Employment Contracts

Remuneration and other terms of employment of Executive Directors and other Key Management Personnel are formalised in employment contracts. The major provisions of the agreements related to remuneration are set out below.

Name	Terms of agreement	Employee notice period	Employer notice period	Base salary (AUD)*	Termination Benefit **
Paul Guilfoyle	Ongoing	6 months	6 months	\$325,000	6 months base salary
Linda Shields	Ongoing	6 months	6 months	\$250,000	6 months base salary
Colin Napier	Ongoing	3 months	3 months	\$200,000	3 months base salary
Diranne Lee-Renwick	Ongoing ***	3 months	3 months	\$200,000	3 months base salary

\* Base salary is exclusive of the superannuation guarantee charge rate applicable at the time (currently 10%).

\*\* Termination benefits are payable upon early termination by the Group, other than for gross misconduct. They are equal to base salary and superannuation payable for the notice period.

\*\*\* Diranne Lee-Renwick resigned from the Company on 25 June 2021.

## Remuneration of Directors

		Short-term employee benefits		Post-employment benefits	Share-based payments		
		Cash salary and fees <sup>(A)</sup>	D&O Insurance Premiums	Superannuation	Options & Performance Rights	Total	Performance Related
	Year	\$	\$	\$	\$	\$	%
Executive Directors							
Paul Guilfoyle	2021	348,077	39,228	30,875	-	418,180	-
	2020	321,377	13,344	27,041	514,085	875,847	59
Non-Executive Directors							
Jeff Sengelman	2021	81,250	8,411	-	253,507	343,168	74
	2020	-	987	-	-	987	-
Rod Evans	2021	50,000	5,176	-	-	55,176	-
	2020	50,000	13,344	-	19,162	82,506	23
Marcus Machin	2021	50,000	5,176	-	-	55,176	-
	2020	41,288	11,004	-	19,162	71,454	27
Hamish Jolly (resigned 3 September 2019)	2021	-	-	-	-	-	-
	2020	7,610	2,340	723	-	10,673	-
David McArthur (resigned 3 September 2019)	2021	-	-	-	-	-	-
	2020	7,610	2,340	723	-	10,673	-
Subtotal Non-Executive Directors' remuneration	2021	181,250	18,763	-	253,507	453,520	56
	2020	106,508	30,015	1,446	38,324	176,293	22
Total Directors' Remuneration	2021	529,327	57,991	30,875	253,507	871,700	29
	2020	427,885	43,359	28,487	552,409	1,052,140	53

(A) Includes movements in accruals for annual leave and salary for Executive Directors

The options and performance rights tabled above were provided at no cost to the recipients. The granting of the performance rights was approved the Annual General Meeting held on 10 November 2020.



## Remuneration of Other Key Management Personnel

	Year	Short-term employee benefits		Post-employment benefits	Share-based payments	Total	Performance Related
		Cash salary and fees <sup>(A)</sup>	D&O Insurance Premiums	Superannuation	Options & Performance Rights		
		\$	\$	\$	\$	\$	%
<b>KMP</b>							
Linda Shields CCO	2021	235,071	-	21,558	524,075	780,704	67
	2020	210,474	-	19,000	415,353	644,827	64
Colin Napier CFO	2021	207,035	-	19,000	524,075	750,110	70
	2020	208,403	-	19,000	415,353	642,756	65
Diranne Lee-Renwick CTO (resigned 25 June 2021) <sup>(B)</sup>	2021	199,882	-	19,000	-	218,882	-
	2020	198,935	-	19,000	415,353	633,288	66
<b>Total Other KMP Remuneration</b>	2021	641,986	-	59,558	1,048,150	1,749,696	60
	2020	617,812	-	57,000	1,246,059	1,920,871	65

(A) Includes movements in accruals for annual leave

(B) All short-term and post-employment benefits accrued to the date of resignation were recognised in FY 2021.

In 2020, performance rights were issued to KMP's that required a minimum share price of 4 cents to qualify for conversion into shares in 2020/21, 7 cents in 2021/22 and 10 cents in 2022/23. Refer note 7.1. Short term bonuses were settled via the allocation of performance rights. These bonuses were subjectively granted reflecting the work performed during the year and the increase in share value.

## Options

### Granted as Compensation

No share options were granted to the Directors of the Company as part of their remuneration in FY 2021.

The options tabled below were granted as compensation in FY 2020 and provided at no cost to the recipients. All of these options were exercised during the current year. The granting of these options was approved at a General Meeting held on 31 March 2020.

	Number of options granted	Grant date	Value per option at grant date in cents	Value of options at grant date \$	Vesting and first exercise date	Exercise price per option in cents	Expiry date
Paul Guilfoyle	4,000,000	31-Mar-20	5.51	220,400	7-Jul-20	4	1-Apr-21
Paul Guilfoyle	4,000,000	31-Mar-20	4.13	165,200	7-Jul-20	7	1-Apr-21
Paul Guilfoyle	4,000,000	31-Mar-20	3.21	128,400	7-Jul-20	10	1-Apr-21
Rod Evans	200,000	31-Mar-20	4.13	8,260	25-Mar-21	7	1-Apr-21
Rod Evans	200,000	31-Mar-20	3.21	6,420	25-Mar-21	10	1-Apr-21
Rod Evans	200,000	31-Mar-20	2.24	4,480	25-Mar-21	15	1-Apr-21
Marcus Machin	200,000	31-Mar-20	4.13	8,260	7-Jul-20	7	1-Apr-21
Marcus Machin	200,000	31-Mar-20	3.21	6,420	25-Mar-21	10	1-Apr-21
Marcus Machin	200,000	31-Mar-20	2.24	4,480	25-Mar-21	15	1-Apr-21

## Performance Rights

Performance rights were granted to Jeff Sengelman as part of his remuneration in FY 2021.

The performance rights tabled below were provided at no cost to the recipients. During the year, 500,000 performance rights were converted to shares to Jeff Sengelman following the achievement of the performance conditions.

	Number of performance rights granted	Grant date	Value per Performance right at grant date in cents	Value of performance rights at grant date \$	End of performance period	Expiry date
Paul Guilfoyle *	11,000,000	26-Apr-19	0	0	26-Apr-22	
Paul Guilfoyle *	13,200,000	26-Apr-19	0	0	26-Apr-23	
Marcus Machin *	2,500,000	26-Apr-19	0	0	26-Apr-22	
Marcus Machin *	3,000,000	26-Apr-19	0	0	26-Apr-23	
Jeff Sengelman	500,000	23-Nov-20	24.73	123,650	1-Mar-21	10-Nov-25
Jeff Sengelman	500,000	23-Nov-20	21.41	107,050	1-Sep-21	10-Nov-25
Jeff Sengelman	500,000	23-Nov-20	18.74	93,700	1-Mar-22	10-Nov-25

\* Performance rights for Paul Guilfoyle and Marcus Machin were granted as part of a business combination in FY 2019, and the value at the time was \$0.

## Share-based Remuneration granted as Compensation

For details of share-based payments granted during the year, refer note 7.1.

## Other Information

### Ordinary Shares Held by Directors

	Held at 1 July 2020	Purchases	Sales	Conversion of Performance Rights & Options	Held at 30 June 2021
<b>Executive Directors</b>					
Paul Guilfoyle	28,087,013	210,000	(3,500,000)	8,074,766 <sup>(1)</sup>	32,871,779
<b>Non-Executive Directors</b>					
Jeff Sengelman	-	-	-	500,000	500,000
Rod Evans	2,447,553	-	-	600,000	3,047,553
Marcus Machin	15,534,931	-	(931,067)	600,000	15,203,864

<sup>(1)</sup> Mr. Guilfoyle elected to exercise his options as a cashless exercise as permitted by the Employee Share Incentive Plan.

## Options Held by Directors

	Held at 1 July 2020	Granted/ (Exercised) during the year	Held at 30 June 2021	Vested and exercisable at 30 June 2021	Unvested and unexercisable at 30 June 2021
<b>Executive Directors</b>					
Paul Guilfoyle	12,000,000	(12,000,000)	-	-	-
<b>Non-Executive Directors</b>					
Rod Evans	600,000	(600,000)	-	-	-
Marcus Machin	600,000	(600,000)	-	-	-

Directors not disclosed above did not hold options at any time during the financial year, nor at year end.

## Performance Shares Held by Directors

No performance shares were held by Directors at any time during the financial year, nor at year end.

## Performance Rights Held by Directors

	Held at 1 July 2020	Granted during the year	Converted during the year	Held at 30 June 2021
Paul Guilfoyle	24,200,000	-	-	24,200,000
Jeff Sengelman	-	1,500,000	(500,000)	1,000,000
Marcus Machin	5,500,000	-	-	5,500,000

At 30 June 2021, all performance hurdles required for granted performance rights had not yet been met.

Directors not disclosed above did not hold performance rights at any time during the financial year, nor at year end.

## Other Transactions with Directors or Key Management Personnel

Details of other transactions with Directors or Key Management Personnel not involving remuneration are disclosed in note 7.4.

## Voting and Comments at the Company's 2020 Annual General Meeting

The Company received 99.91% of "yes" votes on its remuneration report for the 30 June 2021 financial year.



# Auditor Independence Declaration



## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Harvest Technology Group Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia  
29 September 2021



**M R Ohm**  
Partner

**hlb.com.au**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.



# Statutory Report: Consolidated Financial Statements





## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 \$	2020 \$
<b>Assets</b>			
Cash and cash equivalents	5.1	6,756,988	11,306,298
Trade and other receivables	5.2	5,805,238	1,010,787
Inventory	5.3	189,802	79,135
Prepayments		168,640	108,802
Other bonds and deposits	4.5	576,633	-
Financial assets held at FVTPL	5.4	-	17,590
Current tax receivables		32,893	-
<b>Total current assets</b>		<b>13,530,194</b>	<b>12,522,612</b>
Intangible assets	4.1	10,301,724	7,791,092
Property, plant and equipment	4.2	429,487	161,634
Right of use leased assets	4.3	88,003	3,241,596
Other bonds and deposits	4.5	250,914	608,251
<b>Total non-current assets</b>		<b>11,070,128</b>	<b>11,802,573</b>
<b>Total assets</b>		<b>24,600,322</b>	<b>24,325,185</b>
<b>Liabilities</b>			
Trade and other payables	5.5	2,672,737	1,142,783
Other liabilities	5.6	5,077	-
Borrowings	6.2	-	115,520
Employee entitlements	2.4	476,620	232,668
Lease liabilities	6.3	490,266	2,509,282
Deferred consideration	6.5	729,325	727,256
Provisions	6.4	768,415	-
Current tax liability		-	12,846
<b>Total current liabilities</b>		<b>5,142,440</b>	<b>4,740,355</b>
Lease liabilities	6.3	3,783	622,169
Deferred consideration	6.5	-	672,761
Provisions	6.4	-	1,244,678
Borrowings	6.2	3,619,151	3,535,717
Deferred tax liabilities	2.6	-	867,334
<b>Total non-current liabilities</b>		<b>3,622,934</b>	<b>6,942,659</b>
<b>Total liabilities</b>		<b>8,765,374</b>	<b>11,683,014</b>
<b>Net assets</b>		<b>15,834,948</b>	<b>12,642,171</b>
<b>Equity</b>			
Issued capital	6.1	31,671,048	20,666,186
Unissued capital	6.1	2,028,761	1,738,628
Reserves		5,437,447	3,301,006
Accumulated losses		(23,302,308)	(13,063,649)
<b>Total equity attributable to equity holders of the Company</b>		<b>15,834,948</b>	<b>12,642,171</b>

