



**HARVEST TECHNOLOGY GROUP LIMITED**

**ANNUAL REPORT 2020**

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## 2020 Annual General Meeting

The AGM will be held at 1:00pm (AWST) on Tuesday November 10, 2020 and conducted both at the venue and virtually. Further details are available at [harvest.technology/investors-1](https://harvest.technology/investors-1)





# About Harvest Technology Group

“We are not just a great technology company. We are a people company that delivers outstanding technology.”

Harvest Technology Group Limited (ASX: **HTG**) is a dynamic and innovative company with cutting-edge technology and the in-house expertise to develop end-to-end customised solutions.

HTG is the parent entity to wholly owned subsidiaries, Harvest Technology Pty Ltd and Harvest Infinity Pty Ltd.

We offer a suite of innovative products and services dedicated to removing the isolation between remote installations and their control centres, creating safer and more cost-efficient operations in remote environments.



## OUR VISION

We will become a leading international provider of software, products and services that enable secure, trusted communication and control for the delivery of high quality, real time interaction over unreliable networks via any device.

## OUR STRATEGY

The global demand for secure trusted communications for the delivery of enriched data and real time interaction over satellite, congested and unreliable networks is rapidly expanding. We have an opportunity in the multibillion-dollar satellite communications sector, to accelerate growth driven by our proprietary, industry agnostic technology that allows real time, secure encrypted high definition transfer of video, audio and data anywhere in the world.

The high speed at which new technologies and ICT products are being developed and applied is widely recognised. We will capitalise on the potential of our market leading technology, products and services by moving at speed and at scale in order to preserve our current market advantage and accelerate market penetration. We will achieve this by targeting the international market, with initial focus on US and established globally recognised clients.

By the end of 2022, we plan to transform from a small data solutions company supporting the Australian Resource Sector, into an internationally recognised Satellite Services provider of excellence, servicing the international marketplace. Shareholder value will be achieved through global expansion, technology development, marketing, and forming key relationships with global leaders in satellite connectivity services and solutions.

Once achieved, this will provide the conditions for our further future international expansion.

We have commenced our near-term strategy in order to accelerate our growth potential. This strategy is set against a conditions-based approach and is utilising the resources of our recent capital raising. Our near-term strategy can be summarised in three (3) phases:

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

Our Strategic Plan will be delivered to market prior to the AGM.



# Chairman's Letter



Dear Shareholders

As the newly appointed Chairman, it is a great privilege to lead the Harvest Technology Group Board and present to you this Annual Report of the Group's performance for the financial year ended 30 June 2020.

The last 12 months have included many significant achievements and we successfully weathered a few challenges such as COVID-19, with its potential to impact on markets we operate in. Our team remained agile and resilient and worked hard to preserve existing cash flow and capture new business opportunities. This year and for the first time, the Group achieved annual revenue of more than AUD 10 million.

## The Year in Retrospect

This year we took a deliberate path to manage our costs with a view to improve efficiencies, preserve our cash flow and set the conditions for a rapid transition back to growth with our existing portfolio of suppliers and customers. This included a strong focus on value-adding to our partners, which has stood us in good stead given the uncertain conditions that have affected the entire economy throughout the year. The finalisation of Collaboration Agreements with Fugro and AST reinforced our underlying strengths and strong potential. The delivery of the VOS Shine with 100% utilisation until the end of Q3 FY2020 and the successful completion of its inaugural project in

Darwin and three projects in Bass Strait, deserve special mention. As does the achievement of Zero Loss Time injuries and Zero Total recordable injuries across the Group.

At the same time, we have been centering our efforts towards realising the exciting potential of our 'Infinity' portfolio of products and services in both domestic and international markets. The very successful Capital Raising and subsequent welcome participation of several highly respected Institutional Investment Groups, illustrated the strength of our fundamentals and the market confidence in the current outlook and direction of Harvest Technology Group.

Throughout the year, in addition to focussing on growth in our core segments, we developed a new Strategic Plan and Vision for the Group that will see us pursue significant commercial opportunities in the technology sector, both here and offshore, including Software as a Service partnerships with a range of established and globally significant companies. We will be announcing this plan before our next AGM in November 2020.

I'm pleased to observe that since our acquisition of Advanced Offshore Streaming Pty Ltd in December 2019, our substantial investments in R&D and innovations in our 'Infinity' technology suite have delivered dividends. With a range of internationally relevant category leading products, applicable across many sectors including Information Technology, Communications, Space, National Security, Defence, and Resources, we are well postured for the next steps.

## Looking Ahead

As we look to the future, we see markets remaining volatile, and with the COVID-19 pandemic impacting businesses globally, we believe that the environment will retain some uncertainty. Despite these transitory challenges, which will attract our ongoing close scrutiny and risk management, we actually see enormous opportunities and will be active in pursuing these. Some of these opportunities have already knocked at our door.

Looking forward, we are already seeing a rapid

return to strong cashflow with our existing partners and clients, which we will work hard to preserve and sustain. Concurrent to this, Harvest Technology Group will embark on our Strategy to more fully embrace significant commercial opportunities in the technology sector as a Software as a Service provider for established premier international clients through our 'Infinity' range of products. Throughout, we will continue to strengthen our sector and technical know-how, both here and overseas, and focus on bringing new innovations to market.

As always, People remain the most important pillar in Harvest Technology Group. Their professional development and welfare are of paramount importance to the business. With the strategy we are putting in place and our existing strong team including a renewed Board, we will purposefully grow in expertise, experience, diversity and resilience to set them and all of us, up for success.

### In Appreciation

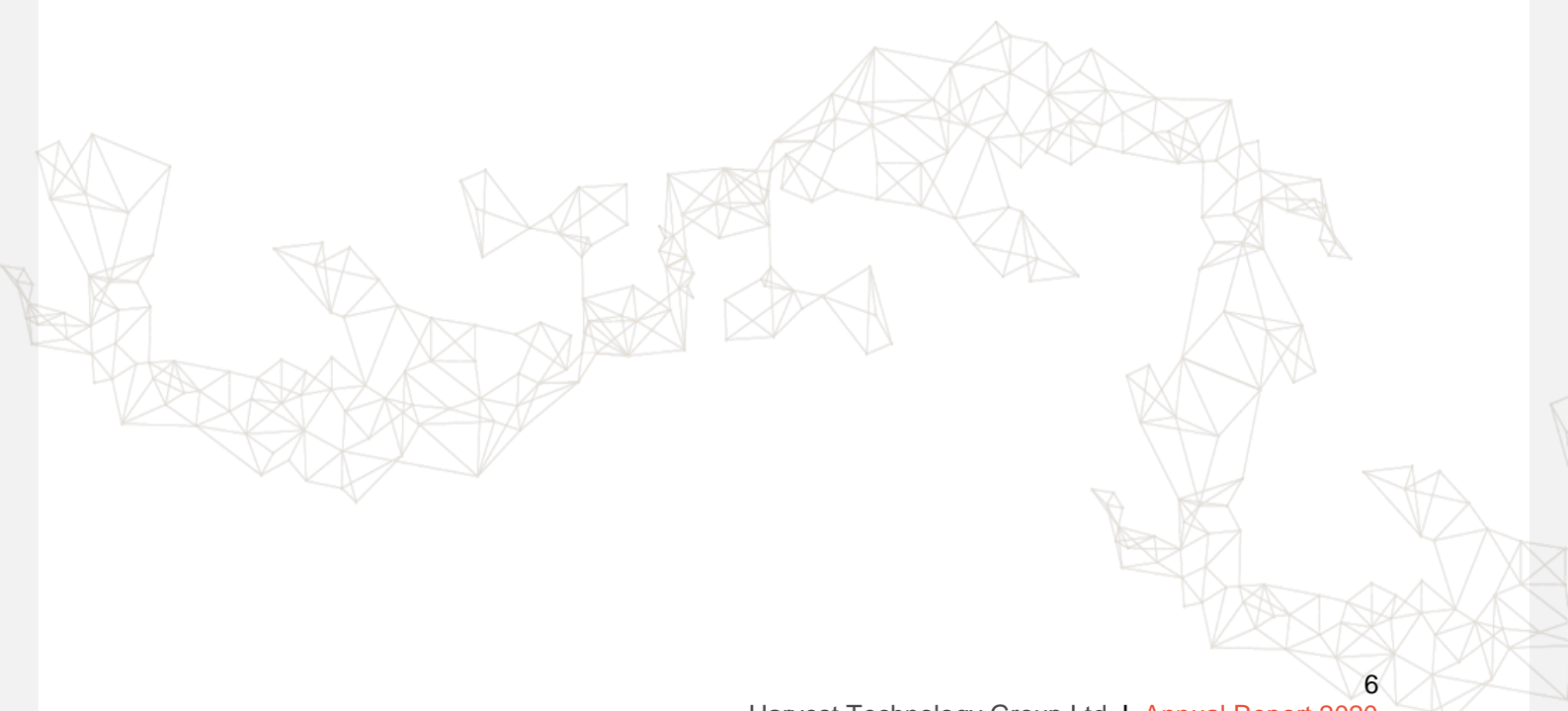
As the new Chairman, I very much understand the responsibility and trust you have placed in me. In partnership with the Board and in collaboration with the Managing Director and Executive team, I undertake to lead, inspire and mentor with utmost integrity and ethics to deliver positive results and contribute to what will define commercial success for the Group.

I would like to thank our Directors for their continued dedication and guidance to the Group. On behalf of the Board, I wish to express our appreciation and thank all our stakeholders – employees, principals, customers, business associates, advisers and shareholders, for your continued trust and confidence in Harvest Technology Group.

As we enter a new year, together with your support, I have no doubt that the team we have and are building, combined with our new Strategic Plan and Vision, will successfully set Harvest Technology Group on a course towards sustained growth, increased cashflow and exciting new commercial opportunities.



**Jeff Sengelman DSC AM CSC**  
Chairman



# Managing Director's Address



Dear Shareholders,

FY2020 has been a year of redefining and restructuring the business with the intent of building the foundational systems to support a technology-driven scalable organisation. It is unfortunate that COVID-19 has presented significant challenges globally, and has dramatically affected people, communities, and industry.

Our priority is first and foremost on the well-being of our people and supporting our customers, particularly during unprecedented times like this.

Despite the impact of COVID-19, we are in the enviable situation where it has presented us with significant opportunity to expand our technology offering.

With data intensive applications driving growth within the satellite solutions sector and the requirement to connect workers remotely are forecast to continue growing, the need to introduce less expensive technology to enable enriched data communication is increasing.

That's why, this year, the Board and senior management set out our strategic plan for the next 12 months and beyond. Each step of our strategy moving forward will set the conditions-based approach to achieving success and will focus us on delivering products and services

scalability, global expansion and intensified R&D. This will enable us to improve performance and achieve better returns for shareholders over both the short and long term, as well as a broader societal contribution.

## FY2020 Performance

- Group sales were \$11.5 million, up from the previous year \$11,747 with growth across each of business segments. This is the first time Group revenue has reached more than \$10 million in a year.
- Net operating cash outflow of -\$1,077 million
- Acquisition of AOS (Advanced Offshore Streaming) in December 2019 with \$500,000 being allocated to R&D during the 6 months since acquisition.
- Release of the Infinity Product suite in February 2020
- Further enhancement of the Wearwolf™ platform for integration into Unmanned Aerial Vehicles (UAV) and the support for external devices such as thermal cameras and borescopes
- Development of the RemTeq™ Agnostic Remote-Control Platform enabling the physical separation of control systems from machines or robots,
- ASX Group recoding to HTG aligning with the name change to Harvest Technology Group.
- Collaboration agreements entered into with Fugro and AST
- We have renewed our emphasis on cost and cash discipline. As we look to the future, we see markets remaining volatile and with the COVID-19 virus impacting business everywhere, we believe that the environment will remain uncertain.

## New Appointments

I am delighted that we appointed Mr. Jeffrey Sengelman as an independent non-executive Chairman of the Company. Jeffrey 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.

Our more recent appointment of US Regional Lead, Andy Lowery, will drive growth across US based industry verticals and contribute to the global business strategy with the Group's leadership team.

A proven entrepreneur, Andy was co-founder and CEO of US based company Realwear Inc., who design and manufacture the HMT-1 industrial 'head-up-display' augmented reality computer. We currently use the HMT-1 headset as a platform for our Infinity Wearwolf™ application. Prior to Realwear Andy co-founded Daqri and served time as President, where he led their transformation into a leading technology augmented reality corporation specialising in mixed reality wearables.

### Performance & Values-Based Culture

Our ambition is to drive a high-performance culture, putting innovation and technology at the heart of the business, and remaining true to our values and our purpose to help people connect anywhere.

Our commitment to improving trusted global connectivity in remote locations and being a responsible business will continue. Our people and their commitment are foundational for our culture today and in the future.

### Pipeline Progress

We need to strengthen our underlining business and pipeline as this will ultimately drive sustainable long-term growth for the company.

Our focus in 2019/20 was to launch Infinity suite of products and look to strategic partners to open new markets and access to industry, whilst continuing to strengthen the underlying business systems and resources.

We continued and broadened our focus on R&D, whilst maintaining a low-profile position in order to release Infinity products when the underlining business was capable of handling scalability. Identifying Infinity Wearwolf™ and Nodestream as our two primary product lines, we have set the groundwork to expand services into the Satellite Services and Wearable markets.

Our pipeline and opportunities in these markets are innovative, and over the next 12 months and beyond we will continue to grow in usage as we navigate long-term strategic partner relationships with industry leaders.

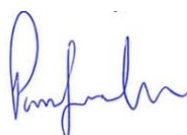
### Outlook

With the availability of new satellite system technology, the demand for more bandwidth and enhanced connectivity has increased. End users are moving to VSAT, increasing the number of active VSAT solutions and services globally.

Industrial wearables are becoming widely used and are freeing workers hands across a multitude of industries. However, most of the worlds heavy industrial work happens outside the luxury of the low cost, wide bandwidth coverage enjoyed in urban areas. With a drive towards a connected worker being mandatory in many sectors., the need for a low-bandwidth connection solution is paramount to enable communication systems to be deployed within existing infrastructure.

Given the momentum we are seeing with our Infinity suite of products, our downloadable decoder software and our expansion into the US market, we are confident of significantly increasing our user base over the next 12 months and beyond.

In closing, I would like to say thank you to our people, partners, investors and customers for their work and unerring support during the year, and especially for their endorsement of me in my first year as Managing Director. I very much look forward to working with everyone in FY2021 and beyond to improve performance across the Group and successfully deliver our strategic plan.



**Paul Guilfoyle**  
Group Managing Director





# Operational & Financial Review



## FY2020 Notable Moments

- Successful delivery of VOS Shine with 100% utilisation until the end of Q3 FY2020.
- Achievement of more than \$11.5m in annual group revenue
- Safety commitment maintains Zero LTIFR and Zero TRIFR
- Capital raise of \$4m in convertible notes in November 2019 for Acquisition of AOS (Harvest Infinity)
- \$10m capital raise in June 2020 for Infinity and supporting resources development
- Roll-out of Group renaming and rebranding activities
- Launch of Infinity product suite and
- Entry into key strategic partner relationship with AST via interim agreement
- Renewal of the Board
- Appointment of Jeff Sengelman as Chairman
- Successful development and implementation of integrated business management system and vessel safety management system

## Marine Operations

In September 2019, the VOS Shine (“Shine”) was successfully delivered to Darwin, Australia from her home port in the Netherlands. Upon her arrival she commenced her inaugural project and remained fully utilised until the end of Q3 FY2020 and the advent of the COVID-19 pandemic restrictions. The Shine’s participation in the offshore projects below during FY2020 contributed significantly to more than \$10m in group revenue.



### Tiwi Island Fibre Optic Cable Lay, Vocus Communications

Our first Australian contract involved the Shine delivering fibre optic cable from Calais, France to Darwin, in conjunction with the vessel mobilisation into Australia. The vessel arrived into Darwin port on September 14, 2019 and immediately commenced project mobilisation with Fugro Australia Marine (Fugro). The project involved laying of the delivered cable between Tiwi Island and the connection point outside Darwin, and the vessel was required to navigate through small creeks with numerous currents that fluctuated simultaneously. The project was completed on September 26, 2019.

### Geophysical and Geotechnical Campaign, Beach Energy

Following on from the Tiwi Island project, the Shine remained on contract to Fugro and transited to Henderson and entered drydock for installation of a transducer pole. She then mobilised to Portland, Victoria to undertake vessel supply contract for the execution of a geophysical and geotechnical campaign in the Bass Strait on behalf of Beach Energy. The project was completed on January 31, 2020.

### ROV Campaign, Cooper Energy

Directly after the Beach Energy project, the Shine remained in the Bass Strait on contract to Fugro to provide vessel and crew support for a multi-field ROV intervention campaign on behalf of Cooper Energy until the project concluded on March 19, 2020.

### Debris Survey Campaign, Esso Australia

Contracted by Sapura Energy Australia, we lead a Debris Survey ROV campaign near Esso's Whiting Platform in the Bass Strait to pick up and move seabed debris subsea ahead of a drilling campaign. The project was successfully completed with the delivery of the Shine to Port Adelaide at the end of March.

In January, our Harvest Infinity (**Infinity**) Nodestream technology was installed on the Shine to enable testing and realisation of enabling live audio and video communication between the vessel and onshore. In that time the Shine has proven itself to be an exceptional platform for us to not only continue the real-time utilisation and demonstration of the Infinity technology suite but to also assist us with research and development into other products and software. The technology was successfully adopted during the Beach Energy and Cooper Energy campaigns, and during the debris removal campaign, we had the opportunity to successfully showcase our technology by providing 24-hour project engineering support from onshore in Perth, reducing the need for the services to be physically located on the vessel.

In late April, with Lloyds Register Australia (LR), we used Infinity technology to undertake a remote survey trial during the Annual Survey on the Shine in Adelaide, South Australia. The trial was conducted on day two of the Annual Survey, with the Vessel Manager wearing an Infinity Wearwolf™ headset onboard the vessel and receiving instructions and feedback from two LR Surveyors located at office in Perth, Western Australia via a Nodestream Mini Decoder. The video from the Infinity Wearwolf™ was also distributed by an AVR2 and viewable online by other members within LR through our AVRLive web client interface. The trial was a success and LR are proposing to put the Infinity Wearwolf™ through their Remote Inspection Technique Approval process.