The accompanying notes are an integral part of these financial statements



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the Year Ended 30 June 2021

	Note	2021 \$	2020 \$
<b>Revenue</b>			
Sales	2.2	8,293,375	11,563,315
Other income	2.3	222,595	184,184
		<b>8,515,970</b>	<b>11,747,499</b>
<b>Expenses</b>			
Cost of goods sold		(6,544,553)	(6,935,837)
Marketing and business development		(161,358)	(15,991)
Personnel expenses - other	2.4	(6,491,012)	(5,096,837)
Personnel expenses – research and development	2.4	(1,071,370)	(439,899)
General and administration		(820,671)	(1,000,927)
Professional fees		(673,911)	(962,778)
Depreciation and amortisation		(3,620,557)	(3,360,490)
Research and development		(277,657)	-
Goodwill impairment		-	(533,153)
Finance expenses	2.5	(661,263)	(589,030)
Revaluation of Financial Assets held at FVTPL	5.4	-	(2,040)
Other losses		-	(4,094)
<b>Loss before income tax</b>		<b>(11,806,382)</b>	<b>(7,193,577)</b>
Income tax benefit	2.6	1,567,723	1,177,249
<b>Net loss for the year from continuing operations</b>		<b>(10,238,659)</b>	<b>(6,016,328)</b>
<b>Loss after tax from discontinued operations</b>		<b>-</b>	<b>(133,399)</b>
<b>Loss attributable to owners of the Company</b>		<b>(10,238,659)</b>	<b>(6,149,727)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences on foreign operations		(2,202)	1,400
<b>Total comprehensive loss for the year</b>		<b>(10,240,861)</b>	<b>(6,148,327)</b>
<b>Total comprehensive loss attributable to owners of the Company</b>		<b>(10,240,861)</b>	<b>(6,148,327)</b>
Loss for the year is attributable to:			
Continuing operations		(10,238,659)	(6,016,328)
Discontinued operations		-	(133,399)
		<b>(10,238,659)</b>	<b>(6,149,727)</b>
Total comprehensive loss for the year is attributable to:			
Continuing operations		(10,240,861)	(6,014,928)
Discontinued operations		-	(133,399)
		<b>(10,240,861)</b>	<b>(6,148,327)</b>
<b>Loss per share</b>			
Basic and diluted loss per share (cents per share)	2.7	(2.13)	(1.86)
Basic and diluted loss per share (cents per share) from continuing operations	2.7	(2.13)	(1.82)
Basic and diluted loss per share (cents per share) from discontinued operations	2.7	-	(0.04)

The accompanying notes are an integral part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the year ended 30 June 2021

	Issued Capital	Unissued Capital	Share-based Payment Reserve	Equity Component of Convertible Note	Foreign Exchange Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	<b>9,379,698</b>	<b>-</b>	<b>430,991</b>	<b>-</b>	<b>1,400</b>	<b>(7,164,085)</b>	<b>2,648,004</b>
Net loss for the year	-	-	-	-	-	(6,149,727)	(6,149,727)
Foreign exchange translation	-	-	-	-	(1,400)	1,400	-
Total comprehensive loss for the period	-	-	-	-	(1,400)	(6,148,327)	(6,149,727)
Shares issued during the period	11,883,432	-	-	-	-	-	11,883,432
Share issue costs (net of tax benefit)	(596,944)	-	-	-	-	-	(596,944)
Equity portion of convertible notes	-	-	-	499,385	-	-	499,385
Deferred consideration on acquisition of subsidiary	-	1,500,000	-	-	-	-	1,500,000
Funds received for options yet to be issued	-	41,978	-	-	-	-	41,978
Expiry and vesting of options	-	-	(248,763)	-	-	248,763	-
Shares in lieu of bonus	-	196,650	-	-	-	-	196,650
Share-based payments (Refer note 7.1)	-	-	2,619,393	-	-	-	2,619,393
<b>Balance at 30 June 2020</b>	<b>20,666,186</b>	<b>1,738,628</b>	<b>2,801,621</b>	<b>499,385</b>	<b>-</b>	<b>(13,063,649)</b>	<b>12,642,171</b>
<b>Balance at 1 July 2020</b>	<b>20,666,186</b>	<b>1,738,628</b>	<b>2,801,621</b>	<b>499,385</b>	<b>-</b>	<b>(13,063,649)</b>	<b>12,642,171</b>
Net loss for the period	-	-	-	-	-	(10,238,659)	(10,238,659)
Foreign exchange translation	-	-	-	-	(2,202)	-	(2,202)
Total comprehensive loss for the period	-	-	-	-	(2,202)	(10,238,659)	(10,240,861)
Shares issued during the period	10,507,639	-	-	-	-	-	10,507,639
Share issue costs (net of tax benefit)	(449,427)	-	-	-	-	-	(449,427)
Deferred consideration on acquisition of subsidiary	750,000	528,761	-	-	-	-	1,278,761
Funds received for options yet to be issued	-	(41,978)	-	-	-	-	(41,978)
Expiry and vesting of options	-	-	2,746	-	-	-	2,746
Shares in lieu of bonus	196,650	(196,650)	-	-	-	-	-
Share-based payments (Refer note 7.1)	-	-	2,135,897	-	-	-	2,135,897
<b>Balance at 30 June 2021</b>	<b>31,671,048</b>	<b>2,028,761</b>	<b>4,940,264</b>	<b>499,385</b>	<b>(2,202)</b>	<b>(23,302,308)</b>	<b>15,834,948</b>

The accompanying notes are an integral part of these financial statements

## CONSOLIDATED STATEMENT OF CASHFLOWS

### For the year ended 30 June 2021

	Note	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		3,981,486	12,042,226
Cash paid to suppliers and employees		(12,543,017)	(12,480,190)
Interest paid		(498,521)	(489,735)
Interest received		19,524	3,184
Income taxes paid		(1,260)	(152,800)
<b>Net cash used in operating activities</b>	5.1(b)	<b>(9,041,788)</b>	<b>(1,077,315)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(387,321)	(96,214)
Proceeds from sale of plant and equipment		15,472	7,500
Payment to acquire subsidiary		(750,000)	(3,500,000)
Payments for security deposits		(219,296)	(553,889)
Acquisition of cash in business combination	3	826	257,392
<b>Net cash used in investing activities</b>		<b>(1,340,319)</b>	<b>(3,885,211)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital and options exercise	6.1	9,201,498	11,500,410
Proceeds from sale of investment in FVTPL		22,759	300,000
Payment of capital raising costs		(599,236)	(83,807)
Proceeds from issue of convertible notes		-	4,000,000
Repayment of lease liabilities		(2,676,704)	(1,694,756)
Repayment of loans from related parties		-	(10,386)
Proceeds from borrowings		-	1,342,864
Repayment of borrowings and premium funding facility	6.2	(115,520)	(1,257,885)
<b>Net cash from financing activities</b>		<b>5,832,797</b>	<b>14,096,440</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(4,549,310)</b>	<b>9,133,914</b>
Cash and cash equivalents at 1 July		11,306,298	2,172,384
Effect of exchange rate fluctuations on cash held		-	-
<b>Cash and cash equivalents at 30 June</b>	5.1(a)	<b>6,756,988</b>	<b>11,306,298</b>

*The accompanying notes are an integral part of these financial statements*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the year ended 30 June 2021

#### Section 1: Basis of Preparation

The notes to the consolidated financial statements have been grouped into sections under seven key categories:

- Basis of preparation
- Results for the year
- Business Combination
- Assets and Liabilities
- Working capital disclosures
- Equity and funding
- Other disclosures

Significant accounting policies specific to one note are included within that note and where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies during the year.

#### 1.1 General Information

The Company, Harvest Technology Group Limited, is a for-profit, listed public company domiciled in Australia. The Company's registered office is located at 16 Ord Street West Perth WA 6005.

The Group is primarily involved in:

- remote communications technology based around data transmission protocols; and
- bespoke solutions for the offshore energy, resources and renewables sectors, specialising in subsea and asset integrity risk mitigation technology.

The consolidated financial statements of the Group as at and for the year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and were authorised for issue by the Board of Directors on 22 September 2021. The financial statements are general purpose financial statements which:

- have been prepared in accordance with Australian Accounting Standards (**AASBs**) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (**IFRSs**) as issued by the International Accounting Standards Board (**IASB**);
- have been prepared on a historical cost basis, except for financial assets held at fair value through profit or loss. The basis of measurement is discussed further in the individual notes;
- are presented in Australian Dollars;
- adopt all new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2020; and,
- do not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective.

#### 1.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at 30 June each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

### 1.3 Foreign Currency Translation

The primary economic environment in which the Group operates is Australia. The consolidated financial statements are therefore presented in Australian dollars.

Transactions in foreign currencies are initially recorded in Australian dollars at the exchange rate on that day. Foreign currency monetary assets and liabilities are translated into Australian dollars at the year-end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year-end, a foreign exchange gain or loss may arise. Any such differences are recognised in the profit or loss. Non-monetary assets and liabilities measured at historical cost are translated into Australian dollars at the exchange rate on the date of the transaction.

The functional currency of the Group's two new subsidiaries, Harvest Technology Group, Inc and SnapSupport, Inc, is US Dollars (USD).

As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of Harvest Technology Group Limited at the rate of exchange ruling at balance date and income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the date of the transactions are used.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

### 1.4 Research and Development Expenditure Tax Offset

The Group undertakes expenditure on activities that are categorised as 'eligible expenditure' under the Research & Development Tax Concession which, dependent upon certain criteria, may be subject to a tax offset. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward.

### 1.5 Impairment

#### Non-financial assets

At each reporting date, the Group reviews the carrying amount of its non-financial assets, other than deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

### 1.6 New, Revised or Amending Accounting Standards and Interpretations Adopted

#### Standards and Interpretations Applicable to 30 June 2021

The Directors have reviewed all Standards and Interpretations on issue not yet adopted for the period ended 30

June 2021. As a result of this review, the Directors have determined that there is no material impact of the Standards and Interpretations on issue not yet adopted by the Company, and therefore, no change is necessary to Group accounting policies.