Q4 FY2020 ended with the Shine alongside in Adelaide following a period of maintenance, annual surveys, and standby resulting from impact of the oil price crash and COVID-19 to industry projects. At the date of this report, operational conditions for industry, continue to remain challenging in the face of border closures, travel restrictions and quarantine requirements.

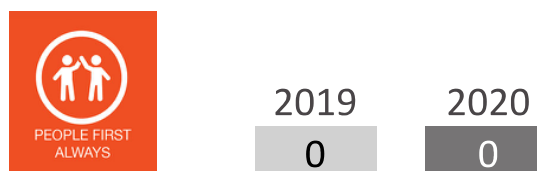
## Safety Performance

Our top priority is the safety of our people, our assets and the environments in which we operate.

During FY2020, our people have continued to demonstrate a solid commitment to health, safety, environment and quality output with a transparent reporting culture, in order to maintain:

- Zero LTITR (Loss Time Injury Frequency Rate)
- Zero TRIFR (Total Recordable Injury Frequency Rate).
- Zero reportable incidents

**Safety is our top priority**  
Our LTIFR and TRIFR remained  
at Zero



## Industry Partner Collaboration

Our two-year Collaboration Agreement with Fugro Australia Marine for supply of vessel, crew and technology saw the installation of a large C-Band VSAT satellite dome, survey and positioning system and FCV work class ROV (remotely operated vehicle) onboard the Shine for support of offshore projects. Fugro remained our key client for the Shine during FY2020, with 96% of utilisation attributed to our contracts with Fugro. We continue to develop our relationship with Fugro with the joint marketing of the vessel for opportunities within Australia.

In April, we signed initial Agreement with Applied Satellite Technology Australia Pty Ltd (AST) to jointly develop, market and distribute the Infinity technology through AST's global satellite connectivity network. This agreement identifies the governing principles to facilitate a combined approach for longer term worldwide opportunities and overarchingly reflects the intentions of both companies to commit to a mutually beneficial contractual relationship for the future.

The first installation of a Wearwolf™ with a Nodestream Decoder for a major Operator on the North West Shelf was undertaken in April 2020 as our first project jointly undertaken with AST. AST have been proactively working with the group to identify immediate market sector opportunities for resale of the Infinity suite and have been successful in navigating a number of recent product sales.

During June we commenced discussions into developing a global partner relationship with Realwear Inc and joined their Global Partner program in July. Realwear's flagship product, the HMT-1® headset, is a head-mounted wearable tablet computer. We currently utilise this headset for as a platform for our Infinity Wearwolf™ application. Work will continue during FY2021 on cementing this relationship with the introduction of our downloadable decoder software.

## Acquisition of Advanced Offshore Streaming ("Harvest Infinity")

On October 10, 2019 we announced to market that we had agreed to acquire a 100% interest in Advanced Offshore Streaming Pty Ltd, a market leader in remote communications technology. The acquisition was successfully executed on 6 December 2019.

At the Company AGM on 28 November, Shareholders gave their approval to issue Convertible Notes to the value of \$4m to fund the first tranche of the Acquisition, as well as provide additional working capital for ongoing development. An initial payment of \$3.5m was made to AOS shareholders.

AOS developed and owned proprietary software algorithms and hardware to facilitate secure encrypted transfer of data via satellite at much lower bandwidths than previously possible, representing a significant technological advancement towards the secure high-quality transfer of real-time voice, video and data from offshore and remote locations. The technology was already successfully operating for a number of blue-chip clients in offshore environments across Australia, New Zealand and Europe, including being the foundation technology for the "Fugro neXt" service offering.

On February 27, 2020, Advanced Offshore Streaming Pty Ltd was renamed Harvest Infinity Pty Ltd. This name-change formed part of our group-wide rebranding strategy to ensure we deliver a unified brand to market that reflects our strategic direction.

## Launch of Infinity Suite of Products

On February 27, 2020, the new Infinity range of products was launched to market, namely the AVR2, Nodestream suite, and Infinity Wearwolf™.

March 2020 brought with it a period of uncertainty due to the global health crisis and companies across



the globe were required to redistribute their workforces in keeping with worldwide restrictions on travel. During this time and continuing into April 2020, the number of enquiries for the Infinity product range increased, as did the number of demonstrations and trials, in particular sales of both the Infinity Wearwolf™ wearable headset and the Nodestream Mini Decoder tripled during the quarter.

Infinity technology has the advantage of ensuring work can continue in any location, eliminating the need for physical interaction with others, by delivering data directly back to decision-makers and support services located anywhere globally.

A product roadshow was undertaken across the UK in the first half of March 2020, with demonstrations to Tier 1 Oil & Gas contractors and service providers. Fugro has continued to expand its use of the technology with deployment at its operational centres in Aberdeen, Scotland and the Netherlands.

Between March 11-13, 2020, the Company successfully demonstrated their products jointly with AST at the 2020 AOG Exhibition & Conference held in Perth, Western Australia, and attracted strong interest from other satellite companies and businesses delivering oil and gas services.

At the end of May, we released the “Predator”, the newest member of the Infinity Wearwolf™ family. The Predator allows for an external miniature FLIR Systems One Pro Thermal Imaging Camera to be mounted alongside the Infinity Wearwolf™ headset, enabling remote viewing of thermal images over extremely low bandwidths and poor-quality networks.

In July 2020 we formally released the UAV (Unmanned Aerial Vehicle) integration software platform. The feature set development of our communication software platform has been advanced to include the 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 encrypted protocol utilises the next generation encryption Gimli block cypher to achieve unmatched levels of high security with high performance across a broad range of device platforms. Part of the United States Government National Institute of Standards and Technology (NIST) Lightweight Cryptography (LWC) Standardisation Project, Gimli, is designed for energy-efficient hardware and offers a high-level security block cypher with a 384-bit permutation. Combined with forward error correction and temporal redundancy, the Infinity protocol is robust enough to handle the worst satellite connections, patchy terrestrial networks, as well as congested networks.

This enhancement of the technology extends the operating envelope for UAV owners and operators already conducting aerial mapping, modelling, surveys and inspection activities in remote areas, by allowing their clients to have real-time access to collected information. This is the first step of many towards remote control systems for UAV's.

## Group Rebranding

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As part of a group-wide rebranding strategy, shareholders gave approval at the general meeting held on March 31, 2020, for the change of company name to Harvest Technology Group Limited. The ASX code changed to HTG. This represented a significant milestone in the Company's evolution, enabling alignment of group branding and effective targeting of a more diverse global client base.

On April 2, 2020, the new group name and ASX code was formally announced to market. All communications and collateral have been successfully rebranded and we have received positive feedback from our clients and customers.

## Renewal of the Board

On September 3, 2019, the board appointed Mr. Marcus Machin as a non-executive director of the company. Marcus has a lengthy international experience in finance, shipping and oil and gas, and extensive global networks.

On the same day, Mr. Paul Guilfoyle was appointed Group Managing Director in September 2019 and Mr. David McArthur and Mr. Hamish Jolly announced their retirement from the board, with Mr. McArthur continuing tenure as Company Secretary (jointly with Mr. Jordan McArthur).

Mr. Brett Tucker was appointed as Company Secretary on January 28, 2020. Mr. David McArthur and Mr. Jordan McArthur resigned as Company Secretaries on January 28, 2020.

## Chairman Appointment

On June 2, 2020, we appointed Mr. Jeffrey Sengelman as an independent non-executive Chairman. A retired Major General in the Australian Defence Force, Jeffrey has had 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's extensive national and international experience in security, defence and technology will guide and realise the Group's strategy for growth and development.

## Capital Raising

In July 2019, the group raised \$1,100,000 via a placement and in November, raised \$4,000,000 via the issuance of 4,000,000 convertible notes. The notes have an interest rate of 9% per annum and are convertible at a price of \$0.022 per share at the noteholders election. The notes have a maturity date of November 28, 2024. A further \$525,932 was raised in December via a rights issue with another \$87,500 being received by way of option conversions.

In June 2020, we received binding commitments to raise \$10 million in new equity via a fully committed share placement to a mix of existing, institutional, and sophisticated investors. The placement was completed at an issue price of \$0.135 per share and 74,074,074 new fully paid ordinary shares were issued at the end of June.

Proceeds from the placement are being used to support and accelerate planned product and software development initiatives, progress new strategic partner alliances to increase market penetration, and for ongoing working capital requirements.

## Integrated Business Management Systems

With the arrival of the Shine to Australia and the acquisition of Harvest Infinity in 2019, our integrated Group Business Management System (BMS) and Vessel Safety Management System (VSMS) underwent rigorous changes in the latter half of FY2020 to cater for high-risk project activities and the introduction of processes associated with software and hardware development.

Prior to her arrival, we were required to change the flag state of the vessel from Netherlands to Madeira whilst enroute to Australia which required a significant number of changes to our VSMS and vessel certification processes. During all interim and



annual audits in FY2020, the vessel has achieved compliance without any major non-conformances or findings.

Our (BMS) is a robust integrated system built to comply with the requirements of ISO14001, ISO9001 and ISO45001 and in Q4 FY2020 we commenced preparations to have the BMS certified to ISO9001. Stage 1 third-party audit was achieved by financial year end, and Stage 2 audit carried out end of July 2020. Certification was achieved at the completion of the Stage 2 audit.

## Operating Results and Financial Condition Review

We had a successful close to the financial year 2019-2020 with more than \$11.7m in revenue and \$11.3m in cash balances. This result reflected a solid project performance with the VOS Shine and increased sales of Infinity products.

In accordance with the terms of the Sale and Purchase Agreement and in response to performance, 25 million fully paid ordinary shares were issued to the vendors of Harvest Technology, a wholly owned subsidiary, in April 2020.

Revenue for financial year 2020 for continuing and discontinued operations was \$11,765,947 (2019: \$124,643). The loss for the financial year ended 30 June 2020 attributable to members of the Group after income tax was \$6,149,727 (2019: loss of \$1,454,431).

The Group has a working capital surplus of \$7,782,257 at 30 June 2020 (2019: \$1,844,020) and had net cash inflows of \$9,133,914 (2019: net cash inflow of \$1,705,616). There are cash balances of \$11,306,298 on hand at 30 June 2020 (2019: \$2,172,384).

## 5-Year Group Performance Summary and Shareholder Returns

	2020	2019	2018	2017	2016
Revenue from ordinary activities (\$)*	11,765,947	124,643	143,092	671,027	684,365
(Loss) / profit before income tax (\$)*	(7,326,976)	(1,633,529)	(2,527,886)	(4,098,161)	(761,262)
Net (loss) / profit attributable to equity holders (\$)	(6,149,727)	(1,454,431)	(2,238,553)	(3,566,436)	(724,129)
Share price at year end (cents)	18.50	2.20	2.50	7.40	22.50
Number of listed ordinary shares	436,378,203	257,856,338	106,505,829	66,889,153	54,915,013
Weighted average number of shares	330,099,996	136,678,041	76,869,895	60,186,855	34,479,116
Basic loss per share EPS (cents)	(1.86)	(1.06)	(2.91)	(5.93)	(2.10)
Unlisted options	38,281,667	28,523,336	27,365,000	12,525,000	5,000,000
Performance shares	17,398,710	17,698,710	17,698,710	17,698,710	28,997,850
Performance rights	55,000,000	80,000,000	-	-	-
Market capitalisation (\$)	80,729,968	5,672,842	2,662,648	4,949,805	12,355,900
Net tangible assets (NTA) (\$)	4,851,078	2,347,326	824,502	1,433,324	2,673,986
NTA Backing (cents)	1.11	0.91	0.77	2.14	4.87

\* Revenue from ordinary activities and pre-tax losses for financial years 2020, 2019 and 2018 are inclusive of discontinued operations

During the financial years noted above, there were no dividends paid or other returns of capital made by the Company to shareholders.

Note: Financials are supplied in Australian Dollar currency (AUD).



# Sustainability





*We seek to operate a safe, sustainable and productive business that creates long-term value for shareholders, our employees, and communities, and minimises our impact on the environment whilst continuing to meet our legal, regulatory and ethical requirements.*

## Health, Safety, Environment & Quality

### Safety

Our top priority is the safety of our people, our assets and the environments in which we operate.

During FY2020, our people continued to demonstrate a solid commitment to health, safety, environment and quality output with a transparent reporting culture, in order to maintain:

- Zero LTITR (Loss Time Injury Frequency Rate)
- Zero TRIFR (Total Recordable Injury Frequency Rate).
- Zero reportable incidents

We continue to develop our inductions and internal and vessel related training programs, and this year have established new requirements for engaging, monitoring and evaluating contractors. Contractor safety requirements were rolled out across the group and an assurance program is being established to monitor and verify the implementation of these requirements.

We have implemented group-wide Performance Targets for HSEQ which are reported on a monthly basis across the group and are introducing a new event management system for recording safety incidents and events. The system is designed to capture, analyse and track events in real time and will be implemented in FY2021. It will also include provision for collection of inspection data, audit logging and action tracking.

### Health

Our goal is to protect the health and wellbeing of our workforce from potential occupational injury. Our workplace health risks include occupational exposures to noise, diesel particulate matter (DPM), musculoskeletal stressors and mental health impacts. We have put in place controls to identify and manage health risks for our people and contractors. The effectiveness of these controls is regularly reviewed and subject to periodic verification.

Our offshore personnel are subject to stringent medical surveillance and testing prior to entering an offshore environment. Flag state and Maritime Labour Convention requirements ensure that personnel must remain medically fit at all times, in keeping with the limitations specified, in order to remain in an offshore environment.

The mental and physical wellbeing of our personnel is a priority. We have made progress towards implementation of a dedicated Employee Assistance Program to support a healthy, thriving workforce by making available mental health resources and tools, and encourage conversations about mental health.

The incidence of employee occupational illness in FY2020 was Zero per million hours worked.

### Environment

Our approach to environmental management is set out in our Environmental Plan which has been designed taking account of the ISO14001 requirements and vessel specific IMO requirements. In FY2020, we set out our legal and obligations register and updated our environment governance documents to reflect recent changes in our Risk Register.

Emissions from the vessel and our onshore assets fall under the facility and corporate thresholds for operational emissions and as such, we are not required to report its energy usage or emissions levels.

## Quality

Our Quality is managed in compliance with all elements of ISO9001:2015, designed for the purpose of delivering services to meet customer satisfaction in accordance with applicable statutory and regulatory requirements, and to enhance customer satisfaction through the effective application and continual improvement of the system.

Our Quality Policy, objectives and targets, organisation and requirements form the basis for our compliance. We have identified the issues, both external and internal, that are relevant to achieve our intended results. These issues are identified on the Risk Register with consideration of our vision and principles. These issues are monitored through the day-to-day work and discussed in Management Review Meetings annually. Our first Management Review meeting was undertaken on June 9, 2020 involving the Executive Team, senior management and key personnel.

Significant time was spent during the latter part of FY2020 on further development and implementation of the integrated business management system, incorporating Infinity process documentation, in advance of the ISO certification audit (July 28, 2020). Certification was achieved with zero non-conformances and three observations.

FY2021 will be a year of system and process transformation with the introduction of a robust business relationship management system that will administer the processes involved with procurement, inventory, ordering, lead management and sales, invoicing, billing and financial management. The implementation of this system will transfer a large number of manual processes to electronic workflow process management, making better use of our people's time and allowing them to focus on working towards our strategic objective.

## People

At the end of FY2019 we had 6 FTE employees, and at the end of FY2020 we had a total of 16 FTE employees, equalling a factor growth of 2.67 in a 12-month period. We maintained a zero-turnover rate on FTE personnel across the group.

We are committed to empowering our people to find safer, more creative and more efficient ways of working. We continue to develop a culture based on trust and collaboration and transparency. We give our people more say, new capabilities and tools, and new avenues for technology and innovation to support our ongoing transformation.

We provide competitive remuneration to reward employees for their expertise and commitment to our business strategy and long-term success. Our remuneration approach is designed to inspire our employees to embrace the group's objectives, Our Strategy and our values. Performance against KPI's linked to safety, productivity and culture drives our employees' variable reward outcomes.

As we strive to achieve Our Strategy, we believe that the changing nature of work presents significant opportunity for the group. In FY2021, we expect to not only increase our focus on systems, processes, tools and behaviours to improve operational and technological capability, but also to increase our people capacity to facilitate our product development roadmap and execute the elements of our strategy.

## Inclusion & Diversity

We believe our people should have the opportunity to fulfil their potential and thrive in an inclusive and diverse workplace. We employ, develop and promote people based on merit and our systems, processes and practices are designed to empower fair treatment. We do not tolerate any form of unlawful discrimination, bullying or harassment.

The table below shows the gender composition of our people (including casual employees), senior leaders and the Board over the last two financial years. We endeavour to increase our female people content to at least 25% of our workforce in FY2021.

	FY2019	FY2020
Female employees	1	2
Male Employees	7	16
Female senior management	1	1
Male senior management	3	3
Female board members	0	0
Male Board Members	3	4

### Indigenous & Local Engagement

We aim to provide employment opportunities that contribute to sustainable social and economic benefits for Indigenous and local peoples. We have an agreement with our crew contracting partner to support the employment of indigenous and local people in deck cadet and trainee positions onboard our vessel as an initiative towards developing skills through on-the-job training and support and improving future job opportunities.

### Working with Suppliers

We continue to work with our suppliers on ensuring their products and services are suitable for a diverse workforce, as well as encouraging diversity in their own work teams. All of our suppliers and contractors must undergo an assessment prior to undertaking any work for us.

## Corporate Social Responsibility

Our strategy in FY2020 focussed on being accountable to the Group and our shareholders. We are still a young company, however moving into FY2021, we are in a better position to commence development of a Corporate Social Responsibility program. In our sights is first the delivery of a STEM program in partnership with a local tertiary institution.

In driving Our Strategy to fruition, there are significant benefits of a STEM partner program to our business, students and industry. We are currently in discussions with government associated agencies and education institutions for guidance on how best to implement this program.

HTG	Students	Industry
<ul style="list-style-type: none"> <li>Actively addressing business skill shortages / pipeline</li> <li>Inspiring students to select subjects that reflect industry skill needs / gaps.</li> <li>Creating positive exposure for business / brand and improving our reputation in the community.</li> <li>Contributing to development of young people and adding value to local industry.</li> <li>Becoming an employer of choice</li> </ul>	<ul style="list-style-type: none"> <li>Promoting an understanding of the real world of work.</li> <li>Inspiring excitement and motivation about STEM.</li> <li>Creating a link between the relevance of education and life after education.</li> <li>Equipping students with skills they need to succeed in life and work</li> <li>Raising awareness of diverse career / further education opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Increase Australia's capabilities and skills for the future</li> <li>Assist the meeting of demand for digital proficiency and highly capable STEM graduates due to technological advancement and automation</li> <li>Establish effective and valuable industry partnerships</li> </ul>

## Risk Management

Central to achieving our strategic objectives is the identification and management of risks. It protects us against potential negative impacts, enables us to take risk for strategic reward and improves our resilience against emerging risks.

We maintain policies and practices designed to identify and manage significant risks including:

- Regular budgeting and financial reporting
- Procedures and controls to manage financial exposures and operational risks

- The Group business plan
- Corporate strategy guidelines and procedures to review and approve the Group's strategic plans
- Establish and continuously assess a Group Risk Profile which identifies all significant risk to the Group and controls that are in place to minimise or mitigate the risk.
- Insurance and risk management programs which are reviewed by the Board

Effective risk management is to have a single, consolidated view of risks across the business to understand the Group's full risk exposure and to prioritise risk management and governance activity. As such, we have a Group Risk Register for all risks. Our Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings.

The Board's review of business risk is also based on reports from the Audit and Risk Management Committee as well as information from Internal Audit and Third-Party Audit reports and annual Management Review meetings.

The Board receives regular reports about the financial condition and operating results of the consolidated Group. Our Group MD and CFO annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

- Group financial reports present a true and fair view of the Group's financial condition and operational results and are in accordance with relevant accounting standards; and
- Group risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

We assess our exposure to economic, environmental, technology, security and social sustainability risks. The Board assesses the likely impact of changes and implements strategies to minimise exposure to these specific risks. Due to risk processes and mitigation measures adopted by the Group, we do not believe we have any material exposure to these risks.

### Internal Controls

We have three qualified internal auditors for ISO and IMO requirements. Established internal controls for the group, combined with the work of the Audit and Risk Management Committee, at this stage satisfactorily address requirement for internal audit capability.

Procedures have been established at Board and Executive levels that are designed to safeguard the assets and interests of the Group, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To ensure these established procedures are being followed, our Directors:

- Ensure appropriate follow-up of significant audit findings and risk areas identified;
- Review the scope of the external audit to align it with Board requirements; and
- Conduct a detailed review of published accounts

### Audit & Risk Management Committee

The role of our Audit and Risk Management Committee is documented in a Charter which is approved by our Board of Directors. In accordance with this Charter, all members of the Committee must be Non-Executive Directors.

The primary role of the Audit function of the Committee is to:

- Assist the Board in fulfilling its overview of the audit process;
- Assist the Board in overseeing financial reporting;
- Assist the Board in fulfilling its overview of the systems of internal control which the Board and management have established;



- Monitor, review and recommend the adoption of the financial statements of the Group;
- Regularly review the adequacy of accounting, internal controls, reporting and other financial management systems and practices of the Group;
- Review the financial report and other financial information distributed externally;
- Review any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- Review audit reports to ensure that if major deficiencies or breakdowns in controls or procedures are identified, appropriate and prompt remedial action is taken by management;
- Review the nomination and performance of the auditor;
- Liaise with external auditors and ensure that the annual and half-year statutory audits are conducted in an effective manner;
- Monitor the establishment of appropriate ethical standards;
- Monitor the procedures in place to ensure compliance with the Corporations Act 2001, Australian Accounting Standards, ASX Listing Rules and all other regulatory requirements;
- Address any matters outstanding with the auditors, the Australian Taxation Office, the Australian Securities and Investments Commission, the ASX and financial institutions; and
- Improve the quality of the accounting function.

The primary role of the risk function of the committee is to assist the Board in its oversight of the Group's management of key risks, including strategic and operational risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks.

Risk assessment and risk management are the responsibility of the Executive Team and senior management. The Committee has an oversight role and in fulfilling that role, it relies on the reviews and reports received from management.

The Committee shall have the following authority and responsibilities:

- Review and discuss with management the Group risk governance structure, risk assessment and risk management practices and the guidelines, policies and processes in place for risk management;
- Review and discuss with management the Board's risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risk, market risk, product risk and reputational risk, as well as the guidelines, policies and processes for monitoring and mitigating such risks;
- Discuss with the Executive team the Group's risk assessment and risk management guidelines, policies and processes, as the case may be. The Audit & Risk Committee meets separately at least once a year with the Executive Team.
- Receive, as and when appropriate, reports from the Group's Executive Director on the results of risk management reviews and assessments
- Review disclosure regarding risk contained in the Group Annual Report;
- Review and assess the nature and level of insurance coverage;
- Initiate and monitor special investigations into areas of corporate risk or breakdowns in internal controls;
- Discharge any other duties or responsibilities delegated to the Committee by the Board;
- Delegate any of its responsibilities to subcommittees as the Committee may deem appropriate;
- Retain such outside counsel, experts and other advisors as the committee may deem appropriate in its sole discretion and approve related fees;
- Report its actions and any recommendations to the Board; and

- Review at least annually the adequacy of this Charter and recommend any proposed changes to the board for approval.

Given the size of the Board and the Company, the Board fulfils the role of the Audit & Risk Management Committee.

The auditors and the Managing Director are invited to attend Audit and Risk Management Committee meetings at the discretion of the Committee.

The Audit and Risk Management Committee met twice during the year.

## Business Ethics

### Code of Conduct

In pursuit of the highest level of ethical standards, the Group has adopted a Code of Conduct which establishes the standards of behaviour required of Directors and employees in the conduct of the Group's affairs. This code is provided to all Directors and employees and is central to our business. It articulates the values we uphold, our strategy and how we measure success. The code stipulates that any unethical behaviour is to be reported to the Group's MD as soon as possible.

The Code of Conduct is based on respect for the law and the rights of individuals, and acting accordingly, dealing with conflicts of interest appropriately, using the consolidated entity's assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences. It sets out standards of behaviour for our people when using the Group's resources, in their dealings with governments and communities, third parties and each other. Our Code describes the behaviours expected to support a safe, respectful and a legally compliant working environment.

Our Code is accessible to all our people and external stakeholders online at [harvest.technology/investors-1](https://harvest.technology/investors-1).

### Securities Dealing by Directors and Employees

The Board has adopted a policy in relation to dealings in the securities of the Group which applies to all Directors and employees. Under the policy, Directors and employees are prohibited from short-term or "active" trading in the Group's securities and Directors and employees are prohibited from dealing in the Group's securities whilst in the possession of price sensitive information. The Group Managing Director must be notified of any proposed transactions in the Company's shares.

Any Director or employee receiving shares pursuant to the Company's equity-based remuneration scheme (refer to the remuneration report) is not permitted to enter into transactions which limit the economic risk of participating in the scheme.

This policy is provided to all Directors and employees. Compliance with it is reviewed on an on-going basis in accordance with the Company's risk management systems.

A copy of our Securities Dealing policy is publicly available online at [harvest.technology/investors-1](https://harvest.technology/investors-1).

### Market Disclosure

To safeguard the effective dissemination of information, we have developed a policy for market disclosure, which outlines how we identify and distribute information to shareholders and market participants. A copy is provided to all Group officers and employees who may from time to time be in possession of undisclosed information that may be material to the price or value of the Group's securities. A copy of our Market Disclosure policy is publicly available online at [harvest.technology/investors-1](https://harvest.technology/investors-1).

The continuous disclosure policy aims to ensure timely compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules and to ensure officers and employees of the Group understand these obligations.

The procedure adopted by the Group is essentially that any information which may need to be disclosed must be brought to the attention of the Board (where practicable) and any other appropriate personnel (including external advisors if deemed appropriate) will consider the information and whether disclosure is required. If disclosure is deemed necessary, an appropriate announcement will be prepared for release to the market as soon as possible.

At least once every 12 months', the Board will review the company's compliance with this continuous disclosure policy and update it from time to time, if necessary.

### Communication with Shareholders

The Board aims to ensure that Shareholders are kept fully informed of all major developments affecting the Group. Information is communicated to Shareholders as follows:

- As the Company is a disclosing entity, regular announcements are made to the ASX in accordance with the Group's Market Disclosure policy, including the half-year review, the year-end audited accounts and an Annual Report;
- The Board ensures the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- Shareholders are advised in writing of key issues affecting the Group by effective use of the Group's share registry or electronically via the website;
- Shareholders are provided the opportunity to receive communications electronically through the Company's share registry;
- Any proposed major changes in the Group's affairs are submitted to a vote of Shareholders, as required by the Corporations Act 2001 and the ASX Listing Rules;
- The Board encourages full participation of Shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Group's strategies and goals. All Shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Group;
- The external auditor is requested to attend the Annual General Meetings to answer any questions concerning the audit and the content of the auditor's report; and
- The Board seek feedback from proxy advisers to assess the appropriateness and adequacy of its reporting to shareholders.

The Board reviews this policy and compliance with it on an ongoing basis.

### Diversity Policy

The Group is committed to workplace diversity at all levels and recognises the benefits arising from employee and Board diversity. The benefits include a broader pool of high-quality employees, improved employee retention, accessing different perspectives and ideas, and benefitting from all available talent.

The Group recognises that diversity includes matters of age, disability, ethnicity, marital and family status, religion and culture, sexual orientation and gender identity.

The Group strives to:

- Recruit and manage on the basis of an individual's competence, qualification and skills and performance;
- Create a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- Appreciate and respect the unique aspects that an individual brings to the workplace;
- Where possible and practicable, increase participation and employment opportunities for indigenous people;
- Create a work environment that values and utilises the contributions of employees with diverse

backgrounds, experiences and perspectives through improved awareness of the benefits of workplace diversity and successful management of diversity, and at all times recognising that employees may have restrictions placed on them by domestic responsibilities outside the workplace;

- Take action to prevent discrimination, harassment, vilification or victimisation;
- Create awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity; and
- Identify and implement programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees, and to offer employees opportunities to reach management levels with the Group.

The Board is committed to workplace diversity and has an objective of providing a balanced representation of employees from a diversity stance across the Group. The Board has also implemented strategies to support the framework and objectives of the Diversity Policy and is responsible for monitoring the progress of the measurable objectives through various monitoring, evaluation and reporting mechanism. For the 2020 financial year, the Boards' objectives were met by the Group. The Board assesses annually the progress and achievement of the objectives.

Pursuant to ASX Corporate Governance Recommendation 1.5, the Company discloses the following information as at the date of this report:

Percentage details	Female	Male
Female & Male employees	12.5%	87.5%
Female & Male - senior mgt	25%	75%
Female & Male - Board level	-	100%

A copy of our Diversity policy is publicly available online at [harvest.technology/investors-1](https://harvest.technology/investors-1).

## Market Outlook

During FY2020 Group revenue was achieved primarily from the energy sector. Due to oil price crash and the advent of COVID-19, significant impact was felt across the sector resulting in schedule delays and project re-evaluations. The challenges of COVID-19 will continue through FY2021, the consequences of which will have a negative impact on the energy sector and our marine operations. Despite this, we have already seen the advantages of our technology being able to connect people and enabling continuation of work in remote areas and operations where travel has unable to be achieved.

As we move into FY2021, the global demand for secure trusted communications for delivery of enriched data and real time interaction over satellite, congested and unreliable networks is rapidly expanding. We have an opportunity in the multi-billion-dollar satellite communications sector to accelerate growth driven by our proprietary, industry agnostic technology that allows real time, secure encrypted high definition transfer of video, audio and data anywhere in the world.

## Future Opportunities for Revolutionising Communications

- New frontiers of innovation globally within the satellite communications arena are bringing more portable and lower cost satellite gateways to the market which is creating opportunities for Infinity products and services. Not only do the products offer customers an optimised, secure and economic ultra-low bandwidth service but also provide satellite providers the opportunity to repurpose bandwidth to other clients.
- Wearables for industrial customers have demonstrated globally their value for inspections, maintenance, repairs and equipment servicing carried out in remote environments, and the COVID-19 pandemic has dramatically increased demand for connected worker solutions.





- With the ability to provide augmented reality (AR) solutions to a connected worker along with remote communications it has been proven to minimise the need for technical experts to travel to industrial sites.
- Further data optimisation is being made possible by utilising both artificial intelligence (AI) and ground-breaking machine learning to upscale video footage intelligently, for crisp details and motion consistency. This allows us to capitalise on providing a higher resolution feed for lower bandwidth consumption and make use of improved error correction for a lossless connection.
- The strive for the highest security connection enhancements to block cypher encryption technology have driven us to ensure that connections remain robust and secure. Our Infinity encrypted protocol utilises the next generation encryption Gimli block cypher with a 384-bit permutation to achieve unmatched levels of high security with high performance across a broad range of device platforms.
- The ability to apply new technology across our R&D activities is creating a major opportunity for the Group. Currently, 80% of the planet rely on remote or poor connectivity solutions. We are applying AI, AR and machine learning to allow us to identify patterns that would have been almost impossible to identify using traditional methods.








Innovation

Our Infinity technology consists of proprietary software algorithms that allow the secure encrypted transfer of data, including high definition video and audio, from anywhere via satellite or congested networks at much lower bandwidths than previously possible. This represents a significant technological advancement towards allowing secure high quality, real time voice, video and data transfers from any location in the world.

Key to the success of Infinity offerings is unique software and applications developed in-house realising ultra-low bandwidth, low latency and end-to-end security.

The Infinity suite of innovative products and services are dedicated to removing the isolation between remote locations and their control centres, creating safer and more cost-efficient operations for remote environments.

## Product Range

 <p>Nodestream enables secure, low bandwidth, multiple or single channel video feeds to be distributed point-to-point from anywhere in the world via satellite.</p>	 <p>Wearwolf™ is a wearable device for delivering real-time live content from personnel working in ANY location, to enable simultaneous review and decision making worldwide in the office or at home.</p>	 <p>The Remote Inspection System enables remote control and inspection operations to be carried out safely, securely and more cost effectively, removing personnel from offshore to onshore work environments.</p>	 <p>The AVR2 is designed to deliver real-time live video and data streams over low-quality satellite networks point-to-cloud, on virtually any connected smart device via our AVRLive web-based Client Interface.</p>	 <p>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.</p>
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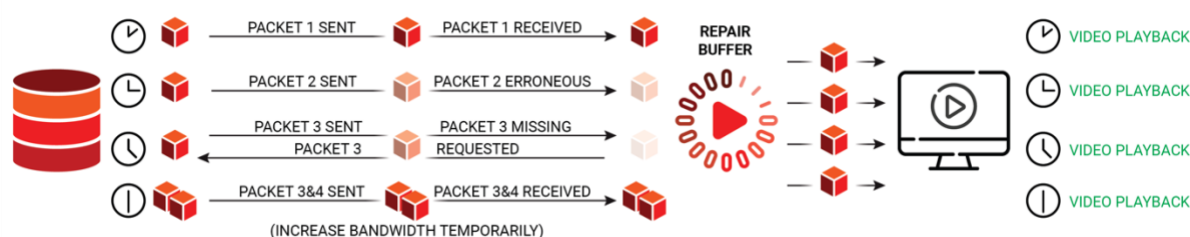
Infinity Technology Product development roadmap for FY2021 will be delivered as part of Our Strategy planning document.

## Infinity Technology

### Data Transport System

The heart of the Infinity technology is the ability to transfer video, audio and synchronised data using our bespoke in-house designed Data Transport System. The crux to the Data Transport System is our method for Data Optimisation with Error Correction.

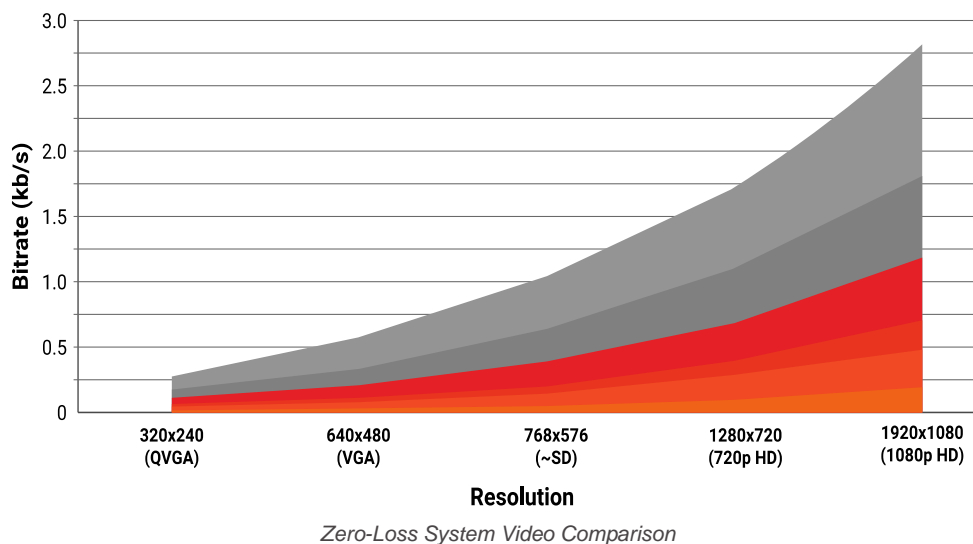
Our Infinity proprietary customised User Datagram Protocol (UDP) provides the ability to gain significant data optimisation for video and data transfer compared to a standard transport system (e.g. Mpeg or Web Video). The use of error correction through the encoding and decoding process allows for further gains to be made, even across a patchy satellite connection. Latency to be adjusted to capitalise on available bandwidth and can be adjusted by balancing bandwidth and resolution. And lastly, the video, audio and synchronised audio is securely encrypted along with remote control commands.