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

## 1.7 Accounting Judgements and Estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment are included in the following notes:

- Note 2.6 - Income tax expense
- Note 4.1 - Intangibles
- Note 4.4 - Goodwill
- Note 5.2 - Recoverability of Trade Receivables
- Note 5.4 - Financial Assets held at FVTPL
- Note 6.2 - Borrowings
- Note 7.1 - Share-based payments

## 1.8 Going Concern

The consolidated financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business and at the amounts stated in the financial statements.

Notwithstanding the fact that the Group incurred a loss of \$10,238,659 and a net cash outflow of \$4,549,310 for the period, the Directors are of the opinion that the Company is a going concern. The ongoing development of the Infinity Technology proceeds in line with the Group's declared strategy and continues to attract a significant increase in interest from and partnerships with global market players. The Group is progressing diversification of its customer base, including entering into joint development agreements for embedded systems with several companies. Development of these opportunities require increased R&D funding and support resources. With the added recruitment of two highly credentialled technology executives and the corporate acquisition in the USA and significant progress on technology development during the last 12 months, it is expected that scalable opportunities will improve through 2022.

After consideration of the above factors together with a review of the Group's financial position and forecast cash flows, the Directors reasonably expect the Group will be able to generate sufficient future cashflows to ensure the Group is able to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements. However, should results be materially less than expected and/or the Group is unable to generate any additional funding required, there would exist a material uncertainty which could cast significant doubt as to whether the Group would in such circumstances be able to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

## Section 2: Results for the Year

This section focuses on the results and performance of the Group, with disclosures including segment information, components of the operating profit, taxation and earnings per share.

### Key Estimates and Assumptions in this Section

#### *Deferred taxation*

The Group has unrecognised carried forward tax losses which can be utilised against future taxable profits.

### 2.1 Operating Segments

The Group's operating segments have been determined with reference to the management accounts used by the Chief Operating Decision Maker to make decisions regarding the Group's operations and allocation of working capital. Due to the size and nature of the Group, the Board as a whole, has been determined as the Chief Operating Decision Maker.

The Group currently operates in two distinct segments:

- Subsea and asset integrity risk mitigation technology-based solutions within the energy, resources and renewables sectors; and
- Remote communications technology sector.

The offering of bespoke subsea and asset integrity risk mitigation technology-based solutions segment generates income from subsea infrastructure and assets in the energy, resources and renewables sectors.

The remote communications technology segment generates income from the provision of data transfer, encryption and compression services to clients operating in offshore and remote environments.

### Segment Assets and Liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segment as at the end of the reporting period:

	Assets		Liabilities	
	30 June 2021 \$	30 June 2020 \$	30 June 2021 \$	30 June 2020 \$
Subsea and asset integrity risk mitigation	5,387,536	5,594,766	(3,013,970)	(4,838,728)
Remote communications technology	11,589,149	8,672,912	(292,778)	(242,012)
<b>Total segment assets and liabilities</b>	<b>16,976,685</b>	<b>14,267,678</b>	<b>(3,306,748)</b>	<b>(5,080,740)</b>
Corporate and other segment assets/liabilities	7,623,637	10,057,507	(5,458,626)	(6,602,274)
<b>Total</b>	<b>24,600,322</b>	<b>24,325,185</b>	<b>(8,765,374)</b>	<b>(11,683,014)</b>



## Segment Revenue and Results

The following is an analysis of the Group's revenue and results from continuing operations by reportable operating segment.

	Revenue		Segment profit / (loss)	
	30 June 2021 \$	30 June 2020 \$	30 June 2021 \$	30 June 2020 \$
Subsea and asset integrity risk mitigation	6,203,308	10,224,705	(3,365,386)	(2,434,133)
Remote communications technology <sup>(1)</sup>	2,090,067	1,338,610	(1,594,709)	(220,146)
<b>Total for continuing operations</b>	<b>8,293,375</b>	<b>11,563,315</b>	<b>(4,960,095)</b>	<b>(2,654,279)</b>
Clever Buoy shark detection technology (discontinued operation) <sup>(2)</sup>	-	21,632	-	(133,399)
<b>Total for continuing and discontinued operations</b>	<b>8,293,375</b>	<b>11,584,947</b>	<b>(4,960,095)</b>	<b>(2,787,678)</b>
Subsea and asset integrity risk mitigation	-	21,632	-	(133,399)
Other income			203,071	-
Finance income			19,524	3,185
Central and administration expenses			(6,502,045)	(3,953,184)
Finance expense			(566,837)	(589,299)
<b>Loss before tax</b>			<b>(11,806,382)</b>	<b>(7,326,976)</b>
Income tax benefit			1,567,723	1,177,249
<b>Loss after tax</b>			<b>(10,238,659)</b>	<b>(6,149,727)</b>

<sup>(1)</sup> The remote communications technology segment result includes an expense of \$835,809 for amortisation of intellectual property.

<sup>(2)</sup> The Clever Buoy shark detection technology segment was discontinued during the 30 June 2020 financial year.

Segment revenues represent revenue generated from external customers. There were no inter-segment revenues in the current period.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Management do not consider the cashflows of each segment separately.

## Geographical Information

	Sales to External Customers		Geographical Non-Current Assets	
	2021 \$	2020 \$	2021 \$	2020 \$
Australia	8,288,550	11,584,947	7,727,808	11,802,573
United States	4,825	-	3,342,320	-
	<b>8,293,375</b>	<b>11,584,947</b>	<b>11,070,128</b>	<b>11,802,573</b>

## 2.2 Revenue

### Accounting Policy

Revenue from contracts with customers is recognised in the income statement when the performance obligations are considered met, per the specific requirements of contract for the goods or services being provided by the Group, as disclosed further below. Revenue is recognised at an amount that reflects the consideration the Group expects to be entitled to, net of goods and services tax.

#### a. **Rendering of services**

##### *Harvest Technology (Harvest) – Offshore Subsea Services*

Sales revenue from rendering of services in relation to provision of technology-based solutions for subsea and asset integrity risk mitigation is recognised when the specific performance obligations to the customer have been fulfilled. The Group determines whether each performance obligation within a contract is satisfied over time or at a point in time. Criteria for determination if performance obligations are satisfied at a point in time or over time are noted above.

The Group has determined that the majority of contractual works Harvest engages in is over time rather than at a point in time as the contractual work for inspection, maintenance and repair pertains to assessment of assets held by customers across an agreed period of time to ensure appropriate upkeep and repair of assets to maintain their working order. As such, the customers receive and consume the benefits provided by the Group's performance as it is performed. For this reason, contract revenue is recognised over time and is measured using the input method by reference to labour hours incurred and actual costs incurred, relative to the total expected inputs to the satisfaction of the individual performance obligations.

##### *Harvest Infinity (Infinity) – Remote communications technology services*

Sales revenue from rendering of services in relation to the provision of remote communications technologies to customers operating in offshore and remote locations is recognised when the performance obligations to the customer have been fulfilled.

The Group determines whether each performance obligation within a contract is satisfied over time or at a point in time.

The Group has determined that the majority of contractual works that Infinity engages in incorporate components of satisfaction of performance obligations at a point in time as well as satisfaction of performance obligations over time. All point in time obligations refer to preparatory works to enable compatibility of customer operations with the requisite systems for service provision. After initial preparatory works, performance obligations are satisfied over time with the continuing fulfilment of telecommunication services relevant to customers.

Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternate use to the Group and it has an enforceable right to payment for performance completed to date.

#### **Transaction price**

The total transaction price at the start of the contract is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, net of goods and services tax. The transaction price does not include estimates of consideration resulting from change orders for additional goods or services unless these are agreed. Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when or as those performance obligations are satisfied.

#### **Disaggregation of revenue**

AASB 15 requires entities to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group has determined that a disaggregation of revenue using existing segments and the nature of revenue best depicts the Group's revenue.

	Provision of services		Hardware sales		Labour hire / Consulting		Total	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
<b>Revenue earned over time</b>								
Offshore subsea services	6,203,308	10,094,283	-	-	-	130,389	6,203,308	10,224,672
Remote communications technology	1,864,141	1,092,193	-	-	-	-	1,864,141	1,092,193
<b>Total Revenue</b>	<b>8,067,449</b>	<b>11,186,476</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130,389</b>	<b>8,067,449</b>	<b>11,316,865</b>
<b>Revenue at a point in time</b>								
Offshore subsea services	-	-	-	-	-	-	-	-
Remote communications technology	-	-	225,926	246,450	-	-	225,926	246,450
<b>Total Revenue</b>	<b>-</b>	<b>-</b>	<b>225,926</b>	<b>246,450</b>	<b>-</b>	<b>-</b>	<b>225,926</b>	<b>246,450</b>
	<b>8,067,449</b>	<b>11,186,476</b>	<b>225,926</b>	<b>246,450</b>	<b>-</b>	<b>130,389</b>	<b>8,293,375</b>	<b>11,563,315</b>

Revenue is generally generated in Australia.

## 2.3 Other Income

### Accounting Policy

Other income is recognised when the amount can be reliably measured and control of the right to receive the income is passed to the Group.

#### Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants relating to historical expenditure for Research & Development and Export Market Development are recognised in full in the period that they are received.

#### Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

	2021 \$	2020 \$
Government incentives/grants	197,839	181,000
Interest income	19,524	3,184
Gain on fixed asset disposal	5,232	-
	<b>222,595</b>	<b>184,184</b>

## 2.4 Personnel Expenses and Employee Benefits

### Accounting Policy

#### **Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### **Other long-term employee benefits**

The Group's net obligation in respect of long-term employee benefits is the amount of the future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

#### **Share-based payments**

The policy relating to share-based payments is set out in note 7.1.

The table below sets out personnel costs expensed during the year.

	Note	2021 \$	2020 \$
Wages and salaries		3,283,734	1,621,502
Directors' remuneration	7.4	871,700	1,059,640
Other KMP remuneration	7.4	1,749,695	1,920,871
Contributions to superannuation		257,097	124,676
Increase in liability for annual leave		88,358	56,546
Equity-settled share-based payments		837,016	682,400
Fringe benefits tax		16,750	-
Other associated personnel expenses		458,032	71,101
		<b>7,562,382</b>	<b>5,536,736</b>
Non-research and development expenses		6,491,012	5,096,837
Research and development related personnel expenses		1,071,370	439,899
		<b>7,562,382</b>	<b>5,536,736</b>

Further information relating to Directors' and KMP remuneration is set out in note 7.4.

The table below sets out employee benefits payable as at reporting date.

Current	2021 \$	2020 \$
Salary accrual	(218,948)	(84,837)
Superannuation	(4,384)	(21,137)
Liability for annual leave	(253,288)	(126,694)
	<b>(476,620)</b>	<b>(232,668)</b>

## 2.5 Finance Costs

## Accounting Policy

Finance costs comprise interest and other finance charges on borrowings and banking arrangements. Interest expense on short term borrowings is recognised as it accrues in profit or loss, using the effective interest method.

	Note	2021 \$	2020 \$
<b>Interest expense on financial liabilities measured at amortised cost</b>			
Interest expense on convertible notes	6.2	443,434	257,221
Interest expense on deferred consideration	6.5	79,308	64,400
Interest expense on other borrowings		7,897	32,362
Interest on lease liabilities		106,832	212,760
Other finance charges		23,792	22,287
Finance expense recognised in profit or loss		<b>661,263</b>	<b>589,030</b>

## 2.6 Income Tax Expense

### Accounting Policy

Income tax expense comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities. Current tax is based on tax rates enacted or substantively enacted at the balance date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used for calculating taxable profits. Deferred tax balances are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on substantively enacted rates at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

### (a) Amounts recognised in profit or loss

	2021 \$	2020 \$
<b>Current tax benefit / (expense)</b>		
Current tax	-	-
Deferred tax	1,523,244	1,177,249
Over provision in prior year	44,479	-
Total income tax benefit	<b>1,567,723</b>	<b>1,177,249</b>

**(b) Reconciliation of Income Tax Benefit**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Loss after tax	(10,238,659)	(6,149,727)
Total income tax benefit	(1,567,723)	(1,177,249)
Loss excluding income tax	<b>(11,806,382)</b>	<b>(7,326,976)</b>
Income tax at the Australian tax rate of 26% (2020: 27.5%)	(3,069,659)	(2,014,918)
<i>Tax effect of amounts which are non-deductible (taxable) in calculating taxable income:</i>		
Entertainment	5,622	5,392
Share-based payments	556,055	720,333
Non assessable income	(27,344)	(27,500)
Impairment of goodwill	-	146,617
Other permanent differences	58,739	34,695
Change in corporate tax rate	(33,359)	(60,594)
Difference in foreign income tax rates	30,156	-
Under / (over) provision in prior years	(44,479)	58,430
Previously unrecognised deferred tax assets now brought to account	(348,669)	(130,121)
Foreign tax losses not brought to account	126,655	-
Deferred tax assets not brought to account	1,178,560	90,417
	<b>(1,567,723)</b>	<b>(1,177,249)</b>

**(c) Recognised Deferred Tax Assets and Liabilities**

Recognised deferred tax assets and liabilities are attributable to the following:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Deferred tax liabilities at 25% (2020: 26%)</b>		
Prepayments	38,539	12,431
Fixed Assets	28,054	-
Right of use assets	22,001	842,814
Intellectual Property	2,507,186	2,025,463
Other temporary differences	-	21,060
	<b>2,595,780</b>	<b>2,901,768</b>
Offset of deferred tax assets	(2,595,780)	(2,034,434)
Net deferred tax liability recognised	<b>-</b>	<b>867,334</b>

All movements are charged to income tax throughout the year.

**(d) Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items:

	2021 \$	2020 \$
<b>Deferred tax assets</b>		
Tax losses	1,902,579	599,492
Property, plant and equipment	-	24,835
Capital raising costs	252,353	191,538
Employee entitlements	64,394	38,436
Right of use assets lease liability	123,512	814,177
Provision for restoration	192,104	323,616
Other temporary differences	60,838	42,340
	<b>2,595,780</b>	<b>2,034,434</b>
Offset of deferred tax liabilities	(2,595,780)	(2,034,434)
Net deferred tax assets recognised	-	-
Net deferred tax assets unrecognised	<b>1,178,560</b>	-

**2.7 Loss Per Share****Basic Loss Per Share**

Earnings / (loss) per share (EPS) is the amount of post-tax profit or loss attributable to each share. The calculation of basic loss per share at 30 June 2021 has been based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

Diluted EPS considers the dilutive effect of all potential ordinary shares, being share options on issue.

**Loss per share attributable to ordinary shareholders**

	2021 \$	2020 \$
Net loss for the year from continuing operations	(10,238,659)	(6,016,328)
Net loss for the year from discontinued operations	-	(133,399)
Net loss for the year attributable to ordinary shareholders	<b>(10,238,659)</b>	<b>(6,149,727)</b>
Issued ordinary shares at 1 July	436,378,203	136,678,041
Effect of shares issued	45,132,736	193,421,955
Weighted average number of ordinary shares at 30 June	<b>481,510,939</b>	<b>330,099,996</b>
Basic and diluted loss per share from continuing operations (cents per share)	(2.13)	(1.82)
Basic and diluted loss per share from discontinued operations (cents per share)	(0.04)	
Basic and diluted loss per share (cents per share) *	<b>(2.13)</b>	<b>(1.86)</b>

\* At 30 June 2021, 6,260,000 options (2020: 38,281,667 options), nil performance shares (2020: 17,398,710 performance shares), 181,181,182 convertible note shares (2020: 181,181,182), and 69,016,287 performance rights (2020: 67,710,526 performance rights) were excluded from diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.



## Section 3: Business Combination

### Acquisition of SnapSupport, Inc.

In June 2021, the Group acquired 100% of the voting equity instruments of SnapSupport Inc., a Silicon Valley-based software company that focuses on increasing productivity for remote field workers via a mobile SaaS-based platform enabling hands-free inspections, real-time collaboration with experts, and viewing of performance data from connected equipment. The principal reason for the acquisition was to integrate Harvest's proven Industrial Grade Connectivity™ communication technology with the SnapSupport offering and create a market leading solution for remote field workers.

#### Assets acquired and liabilities assumed at date of acquisition

The fair value of identifiable assets and liabilities acquired in the business combination are as follows:

	Fair Value \$	Acquisition Adjustments \$	Closing Value \$
Cash and Cash Equivalents	826	-	826
Trade Receivables and Contract Assets	13,894	-	13,894
Intangible Assets (Intellectual Property) <sup>1</sup>	249,600	3,096,841	3,346,441
Deferred Tax Liability <sup>2</sup>	-	(805,719)	(805,719)
<b>Net assets acquired</b>	<b>264,320</b>	<b>2,291,122</b>	<b>2,555,442</b>

- 1) The difference arising between the fair value of net assets on acquisition and consideration paid has been identified as intellectual property and recorded as an identifiable intangible asset.
- 2) A deferred tax liability has been recognised in respect of the taxable temporary difference arising from the valuation of Intellectual Property. The adjustment in value of the assets in SnapSupport has resulted in a taxable temporary difference between the fair value recognised in the financial statements and the tax base of the asset, and as such, a deferred tax liability has been recognised. The deferred tax liability has been calculated at the Company's current tax rate of 26%.

#### Fair value of consideration transferred

	Consideration \$
<b>Tranche 1 - Initial consideration</b>	
Share consideration	638,860
Share consideration - 6-month escrow	638,861
<b>Tranche 2 - Deferred consideration</b>	
Deferred share consideration – 12 months	1,277,721
<b>Total consideration paid and payable</b>	<b>2,555,442</b>

A total of 4,334,783 shares will be issued in each tranche of consideration, totalling 8,669,566 shares to be issued. The price that the consideration shares will be allotted at, calculated per terms of the acquisition agreement is \$0.2996 being the 5-day VWAP prior to the acquisition settlement.

#### Acquisition costs

Acquisition costs of \$79,545 arose as a result of the transaction. These have been recognised as part of administrative expenses and professional fees in the statement of comprehensive income.

Included in the consolidated net loss for the year is a loss of \$74,294 for this business unit. If the acquisition occurred on 1 July 2020, the full year contribution would have been revenues of \$223,604 and a loss after tax of \$33,229.

## Section 4: Assets and Liabilities

This section focuses on the assets and liabilities which form the core of the ongoing business, including those assets and liabilities which support ongoing development as well as capital and other commitments existing at year end.

### Key Estimates and Assumptions in This Section

#### *Indicators of impairment*

The Group has reviewed intellectual property for indicators of impairment in accordance with AASB 138 and concluded that impairment indicators existed at year end. An assessment for impairment of intellectual property has been undertaken under the requirements of AASB 136.

### 4.1 Intangible Assets

#### Information about Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### Accounting Policy

##### **Research and development**

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intend to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a diminishing balance basis over three years, once the asset is ready for use.

##### **Patents and trademarks**

Significant costs associated with patents amortised on a straight-line basis over the period of their expected benefit, being their finite life of eight years.

Trademarks are not amortised as they have an indefinite useful life as the Company renews its trademark registration every ten years but are subject to impairment.

##### **Impairment**

Non-current assets are tested for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than an area of interest. The Group performs impairment testing in accordance with note 1.5.

	Proprietary Information \$	Patents \$	Capitalised Developments \$	Formation Costs \$	Total \$
<b>Gross carrying amount</b>					
Balance at 1 July 2019	-	10,750	808,031	1,253	820,034
Additions	8,261,006	-	-	-	8,261,006
Impairment	-	(9,900)	(808,031)	(1,253)	(819,184)
Balance at 30 June 2020	8,261,006	850	-	-	8,261,856
Balance at 1 July 2020	8,261,006	850	-	-	8,261,856
Additions <sup>(1)</sup>	3,346,441	-	-	-	3,346,441
<b>Balance at 30 June 2021</b>	<b>11,607,447</b>	<b>850</b>	<b>-</b>	<b>-</b>	<b>11,608,297</b>
<b>Amortisation</b>					
Balance at 1 July 2019	-	2,359	774,895	1,253	778,507
Amortisation for the year	470,764	-	17,916	-	488,680
Impairment	-	(2,359)	(792,811)	(1,253)	(796,423)
Balance at 30 June 2020	470,764	-	-	-	470,764
Balance at 1 July 2020	470,764	-	-	-	470,764
Amortisation for the year	835,809	-	-	-	835,809
<b>Balance at 30 June 2021</b>	<b>1,306,573</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,306,573</b>
<b>Carrying amounts</b>					
Balance at 30 June 2020	7,790,242	850	-	-	7,791,092
<b>Balance at 30 June 2021 <sup>(2)</sup></b>	<b>10,300,874</b>	<b>850</b>	<b>-</b>	<b>-</b>	<b>10,301,724</b>

<sup>(1)</sup> The addition during the year represents the SnapSupport, Inc. intellectual property acquisition as detailed in Section 3.

<sup>(2)</sup> The Harvest Infinity and SnapSupport intangible assets of \$6.9M and \$3.3M, represent the intellectual property acquired via business combinations.

## 4.2 Property, Plant and Equipment

### Accounting Policy

#### **Recognition and measurement**

Items of property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and recognised net within “other gains and losses” in profit or loss.