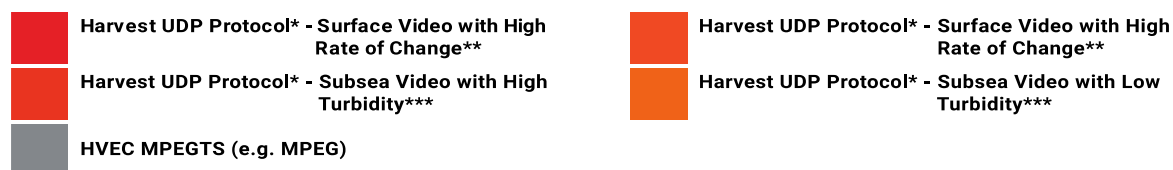
*Infinity Proprietary UDP over a lossy / patchy satellite network*

## Benchmarking

Web Video (such as Netflix) for an SD video (i.e. 768 x 576 resolution) uses in the order of 2.7 Mbps compared to 0.6 Mbps with the Harvest UDP for an SD video with a high rate of change.



### Legend



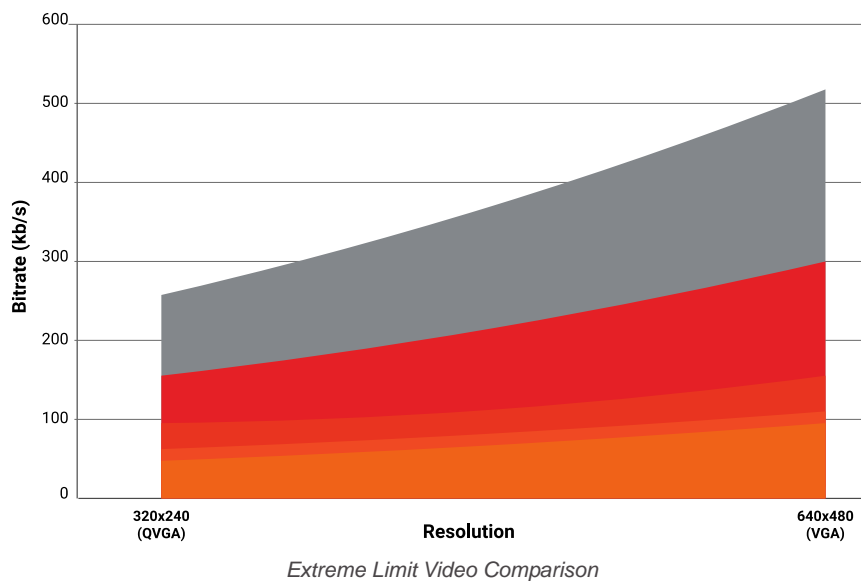
\* Harvest Infinity proprietary customised User Datagram Protocol (UDP)

\*\* High Rate of Change relates to a video with normal to high movement

\*\*\* Turbidity is a measure of the degree to which the water loses its transparency due to the presence of suspended particulates

### Video Comparison Legend

At the extreme limit; where bandwidth is either at a cost premium or is not available, a QVGA video (i.e. 320 x 240 resolution, think iPad size) can be transported by the Harvest Infinity UDP with a bandwidth of as low as 32 kb/s.





## Product Compliance

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An internal product compliance project team and strategy for managing business system and product compliance requirements was developed in March 2020. As we endeavour to expand our footprint in the APAC region and establish new business in the US and UK/Europe we become exposed to new markets with specific compliance standards for our products. The Infinity suite of products are manufactured and assembled at our workshop in Western Australia. To comply with the requirements of CE, FCC and RCM standards, our products commenced a program of stringent electromagnetic and safety testing towards the end of the FY2020 which is still ongoing. The team are working with experienced industry consultants and an accredited third-party testing agency.

## Protocol Security

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The strive for the highest security connection enhancements to block cypher encryption technology have driven us to ensure that connections remain robust and secure.

Our Infinity encrypted protocol utilises the next generation encryption Gimli block cypher to achieve unmatched levels of high security with high performance across a broad range of device platforms. Part of the United States Government National Institute of Standards and Technology (NIST) Lightweight Cryptography (LWC) Standardisation Project, Gimli, is designed for energy-efficient hardware and offers a high-level security block cypher with a 384-bit permutation.

Combined with forward error correction and temporal redundancy, the Infinity protocol is robust enough from a security standpoint to handle the worst satellite connections, patchy terrestrial networks and congested networks.

## Cyber Security

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With the protection of not only the Harvest infrastructure but also source code and client data being paramount, a Cyber Security review and audit was completed against ISO27001 by ES2 Pty Ltd. We are currently employing industry standard technical controls and have implemented further enhancements in the areas of Operating System Security, Application Hardening, Network Controls and Segmentation, System Recovery and Multi-Factor Authentication (MFA). Further mitigation and enhancements will be adopted and implemented during FY2021.

## Commitment to Innovation

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Continuing advancements in technology is revolutionising communications globally and we continue to remain at the cutting edge of new innovation and enhancement.

New frontiers of innovation globally within the satellite communications arena are bringing more portable and lower cost satellite gateways to the market which are creating major opportunities for both the Infinity Wearwolf™ and Nodestream product lines. Not only do the products offer customers an optimised, secure and economic ultra-low bandwidth solution but also provide satellite providers the opportunity to repurpose the saved bandwidth to other clients.

Wearables for industrial customers have demonstrated globally the value for inspections, maintenance, repairs and equipment servicing to be carried out remotely, and the COVID-19 pandemic has dramatically increased demand for connected worker solutions. With the ability to provide augmented reality (AR) solutions to a connected worker along with remote communications it has been proven to minimise the need for technical experts to travel to industrial sites.



### Remote Communications Platform

Our Remote Communication Platform will see an IoT (internet of things) ecosystem of connected devices including existing and new products. Initial focus is on a downloadable decoder software application ready for market in Q1 CY2021 for the Infinity Wearwolf™ wearable device, and then in Q2 CY2021 for the Nodestream.

Integration of the mobile component of the Remote Communication Platform is expected to be ready for market by Q4 CY2021.

### Artificial Intelligence

Continued development of artificial intelligence (AI) systems will be undertaken during FY2021. Further data optimisation is being made possible by utilising both AI and ground-breaking machine learning to upscale video footage intelligently, for crisp details and motion consistency. This allows us to capitalise on providing a higher resolution feed for lower bandwidth consumption and make use of improved error correction for a lossless connection.

### RemTeq™

Significant advances in development of our RemTeq™ remote-control platform was made during the year. RemTeq™ is designed to enable the physical separation of control systems from machines or robots, allowing them to be controlled from anywhere in the world. Commercialisation of RemTeq™ is underway and will be available to new and existing customers on request.



The Blue Robotics Inc. "Blue ROV 2" RemTeq™ will be available to existing Blue ROV 2 customers in early 2021.



# Corporate Governance Statement



Our 2020 Corporate Governance Statement is dated as at 30 September 2020 and reflects the corporate governance practices in place throughout the 2020 financial year.

We are committed to achieving and demonstrating the highest standards of Corporate Governance. The Board continues to review the framework and practices to ensure that they meet the interests of shareholders. In this statement, Harvest Technology Group Limited and its controlled entities are together referred to as the Group, and our Board is referred to as the Board.

A description of the Group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. Additionally, they comply with the 3<sup>rd</sup> edition of the ASX Corporate Governance Principles and Recommendations. Following the end of the financial year the Board updates its Corporate Governance Plan in line with the ASX Corporate Governance Principles and Recommendations 4th Edition and will be reporting against these recommendations for the financial year ending 30 June 2021.

A copy of our Corporate Governance policies can be obtained online at [harvest.technology/corporate-governance](https://harvest.technology/corporate-governance)

## Board of Directors

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



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.

### 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.

**NON-EXECUTIVE INDEPENDENT DIRECTOR – MARCUS MACHIN**

A law graduate of Cambridge University, Mr. 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, Mr. Machin 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.

**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 Service 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.

**CHAIRMAN & INDEPENDENT NON-EXECUTIVE DIRECTOR – DAVID MCARTHUR (RESIGNED)**

David is a Chartered Accountant, having spent four years with a major international accounting firm, and has 33 years' experience in the accounting profession. He has been actively involved in the financial and corporate management of many public listed companies over the past 30 years. David was Chair of the Audit Committee and was a member of the Risk Management and Remuneration Committees.

***Ceased Directorship on September 3, 2019.***

**INDEPENDENT NON-EXECUTIVE DIRECTOR – HAMISH JOLLY (RESIGNED)**

Hamish is a specialist in industry-led marine science innovation, R&D and technology commercialisation. Commencing his career in aquatic zoological research programs, he holds formal postgraduate qualifications in business and innovation, and is a qualified Chartered Accountant. Mr Jolly's career spans investment, development, technology and finance. Hamish was Chair of the Remuneration and Nomination Committee and was a member of the Audit and Risk Management Committees.

***Ceased Directorship on September 3, 2019.***

## Executive Team

### CHIEF FINANCIAL OFFICER – COLIN NAPIER



Colin Napier has over 30 years' experience in the accounting profession. The first 12 years a public accountant with international firms such as PWC and RSM Bird Cameron. The last 20 years have included a 5-year role as CFO of Coogee Chemicals and over 2 years as CFO of ASX-listed Neptune Marine Services during their turnaround phase.

Colin has extensive practical experience in sale and purchase of businesses, developing Board and management reports, preparing financial reports, raising debt funding (in excess of \$125M), cashflow projections and control, and capital investment analysis.

He has a Bachelor of Commerce from UWA, is a Chartered Accountant and Colin holds an Executive MBA from the Australian Graduate School of Management.

### CHIEF COMMERCIAL OFFICER – LINDA SHIELDS



With over 25 years' experience spanning retail, hospitality, finance, property, marine, oil & gas, and mining industries, Linda Shields has spent the majority of her career in key roles involving marketing services, client relations, business system development and implementation, contract and commercial management.

A responsible leader and confident communicator, Linda is renowned for her strong work ethic. Valued by colleagues and clients for being a consistent performer, she is dedicated to shaping and delivering commercial strategy to improve growth and business performance. Linda is a natural people person capable of effectively collaborating with internal and external stakeholders whilst managing complex scopes and high volumes of work towards productive targets.

### CHIEF TECHNOLOGY OFFICER – DIRANNE LEE-RENWICK



Dynamic and experienced professional with a proven background in logistical engineering, technology and software solutions in the Oil and Gas Industry. With over 26 years of direct Subsea Integrity and commercial diving experience Diranne Lee-Renwick has worked throughout Australia, the United Kingdom and the USA and boasts a 14 plus year Operator tenure.

Holding a Bachelor of Civil Engineering with First Class Honours; coupled with extensive commercial diving, ROV and software systems experience he has specialised his career in engaging and advancing new subsea technology.

With an entrepreneurial spirit Diranne has successfully brought to market a number of new technologies and is co-author of several industry research papers and is currently working towards Chartership.



## Role of The Board

Our Board Charter and the Guidelines for the Operation of the Board of Directors provide statement of the practices and processes the Board has adopted to discharge its responsibilities. It includes:

- Establishment of long-term goals of the Group and strategic plans to achieve these goals;
- Monitoring the achievement of these goals;
- Review of the management accounts and reports to monitor the progress of the Group;
- Review and adoption of budgets for the financial performance of the Group and monitoring the results on a regular basis to assess performance;
- Review and approval of the annual and interim financial reports;
- Nominating and monitoring the external auditor;
- Approving all significant business transactions;
- Appointing and monitoring senior management;
- All remuneration, development and succession issues;
- Ensuring the Group has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities;
- Overseeing the process for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Group's securities;
- Ensuring that the Group has a suitably qualified Company Secretary who shall be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board; and
- Ensuring that the Group reports on its measurable objectives in relation to gender diversity and assesses annually both the objectives and progress in achieving gender diversity.

The Board delegates day-to-day operational and administration matters to our Group MD.

The Board evaluates the Board Charter policy on an ongoing basis.

Board Charter and Guidelines for the Operation of the Board of Directors can be found online at [harvest.technology/corporate-governance](https://harvest.technology/corporate-governance)

## Board Composition

The Board seeks to establish a Board that consists of Directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Group's business with excellence. To maintain this, the Group's policy is that Executive Directors should serve at least 3 years. At the completion of the first 3 years, the position of the Director is reviewed to ascertain if circumstances warrant a further term.

The specific skills that the Board collectively bring to the Group include:

- Industry Experience/ technical qualification;
- Commercial experience;
- Public company experience;
- Analytical expertise;

- Financial expertise;
- Risk Management experience;
- Strategic planning experience;
- Strategic leadership experience;
- Corporate Governance expertise;
- Communications experience; and
- Interpersonal experience.

The chair of sub-committees formed by the Board has specific skills in the area for which they are responsible. The Board does not have a Director with legal experience. Any legal work is outsourced to external legal advisers.

In FY2020, the Group underwent board renewal. The composition of the Board and Company Secretary was replaced by professionals with national and international experience across various industries to ensure a Board that would effectively guide and realise the Group's strategy for growth and development.

At year end, the Board was comprised of four (4) members; three independent non-executive Directors and one executive Director. Directors' details are set out in our Directors' Report (page 47).

The Board believes there is an appropriate balance between Executive and Non-executive Directors to promote shareholder interests and govern the Group effectively, given its current market capitalisation and business capacity. The Board's composition is in accordance with Australian-listed company practice. In addition, the Board has extensive access to members of senior management who frequently attend Board meetings (by invitation), where they make presentations and engage in discussions with Directors, answer questions and provide input and perspective on their areas of responsibility. The CFO attends all Board meetings. The Board, led by the Chairman, also holds discussions in the absence of management at each Board meeting.

The Board is primarily responsible for identifying potential new Directors and has the option to use an external consulting firm to identify and approach possible new candidates for Directorship. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new Director with specific skills, candidates with the appropriate experience, expertise and diversity are considered. Each incumbent Director is given the opportunity to meet with each candidate on a one to one basis. The full Board then appoints the most suitable candidate.

The Board undertakes appropriate checks before appointing a person as a Director or putting forward to shareholders a candidate for election as a Director.

The Board ensures that shareholders are provided with all material information in the Board's possession relevant to a decision on whether, or not to elect or re-elect a Director.

The appointment of the Directors must be approved by a majority of the Shareholders at the first Annual General Meeting after the appointment.

For more information on board membership, refer to Board Charter and Guidelines for the Operation of the Board of Directors online at [harvest.technology/corporate-governance](https://harvest.technology/corporate-governance)

## Independence, Relationships & Associations

The Board is committed to ensuring a majority of Directors are independent.

In accordance with the Board Charter, the Board has adopted a policy which it uses to determine the independence of its Directors. This determination is carried out upon appointment, annually and at any other time where the changed circumstances of a Director warrant reconsideration. In considering whether a Director is independent, the Board has regard to the independence criteria in ASX Corporate Governance Principles and Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new Directors upon appointment and reviews their independence, and the independence of the other Directors, as appropriate.

At conclusion of FY2020, there were three non-executive Directors and one Executive Director comprising the Board. The Board has reviewed the position and association of each of the Directors in office at the date of this report and considers that Non-executive Directors Mr. Machin and Mr. Evans are deemed independent. The Chairman appointed during financial year 2020 is the independent Non-Executive Director, Jeffrey Sengelman.

Executive Director, Mr. Guilfoyle, is not considered independent because of his executive responsibilities. Mr Guilfoyle does not hold directorships in any other ASX listed company.

Directors' details are set out in our Directors' Report (page 47). Refer to our Board Charter and Conflict of Interest policy online at [harvest.technology/corporate-governance](https://harvest.technology/corporate-governance).

### Retirement & Re-election of Directors

In accordance with the Board Charter and the Group's constitution, one third of Directors (or the number nearest one third, rounded up), other than the Group MD, must retire from office at each AGM. No Director (other than the Group MD) shall hold office for a period of more than three years without seeking re-election.

Directors who have been appointed by the Board are required to retire from office at the AGM following their appointment and are not considered when determining the number of Directors to retire at that AGM. Retiring Directors are eligible for re-election by Shareholders.

### Independent Professional Advice

With prior approval of the Board, each Director has the right to seek independent legal and other professional advice at the Group's expense concerning any aspect of the Group's operations or undertakings to fulfil their duties and responsibilities as Directors.

### Board Performance Review

The performance of all Directors is assessed through review by the whole Board of a Director's attendance at and involvement in Board meetings, their performance and other matters identified by the Board or other Directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a Director's performance.

The Directors conducted an internal performance evaluation of the Members of the Board during the reporting period.

### Director Remuneration

Details of the Group's remuneration policies are included in our Remuneration Report (page 40).

Non-Executive Directors will be remunerated by cash payments (including statutory superannuation) and may receive equity performance incentives but will not be provided with any benefits for ceasing to be a Director. The Executive Director can be remunerated by both fixed remuneration and equity performance-based remuneration, subject to obtaining all regulatory approvals from shareholders. A reasonable period of notice of termination is required and is detailed in the Executive's employment contract.

## Shareholder Engagement

We made a commitment in 2019 to improve the quality of and increase our engagement with shareholders as well as encourage new investment into the business. We take a coordinated approach to engagement on corporate governance and during FY2020, in addition to the AGM and ongoing market updates, we also had a General Meeting. These are an important part of the governance and investor engagement process. We also had regular monthly informal meetings and communications with a wide range of shareholders and their representatives to understand and respond to shareholder queries. The Group MD and CFO also meet regularly with retail shareholder representatives and their members.

The purpose of these meetings is to discuss Group governance and forward strategy. The meetings are an important opportunity to build relationships and to engage directly with brokers, fund managers, governance advisors and investors.

## Shareholder Communications

Shareholders can communicate with us and our registrar electronically. Shareholders can contact us at any time through our Investor Relations team, with contact details available online at [harvest.technology/corporate-governance1](https://harvest.technology/corporate-governance1). Shareholder and analyst feedback is shared with the Board through the Chairman, Group MD, CFO and Company Secretary. This approach ensures that Directors are aware of issues raised and have a good understanding of current shareholder views.

## Annual General Meetings

The AGM provides a forum to facilitate the sharing of shareholder views and are important events in the Group's calendar. These meetings provide an update for shareholders on our performance and offer an opportunity for shareholders to ask questions and vote. Key members of management, including the Group MD and CFO, are present and available to answer questions. The External Auditor attends the AGM and is also available to answer questions.

Copies of the speeches delivered by the Chairman and Group MD to the AGM are available on request. A summary of proceedings and the outcome of voting on the items of business are released to the ASX and posted on our website as soon as they are available following completion of the AGM.