#### **Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a diminishing balance basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of the assets are as follows:

Plant and equipment	3 - 15 years
Motor vehicles	12 - 15 years
Computer equipment & software	2 - 4 years

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

	Plant & Equipment \$	Fixtures & Fittings \$	Computer Equipment \$	Software \$	Demonstration Equipment \$	Equipment for Hire \$	Under Construction \$	Total \$
<b>Gross carrying amount</b>								
Balance at 1 July 2019	450,744	9,445	47,180	112,205	-	-	-	619,574
Additions	-	27,355	39,666	-	5,182	24,011	-	96,214
On acquisition of business combination	-	21,374	6,324	-	15,907	146,471	-	190,076
Impairment	(244,768)	-	-	(112,205)	-	-	-	(356,973)
Disposals/Scrapping	(190,976)	(4,945)	(15,602)	-	-	-	-	(211,523)
Balance at 30 June 2020	15,000	53,229	77,568	-	21,089	170,482	-	337,368
Additions	-	11,892	108,626	-	18,286	61,990	186,527	387,321
Disposals/Scrapping	(15,000)	-	(507)	-	(21,089)	-	-	(36,596)
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>65,121</b>	<b>185,687</b>	<b>-</b>	<b>18,286</b>	<b>232,472</b>	<b>186,527</b>	<b>688,093</b>
<b>Depreciation</b>								
Balance at 1 July 2019	323,865	4,177	12,973	103,617	-	-	-	444,632
Depreciation for the period	42,803	8,305	18,226	4,566	5,182	30,125	-	109,207
On acquisition of business combination	-	5,305	1,114	-	15,907	92,707	-	115,033
Impairment	(185,848)	-	-	(108,183)	-	-	-	(294,031)
Disposals/Scrapping	(180,820)	(4,245)	(14,042)	-	-	-	-	(199,107)
Balance at 30 June 2020	-	13,542	18,271	-	21,089	122,832	-	175,734
Depreciation for the period	-	17,637	40,679	-	10,069	35,674	-	104,059
Disposals/Scrapping	-	-	(98)	-	(21,089)	-	-	(21,187)
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>31,179</b>	<b>58,852</b>	<b>-</b>	<b>10,069</b>	<b>158,506</b>	<b>-</b>	<b>258,606</b>
<b>Carrying amounts</b>								
Balance at 30 June 2020	15,000	39,687	59,297	-	-	47,650	-	161,634
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>33,942</b>	<b>126,835</b>	<b>-</b>	<b>8,217</b>	<b>73,966</b>	<b>186,527</b>	<b>429,487</b>

During the year the Group announced it would be moving to new premises at Technology Park, Bentley, Western Australia. At 30 June 2021, the Group has incurred \$186,527 relating to the leasehold improvements and fixtures and fittings. The Group moved into the new premises in September 2021.

### 4.3 Right-Of-Use Assets

	Plant & equipment \$	Vessels \$	Buildings \$	Total \$
<b>Gross carrying amount</b>				
Balance taken up 1 July 2019	9,144	-	285,710	294,854
Additions	-	5,694,294	-	5,694,294
Acquired via business combination	-	-	42,547	42,547
Exchange differences	-	20,516	-	20,516
<b>Balance at 30 June 2020</b>	<b>9,144</b>	<b>5,714,810</b>	<b>328,257</b>	<b>6,052,211</b>
Additions	-	3,361	-	3,361
Derecognition*	-	(425,396)	-	(425,396)
<b>Balance at 30 June 2021</b>	<b>9,144</b>	<b>5,292,775</b>	<b>328,257</b>	<b>5,630,176</b>
<b>Amortisation</b>				
Balance at 1 July 2019	-	-	-	-
Amortisation for the period	1,897	2,703,801	114,925	2,820,623
Acquired via business combination	-	-	7,879	7,879
Exchange differences	-	(17,887)	-	(17,887)
<b>Balance at 30 June 2020</b>	<b>1,897</b>	<b>2,685,914</b>	<b>122,804</b>	<b>2,810,615</b>
Amortisation for the period	1,892	2,606,861	122,805	2,731,558
<b>Balance at 30 June 2021</b>	<b>3,789</b>	<b>5,292,775</b>	<b>245,609</b>	<b>5,542,173</b>
<b>Carrying amounts</b>				
Balance at 30 June 2020	7,247	3,028,896	205,453	3,241,596
<b>Balance at 30 June 2021</b>	<b>5,355</b>	<b>-</b>	<b>82,648</b>	<b>88,003</b>

\* Derecognition of the vessel right-of-use asset is a result of the change in the provision of restoration for the redelivery and off-hire of the VOS Shine to Singapore (note 6.4)

### 4.4 Goodwill

#### Accounting Policy

Goodwill acquired in a business combination is initially measured at cost being the excess of consideration transferred for the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or secondary reporting format determined in accordance with AASB 8 *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, or group of cash-generating units, is less than the carrying amount of goodwill, an impairment loss is recognised. When goodwill forms part of a cash-generating unit, or group of cash-generating units, and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill cannot be subsequently reversed in future periods.

### Reconciliation of Goodwill

	2021 \$	2020 \$
Opening balance	-	533,153
Acquisition through business combination	-	-
Amounts written off	-	(533,153)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

Goodwill was tested for impairment in the prior year and due to the uncertainty of market conditions including the impact of COVID-19, management decided to fully impair the carrying value of the goodwill.

## 4.5 Other Bonds and Deposits

	Note	2021 \$	2020 \$
<b>Current</b>			
Lease bonds	(i)	98,377	-
Deposit on VOS Shine work		49,246	-
Cash deposit to provide security over a bank guarantee	(ii)	462,025	-
		<b>576,333</b>	<b>-</b>
<b>Non-current</b>			
Lease bonds	(i)	33,015	65,362
Deposit on VOS Shine work		-	65,062
Cash deposit to provide security over a bank guarantee	(ii)	-	477,827
Cash deposit to provide security over new premises	(iii)	217,899	-
		<b>250,914</b>	<b>608,251</b>
		<b>827,547</b>	<b>608,251</b>

- (i) The entity is required under various lease agreements to provide a security bond. These bonds will be refundable at the conclusion of the lease terms.
- (ii) The Group was required to provide a bank guarantee of 292,000 Euro to Vroon Offshore Services B.V. in respect of the lease of the VOS Shine. To provide this guarantee, the bank required a cash deposit for the equivalent value of the guarantee. This cash deposit is refundable upon cancellation of the bank guarantee which occurs at the completion of the lease.
- (iii) The Group was required to provide a bank guarantee of \$217,899 in respect of the lease of the new premises in Technology Park, Bentley, Western Australia.



## Section 5: Working Capital Disclosures

This section focuses on the cash funding available to the Group and working capital position at year end.

### 5.1 Cash and Cash Equivalents

#### Accounting Policy

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

#### (a) Reconciliation of cash and cash equivalents

	2021 \$	2020 \$
Cash and cash equivalents in the statement of cash flows	6,756,988	11,306,298

#### (b) Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
<b>Cash flows from operating activities</b>		
Operating loss after tax	(10,238,659)	(6,149,727)
<b>Adjustments for:</b>		
Depreciation and amortisation	3,620,557	3,360,490
Equity-settled share-based payment transactions	2,138,643	2,814,643
Net finance expense	197,858	99,564
Fair value (gain)/loss on Financial Asset held at FVTPL	-	2,040
Goodwill impairment	-	553,153
Loss/ (gain) on disposal of property, plant and equipment	(63)	121,608
Loss/ (gain) on disposal of Financial Asset held at FVTPL	(5,169)	-
<b>Change in operating assets and liabilities:</b>		
Change in trade and other receivables	(4,794,450)	(673,343)
Change in prepayments	(59,838)	(13,619)
Change in inventories	(110,667)	(79,135)
Change in other operating assets	-	(692)
Change in current tax assets	(1,568,983)	(1,330,049)
Change in trade and other payables	1,529,954	118,807
Change in contract liabilities	5,077	(30,000)
Change in employee entitlements	243,952	128,945
<b>Net cash used in operating activities</b>	<b>(9,041,788)</b>	<b>(1,077,315)</b>

## 5.2 Trade and Other Receivables

### Accounting Policy

Trade receivables are measured on initial recognition at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from seven to thirty days.

Impairment of trade receivables is continually reviewed and those considered uncollectable are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will be unable to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

	2021 \$	2020 \$
<b>Current</b>		
Trade debtors <sup>(1)</sup>	5,807,532	877,873
Impairment allowance	(36,550)	-
	5,770,982	877,873
Other receivables	34,256	132,914
	<b>5,805,238</b>	<b>1,010,787</b>

- (1) The average credit period on sales of goods and rendering of services is 30 days. An allowance (2021: \$96,750, 2020: Nil) has been made for estimated unrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to AASB 9 requirements.

### Movement in Impairment Allowance

	2021 \$	2020 \$
Balance at the beginning of the year	-	46,612
Impaired receivables written off	-	(46,612)
Impairment losses recognised on receivables	36,550	-
<b>Balance at the end of the year</b>	<b>36,550</b>	<b>-</b>

The Group has assessed the recoverability of receivable balances based predominantly upon age of outstanding debt and communication with the debtor.

### Ageing of Impaired Receivables

	2021 \$	2020 \$
Current	-	-
60-90 days	-	-
Over 90 days	36,550	-
<b>Balance at the end of the year</b>	<b>36,550</b>	<b>-</b>

## 5.3 Inventory

### Accounting Policy

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Goods in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

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

	2021 \$	2020 \$
<b>Current</b>		
Raw materials – at cost	189,802	79,135

## 5.4 Financial Assets Held at Fair Values Through Profit or Loss

### Accounting Policy

Financial assets are recognised when the Group becomes party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs.

For subsequent measurement, financial assets, other than those designated as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

The Group has elected to carry investments in equity securities of listed entities as Fair Value through Profit or Loss as the financial asset is not considered to be held within a business model whose objective is satisfied under the amortised cost or fair value through other comprehensive income models. Therefore, all income and expenses relating to fair value movements are recognised in profit or loss.

The fair value measurement of financial assets held at FVTPL is determined with reference to the requirements of AASB 13 *Fair Value Measurement*. Financial assets held at FVTPL are valued using market observable inputs and data as far as is possible.

#### (a) Fair Value of Investments at period end

	2021 \$	2020 \$
Other financial assets held at fair value	-	17,590
	-	17,590

**(b) Reconciliation of movements in fair value**

	2021 \$	2020 \$
Opening balance	17,590	300,000
Disposal of investment	(17,590)	(300,000)
Financial assets acquired on acquisition of a subsidiary	-	19,630
Loss on fair value movement in financial assets	-	(2,040)
Closing balance	-	17,590

**5.5 Trade and Other Payables****Accounting Policy**

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months

	2021 \$	2020 \$
<b>Current</b>		
Trade payables	2,143,540	591,783
Authorised government agencies	112,114	84
Non-trade payables and accrued expenses	417,083	550,916
	<b>2,672,737</b>	<b>1,142,783</b>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 7.2.

**5.6 Other Liabilities****Accounting Policy**

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. As a result of the contracts which the Group enters into, a number of different liabilities are recognised on the Group's balance sheet. These include but are not limited to Deferred income.

	2021 \$	2020 \$
<b>Current</b>		
Income received in advance	5,077	-

## Section 6: Equity and Funding

This section focuses on the debt and equity funding available to the Group at year end, most notably covering share capital and loans and borrowings.

### 6.1 Capital and Reserves

#### Accounting Policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

#### Share Capital

	Ordinary Shares			
	Number of shares		Amount in \$	
	2021	2020	2021	2020
<b>Movement in ordinary shares on issue:</b>				
On issue at 1 July	436,378,203	257,856,438	20,666,186	9,379,698
<b>Shares issued and expensed during the year:</b>				
Issue of fully paid shares for cash	23,842,185	124,074,074	7,629,499	11,100,000
Issue of fully paid shares in business acquisition	22,491,283	-	2,028,761	-
Issued on conversion of performance rights	500,000	25,000,000	-	-
Issued on conversion of options	28,096,433	5,541,669	1,599,378	257,500
Issued via rights issues	-	23,906,022	-	525,932
Issue of fully paid shares in lieu of bonuses	10,741,340	-	196,650	-
Capital raising costs incurred (net of tax benefit)	-	-	(499,427)	(596,944)
<b>On issue at 30 June</b>	<b>522,049,444</b>	<b>436,378,203</b>	<b>31,671,048</b>	<b>20,666,186</b>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

## Unissued Capital

	2021 \$	2020 \$
Balance at 1 July	1,738,628	-
Deferred consideration on acquisition of subsidiary <sup>(1)</sup>	1,278,761	1,500,000
Deferred consideration shares issued <sup>(2)</sup>	(750,000)	-
Funds received for options yet to be issued	-	41,978
Options exercised	(41,978)	-
Shares in lieu of bonus	-	196,650
Shares in lieu of bonus issued	(196,650)	-
<b>Balance at 30 June</b>	<b>2,028,761</b>	<b>1,738,628</b>

<sup>(1)</sup> The deferred consideration of \$1,278,761 relates to the acquisition of SnapSupport, Inc. which was completed in June 2021, see section 3 for more details. The \$1,500,000 in the prior year relates to the acquisition of Harvest Infinity Pty Ltd.

<sup>(2)</sup> The first tranche of deferred consideration shares in relation to Harvest Infinity Pty Ltd was issued in December 2020. The final deferred consideration tranche will be issued in December 2022.

## Share Options

The Company has a share-based payment option scheme under which options to subscribe for the Company's shares have been granted to certain Directors and employees (see note 7.1).

## Nature and Purpose of Reserves

Movement in reserves are shown within the Statement of Changes in Equity.

### *Share-Based Payments Reserve*

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to note 7.1 for further details of these plans.

### *Foreign Currency Translation Reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

## 6.2 Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 7.2.

### Accounting Policy

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

#### Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

	2021 \$	2020 \$
<b>Unsecured</b>		
Other borrowings	-	21,165
Premium funding facility	-	94,355
	-	115,520
<b>Secured</b>		
Convertible notes	3,619,151	3,535,717
<b>Total Borrowings</b>	<b>3,619,151</b>	<b>3,651,237</b>
Current	-	115,520
Non-current	3,619,151	3,535,717
	<b>3,619,151</b>	<b>3,651,237</b>

### Reconciliation of Movement in Borrowings

	Loans from Director or KMP \$	Premium funding \$	Convertible Notes \$	Other borrowings \$
Balance at 1 July 2019	-	30,543	-	-
Loans & borrowings received	-	-	4,000,000	1,195,577
Equity component	-	-	(499,385)	-
Loans assumed on acquisition	10,386	-	-	-
Premium funding facility	-	459,895	-	-
Interest & establishment costs charged	-	11,358	247,156	20,374
Less repaid <sup>(1)</sup>	(10,386)	(407,441)	(212,054)	(1,194,786)
Balance at 30 June 2020	-	94,355	3,535,717	21,165
Interest costs charged	-	-	443,434	-
Less repaid <sup>(1)</sup>	-	(94,355)	(360,000)	(21,165)
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>-</b>	<b>3,619,151</b>	<b>-</b>

<sup>(1)</sup> Amounts repaid include interest and loan establishment costs.

In the previous period, the Company raised \$4,000,000 from the issue of 4,000,000 convertible notes on 28 November 2019 for the acquisition of Harvest Infinity Pty Ltd. Details of the convertible notes are as disclosed below. All convertible notes remain unconverted at period end.



### Terms of Convertible Notes on Issue

- Interest rate: 9% per annum
- Maturity date: 28 November 2024
- Conversion price: 2.2 cents per share on or before the maturity date

### Accounting Treatment of Convertible Notes

The net proceeds received from the issue of the convertible notes has been split between the financial liability component and an equity component, representing the residual amount attributable to the capacity to convert the financial liability in equity in the Company as follows:

- The equity component of \$499,385 has been credited to equity.

The liability component is measured at amortised cost. The effective interest expense for the year is calculated by applying an effective interest rate of 12.45% to the liability component of the notes. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the statement of financial position at 30 June 2021 represents the effective interest rate less interest paid to date. The value of the equity and liability components were determined at the date the instruments were issued.

## 6.3 Lease Liabilities

	2021 \$	2020 \$
Balance at 1 July	3,131,451	-
Balance recognised on application of AASB 16	-	294,854
Lease inception	-	4,380,076
Liabilities assumed through business combination	-	35,454
Increase in right-of-use asset	3,361	-
Principal repayments	(2,676,706)	(1,932,628)
Interest expense	106,904	212,760
Exchange differences	(70,962)	140,935
<b>Balance at 30 June</b>	<b>494,049</b>	<b>3,131,451</b>
<b>Classification</b>		
Current liabilities	490,266	2,509,282
Non-current liabilities	3,783	622,169
	<b>494,049</b>	<b>3,131,451</b>

## 6.4 Provisions

	2021 \$	2020 \$
Balance at 1 July	1,244,678	-
Recognition of provision for restoration requirements in regard of right-of-use assets	-	1,242,556
Derecognition of provision for changes in restoration requirements <sup>(1)</sup>	(476,263)	-
Exchange differences	-	2,122
<b>Balance at 30 June</b>	<b>768,415</b>	<b>1,244,678</b>

1) Within the terms of the vessel charter lease, the Group has a requirement to restore the VOS Shine to the state that it was received in and additionally that it be returned to the port of choosing by the charterer, Vroon Offshore Services B.V., who are domiciled in the Netherlands. The provision was partly derecognised during the financial year to reflect the change in return port requirements from the Netherlands to Singapore.

## 6.5 Deferred Consideration

	2021 \$	2020 \$
Balance at 1 July	1,400,017	-
Upon original recognition of business combination	-	1,335,617
Interest charges	79,308	64,400
Deferred consideration paid	(750,000)	-
<b>Balance at 30 June</b>	<b>729,325</b>	<b>1,400,017</b>
Current	729,325	727,256
Non-current	-	672,761
<b>Closing balance</b>	<b>729,325</b>	<b>1,400,017</b>

Deferred consideration of the acquisition of Harvest Infinity is payable in two \$750,000 tranches at December 2020 and December 2021. The present value of the consideration payable was recognised at the acquisition date with an interest expense being charged each month until full payment

## Section 7: Other Disclosures

The disclosure in this section focuses on share schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions, can also be found here.

### Key Estimates and Assumptions in this Section

#### Share-Based Payments

The fair value of share options is measured using the Black-Scholes options pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on an evaluation of the company's historic volatility, particularly over the historic period commensurate with the expected term) and weighted average expected life of the instruments (based on historical experience), expected dividends (if any) and the risk-free interest rate (based on government bonds). Service and non-market conditions are not considered in determining fair value.

In addition, the Group has on issue, performance shares and performance rights as detailed in note 7.1. Significant judgement is required in relation to assessing the degree of probability associated with the non-market vesting conditions being met.

### 7.1 Share-Based Payments

#### Accounting Policy

The share option programme allows Group employees to receive rights to acquire shares of the Company. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the fair value of an employee share option has been recognised as a share-based payment and the option lapses on expiry, the total amount of the share-based payment expense is transferred from the share-based payment reserve to accumulated losses. Where a share option has lapsed and the non-market vesting criteria has not been met, any previously recorded share-based payment expense is reversed through the statement of comprehensive income.

The share-based payment expense included within the consolidated financial statements can be broken down as follows:

	2021 \$	2020 \$
<b>(a) Expensed in personnel expenses</b>		
Options issued to Directors	2,776	552,409
Options issued to employees	-	4,742
Rights to shares to employees	1,882,390	1,727,087
Rights issued to Directors	253,507	-
<b>(b) Expensed in professional fees</b>		
Options issued to consultants of the Company	-	335,155

### Equity-Settled Share Option Programme

The Company adopted an Employee Share Options Scheme (ESOS) effective 24 August 2016. Under the ESOS, the Company may grant options and rights to Company eligible participants over a period of 3 years to acquire securities up to a maximum of 15% of the Company's total issued ordinary shares at the date of the grant. The fair value of share options granted is estimated using the Black-Scholes option pricing model.

The options and rights vest on a time scale as specified in the ESOS and are granted for no consideration. Options and rights granted under the plan carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share. The maximum term of an option is 5 years from grant date and the exercise price is settled in cash. Options may not be transferred other than to an associate of the holder.

### Options

The following tables illustrate the share-based payment arrangements in place, and the number and weighted average exercise prices of and movements in, share options. At 30 June 2021, a summary of the Group options issued and not exercised, excluding those options issued free attaching in share placements, are as follows:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at start of year	Granted during the year	Exercised/ Expired during the year	Balance at year-end	Vested and exercisable at year-end
23-Nov-17	31-Dec-18	31-Dec-20	10	6,000,000	-	(6,000,000)	-	-
10-Apr-18	24-Apr-18	31-Dec-20	10	1,500,000	-	(1,500,000)	-	-
10-Apr-18	24-Apr-18	8-Feb-21	5	1,000,000	-	(1,000,000)	-	-
22-Nov-18	22-Nov-18	28-Nov-21	5	1,000,000	-	(1,000,000)	-	-
22-Nov-18	22-Nov-19	29-Nov-21	8	1,000,000	-	(1,000,000)	-	-
22-Nov-18	22-Nov-20	30-Nov-21	12	1,000,000	-	(500,000)	500,000	500,000
18-Feb-20	18-Feb-20	18-Feb-23	6.5	4,000,000	-	(160,000)	3,840,000	3,840,000
18-Feb-20	18-Feb-20	18-Feb-23	10	2,000,000	-	(80,000)	1,920,000	1,920,000
31-Mar-20	31-Mar-20	1-Apr-21	4	4,000,000	-	(4,000,000)	-	-
31-Mar-20	31-Mar-20	1-Apr-21	7	4,400,000	-	(4,400,000)	-	-
31-Mar-20	31-Mar-20	1-Apr-21	10	4,400,000	-	(4,400,000)	-	-
31-Mar-20	31-Mar-20	1-Apr-21	15	400,000	-	(400,000)	-	-
<b>Total</b>				<b>30,700,000</b>	<b>-</b>	<b>(24,440,000)</b>	<b>6,260,000</b>	<b>6,260,000</b>
Weighted average exercise price (cents)				8.07	-	8.09	8.01	8.01
Weighted average remaining contractual life (years)				1.51	-	-	1.54	-

During the year ended 30 June 2021, nil options were forfeited, cancelled or lapsed (2020: 4,400,000). Options are settled by the physical delivery of shares.