Given the restrictions around COVID and travel, proceedings at future AGMs will be webcast/video conferences.

## ASX Corporate Governance Principles and Recommendations Not Followed

### "if not, why not" approach

Pursuant to the ASX Listing Rules, the Company advises that it does not comply with the following Corporate Governance Principles and Recommendations, issued by the ASX Corporate Governance Council. Reasons for the Company's non-compliance are detailed below.

### Recommendations 2.1 / 8.1

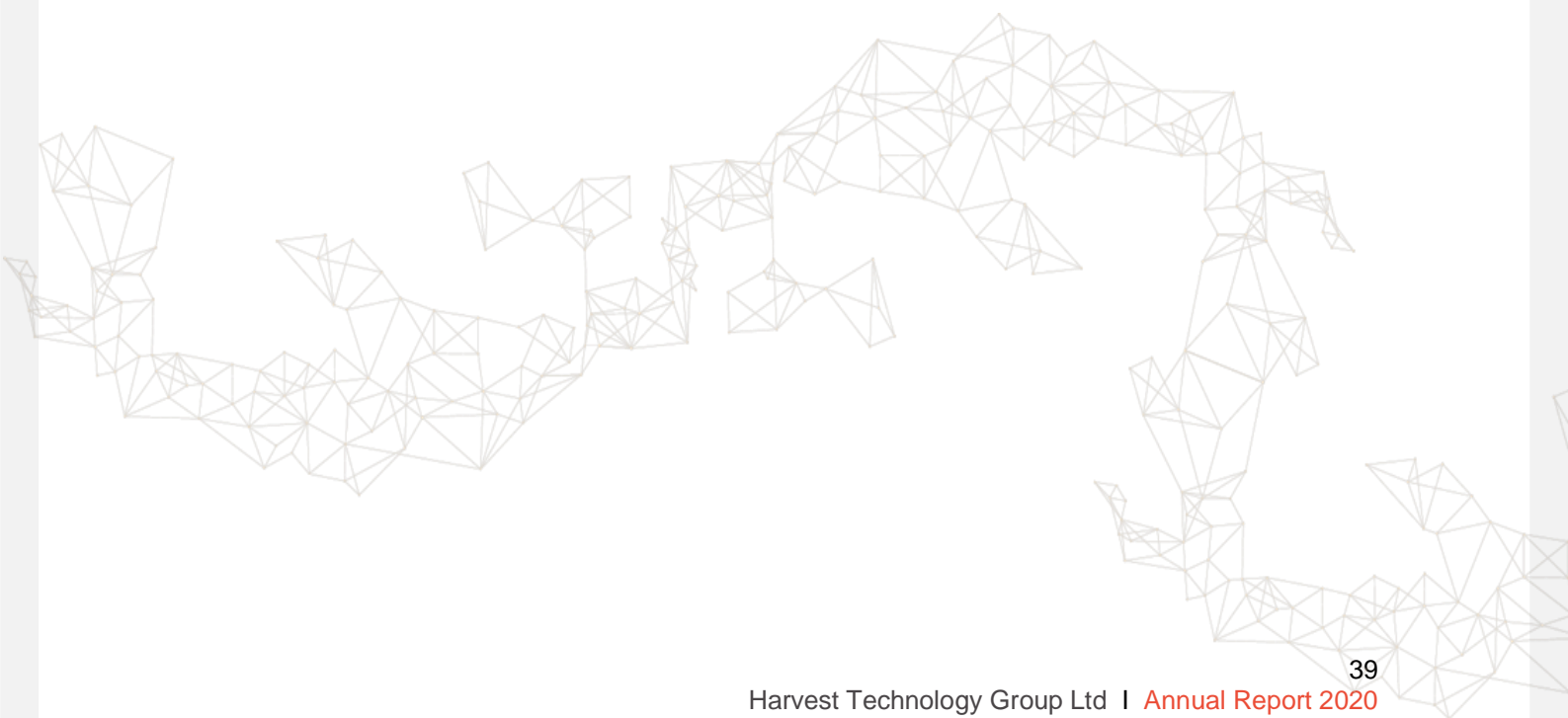
*The Board should have a nomination and remuneration committee which:*

- *consists of a majority of Independent Directors*
- *is chaired by an Independent Chair*
- *has at least three members*

While the ASX Principles recommend an ideal structure for the Audit & Risk Management and the Remuneration and Nomination committees, they recognise that for smaller Boards it may not be possible to implement such a structure.

Given the size, scale and nature of the Group's business, the Board does not consider the non-compliance with these Corporate Governance Council Principles to be materially detrimental to the Group.

This statement is current as at 30 September 2020 and has been approved by the Board.







# 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 2020. 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 employees;
- 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;
- Determine remuneration and incentive policies of Key Executives;
- Determine the Group recruitment, retention and termination policies and procedures for senior management;
- Determine and review incentive schemes;
- Ensure all Directors and senior executives have a written agreement setting out the terms of their appointment;
- Evaluate senior executive performance on an annual basis – a review was performed subsequent to the 2020 financial year;
- Determine and review superannuation arrangements of the Group;
- 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;
- Appointment of the Managing Director and the Company Secretary;
- Approve the recommendation for the appointment of key management personnel presented to the Committee by the Managing Director
- Performance appraisal of Board members and Managing Director; a review was performed subsequent to the 2020 financial year
- Succession planning for Board members and Managing Director;

- Approve the recommended succession planning for Key Management Personnel presented to the Committee by the Managing Director; and
- Identify, evaluate and recommend candidates for the Board, the position of Managing Director and the position of Company Secretary.

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 & Nomination Committee. The Committee did not meet 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 Executive Directors and other Key Management 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 Executive Directors and other key management 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 manner in which 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 2020 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 *	Termination Benefit **
Paul Guilfoyle	Ongoing	6 months	6 months	\$325,000	6 months base salary
Colin Napier	Ongoing	3 months	3 months	\$200,000	3 months base salary
Linda Shields	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 9.50%).

\*\* 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.

## Remuneration of Directors

		Short-term employee benefits		Post-employment benefits	Share-based payments		
Name	Year	Cash salary and fees (A) \$	D&O Insurance Premiums \$	Superannuation \$	Options \$	Total \$	Performance Related %
Executive Directors							
Paul Guilfoyle	2020	321,377	13,344	27,041	514,085	875,847	59
	2019	38,498	-	3,435	-	41,933	-
Craig Anderson (resigned 27 June 2019)	2020	-	-	-	-	-	-
	2019	173,141	6,842	15,833	-	195,816	-
Non-Executive Directors							
Jeff Sengelman (appointed 3 June 2020)	2020	-	987	-	-	987	-
	2019	-	-	-	-	-	-
Rod Evans	2020	50,000	13,344	-	19,162	82,506	23
	2019	8,334	862	-	-	9,196	-
Marcus Machin (appointed 3 September 2019)	2020	41,288	11,004	-	19,162	71,454	27
	2019	-	-	-	-	-	-
Hamish Jolly (resigned 3 September 2019)	2020	7,610	2,340	723	-	10,673	-
	2019	26,636	6,842	2,530	-	36,008	-

		Short-term employee benefits		Post-employment benefits	Share-based payments		
Name	Year	Cash salary and fees (A) \$	D&O Insurance Premiums \$	Superannuation \$	Options \$	Total \$	Performance Related %
Non-Executive Directors cont'd							
David McArthur (resigned 3 September 2019)	2020	7,610	2,340	723	-	10,673	-
	2019	32,941	6,842	2,892	-	42,675	-
Sub-total Non-Executive Directors' remuneration	2020	106,508	30,015	1,446	38,324	176,293	22
	2019	67,911	14,546	5,422	-	87,879	-
Total Directors' Remuneration	2020	427,885	43,359	28,487	552,409	1,052,140	53
	2019	279,550	21,388	24,690	-	325,628	-

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

The options tabled above were provided at no cost to the recipients. The granting of these options was approved at a General Meeting held on 31 March 2020.

## Remuneration of other Key Management Personnel

		Short-term employee benefits		Post-employment benefits	Share-based payments		
Name	Year	Cash salary and fees (A) \$	D&O Insurance Premiums \$	Superannuation \$	Options \$	Total \$	Performance Related %
KMP							
Colin Napier CFO	2020	208,403	-	19,000	415,353	642,756	65
	2019	31,976	-	2,762	-	34,738	-
Linda Shields CCO	2020	210,474	-	19,000	415,353	644,827	64
	2019	34,698	-	2,762	-	37,460	-
Diranne Lee-Renwick CTO	2020	198,935	-	19,000	415,353	633,288	66
	2019	16,568	-	1,462	-	18,030	-
Total Other KMP Remuneration	2020	617,812	-	57,000	1,246,059	1,920,871	65
	2019	83,242	-	6,986	-	90,228	-

(A) Includes movements in accruals for annual leave

In 2020, performance rights were issued to KMP's that required a minimum share price of 4 cents to qualify for conversion into shares. 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 values. No element of remuneration in 2019 was linked to performance.



## Options

### Granted as Compensation

At the date of this report, share options granted to the Directors of the Company as part of their remuneration in FY 2020 were:

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

The options tabled above were provided at no cost to the recipients. The granting of these options was approved at a General Meeting held on 31 March 2020.

No options granted as compensation were exercised, forfeited, lapsed or cancelled during the current or prior year.

### Share-based remuneration granted as compensation

For details of share-based payments granted during the year, refer note 8.1.

### Other information

#### Ordinary Shares Held by Directors

	Held at 1 July 2019	Initial holding upon appointment	Purchases	Sales	Conversion of Performance Rights	Held at 30 June 2020
<b>Executive Directors</b>						
Paul Guilfoyle	19,587,013	-	1,506,694	(4,006,694)	11,000,000	28,087,013
<b>Non-Executive Directors</b>						
Rod Evans	2,272,727	-	174,826	-	-	2,447,553
Marcus Machin	-	12,103,864	931,067	-	2,500,000	15,534,931
Hamish Jolly	17,490,884	-	-	-	-	17,490,884*
David McArthur	1,200,001	-	-	-	-	1,200,001*

During the reporting period, no shares were issued on the exercise of options previously granted as compensation.

\*Number of shares held upon cessation of directorship

## Options Held by Directors

	Held at 1 July 2019	Granted/ (Exercised) during the year	Held at 30 June 2020	Vested and exercisable at 30-Jun-20	Unvested and unexercisable at 30-Jun-20
<b>Executive Directors</b>					
Paul Guilfoyle	-	12,000,000	12,000,000	12,000,000	-
<b>Non-Executive Directors</b>					
Rod Evans	-	600,000	600,000	600,000	-
<b>Non-Executive Directors cont'd</b>					
Marcus Machin	-	600,000	600,000	600,000	-
Hamish Jolly	2,000,000	-	2,000,000	2,000,000*	-
David McArthur	2,000,000	-	2,000,000	2,000,000*	-

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

\*Number of options held upon cessation of directorship

## Performance Shares Held by Directors

	Held at 1 July 2019	Converted to fully paid shares	Held at 30 June 2020	Convertible at 30 June 2020
<b>Non-Executive Directors</b>				
Hamish Jolly*	7,788,446	-	7,788,446	-
* Number of performance shares held upon cessation of directorship				

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

## Performance Rights Held by Directors

	Held at 1 July 2019	Converted in 2019/20	Held at 30 June 2020
Paul Guilfoyle	35,200,000	(11,000,000)	24,200,000
Marcus Machin	8,000,000	(2,500,000)	5,500,000

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



# Directors' Report



The Directors present their report together with the financial statements of Harvest Technology Group Limited and the entities it controlled (together, "the Group") for the financial year ended 30 June 2020. 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. Details of Directors' qualifications, experience and special responsibilities can be found in the Corporate Governance section (page 31).

Name & Credentials	Position	Interests	Status
<b>Jeff Sengelman</b> DSC AM CSC MAICD	Chairman & Non-Executive Director	Shares: Nil	Appointed 3 June 2020
<b>Paul Guilfoyle</b> MBA	Executive (Managing) Director	Shares: 34,661,779 Performance Rights: 24,200,000	Full Year
<b>Marcus Machin</b> MA	Non-Executive Director	Shares: 15,534,931 Options: 600,000 Performance Shares: 5,500,000	Appointed 3 September 2019
<b>Rod Evans</b> B.Econ, MAICD	Non-Executive Director	Shares: 2,447,553	Full Year
<b>David McArthur</b> BComm (Accounting and Economics), CA	Non-Executive Director	N/A	Resigned 3 September 2019
<b>Hamish Jolly</b> BBus (Business Law and Accounting), MAICD, CA	Non-Executive Director	N/A	Resigned 3 September 2019

Note: None of the Directors have held other public company directorships in the past 3 years.

## Company Secretaries

Brett Tucker was appointed to the role of Company Secretary on 29 January 2020 with David McArthur and Jordan McArthur 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 15 times. The number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

Director	Full meetings of Directors	Meetings of Audit & Risk Management Committee
	No. of meetings attended	No. of meetings attended
Jeff Sengelman <sup>(2)</sup>	-	-
Paul Guilfoyle	15	1
Rod Evans	15	1
Marcus Machin <sup>(2)</sup>	13	-
Hamish Jolly	2	1
David McArthur	3	1

<sup>(1)</sup> Not a member of the relevant committee

<sup>(2)</sup> Not a member of the committee at the time meetings were held during the year

## 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
- acquisition and provision of proprietary software, products and services enabling the secure encrypted transfer of data, including high definition video and audio, from anywhere via satellite or congested networks at ultra-low bandwidths.

Primarily to the energy, resources and renewables sectors.

Aside from the changes noted in the above paragraph, there have been no other significant changes in the nature of those activities during the year.

## Review of Operations

During FY2020, we had a number of key achievements, including:

- Successful delivery of VOS Shine with 100% utilisation until the end of Q3 FY2020.
- Achievement of more than \$11.7m in annual group revenue
- Safety commitment maintains Zero LTIFR and Zero TRIFR
- Capital raise of \$4m in convertible notes in November 2019 for Acquisition of AOS (Harvest Infinity)
- \$10m capital raise in June 2020 for Infinity and supporting resources development
- Roll-out of Group renaming and rebranding activities
- Launch of Infinity product suite and
- Entry into key strategic partner relationship with AST via interim agreement
- Renewal of the Board
- Appointment of Jeff Sengelman as Chairman
- Successful development and implementation of integrated business management system and vessel safety management system

A large part of the year was also spent redefining and restructuring the business with the intent of building foundational systems to support a technology-driven scalable organisation.

Detailed information on the operations and financial position of the Group is disclosed in Operational and Financial Review section (pages 9 to 15).

The global COVID-19 pandemic and subsequent 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 FY2021.

## Significant Changes in The State of Affairs

During the year, the Group acquired Advanced Offshore Streaming Pty Ltd for a total consideration of \$6,335,617. Advanced Offshore Streaming Pty Ltd (AOS), (renamed to Harvest Infinity during the year) is a company that has developed proprietary algorithms and computing hardware enabling the transfer of secure, encrypted high-definition video, data and audio from remote or satellite locations to a single point to point or global multi-cast locations with dedication to ultra-low bandwidth consumption and quality of service.

Additionally, during the year, the Board determined that it was no longer economically viable to pursue the clever buoy technology as it relates to shark detection, and as such this operation has been discontinued. The Clever Buoy trademark has been maintained for use in other aspects of the business.



## Dividends

The Directors recommend that no dividend be provided for the year ended 30 June 2020 (2019: nil).

## Significant Events After Balance Date

There has been no matter or circumstance that has arisen after balance date that has 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.

## Likely Developments

During FY2021, we will continue to assess commercial opportunities available for the Shine and develop and market our technology products and services. We plan to also:

- Roll-out Group Strategic plan and implementation methodology
- Expanding our people and implementing systems to provide support for scalability, R&D, business development and sales, marketing, and customer success
- Move our people, systems and resources into a single central facility
- Focus on intensifying innovation, research and development
- Access opportunities in global markets with expansion into US and UK/Europe regions
- Develop long-term strategic partner relationships with Industry Leaders in Satellite communication services and wearables sector.

## 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	2,866,667	3	30-Nov-20
23-Nov-17	6,000,000	10	31-Dec-20
10-Apr-18	1,500,000	10	31-Dec-20
10-Apr-18	1,000,000	5	8-Feb-21
15-Feb-18	1,875,000	8	28-Feb-21
24-Apr-18	2,840,000	8	28-Feb-21
22-Nov-18	1,000,000	5	28-Nov-21
22-Nov-18	1,000,000	8	29-Nov-21
22-Nov-18	1,000,000	12	30-Nov-21
18-Feb-20	4,000,000	6.5	18-Feb-23
18-Feb-20	2,000,000	10	18-Feb-23
2-Apr-20	4,000,000	4	1-Apr-21
2-Apr-20	4,400,000	7	1-Apr-21
2-Apr-20	4,400,000	10	1-Apr-21
2-Apr-20	400,000	15	1-Apr-21
	<b>38,281,667</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, 5,541,669 shares were issued as a result of the exercise of options.

4,400,000 options expired or lapsed during or since the end of the reporting period (2019: 8,625,000). The options detailed above are inclusive of free-attaching options issued as part of capital raisings undertaken, and as such have no attributable value. On this basis these options have not been included in the options table disclosed in note 8.1 to the consolidated financial statements.

## Performance Shares

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

Issue date	Expiry date	Number of performance shares
2-Feb-16	2-Feb-21	17,398,710

These performance shares do not entitle the holder to participate in any share issue of the Company. During or since the end of the financial year, no shares were issued as a result of the conversion of performance shares.

300,000 performance shares expired or lapsed during or since the end of the reporting period (2019: nil).

Milestones for conversion of performance shares are detailed in note 8.1 to the consolidated financial statements.

## 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-22	7,263,158
24-Jun-20	30-Jun-23	5,447,368
		67,710,526

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

No performance rights expired or lapsed during or since the end of the reporting period (2019: nil). Milestones for conversion of performance rights are detailed in note 8.1 to the consolidated financial statements.

## 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

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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 \$43,359 (2019: \$21,388) 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

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

## Remuneration Report

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The Remuneration Report (page 40) outlines the remuneration arrangements in place for the key management personnel of the Group for the financial year ended 30 June 2020 and is included on the following page.

## 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 2020 is set out from page 53.

Signed in accordance with a resolution of the Directors.



**JEFFREY SENGELMAN**  
Chairman

Dated in Perth, Western Australia, this 30th day of September 2020.



# Auditor's 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 2020, 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  
30 September 2020



**M R Ohm**  
Partner

**hlb.com.au**

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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 2020

	Note	2020 \$	2019 \$
<b>Assets</b>			
Cash and cash equivalents	6.1	11,306,298	2,172,384
Trade and other receivables	6.2	1,010,787	25,642
Inventory	6.3	79,135	-
Prepayments		108,802	95,183
Financial Assets held at FVTPL	6.4	17,590	300,000
<b>Total current assets</b>		<b>12,522,612</b>	<b>2,593,209</b>
Intangible assets	5.1	7,791,092	41,527
Property, plant and equipment	5.2	161,634	174,942
Goodwill	5.4	-	533,153
Right of use leased assets	5.3	3,241,596	-
Other bonds and deposits	5.5	608,251	54,362
<b>Total non-current assets</b>		<b>11,802,573</b>	<b>803,984</b>
<b>Total assets</b>		<b>24,325,185</b>	<b>3,397,193</b>
<b>Liabilities</b>			
Trade and other payables	6.5	1,142,783	159,923
Borrowings	7.2	115,520	30,543
Employee entitlements	2.4	232,668	103,723
Lease liabilities	7.3	2,509,282	-
Deferred consideration	7.5	727,256	-
Current tax liability		12,846	-
Other liabilities	6.6	-	455,000
<b>Total current liabilities</b>		<b>4,740,355</b>	<b>749,189</b>
Lease liabilities	7.3	622,169	-
Deferred consideration	7.5	672,761	-
Provisions	7.4	1,244,678	-
Borrowings	7.2	3,535,717	-
Deferred tax liabilities	2.6	867,334	-
<b>Total non-current liabilities</b>		<b>6,942,659</b>	<b>-</b>
<b>Total liabilities</b>		<b>11,683,014</b>	<b>749,189</b>
<b>Net assets</b>		<b>12,642,171</b>	<b>2,648,004</b>
<b>Equity</b>			
Issued capital	7.1	20,666,186	9,379,698
Unissued capital		1,738,628	-
Reserves		3,301,006	432,391
Accumulated losses		(13,063,649)	(7,164,085)
<b>Total equity attributable to equity holders of the Company</b>		<b>12,642,171</b>	<b>2,648,004</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 2020

	Note	2020 \$	2019 \$
<b>Continuing operations</b>			
Sales	2.2	11,563,315	11,747
Other income	2.3	184,184	75,128
Cost of goods sold		(6,935,837)	-
Other operating expenses		-	(6,615)
Marketing and business development		(15,991)	(56,009)
Personnel expenses - other	2.4	(5,096,837)	(714,578)
Personnel expenses – research and development	2.4	(439,899)	-
General and administration		(1,000,927)	(330,590)
Professional fees		(962,778)	(336,772)
Depreciation and amortisation		(3,360,490)	(210,725)
Research and development		-	(213,773)
Goodwill impairment	5.4	(533,153)	-
Finance expenses	2.5	(589,030)	(3,040)
Revaluation of Financial Assets held at FVTPL	6.4	(2,040)	300,000
Other losses		(4,094)	(59,083)
<b>Loss before income tax</b>		<b>(7,193,577)</b>	<b>(1,544,310)</b>
Income tax benefit	2.6	1,177,249	179,098
<b>Net loss for the year from continuing operations</b>		<b>(6,016,328)</b>	<b>(1,365,212)</b>
<b>Loss after tax from discontinued operations</b>	4	<b>(133,399)</b>	<b>(89,219)</b>
<b>Loss attributable to owners of the Company</b>		<b>(6,149,727)</b>	<b>(1,454,431)</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		1,400	506
<b>Total comprehensive loss for the year</b>		<b>(6,148,327)</b>	<b>(1,453,925)</b>
<b>Total comprehensive loss attributable to owners of the Company</b>		<b>(6,148,327)</b>	<b>(1,453,925)</b>
Profit for the year is attributable to:			
Continuing operations		(6,016,328)	(1,365,212)
Discontinued operations		(133,399)	(89,219)
		<b>(6,149,727)</b>	<b>(1,454,431)</b>
Total comprehensive income for the year is attributable to:			
Continuing operations		(6,014,928)	(1,364,706)
Discontinued operations		(133,399)	(89,219)
		<b>(6,148,327)</b>	<b>(1,453,925)</b>
<b>Loss per share</b>			
Basic and diluted loss per share (cents per share)	2.7	(1.86)	(1.06)
Basic and diluted loss per share (cents per share) from continuing operations	2.7	(1.82)	(1.00)
Basic and diluted loss per share (cents per share) from discontinued operations	2.7	(0.04)	(0.06)

The accompanying notes are an integral part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the year ended 30 June 2020

	Issued capital	Unissued capital	Share-based payment reserve	Equity Component of Convertible Note	Other reserves	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	<b>6,214,775</b>	-	<b>956,274</b>	-	<b>894</b>	<b>(6,239,067)</b>	<b>932,876</b>
Net loss for the year	-	-	-	-	-	(1,454,431)	(1,454,431)
Foreign exchange translation	-	-	-	-	506	-	506
Total comprehensive loss for the period	-	-	-	-	506	(1,454,431)	(1,453,925)
Shares issued during the period	3,017,847	-	-	-	-	-	3,017,847
Share issue costs	(290,924)	-	-	-	-	-	(290,924)
Share-based payments	438,000	-	-	-	-	-	438,000
Share-based payment expense on vested share options	-	-	26,298	-	-	-	26,298
Expiry and vesting of options	-	-	(551,581)	-	-	529,413	(22,168)
<b>Balance at 30 June 2019</b>	<b>9,379,698</b>	-	<b>430,991</b>	-	<b>1,400</b>	<b>(7,164,085)</b>	<b>2,648,004</b>
<b>Balance at 1 July 2019</b>	<b>9,379,698</b>	-	<b>430,991</b>	-	<b>1,400</b>	<b>(7,164,085)</b>	<b>2,648,004</b>
Net loss for the period	-	-	-	-	-	(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 8.1)	-	-	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>(13,063,649)</b>	<b>12,642,171</b>

The accompanying notes are an integral part of these financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

### For the year ended 30 June 2020

	Note	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		12,042,226	69,927
Cash paid to suppliers and employees		(12,480,190)	(1,461,512)
Interest paid		(489,735)	(3,041)
Interest received		3,184	1,406
Payments for research and development		-	(265,464)
Income taxes (paid)/received		(152,800)	369,923
<b>Net cash used in operating activities</b>	6.1(b)	<b>(1,077,315)</b>	<b>(1,288,761)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(96,214)	(44,906)
Proceeds from sale of plant and equipment		7,500	50,584
Payment to acquire a subsidiary	3	(3,500,000)	-
Loan to subsidiary pre-acquisition		-	(143,925)
Payments for security deposits		(553,889)	-
Acquisition of cash in business combination	3	257,392	25,087
<b>Net cash used in investing activities</b>		<b>(3,885,211)</b>	<b>(113,160)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital and options exercise	6.6 / 7.1	11,500,410	3,442,847
Proceeds from sale of investment in FVTPL		300,000	-
Payment of capital raising costs		(83,807)	(245,424)
Proceeds from issue of convertible notes		4,000,000	-
Repayment of lease liabilities		(1,694,756)	-
Repayment of loans from related parties	7.2	(10,386)	(7,223)
Proceeds from borrowings		1,342,864	-
Repayment of borrowings and premium funding facility	7.2	(1,257,885)	(82,663)
<b>Net cash from financing activities</b>		<b>14,096,440</b>	<b>3,107,537</b>
<b>Net increase in cash and cash equivalents</b>		<b>9,133,914</b>	<b>1,705,616</b>
Cash and cash equivalents at 1 July		2,172,384	466,642
Effect of exchange rate fluctuations on cash held		-	126
<b>Cash and cash equivalents at 30 June</b>	6.1(a)	<b>11,306,298</b>	<b>2,172,384</b>

The accompanying notes are an integral part of these financial statements



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

### Section 1: Basis of Preparation

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

- Basis of preparation
- Results for the year
- Business Combination
- Discontinued Operations
- 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.

During the year, the Company changed its name to Harvest Technology Group Limited (ASX Code: HTG) and is hereinafter called "the Group".

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 2020 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 30 September 2020. 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 2019. Refer to note 8.11 for further details; and

- do not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective. Refer to note 8.11 for further details.

## 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 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 former overseas operation, Clever Buoy (USA) LLC, is US Dollars (US\$).

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.

Goodwill is assessed for impairment annually under the requirements of AASB 136. Details of the impairment assessment undertaken in respect of goodwill is included in note 5.3.

## 1.6 Application of New Standards

The Group has initially applied AASB 16 and Interpretation 23 from 1 July 2019. Due to the transition method chosen by the Group in applying AASB 16, comparative information throughout the interim financial statements has not been restated to reflect the requirements of the new standards.

### AASB 16 Leases

AASB 16 replaces AASB 117 *Leases* and eliminates the operating and finance lease classifications for lessees. AASB 16 is applicable to annual reporting periods beginning on or after 1 January 2019.

#### (A) Impact on operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet. On initial application of AASB 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- Recognises amortisation of right-of-use assets and interest on lease liabilities in the consolidated statement of comprehensive income; and
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and an interest portion (presented in operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free periods) will be recognised as part of the measurement of the right-of-use assets and lease liabilities, whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12-months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

#### (B) Impact on Finance Leases

The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual guarantees provided by the lessee or lessor.

AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117.

The Group has adopted AASB 16 retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application, being 1 July 2019. As at the date of application

of the standard, there were no finance leases recorded.

**(C) Application as at 1 July 2019**

	\$
Operating lease commitments disclosed as at 30 June 2019	326,812
	<hr/>
Discounted using the lessee's incremental borrowing rate at the date of initial application	294,854
	<hr/>
<b>Lease liability recognised as at 1 July 2019</b>	<b>294,854</b>
	<hr/>
The recognised right-of-use assets relate to the following types of assets:	
	\$
Property, plant and equipment leases	9,144
Building leases	285,710
	<hr/>
<b>Right-of-use assets recognised as at 1 July 2019</b>	<b>294,854</b>
	<hr/>

### 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 5.1 - Intangibles
- Note 5.3 - Goodwill
- Note 6.2 - Recoverability of Trade Receivables
- Note 6.4 - Financial Assets held at FVTPL
- Note 7.2 - Borrowings
- Note 8.1 - Share-based payments

## Section 2: Results for The Year

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

### Key Estimates and Assumptions in this Section

#### Deferred taxation

The Group has unrecognised carry 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.

The Clever Buoy technology segment generates income from sale/rental of units, installation, service and support of the systems within Australia and overseas. This segment is now discontinued.

#### 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 2020 \$	30 June 2019 \$	30 June 2020 \$	30 June 2019 \$
Clever Buoy marine monitoring technology	-	197,155	-	(41,974)
Subsea and asset integrity risk mitigation	5,594,766	575,589	(4,838,728)	(143,194)
Remote communications technology	8,672,912	-	(242,012)	-
<b>Total segment assets and liabilities</b>	<b>14,267,678</b>	<b>772,744</b>	<b>(5,080,740)</b>	<b>(185,168)</b>
Corporate and other segment assets/liabilities	10,057,507	2,624,449	(6,602,274)	(564,021)
<b>Total</b>	<b>24,325,185</b>	<b>3,397,193</b>	<b>(11,683,014)</b>	<b>(749,189)</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 2020 \$	30 June 2019 \$	30 June 2020 \$	30 June 2019 \$
Subsea and asset integrity risk mitigation	10,224,705	-	(2,434,133)	(275,143)
Remote communications technology	1,338,610	-	(220,146)	-
<b>Total for continuing operations</b>	<b>11,563,315</b>	<b>-</b>	<b>(2,654,279)</b>	<b>(275,143)</b>
Clever Buoy shark detection technology	21,632	11,747	(133,399)	(649,356)
SAMS visual technology (discontinued operation)	-	37,768	-	(89,219)
<b>Total for continuing and discontinued operations</b>	<b>11,584,947</b>	<b>49,515</b>	<b>(2,787,678)</b>	<b>(1,013,718)</b>
Fair value gain on revaluation of financial asset			-	300,000
Finance income			3,185	1,406
Central and administration expenses			(3,953,184)	(918,177)
Finance expense			(589,299)	(3,040)
<b>Loss before tax</b>			<b>(7,326,976)</b>	<b>(1,633,529)</b>
Income tax benefit			1,177,249	179,098
<b>Loss after tax</b>			<b>(6,149,727)</b>	<b>(1,454,431)</b>

Segment revenues represent revenue generated from external customers. There were no inter-segment revenues in the current period and all revenues and activities were based in Australia.

The remote communications technology segment result includes an expense of \$470,764 for amortisation of intellectual property.

Management do not consider the cashflows of each segment separately.

## 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.

***Clever Buoy – Marine Monitoring Technology Services (Discontinued Operation)***

Sales revenue from rendering of services in regard to deployment of a Clever Buoy 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.

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.

The Group has determined that the majority of contracts entered into for Clever Buoy historically satisfy criteria over time, being revenue earned for provision of Clever Buoy services in-water for a specified duration. The customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs. Contract revenue is measured over time and recognised using the input method by reference to days of service provision under the contract, relative to the total expected input of service days to be provided under the contract.

***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.

***Licensing and royalty income***

***Visual Technology Design Licencing (Discontinued Operation)***

Visual Technology design licenses delivered by the Group are considered to be passive licenses as right-of-use of the patented Visual Technology Design for shark deterrence is conferred upon the customer. The Group considers for each contract that includes a performance obligation relating to licencing of the Visual Technology all the facts and circumstances in determining whether the royalty revenue derived from the license conveyed. The facts and circumstances of licensing agreements in the current financial year give rise to performance obligations being satisfied over time and revenue recognised reflects this.

***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.

	2020 \$	2020 \$	2020 \$	2020 \$
	Labour hire/ Consulting	Provision of equipment	Hardware sales	Total
<b>Revenue earned over time</b>				
Offshore subsea services	130,389	10,094,283	-	10,224,672
Remote communications technology	-	1,092,193	-	1,092,193
<b>Total Revenue</b>	<b>130,389</b>	<b>11,186,476</b>	<b>-</b>	<b>11,316,865</b>
<b>Revenue at a point in time</b>				
Offshore subsea services	-	-	-	-
Remote communications technology	-	-	246,450	246,450
<b>Total Revenue</b>	<b>-</b>	<b>-</b>	<b>246,450</b>	<b>246,450</b>
	<b>130,389</b>	<b>11,186,476</b>	<b>246,450</b>	<b>11,563,315</b>

## 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.

	2020 \$	2019 \$
Government incentives/grants	181,000	73,722
Interest income	3,184	1,406
	<b>184,184</b>	<b>75,128</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 8.1.

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

	Note	2020 \$	2019 \$
Wages and salaries		1,621,502	317,341
Directors' remuneration	8.4	1,059,640	283,695
Other KMP remuneration	8.4	1,920,871	132,161
Contributions to superannuation		124,676	29,918
Increase/(decrease) in liability for annual leave		56,546	(12,220)
Equity-settled share-based payments		682,400	4,130
Fringe benefits tax		-	(3,840)
Other associated personnel expenses		71,101	7,212
		<b>5,536,736</b>	<b>758,397</b>
Non-research and development expenses		5,096,837	758,397
Research and development related personnel expenses		439,899	-
		<b>5,536,736</b>	<b>758,397</b>

Further information relating to Directors' and KMP remuneration is set out in note 8.4. The amounts disclosed above are inclusive of discontinued operations.