At 30 June 2020, a summary of the Group options issued and not exercised, excluding those options issued free attaching in share placements, are as follows:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at start of year	Granted during the year	Exercised/ Expired during the year	Balance at year-end	Vested and exercisable at year-end
7-Feb-17	7-Mar-17	31-Jan-20	20-30	3,500,000	-	(3,500,000)	-	-
1-Jun-17	31-Dec-17	1-Jun-20	5	133,333	-	(133,333)	-	-
1-Jun-17	31-Dec-18	1-Jun-20	5	133,333	-	(133,333)	-	-
1-Jun-17	31-Dec-19	1-Jun-20	5	133,334	-	(133,334)	-	-
23-Nov-17	31-Dec-18	31-Dec-20	10	6,000,000	-	-	6,000,000	6,000,000
10-Apr-18	24-Apr-18	31-Dec-20	10	2,000,000	-	(500,000)	1,500,000	1,500,000
10-Apr-18	24-Apr-18	8-Feb-21	5	1,000,000	-	-	1,000,000	1,000,000
22-Nov-18	22-Nov-18	28-Nov-21	5	1,000,000	-	-	1,000,000	1,000,000
22-Nov-18	22-Nov-19	29-Nov-21	8	1,000,000	-	-	1,000,000	1,000,000
22-Nov-18	22-Nov-20	30-Nov-21	12	1,000,000	-	-	1,000,000	1,000,000
18-Feb-20	18-Feb-20	18-Feb-23	6.5	-	4,000,000	-	4,000,000	4,000,000
18-Feb-20	18-Feb-20	18-Feb-23	10	-	2,000,000	-	2,000,000	2,000,000
31-Mar-20	31-Mar-20	1-Apr-21	4	-	4,000,000	-	4,000,000	4,000,000
31-Mar-20	31-Mar-20	1-Apr-21	7	-	4,400,000	-	4,400,000	4,400,000
31-Mar-20	31-Mar-20	1-Apr-21	10	-	4,400,000	-	4,400,000	4,400,000
31-Mar-20	31-Mar-20	1-Apr-21	15	-	400,000	-	400,000	400,000
<b>Total</b>				<b>15,900,000</b>	<b>19,200,000</b>	<b>(4,400,000)</b>	<b>30,700,000</b>	<b>30,700,000</b>
Weighted average exercise price (cents)				12.39	7.44	21.48	8.07	8.07
Weighted average remaining contractual life (years)				1.47	-	-	1.51	-

During the year ended 30 June 2020, 4,400,000 options were forfeited, cancelled or lapsed (2019: 8,625,000). Options are settled by the physical delivery of shares.

Key valuation assumptions made at valuation date for options still on issue at year-end are summarised below:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8	Tranche 9	Tranche 10	Tranche 11	Tranche 12
Exercise price (cents)	10	10	5	5	8	12	6.5	10	4	7	10	15
Grant date	23-Nov-17	10-Apr-18	10-Apr-18	22-Nov-18	22-Nov-18	22-Nov-18	18-Feb-20	18-Feb-20	31-Mar-20	31-Mar-20	31-Mar-20	31-Mar-20
Expiry date	31-Dec-20	31-Dec-20	8-Feb-21	28-Dec-21	29-Dec-21	30-Dec-21	18-Feb-23	18-Feb-23	1-Apr-21	1-Apr-21	1-Apr-21	1-Apr-21
Life of the options (years)	3.11	2.73	2.89	3.02	3.02	3.02	5.00	5.00	1.00	1.00	1.00	1.00
Volatility	85%	99.01%	99.01%	95.79%	95.79%	95.79%	101.46%	101.46%	107.40%	107.40%	107.40%	107.40%
Risk free rate	1.90%	2.14%	2.14%	2.00%	2.00%	2.00%	0.76%	0.76%	0.43%	0.43%	0.43%	0.43%

### ***Vesting Conditions***

#### **Tranches 1 and 2**

Each option issued will vest if the share price is at least 10 cents per share for five consecutive days before expiry date.

#### **Tranches 3 to 10**

Each option vested and were exercisable immediately after they were issued.

### ***Performance Shares***

At 30 June 2021, a summary of the Group performance shares issued but not yet vested or exercised are as follows:

Note	Grant date	End of performance period	Scheme type	Balance at the start of the year	Granted during the year	Lapsed/ Converted during the year	Balance at year-end	Vested and exercisable at year-end
(i)	2-Feb-16	2-Feb-21	Class B	8,699,355	-	(8,699,355)	-	-
(ii)	2-Feb-16	2-Feb-21	Class C	8,699,355	-	(8,699,355)	-	-

Each performance share represents a right to be issued one ordinary share by the end of the performance period, with no exercise price payable, should either of the vesting conditions in each class be met:

#### **(i) Class B**

- (A) annualised earnings before interest, tax, depreciation and amortisation (EBITDA) of at least \$2,000,000 in relation to the Company's Intellectual Property; or
- (B) revenue of at least \$4,000,000 in relation to the Company's Intellectual Property; or

- (C) in the event that a SAMST<sup>TM</sup> Licensing Agreement has already been achieved, the execution of a Clever Buoy<sup>TM</sup> Contract; or
- (D) execution of a second SAMST<sup>TM</sup> Licensing Agreement; or
- (E) in the event that a Clever Buoy<sup>TM</sup> Contract has been achieved, execution of a SAMST<sup>TM</sup> Licensing Agreement; or
- (F) the execution of a second Clever Buoy<sup>TM</sup> Contract.

(ii) Class C

- (A) an annualised EBITDA of at least \$3,000,000 in relation to the Company's Intellectual Property; or
- (B) revenue of at least \$5,000,000 in relation to the Company's Intellectual Property; or
- (C) in the event that two SAMST<sup>TM</sup> Licensing Agreements have already been achieved, a third SAMST<sup>TM</sup> Licensing Agreement; or
- (D) in the event that two Clever Buoy<sup>TM</sup> Contracts have been achieved, execution of a third Clever Buoy<sup>TM</sup> Contract; or
- (E) in the event that one SAMST<sup>TM</sup> Licensing Agreement and one Clever Buoy<sup>TM</sup> Contract have been achieved, either a second SAMST<sup>TM</sup> Licensing Agreement, or a second Clever Buoy<sup>TM</sup> Contract.

The Director's assess at each reporting date, the likelihood the above vesting conditions will be met. To the extent a class of performance shares is considered probable, the Company will record an associated share-based payment expense based upon the fair value of the associated performance shares at grant date and the number of performance shares issued.

### Performance Rights

At 30 June 2021, a summary of the Group performance rights issued are as follows:

Note	Grant date	End of performance period	Tranche	Balance at the start of the year	Granted during the year	Lapsed/ Converted during the year	Balance at year-end	Vested and convertible at year-end	Expensed During the Year (\$)
(i)	26-Apr-19	26-Apr-22	2	25,000,000	-	-	25,000,000	-	-
(ii)	26-Apr-19	26-Apr-23	3	30,000,000	-	-	30,000,000	-	-
(iii)	24-Jun-20	30-Jun-21	4	8,986,339	8,986,339	(8,986,339)	-	-	-
(iv)	24-Jun-20	30-Jun-22	5	7,263,158	7,263,158	(315,275)	6,947,883	6,947,883	1,320,098
(v)	24-Jun-20	30-Jun-23	6	5,447,368	5,447,368	621,036	6,068,404	-	575,400
(vi)	23-Nov-20	1-Mar-21	A	-	500,000	(500,000)	-	-	123,650
(vii)	23-Nov-20	1-Sep-21	B	-	500,000	-	500,000	-	84,188
(viii)	23-Nov-20	1-Mar-22	C	-	500,000	-	500,000	-	45,669

Each performance right represents a right to be issued one ordinary share, with no exercise price payable on conversion, upon the achievement of the following revenue-based milestones:

- (i) Tranche 2 performance rights will vest upon Harvest Technology Pty Ltd achieving \$20,000,000 in revenue in one calendar year within three years of the acquisition



of Harvest, being 26 April 2022.

- (ii) Tranche 3 performance rights will vest upon Harvest Technology Pty Ltd achieving \$30,000,000 in revenue in one calendar year within four years of the acquisition of Harvest, being 26 April 2023.
- (iii) Tranche 4 performance rights are based on a calculation being  $[2,500,000 \times (\text{average market price for the last 5 trading days of the year less 4 cents})] / \text{market price at 30 June}$ . The market price must exceed 4 cents for the performance rights to be eligible for conversion to shares.
- (iv) Tranche 5 performance rights are based on a calculation being  $[2,500,000 \times (\text{average market price for the last 5 trading days of the year less 7 cents})] / \text{market price at 30 June}$ . The market price must exceed 7 cents for the performance rights to be eligible for conversion to shares.
- (v) Tranche 6 performance rights are based on a calculation being  $[2,500,000 \times (\text{average market price for the last 5 trading days of the year less 10 cents})] / \text{market price at 30 June}$ . The market price must exceed 10 cents for the performance rights to be eligible for conversion to shares.
- (vi) Tranche A performance rights will vest upon the Group achieving a VWAP of at least \$0.35 over any twenty consecutive trading day period before the milestone date, being 1 March 2021.
- (vii) Tranche B performance rights will vest upon the Group achieving a VWAP of at least \$0.50 over any twenty consecutive trading day period before the milestone date, being 1 September 2021.
- (viii) Tranche C performance rights will vest upon the Group achieving a VWAP of at least \$0.75 over any twenty consecutive trading day period before the milestone date, being 1 March 2022.

Tranche 1, 2 and 3 performance rights relate to the acquisition of Harvest Technology. The Directors assessed at acquisition date the likelihood the above vesting conditions will be met. The Directors determined that there was insufficient information at present to indicate that the performance rights would vest, and as such no value has been apportioned to them at acquisition date. There will be no remeasurement of the value of the performance rights granted from the valuation determined at grant date.

Tranches 4, 5 and 6 were agreed in the prior year, with performance hurdles based on an increased share price above a base amount. As at 30 June the calculated market price was 32 cents per share. For Tranche 6, the final number of performance rights to be granted will be dependent upon the share price calculation at (v).

Tranches A, B and C were granted after receiving shareholder approval at the Company's AGM on 10 November 2020. At the date of this report, Tranche B has not met the conditions of the relevant milestone and the performance rights have lapsed.

## 7.2 Financial Instruments

### Accounting Policy

#### **Recognition and derecognition**

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### **Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL);
- equity instruments at fair value through other comprehensive income (FVOCI);
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

#### **Subsequent remeasurement of financial assets**

##### **Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised costs using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 139.