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

Current	2020 \$	2019 \$
Salary accrual	(84,837)	(33,575)
Superannuation	(21,137)	-
Liability for annual leave	(126,694)	(70,148)
	<b>(232,668)</b>	<b>(103,723)</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	2020 \$	2019 \$
<b>Interest expense on financial liabilities measured at amortised cost</b>			
Interest expense on convertible notes		257,221	-
Interest expense on deferred consideration	7.2	64,400	-
Interest expense on other borrowings		32,362	3,040
Interest on lease liabilities		212,760	-
Other finance charges		22,287	-
Finance expense recognised in profit or loss		<b>589,030</b>	<b>3,040</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

	2020 \$	2019 \$
<b>Current tax benefit / (expense)</b>		
Current tax	-	-
Deferred tax	1,177,249	-
Over provision in prior year	-	179,098
Total income tax benefit	<b>1,177,249</b>	<b>179,098</b>



**(b) Reconciliation of effective tax rate**

Note	2020 \$	2019 \$
Loss after tax*	(6,149,727)	(1,454,431)
Total income tax benefit	(1,177,249)	(179,098)
Loss excluding income tax	<b>(7,326,976)</b>	<b>(1,633,529)</b>
Income tax at the Australian tax rate of 27.5% (2019: 27.5%)	(2,014,918)	(449,220)
<i>Tax effect of amounts which are non-deductible (taxable) in calculating taxable income:</i>		
Entertainment	5,392	649
Share-based payments	720,333	9,386
Non assessable income	(27,500)	-
Impairment of goodwill	146,617	-
Other permanent differences	34,695	104,818
Change in corporate tax rate	(60,594)	-
Difference in foreign income tax rates	-	389
Under / (over) provision in prior years	58,430	(179,098)
Previously unrecognised deferred tax assets now brought to account	(130,121)	-
Deferred tax assets not brought to account	90,417	333,978
	<b>(1,177,249)</b>	<b>(179,098)</b>

\* Loss for the year is inclusive of continued and discontinued operations

**(c) Recognised deferred tax assets and liabilities**

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

	2020 \$	2019 \$
<b>Deferred tax liabilities</b>		
Prepayments	12,431	26,175
Investments	-	78,473
Right of use assets	842,814	-
Intellectual Property	2,025,463	-
Other temporary differences	21,060	-
	<b>2,901,768</b>	<b>104,648</b>
Off-set of deferred tax assets	(2,034,434)	(104,648)
Net deferred tax liability recognised	<b>867,334</b>	<b>-</b>

**(d) Unrecognised deferred tax assets**

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

	2020 \$	2019 \$
<b>Deferred tax assets</b>		
Tax losses	599,492	1,072,407
Property, plant and equipment	24,835	2,050
Capital raising costs	191,538	110,275
Employee entitlements	38,436	19,291
Right of use assets lease liability	814,177	-
Provision for restoration	323,616	-
Other temporary differences	42,340	105,147
	<b>2,034,434</b>	<b>1,309,170</b>
Offset of deferred tax liabilities	(2,034,434)	(104,648)
Net deferred tax assets unrecognised	-	<b>1,204,522</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 2020 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***

	2020 \$	2019 \$
Net loss for the year from continuing operations	(6,016,328)	(1,365,212)
Net loss for the year from discontinued operations	(133,399)	(89,219)
Net loss for the year attributable to ordinary shareholders	<b>(6,149,727)</b>	<b>(1,454,431)</b>
Issued ordinary shares at 1 July	136,678,041	106,505,929
Effect of shares issued	193,421,955	30,172,112
Weighted average number of ordinary shares at 30 June	<b>330,099,996</b>	<b>136,678,041</b>
Basic and diluted loss per share from continuing operations (cents per share)	(1.82)	(1.00)
Basic and diluted loss per share from discontinued operations (cents per share)	(0.04)	(0.06)
Basic and diluted loss per share (cents per share) *	<b>(1.86)</b>	<b>(1.06)</b>

\* At 30 June 2020, 38,281,667 options (2019: 28,523,336 options), 17,398,710 performance shares (2019: 17,698,710 performance shares), 181,181,182 convertible note shares and 67,710,526 performance rights (2019: 80,000,000 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 Harvest Infinity Pty Ltd (formerly Advanced Offshore Streaming Pty Ltd)

In December 2019, the Group acquired 100% of the voting equity instruments of Advanced Offshore Streaming Pty Ltd (AOS), (renamed to Harvest Infinity during the year) a company that has developed proprietary algorithms and computing hardware enabling the transfer of secure, encrypted high-definition video, data and audio from remote or satellite locations to a single point to point or global multi-cast locations with dedication to ultra-low bandwidth consumption and quality of service. This technology is currently deployed in remote control, communication, automation and monitoring applications across the global oil and gas and marine industries, and has capacities that extend to mining, defence and agricultural sectors, both on land and at sea. The principal reason for the acquisition was to expand the portfolio of technology services that the Group offers and to enhance and improve the capabilities of existing technologies within the Group's portfolio.

### 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	257,392	-	257,392
Trade Receivables and Contract Assets	307,152	-	307,152
Property, Plant and Equipment	75,043	-	75,043
Right-of-use Assets	34,667	-	34,667
Intangible Assets (Intellectual Property) <sup>1</sup>	-	8,261,006	8,261,006
Financial Assets at FVTPL	19,630	-	19,630
Trade and Other Payables	(94,143)	-	(94,143)
Borrowings	(10,386)	-	(10,386)
Income Tax Payable	(165,684)	-	(165,684)
Employee Entitlements	(100,261)	-	(100,261)
Deferred Tax Liability <sup>2</sup>	-	(2,213,346)	(2,213,346)
Lease Liabilities	(35,453)	-	(35,453)
<b>Net assets acquired</b>	<b>287,957</b>	<b>6,047,660</b>	<b>6,335,617</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.

An external valuation was performed on the AOS business as a separate component of the due diligence and negotiation process for the acquisition. The valuation was based upon discounted cash flows for the forecast operations of the business unit. As this provided a basis for the fair value of the consideration in the transaction, it predicates the existence of an intangible asset, being the intellectual property, when assessed against the net assets of the business at acquisition date.

The main factor reinforcing the recognition of an intangible asset of intellectual property is that the business has developed proprietary algorithms that enable the provision of the specific telecommunications services that AOS provides, and as such qualified for separate recognition as an intangible asset. These algorithms are the differentiator that enable AOS to provide the profitable service that it currently performs, rather than any particular finished product or service capable of performance by other parties.

- 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 AOS 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 27.5%.

**Fair value of consideration transferred**

	<b>Consideration \$</b>
<b>Initial consideration</b>	
Cash consideration on acquisition	3,500,000
<b>Deferred consideration</b>	
Present value of deferred cash consideration – 12 months <sup>1</sup>	693,802
Present value of deferred cash consideration – 24 months <sup>2</sup>	641,815
Deferred share consideration – 12 months <sup>2</sup>	750,000
Deferred share consideration – 36 months <sup>2</sup>	750,000
<b>Total consideration paid and payable</b>	<b>6,335,617</b>

- 1) Deferred cash consideration payments have been discounted to present value, taking into account a weighted average cost of capital of 8.1%.
- 2) A total of 18,156,499 shares will be issued in each deferred consideration settlement, totalling 36,312,998 shares to be issued. The price that the consideration shares will be allotted at, calculated per terms of the acquisition agreement as disclosed in the notice of AGM dated 25 October 2019, is \$0.0413 per share.

**Acquisition costs**

Acquisition costs of \$40,150 arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of comprehensive income.

Included in the consolidated net loss for the year is a loss of \$223,540 for this business unit. This loss is inclusive of amortisation of intellectual property of \$470,764.

If the acquisition occurred on 1 July 2019, the full year contribution would have been revenue of \$2,290,881 and a loss of \$130,950 (inclusive of amortisation of intellectual property).

## Section 4: Discontinued Operations

### Accounting Policy

A discontinued operation is a component of the consolidated entity that has been disposed or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

During 2020, the Board of Directors decided to discontinue business pursuits in relation to the shark-related Clever Buoy Technology as it is considered they are uncommercial. The trademark over the Clever Buoy name has been maintained and remains usable across the remote communication technology suite of products. This now means that all shark mitigation and detection activities have now been ceased. Results for the Clever Buoy segment have been classified as discontinued operations for the period.

### Result for The Year from Discontinued Operations

	2020 \$	2019 \$
Sales	21,632	11,747
Cost of sales	(204)	-
Selling and distribution	-	(48,603)
Depreciation, amortisation, asset impairment and profit/(loss) on sale of assets	(140,549)	(33,675)
Finance expenses	-	(1,484)
General and administrative	(14,009)	(156,906)
Personnel expenses	-	(205,899)
Professional fees	-	(455)
Research and development expenses	-	(212,982)
Other gains / (losses)	(269)	(1,099)
Net loss from discontinued operations	<b>(133,399)</b>	<b>(649,356)</b>
Income tax benefit	-	-
Loss after tax from discontinued operations	<b>(133,399)</b>	<b>(649,356)</b>

### Cash Flows from Discontinued Operations

	2020 \$	2019 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	21,632	11,747
Cash paid to suppliers and employees	(13,944)	(414,446)
Payments for research and development	-	(212,982)
<b>Net cash received from / (used in) operating activities</b>	<b>7,688</b>	<b>(615,681)</b>

As the Clever Buoy segment was held across several entities within the group, it is not possible to accurately define the opening and closing cash balances on hand relating to the Clever Buoy segment. Additionally, no investing or financing activities occurred during either year noted above for the Clever



Buoy segment.

During April 2019, the Board of Directors decided to discontinue business pursuits in relation to the SAMS™ Visual Technology that is applied to wetsuits and water-sports products. Results for the Visual Technology segment have been classified as discontinued operations for 2019.

#### Result for The Year from Discontinued Operations

	2020 \$	2019 \$
Sales	-	37,768
Cost of sales	-	(29,515)
Selling and distribution	-	(2,827)
Mobile equipment	-	(686)
General and administrative	-	(135)
Personnel expenses	-	(43,819)
Research and development expenses	-	(50,238)
Other gains / (losses)	-	233
Net loss from discontinued operations	-	(89,219)
Income tax benefit	-	-
Loss after tax from discontinued operations	-	(89,219)

#### Cash Flows from Discontinued Operations

	2020 \$	2019 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	-	28,876
Cash paid to suppliers and employees	-	(93,994)
Payments for research and development	-	(50,238)
Income taxes received	-	122,487
<b>Net cash received from / (used in) operating activities</b>	-	7,131

As the Visual Technology segment was held within Shark Attack Mitigation Systems Pty Ltd (**SAMS**), a subsidiary entity of Smart Marine Systems, and that the SAMS entity also had costs attributable to Clever Buoy and Corporate segments, it is not possible to accurately define the opening and closing cash balances on hand relating to the Visual Technology segment. Additionally, no investing or financing activities occurred during either year noted above for the Visual Technology segment.

## Section 5: 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 the year end.

### Key Estimates and Assumptions in This Section

#### **Indicators of impairment**

The Group has reviewed goodwill for indicators of impairment in accordance with AASB 138 and concluded that impairment indicators existed at year end. An assessment for impairment of goodwill has been undertaken under the requirements of AASB 136, details of this assessment are included in Note 5.3.

### 5.1 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 1.6.

	Harvest Infinity \$	Clever Buoy Patents \$	Clever Buoy Development \$	Formation Costs \$	Total \$
<b>Gross carrying amount</b>					
Balance at 1 July 2018	-	10,750	808,031	1,253	819,254
Additions	-	-	-	-	-
Impairment	-	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>-</b>	<b>10,750</b>	<b>808,031</b>	<b>1,253</b>	<b>820,034</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)
<b>Balance at 30 June 2020</b>	<b>8,261,006</b>	<b>850</b>	<b>-</b>	<b>-</b>	<b>8,261,856</b>
Balance at 1 July 2018	-	223	710,184	1,253	711,660
Amortisation for the year	-	2,136	64,711	-	66,847
<b>Balance at 30 June 2019</b>	<b>-</b>	<b>2,359</b>	<b>774,895</b>	<b>1,253</b>	<b>778,507</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)
<b>Balance at 30 June 2020</b>	<b>470,764</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>470,764</b>
<b>Carrying amounts</b>					
Balance at 30 June 2019	-	8,391	33,136	-	41,527
Balance at 30 June 2020	7,790,242	850	-	-	7,791,092

## 5.2 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	Mobile equipment	Software	Leasehold improvements	Demonstration equipment	Equipment for hire	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>									
Balance at 1 July 2018	440,235	37,545	20,342	102,909	112,852	10,731	-	-	724,614
Additions	10,509	4,500	31,578	-	-	-	-	-	46,587
Disposals/Scrapping	-	(32,600)	(4,740)	(102,909)	(647)	(10,731)	-	-	(151,627)
Balance at 30 June 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)
<b>Balance at 30 June 2020</b>	<b>15,000</b>	<b>53,229</b>	<b>77,568</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,089</b>	<b>170,482</b>	<b>337,368</b>
<b>Depreciation</b>									
Balance at 1 July 2018	241,231	7,663	13,021	22,491	61,147	7,782	-	-	353,335
Depreciation for the period	82,634	2,494	4,692	10,497	43,117	444	-	-	143,878
Disposals/Scrapping	-	(5,980)	(4,740)	(32,988)	(647)	(8,226)	-	-	(52,581)
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)
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>13,542</b>	<b>18,271</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,089</b>	<b>122,832</b>	<b>175,734</b>
<b>Carrying amounts</b>									
Balance at 30 June 2019	126,879	5,268	34,207	-	8,588	-	-	-	174,942
Balance at 30 June 2020	15,000	39,687	59,297	-	-	-	-	47,650	161,634



### 5.3 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>
<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>
<b>Carrying amounts</b>				
Balance at 30 June 2019	-	-	-	-
<b>Balance at 30 June 2020</b>	<b>7,247</b>	<b>3,028,896</b>	<b>205,453</b>	<b>3,241,596</b>

### 5.4 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

	2020	2019
	\$	\$
Opening balance	533,153	-
Acquisition through business combination	-	533,153
Amounts written off	(533,153)	-
<b>Closing balance</b>	<b>-</b>	<b>533,153</b>

## Assessment for Impairment

The Harvest Technology CGU has been tested for impairment utilising the value-in-use methodology to determine the recoverable amount for goodwill. Management is of the view that this methodology is most appropriate in determining the true future economic benefits expected to flow to the Group from the performance of the CGU. To determine the value, forecast cash flows from the CGU operations have been discounted using a calculated WACC.

Management concluded that future cashflows were uncertain in light of market conditions including the impact of Covid19 and as such, decided to fully impair the carrying value of the goodwill.

The key assumptions used in the value-in-use calculations that management has based its cash flow projection on when determining the value in use of the Harvest CGU are as follows:

### Earnings

The financial forecast process was developed based on revenue and expense expectations for an initial 2-year period, built around anticipated industry contracts along with the potential expansion of the business assets. This forecast period has been extended with nominal inflation for a further 3-year period. As the CGU does not have historical results, it has not been possible to weight expectations based on actual margins, however the forecasts have been prepared utilising industry norms for margins.

### Discount rates

Discount rates reflect management's estimates of the time value of money and the risks specific to the CGU that are not already reflected in the cash flows. In determining appropriate discount rates, regard has been given to the weighted average cost of capital (WACC) of the entity as a whole adjusted for business risks specific to the CGU. The discount rate applied to the cash flow projections is 10.34%.

### Inflation rates

Inflation rates have been determined using the Consumer Price Index for Australia.

### Growth rates

The growth rates utilised give consideration to the industry outlook and current Australian market conditions. Cash flows beyond year 2 have been extrapolated at a 1.2% growth rate – utilising a conservative metric while the CGU is in an effective start-up stage to give a greater measure of comfort over the recoverable value accuracy. The growth rate utilised is currently below the long-term average growth rate for the energy, resources and renewables sectors.

## 5.5 Other Bonds and Deposits

	Note	2020 \$	2019 \$
Lease bonds	(i)	65,362	54,362
Deposit on VOS Shine work		65,062	-
Cash deposit to provide security over a bank guarantee	(ii)	477,827	-
		<b>608,251</b>	<b>54,362</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 to Vroon Offshore Services 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.

## Section 6: Working Capital Disclosures

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

### 6.1 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

	2020	2019
	\$	\$
Cash and cash equivalents in the statement of cash flows	11,306,298	2,172,384

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

	2020	2019
	\$	\$
<b>Cash flows from operating activities</b>		
Operating loss after tax	(6,149,727)	(1,454,431)
<b>Adjustments for:</b>		
Depreciation and amortisation	3,360,490	210,710
Equity-settled share-based payment transactions	2,814,643	34,130
Net finance expense	99,564	17
Fair value (gain)/loss on Financial Asset held at FVTPL	2,040	(300,000)
Goodwill impairment	553,153	-
Allowance for impaired receivables	-	10,420
Loss/ (gain) on disposal of property, plant and equipment	121,608	48,462
<b>Change in operating assets and liabilities:</b>		
Change in trade and other receivables	(673,343)	(15,611)
Change in prepayments	(13,619)	12,583
Change in inventories	(79,135)	29,641
Change in other operating assets	(692)	13,508
Change in current tax assets	(1,330,049)	117,104
Change in trade and other payables	118,807	(83,055)
Change in interest bearing liabilities	-	44,120
Change in contract liabilities	(30,000)	30,000
Change in employee entitlements	128,945	13,641
<b>Net cash used in operating activities</b>	<b>(1,077,315)</b>	<b>(1,288,761)</b>

## 6.2 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 30 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 uncollectable 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.

	2020 \$	2019 \$
<b>Current</b>		
Trade debtors <sup>(1)</sup>	877,873	63,362
Impairment allowance	-	(46,612)
	877,873	16,750
Other receivables	132,914	8,892
	<b>1,010,787</b>	<b>25,642</b>

- (1) the average credit period on sales of goods and rendering of services is 30 days. An allowance (2020: Nil, 2019: \$46,612) 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

	2020 \$	2019 \$
Balance at the beginning of the year	46,612	41,510
Impaired receivables written off	(46,612)	(5,514)
Impairment losses recognised on receivables	-	10,616
<b>Balance at the end of the year</b>	<b>-</b>	<b>46,612</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

	2020 \$	2019 \$
Current	-	-
60-90 days	-	9,002
Over 90 days	-	37,610
<b>Balance at the end of the year</b>	<b>-</b>	<b>46,612</b>

## 6.3 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.

#### Current

Raw materials

2020	2019
\$	\$
79,135	-

## 6.4 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. The fair value hierarchy is disclosed in note 8.2.



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

	Note	2020	2019
		\$	\$
Equity securities held in proprietary company	(i)	-	300,000
Other financial assets held at fair value		17,590	-
		<b>17,590</b>	<b>300,000</b>

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

	Note	2020	2019
		\$	\$
Opening balance		300,000	-
Revaluation of investment after loss of significant influence	(ii)	-	300,000
Disposal of investment		(300,000)	-
Financial assets acquired on acquisition of a subsidiary		19,630	-
Loss on fair value movement in financial assets		(2,040)	-
Closing balance		<b>17,590</b>	<b>300,000</b>

- (i) The Group held a 20% interest in the equity securities of Seabin Pty Ltd as at 30 June 2019. In previous years, this investment has been classified and accounted for as an investment in associate under the accounting requirements of AASB 128 *Investments in Associates and Joint Ventures*. Further details are disclosed in note 8.6.
- (ii) On 26 August 2019, the entity entered into a binding agreement to sell these securities for A\$300,000. In the absence of any other available inputs, this is considered an appropriate Level 2 input for the valuation of the equity securities

**6.5 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.

	2020	2019
	\$	\$
<b>Current</b>		
Trade payables	591,783	88,129
Authorised government agencies	84	22,259
Non-trade payables and accrued expenses	550,916	49,535
	<b>1,142,783</b>	<b>159,923</b>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 8.2.

## 6.6 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
- Share funds received in advance

	Note	2020 \$	2019 \$
<b>Current</b>			
Income received in advance		-	30,000
Ordinary share funds received in advance	(i)	-	425,000
		<b>-</b>	<b>455,000</b>

- (i) Funds received in advance relate to capital raising announced during trading halt on 2 July 2019.

## Section 7 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.

### 7.1 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 \$	
	2020	2019	2020	2019
<b>Movement in ordinary shares on issue:</b>				
<b>On issue at 1 July</b>	<b>257,856,438</b>	<b>106,505,929</b>	<b>9,379,698</b>	<b>6,214,775</b>
<b><i>Shares issued and expensed during the year:</i></b>				
Issue of fully paid shares for cash	124,074,074	134,400,509	11,100,000	3,017,847
Issue of fully paid shares in business acquisition	-	15,000,000	-	390,000
Issued on conversion of performance rights	25,000,000	-	-	-
Issued on conversion of options	5,541,669	-	257,500	-
Issued via rights issues	23,906,022	-	525,932	-
Issue of fully paid shares in lieu of consultancy fees	-	1,200,000	-	30,000
Issue of fully paid shares in lieu of capital raising costs	-	750,000	-	18,000
Capital raising costs	-	-	(596,944)	(290,924)
<b>On issue at 30 June</b>	<b>436,378,203</b>	<b>257,856,438</b>	<b>20,666,186</b>	<b>9,379,698</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.

#### 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 8.1).

### 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 8.1 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.

## 7.2 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 8.2.

### 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.

	2020 \$	2019 \$
<i>Unsecured</i>		
Other borrowings	21,165	-
Premium funding facility	94,355	30,543
	<b>115,520</b>	<b>30,543</b>
<i>Secured</i>		
Convertible notes	3,535,717	-
	<b>3,651,237</b>	<b>30,543</b>
Current	115,520	30,543
Non-current	3,535,717	-
	<b>3,651,237</b>	<b>30,543</b>

## Reconciliation of Movement in Borrowings

	Loans from Director or KMP (2)	Premium funding	Convertible Notes	Other borrowings
	\$	\$	\$	\$
Balance at 1 July 2018	-	21,212	-	47,875
Loans & borrowings received	-	-	-	-
Loans assumed on acquisition	7,223	-	-	-
Premium funding facility	-	42,745	-	-
Interest & establishment costs charged	-	1,374	-	1,666
Less repaid <sup>(1)</sup>	(7,223)	(34,788)	-	(49,541)
Balance at 30 June 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)
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>94,355</b>	<b>3,535,717</b>	<b>21,165</b>

(1) Amounts repaid include interest and loan establishment costs;

(2) Refer to note 8.4 for further details.

During the period, the Company raised \$4,000,000 from the issue of 4,000,000 convertible notes on 28 November 2019 for the acquisition of Advanced Offshore Streaming Pty Ltd. Details of the convertible notes are as disclosed below. All convertible notes issued in November remain unconverted as 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 2020 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.

### 7.3 Lease Liabilities

	30 June 2020 \$	30 June 2019 \$
Balance recognised on application of AASB 16	294,854	-
Lease inception	4,380,076	-
Liabilities assumed through business combination	35,454	-
Principal repayments	(1,932,628)	-
Interest expense	212,760	-
Exchange differences	140,935	-
<b>Closing balance</b>	<b>3,131,451</b>	<b>-</b>
<b>Classification</b>		
Current liabilities	2,509,282	-
Non-current liabilities	622,169	-
	<b>3,131,451</b>	<b>-</b>

### 7.4 Provisions

	30 June 2020 \$	30 June 2019 \$
Opening balance	-	-
Recognition of provision for restoration requirements in regard of right-of-use assets <sup>1</sup>	1,242,556	-
Exchange differences	2,122	-
<b>Closing balance</b>	<b>1,244,678</b>	<b>-</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 above is representative of the costs associated with the expected work required to restore the vessel to the condition it was received in and to transit back to the Netherlands.

### 7.5 Deferred Consideration

	30 June 2020 \$	30 June 2019 \$
Upon original recognition of business combination (refer Section 3)	1,335,617	-
Interest charges since initial recognition	64,400	-
<b>Closing balance</b>	<b>1,400,017</b>	<b>-</b>
Current	727,256	-
Non-current	672,761	-
<b>Closing balance</b>	<b>1,400,017</b>	<b>-</b>

1) 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 8: Other Disclosures

The disclosures 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 8.1. Significant judgement is required in relation to assessing the degree of probability associated with the non-market vesting conditions being met.

### 8.1 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:

	2020 \$	2019 \$
<b>(a) Expensed in personnel expenses</b>		
Options issued to Directors	552,409	-
Options issued to employees	4,742	26,298
Options held by employees lapsed unvested during the period	-	(22,168)
Rights to shares to employees	1,727,087	-
<b>(b) Expensed in professional fees</b>		
Options issued to consultants of the Company	335,155	-
Shares issued to consultants of the Company	-	30,000
<b>(c) Recognised in capital raising costs</b>		
Shares issued to consultants of the Company	-	18,000

### 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 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

At 30 June 2019, 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	Expired during the year	Balance at year-end	Vested and exercisable at year-end
12-May-16	12-May-16	30-Jun-19	25	5,000,000	-	(5,000,000)	-	-
31-May-16	26-Aug-16	30-Jun-19	25	125,000	-	(125,000)	-	-
7-Feb-17	7-Mar-17	31-Jan-20	20-30	7,000,000	-	(3,500,000)	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	-
10-Apr-18	24-Apr-18	31-Dec-20	10	2,000,000	-	-	2,000,000	-
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
<b>Total</b>				<b>21,525,000</b>	<b>3,000,000</b>	<b>(8,625,000)</b>	<b>15,900,000</b>	<b>7,500,000</b>
Weighted average exercise price (cents)				17.89	8.33	24.71	12.39	12.96
Weighted average remaining contractual life (years)				1.85	-	-	1.47	-

During the year ended 30 June 2019, 8,625,000 options were forfeited, cancelled or lapsed (2018: Nil). 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 2020, 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	-
(iii)	24-Aug-16	24-Aug-19	Class D	100,000	-	(100,000)	-	-
(iv)	24-Aug-16	24-Aug-19	Class E	100,000	-	(100,000)	-	-
(v)	24-Aug-16	24-Aug-19	Class F	100,000	-	(100,000)	-	-

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.
- (iii) Class D - In the event Rabbit Hill (or an entity controlled by Rabbit Hill) achieves an introduction to the Company resulting in revenue of greater than US\$300,000
- (iv) Class E - In the event Rabbit Hill (or an entity controlled by Rabbit Hill) achieves an introduction to the Company resulting in revenue of greater than US\$600,000
- (v) Class F - In the event Rabbit Hill (or an entity controlled by Rabbit Hill) achieves an introduction to the Company resulting in revenue of greater than US\$900,000

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. Management has determined that due to the discontinuance of the relevant operations, the conditions for vesting will not be met.

### Performance Rights

At 30 June 2020, 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	Converted during the year	Balance at year-end	Vested and convertible at year-end	Expensed During the Year (\$)
(i)	26-Apr-19	26-Apr-21	1	25,000,000	-	(25,000,000)	-	-	
(ii)	26-Apr-19	26-Apr-22	2	25,000,000	-	-	25,000,000	-	
(iii)	26-Apr-19	26-Apr-23	3	30,000,000	-	-	30,000,000	-	
(iv)	24-Jun-20	30-Jun-21	4	-	8,986,339	-	8,986,339	-	1,707,405
(iv)	24-Jun-20	30-Jun-22	5	-	7,263,158	-	7,263,158	-	13,107
(iv)	24-Jun-20	30-Jun-22	6	-	5,447,368	-	5,447,368	-	6,574

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 1 performance rights vested upon Harvest Technology Pty Ltd achieving \$10,000,000 in revenue in one calendar year within two years of the acquisition of Harvest, being 26 April 2021.
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) 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.



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 earlier in the year with performance hurdles based on an increased share price above a base amount. As at 30 June the calculated market price was 18.3 cents per share. For Tranches 5 and 6, the final number of performance rights to be granted will be dependent upon the share price calculation at (v) and (vi) respectively

## 8.2 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.

'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 2019.

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	
	2020 \$	2019 \$	2020 \$	2019 \$
Currency				
Euro	380,000	-	1,827,906	-
US Dollars	12,182	44,535	6,275	7,726

### 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	
	2020	2019
	\$	\$
<b>If AUD strengthens by 5% (2020: 5%)</b>		
US dollar	(295)	1,841
Euro	72,395	-
<b>If AUD weakens by 5% (2019: 5%)</b>		
US dollar	295	(1,841)
Euro	(72,395)	-

The Group's sensitivity to foreign exchange rates has remained consistent in comparison with prior year mainly due to the maintained level of exposure from outstanding USD payables at year end.

### **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 \$319 / (\$319).

The Group's sensitivity to interest rates has decreased during the year mainly 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 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
		2,719,454	1,276,443	473,821
<b>30 June 2019</b>				
Trade and other payables	-	159,923	-	-
Borrowings	9.15	21,532	9,011	-
		181,455	9,011	-

#### 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 2020</b>				
Convertible notes	9.00	181,479	360,000	5,229,918
		181,479	360,000	5,229,918
<b>30 June 2019</b>				
Convertible notes	-	-	-	-
		-	-	-



### 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).

	2020 Fair value \$	2019 Fair value \$	Fair value hierarchy	Valuation Technique
Seabin shares	-	300,000	Level 2	Shares valued at market offer price agreed by the Group

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.

### 8.3 Capital Commitments

At year end, there were no material capital commitments.

### 8.4 Related Parties

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

Note	2020 \$	2019 \$
Short-term employee benefits	1,089,056	384,180
Post-employment benefits	85,487	31,676
Share-based payments	1,798,468	-
2.4	<b>2,973,011</b>	<b>415,856</b>

### Other Transactions with Key Management Personnel

The Group used the corporate services of Broadway Management Pty Ltd, a company associated with former director Mr David McArthur (resigned 3 September 2019) for which he exercises significant influence. The amounts billed, which related to the management of the Groups accounting, financial reporting and statutory compliance functions, amounted to \$129,000 (2019: \$115,000) and were based on normal market rates.

## 8.5 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	
				2020 %	2019 %
Shark Attack Mitigation Systems Pty Ltd	Shark Deterrent Technologies	Australia	30 June	100	100
Clever Buoy LLC	Shark Deterrent Technologies	United States	30 June	100	100
Clever Buoy Australia Pty Ltd	Shark Deterrent Technologies	Australia	30 June	100	100
Harvest Technology Pty Ltd	Bespoke Subsea Technology Solutions	Australia	30 June	100	100
Harvest Infinity Pty Ltd	Data transfer technology	Australia	30 June	100	-

## 8.6 Associates

Investments in associates are accounted for using the equity method in these consolidated financial statements.

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2020 %	2019 %
Seabin Pty Ltd	Marina cleaning technology	Australia	-	20%

During the 2019 financial year, the Company received an offer for purchase of its 20% equity holding in Seabin for A\$300,000. It was determined that the Group no longer maintained significant influence over decision-making processes of Seabin, and as such, discontinued equity accounting treatment under the requirements of AASB 128 *Investments in Associates and Joint Ventures* and has accounted for the shares held under the requirements of AASB 9 *Financial Instruments*.

The summarised financial information for the Group's associate has not been disclosed as there is a history of equity-accounted losses and the movement during the reporting period is not material. Upon derecognition as an investment in associate, there were continued losses made in the associate, therefore no loss or gain on derecognition occurred.

Refer to note 6.4 for valuation of the shares held as at 30 June 2020.

## 8.7 Subsequent Events

There have been no 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.

## 8.8 Contingent Liabilities

At year end, there were no contingent liabilities.

## 8.9 Parent Company Disclosures

As at, and throughout the financial year ended 30 June 2020, the parent entity of the Group was Harvest Technology Group Ltd (formerly Smart Marine Systems Limited).

	2020 \$	2019 \$
<b>Result of the parent entity</b>		
Loss for the year	(5,112,953)	(1,125,579)
Other comprehensive income	-	-
Total comprehensive loss for the year	<b>(5,112,953)</b>	<b>(1,125,579)</b>
<b>Financial position of parent entity at year end</b>		
Current assets	10,078,774	2,153,668
Total assets	<b>18,389,487</b>	<b>3,093,927</b>
Current liabilities	(1,531,558)	(565,757)
Total liabilities	<b>(5,747,316)</b>	<b>(565,757)</b>
<b>Total equity of the parent entity comprising of:</b>		
Share capital	21,510,280	10,392,554
Unissued capital	1,738,628	-
Reserves	2,801,591	430,991
Accumulated losses	(13,408,328)	(8,295,375)
<b>Total equity</b>	<b>12,642,171</b>	<b>2,528,170</b>

## 8.10 Auditors' Remuneration

	2020 \$	2019 \$
<b>HLB Mann Judd:</b>		
Audit and review of financial reports	52,550	45,350
Non-audit services	-	-
<b>TOTAL AUDITORS' REMUNERATION</b>	<b>52,550</b>	<b>43,350</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 2020.

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



**JEFFREY SENGELMAN**  
Chairman

Dated this 30th day of September 2020



# Independent Auditor's 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 2020, 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 2020 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.

*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. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
<b>Acquisition accounting</b> Refer to Note 3	
During the year, the Group completed a business combination in relation to the acquisition of Advanced Offshore Streaming Pty Ltd (subsequently renamed Harvest Infinity Pty Ltd).	Our procedures included but were not limited to the following: <ul style="list-style-type: none"><li>- Reviewing the acquisition agreement to gain an understanding of the key terms and conditions of the acquisition;</li></ul>

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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.

- 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.

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### **Recognition and recoverability of intangible assets**

Refer to Note 5.1

At 30 June 2020 the Group has an intangible assets balance of \$7.8m which arose on the acquisition of Harvest Infinity Pty Ltd during the year.

Other material intangible assets comprising goodwill of \$0.5m arising on the acquisition of Harvest Technology Pty Ltd was written off during the year.

We considered this to be a key audit matter as it involved significant communication with management and is important to the users understanding of the financial statements as a whole.

Our procedures included but were not limited to the following:

- We reviewed management's assessment as to whether there were any indicators of impairment in existence at balance date in addition to conducting our own assessment;
- In making our own assessment, we considered possible internal and external indicators under AASB 136 as to whether an impairment may exist;
- We examined the disclosures made in the financial report in relation to the above assessment; and
- We examined the disclosures in relation to the impairment of goodwill.

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### *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 2020, 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 2020.

In our opinion, the Remuneration Report of Harvest Technology Group Limited for the year ended 30 June 2020 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**  
**30 September 2020**



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



# Shareholder Information



The shareholder information set out below was applicable as at 28 September 2020.

## Distribution of Ordinary Shares

Range	Total holders	Ordinary shares	% of issued capital
1 - 1,000	32	5,964	0.00
1,001 - 5,000	343	1,058,117	0.23
5,001 - 10,000	250	1,989,317	0.42
10,001 - 100,000	761	29,193,443	6.23
100,001 and over	409	436,137,402	93.12
<b>Total</b>	<b>1,795</b>	<b>468,384,243</b>	<b>100.00</b>

There were 83 holders of less than a marketable parcel of ordinary shares.

## Twenty Largest Shareholders

Shareholders	Ordinary shares	
	Number held	% of issued shares
Mr Paul Joseph Guilfoyle	34,661,779	7.40
Gangus Pty Ltd <The JIG Family A/C>	21,779,672	4.65
Schaffer Corporation Limited	21,779,672	4.65
Arab Capital Holdings Ltd	14,803,864	3.16
Mr Kieran James Slee	14,716,052	3.14
Peter Canaway Pty Ltd <Peter Canaway Superfund A/C>	12,811,572	2.74
Ms Linda Mary Shields	11,751,264	2.51
UBS Nominees Pty Ltd	10,331,054	2.21
Diranne Lee-Renwick <Air Cooled Productions>	8,208,150	1.75
Mr Paul Joseph Cozzi	8,000,000	1.71
Kyriaco Barber Pty Ltd	7,917,974	1.69
Shields SF (WA) Pty Ltd <Shields Super Fund A/C>	6,646,072	1.42
BNP Paribas Nominees Pty Ltd<IB AU NOMS RETAILCLIENT DRP>>	6,522,738	1.39
Winter of Discontent Pty Ltd <The Providores S/F A/C>	5,797,600	1.24
Canary Capital Pty Ltd	5,366,477	1.15
Mrs Anna Hart + Mr Paul Hart <Hart Family Super Fund A/C>	5,000,000	1.07
Mr Michael McMahon & Mrs Susan McMahon <McMahon S/F A/C>	4,436,701	0.95
Mr Ross Milner McKay + Ms Christine Stuart Babbage <McKay Super Fund>	4,436,701	0.95
Ms Michelle Anne Anderson <The MCA A/C>	4,000,000	0.85
Mr Andrew William Blackman	3,430,000	0.73

## Unlisted Options

Grant date	Number	Number of holders	Expiry date	Exercise price (cents)
15-Feb-18	3,184,966	25	28-Feb-21	8
10-Apr-18	700,000	1	8-Feb-21	5
22-Nov-18	500,000	1	30-Nov-21	12
4-Dec-18	1,566,667	6	30-Nov-20	3
18-Feb-20	3,840,000	5	18-Feb-23	6.5
18-Feb-20	2,000,000	6	18-Feb-23	10
2-Apr-20	200,000	1	1-April-21	7
2-Apr-20	400,000	2	1-April-21	10
2-Apr-20	400,000	2	1-April-21	15

## Unlisted Performance Shares

Grant date	Number	Number of holders	Expiry date
02-Feb-16	17,398,710	4	2-Feb-21
24-Jun-20	7,263,158	5	30-Jun-22
24-Jun-20	5,447,368	5	30-Jun-23

## Unlisted Performance Rights

Grant date	Number	Number of holders	Expiry date
26-Apr-19	25,000,000	6	26-Apr-22
26-Apr-19	30,000,000	6	26-Apr-23

## Substantial Shareholders

The substantial shareholders in the company are set out below:

Shareholders	Number of Shares
Mr Paul Joseph Guilfoyle	34,661,779

## Voting Rights

### Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

### Options and Rights

No voting rights.

# Corporate Directory

## **Directors**

Jeff Sengelman

Paul Guilfoyle

Rod Evans

Marcus Machin

## **Secretary**

Brett Tucker

## **Registered and Principal Office**

C/o 16 Ord Street

West Perth WA 6005

Website: [www.harvest.technology](http://www.harvest.technology)

Email: [info@harvest-tech.com.au](mailto:info@harvest-tech.com.au)

Telephone: +61 8 6370 6370

## **Postal Address**

PO Box 2707

Cloisters Square WA 6850

## **Auditors**

HLB Mann Judd (WA Partnership)

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 (formerly SM8)

## **Legal Form of Entity**

Public company