#### **Impairment of financial assets**

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replace AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

The '12-month expected credit losses' are recognised for the first category whilst 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

***Classification and measurement of financial liabilities***

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are initially measured at amortised cost using the effective interest method except for derivatives and financial liabilities designation at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

***Derivative financial instruments***

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL).

## Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2020.

The capital structure of the Group consists of cash and cash equivalents, borrowings and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

## Financial Risk Management Objectives

The Group is exposed to market risk (including foreign currency exchange rate risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effect of these risks and the Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed on a continuous basis to reflect changes in market conditions and the Group's activities.

The Group does not trade financial instruments, including derivative financial instruments, for speculative purposes.

## Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

### Foreign currency exchange rate risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the balance date expressed in Australian dollars are as follows:

	Consolidated			
	Assets		Liabilities	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Currency</b>				
Euro	511,271	380,000	390,078	1,827,906
US Dollars	170,313	12,182	49,224	6,275

### Foreign Currency Sensitivity Analysis

The sensitivity analysis below details the Group's sensitivity to an increase/decrease in the Australian dollar against the United States Dollar and Euro. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, including external loans where the denomination of the loan is in a currency other than the currency of the borrower and adjusts their translation balance date for 500 basis point change in foreign currency rates.

At balance date, if foreign exchange rates had been 500 basis points higher or lower, and all other variables were held constant, the impact on profit or loss would be:

	Impact on profit & loss	
	2021	2020
	\$	\$
<b>If AUD strengthens by 5% (2020: 5%)</b>		
US dollar	(6,054)	(295)
Euro	(6,060)	72,395
<b>If AUD weakens by 5% (2020: 5%)</b>		
US dollar	6,054	295
Euro	6,060	(72,395)

The Group's sensitivity to US exchange rates has increased slightly from last year due to the commencement of the US expansion of the Group. The exposure to Euro exchange rates will decrease with the vessel VOS Shine coming to the end of her lease period and the reduction in the provision of restoration.

### ***Interest rate risk management***

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

### **Interest Rate Risk Sensitivity Analysis**

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance date.

At balance date, if interest rates had been 50 points higher or lower and all other variables were held constant, the Group's profit or loss would increase / (decrease) by \$33,785 / (\$33,785).

The Group's sensitivity to interest rates has decreased during the year due to the reduction in variable rate debt instruments.

### **Credit Risk Management**

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks and trade and other receivables.

The Group has adopted a policy of only dealing with creditworthy counterparties.

The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rates its customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks or government agencies with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, represents the Group's maximum exposure to credit risk.

### **Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### ***Non-derivative financial liabilities***

The following table details the Group's expected contractual maturities for its non-derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the

earliest date the Group can be required to repay.

The table include both interest and principal cash flows.

	Weighted average Interest rate %	Less than 6 months \$	6 months to 1 year \$	1 – 5 years \$
<b>30 June 2021</b>				
Trade and other payables	-	2,672,737	-	-
Lease liabilities	5.50	456,789	33,477	3,783
		<b>3,129,525</b>	<b>33,477</b>	<b>3,783</b>
<b>30 June 2020</b>				
Trade and other payables	-	1,142,699	-	-
Borrowings	9.11	103,391	12,129	-
Lease liabilities	5.50	1,473,364	1,264,314	473,821
		<b>2,719,454</b>	<b>1,276,443</b>	<b>473,821</b>

### *Derivative financial liabilities*

The following table details the Group's expected contractual maturities for its derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay.

The table include both interest and principal cash flows.

	Weighted average Interest rate %	Less than 6 months \$	6 months to 1 year \$	1 – 5 years \$
<b>30 June 2021</b>				
Convertible notes	9.00	181,479	178,521	4,869,918
		<b>181,479</b>	<b>178,521</b>	<b>4,869,918</b>
<b>30 June 2020</b>				
Convertible notes	9.00	181,479	360,000	5,229,918
		<b>181,479</b>	<b>360,000</b>	<b>5,229,918</b>

### **Fair Value Measurement**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Directors consider that the carrying amounts of cash and cash equivalents, current receivables, current payables, and current interest-bearing borrowings denominated in Australian Dollars, approximate their fair values.

### 7.3 Capital Commitments

At year end, there were no material capital commitments.

### 7.4 Related Parties

Directors and other Key Management Personnel compensation included in 'personnel expenses' (note 2.4) comprises the following:

	<b>2021</b>	<b>2020</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,229,305	1,089,056
Post-employment benefits	90,433	85,487
Share-based payments	1,301,657	1,798,468
2.4	<b>2,621,395</b>	<b>2,973,011</b>

### 7.5 Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Financial year end	Proportion of ownership interest and voting power held by the Group	
				2021 %	2020 %
Harvest Technology Pty Ltd	Data Transfer Technology & Subsea Technology Solutions	Australia	30 June	100	100
Harvest Infinity Pty Ltd	Technology Research & Development	Australia	30 June	100	100
Shark Attack Mitigation Systems Pty Ltd	Dormant	Australia	30 June	100	100
Clever Buoy Australia Pty Ltd	Dormant	Australia	30 June	100	100
Harvest Technology Group, Inc.	Corporate & Administrative Support	United States	30 June	100	-
SnapSupport, Inc.	Remote Field Mobile SaaS Solutions	United States	30 June	100	-

### 7.6 Subsequent Events

In August 2021, the Group commenced the redelivery of the long-term charter offshore support vessel VOS Shine from Vroon Offshore Services B.V. The charter will cease when the Group has successfully redelivered and off hired the vessel in Singapore.

Other than noted above, there have been no other matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

### 7.7 Contingent Liabilities

At year end, there were no contingent liabilities.

## 7.8 Parent Company Disclosures

As at, and throughout the financial year ended 30 June 2021, the parent entity of the Group was Harvest Technology Group Limited.

	2021 \$	2020 \$
<b>Result of the parent entity</b>		
Loss for the year	(3,490,850)	(5,112,953)
Other comprehensive income	-	-
Total comprehensive loss for the year	<b>(3,490,850)</b>	<b>(5,112,953)</b>
<b>Financial position of parent entity at year end</b>		
Current assets	6,364,221	10,078,774
Total assets	<b>20,460,253</b>	<b>18,389,487</b>
Current liabilities	(1,002,371)	(1,531,558)
Total liabilities	<b>(4,625,305)</b>	<b>(5,747,316)</b>
<b>Total equity of the parent entity comprising of:</b>		
Share capital	32,365,333	21,510,280
Unissued capital	2,028,761	1,738,628
Reserves	5,439,650	2,801,591
Accumulated losses	(23,998,795)	(13,408,328)
<b>Total equity</b>	<b>15,834,948</b>	<b>12,642,171</b>

## 7.9 Auditors' Remuneration

	2021 \$	2020 \$
<b>HLB Mann Judd:</b>		
Audit and review of financial reports	68,800	52,550
Non-audit services	-	-
<b>TOTAL AUDITORS' REMUNERATION</b>	<b>68,800</b>	<b>52,550</b>



## Directors' Declaration

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1. In the opinion of the Directors of Harvest Technology Group Limited (the "Group"):
  - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year then ended; and
    - (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
  - b. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
  - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

This declaration is signed in accordance with a resolution of the Board of Directors:



**JEFFREY SENGELMAN**  
Chairman

Dated this 29<sup>th</sup> day of September 2021



# Independent Audit Report



**INDEPENDENT AUDITOR'S REPORT**

To the members of Harvest Technology Group Limited

**Report on the Audit of the Financial Report***Opinion*

We have audited the financial report of Harvest Technology Group Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

*Material uncertainty related to going concern*

We draw attention to Note 1.8 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* we have determined the matters described below to be the key audit matters to be communicated in our report.

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## Key Audit Matter

## How our audit addressed the key audit matter

### Acquisition accounting

Refer to Note 3

During the year, the Group completed the acquisition of SnapSupport Inc. a company based in the United States. This transaction was treated as a business combination.

The acquisition accounting was considered to be a key audit matter as it is important for the users' understanding of the financial statements and involved the most audit effort and communication with those charged with governance.

Our procedures included but were not limited to the following:

- Reviewing the acquisition agreement to gain an understanding of the key terms and conditions of the acquisition;
- We determined whether the acquisition consideration had been appropriately determined under accounting standards;
- We considered the appropriate classification of the transaction as either a business combination or an asset acquisition;
- We obtained audit evidence that the net identifiable assets of the business were materially correct;
- We considered the purchase price allocation determined by management in their assessment of the acquisition; and
- We assessed the adequacy of the Group's disclosures with respect to the acquisition.

### Recognition and recoverability of intangible assets

Refer to Note 4.1

At 30 June 2021 the Group has an intangible assets balance of \$10.3m which arose on the acquisitions of Harvest Infinity Pty Ltd and SnapSupport Inc.

An impairment assessment was conducted by management due to the existence of impairment indicators arising under AASB 136 *Impairment of Assets*.

The impairment assessment conducted under AASB 136 involved a comparison of the recoverable amount of the cash generating unit to which the balance was allocated to the carrying amount of the related items in the balance sheet. Recoverable amount is based upon the higher of fair value less costs of disposal and value-in-use.

The evaluation of recoverable amount is considered a key audit matter as it was based upon a value-in-use calculation which required significant judgement and estimation. In addition, the balance is material to the users of the financial statements and involved the most communication with management.

Our procedures included but were not limited to:

- Considering the existence of potential indicators of impairment;
- Critically evaluating management's methodology in the value-in-use model and the basis for key assumptions;
- Reviewing the mathematical accuracy of the value-in-use model;
- Performing sensitivity analyses around the key inputs used in the model such as future revenue and forecast costs;
- Considering the appropriateness of the discount rate used;
- Ensuring the carrying value of the cash-generating unit had been correctly determined;
- Comparing value-in-use to the carrying amount of the cash-generating unit; and
- Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.

*Information other than the financial report and auditor's report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

*Responsibilities of the directors for the financial report*

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

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

*Auditor's responsibilities for the audit of the financial report*

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Harvest Technology Group Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

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

*HLB Mann Judd*

**HLB Mann Judd**  
**Chartered Accountants**

**Perth, Western Australia**  
**29 September 2021**



**M R Ohm**  
**Partner**

# Corporate Directory

## **Directors**

Jeff Sengelman  
Paul Guilfoyle  
Rod Evans  
Marcus Machin  
Stuart Carmichael

## **Secretary**

Joel Ives

## **Registered and Principal Office**

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## **Postal Address**

7 Turner Avenue, Technology Park  
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## **Auditors**

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Level 4, 130 Stirling Street  
Perth WA 6000

## **Bankers**

NAB  
100 St Georges Terrace  
Perth WA 6000

## **Share Registry**

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace  
Perth WA 6000

Telephone: +61 1300 552 270

## **ASX Code**

Shares: HTG

## **Legal Form of Entity**

Public company

## **Country of Incorporation and Domicile**

Australia