



HARVEST TECHNOLOGY GROUP LIMITED

ABN 77 149 970 445

HALF-YEAR FINANCIAL REPORT

PERIOD ENDED 31 DECEMBER 2022





APPENDIX 4D

Preliminary financial statements for the half-year ended 31 December 2022 as required by ASX listing rule 4.2A

Results for announcement to the market

(All comparisons to half-year ended 31 December 2021)

	31 December 2022 \$	31 December 2021 \$	Change \$	Change %
Revenue from ordinary activities	1,852,430	849,860	1,002,570	118
Revenue from discontinued operations	-	2,642,929	(2,642,929)	(100)
Loss from ordinary activities after tax	(4,405,876)	(6,700,399)	2,294,523	34
Loss from discontinued operations after tax	(223,197)	(542,230)	319,033	59
Loss attributable to members	(4,629,073)	(7,242,629)	2,613,556	36

Dividends	Amount per share (cents)	Franked amount per share (cents)
Final	Nil	Nil
Half-year	Nil	Nil

Harvest Technology Group has not proposed to pay any dividends.

	31 December 2022	31 December 2021
Net Tangible Assets per share (cents)	(0.07)	0.39

Additional information supporting the Appendix 4D disclosure requirements can be found in the Director's Report and the consolidated financial statements for the half-year ended 31 December 2022.

This report is based on the consolidated financial statements for the half-year ended 31 December 2022 which have been reviewed by HLB Mann Judd. The independent auditor's review report contains an emphasis of matter in relation to going concern as further detailed in Note 1.5.



HARVEST TECHNOLOGY GROUP LIMITED

HALF-YEAR FINANCIAL REPORT

Period ended December 31, 2022



CONTENTS

DIRECTORS REPORT	5
AUDITOR'S INDEPENDENCE DECLARATION	11
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	12
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	13
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	14
CONSOLIDATED STATEMENT OF CASH FLOWS.....	15
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	16
DIRECTORS' DECLARATION	30
INDEPENDENT AUDITOR'S REVIEW REPORT	31
CORPORATE DIRECTORY	33



DIRECTORS REPORT

The Directors present their report together with the consolidated financial statements of Harvest Technology Group Limited (“**Company**”) and the entities it controls (together, the “**Group**”), for the half-year ended 31 December 2022 and the auditor’s report thereon. The consolidated financial statements have been reviewed and approved by the directors on the recommendation of the HTG Audit and Risk Committee.

DIRECTORS

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

Name

Jeffery Sengelman, *Chairman, Independent Non-Executive Director*

Paul Guilfoyle, *Group Chief Executive Officer, Executive Director*

Marcus Machin, *Non-Executive Director*

Stuart Carmichael, *Non-Executive Director (resigned 3 October 2022)*

Rod Evans, *Non-Executive Director (resigned 3 October 2022)*

Company Secretary

Jack Rosagro as Company Secretary.

OPERATING AND FINANCIAL REVIEW

Group Overview

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

- Development and delivery 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
- Provision of a SaaS-based mobile technology platform to provide enhanced connectivity and operational support to field technicians with enhanced user interface and integration with job and project management software

In the comparative period of the prior year, principal activities also included provision of offshore solutions and engineering services for subsea intervention projects and asset integrity risk mitigation (these activities were discontinued in September 2021).

The above products and services are provided primarily to the energy, maritime, resources, defence, utilities, security and surveillance and unmanned systems sectors enabling customers to optimise remote operations.



Highlights

Highlights during the period include:

- Announcement of a two-year contract for the supply of Harvest's ultra-low-bandwidth, high-quality secure Nodestream™ technology to play a key role in supporting remote operations for an EU defence force
- A two-year contract with Vallianz Holdings Limited (Vallianz), a provider of specialised vessels to Tier 1 customers in the offshore energy sector. Vallianz operates a fleet of over 70 purpose-built offshore support and heavy lift vessels around the world. The initial contract is for installation of Nodestream™ technology on their new-build DP2 vessel, "Vallianz Prestige"
- A second contract with Beach Energy Limited (Beach Energy), a key supplier to Australia's East Coast gas market, to embed Harvest's unique, proprietary technology into a smart buoy to enable Beach Energy to capture and process data from subsea assets in near real-time at a fraction of the cost of traditional monitoring methods
- Securing an initial order from International Rescue, a global aid organisation focused on rapid deployment of first response to emergency and disaster events across the globe. Harvest will support International Rescue with an initial order for a bespoke solution utilising Nodestream™ ruggedised technology to support situational awareness and critical decision-making in first response to disasters and emergencies
- A three-year contract with DOF Subsea to install Harvest's ultra-low bandwidth, high-quality and secure technology on DOF Subsea's multi-purpose supply vessels involved in the decommissioning of ExxonMobil's extensive offshore oil and gas infrastructure in the Bass Strait
- Continued to invest in R&D initiatives consistent with our technology roadmap and made significant progress in advancing key product developments towards beta trials and creating innovative customer-solutions that delivered products capable of being scaled across a wider customer base
- Delivering the first of a series of planned industry webinars in partnership with Digital Ship, a leading publication for maritime technology including satellite communications and software systems. Our first webinar discussed how global trends towards digitalisation in the maritime industry are driving the demand for data access in increasingly remote environments and how Harvest's technology can support vessel operations and provide true situational awareness for real-time decision making, streamline existing processes and access emergency support.

Delivering on Strategy

We have a vision of becoming a globally recognised leader in innovative technology that enables smarter remote operations. To achieve this, the Company adopted a Three-Phase Strategic Plan which was released to the market in October 2020.

The framework for our strategy is robust, simple and agile. It focuses on implementation of the steps required for a global roll-out of our leading-edge technology. The framework consists of the following three phases:

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

In alignment with Phase 2 of the Strategic Plan, the Group remains focused in the year ahead on continuing our momentum to further grow and diversify our revenue/customer base, exercise disciplined focus on spending, progressively reduce our quarterly cash burn rate whilst continuing to develop innovative technology solutions.



SPEED & SCALABILITY

- Development and delivery of downloadable Infinity Wearwolf™ decoder software application
- Building production and management system to enable scalability
- Advancement of existing Infinity product suite development
- Ramping up of resources to support innovation, customer success, business development activities, and expansion into the US and European regions
- Establish relationships with global industry solutions and services providers and wearable manufacturers

INCOME DIVERSITY

- Transitioning the business model to diversify customer base
- Development and release of downloadable Infinity Nodestream™ decoder software application
- Move People and resources into central facility
- Develop alliances with global industry solutions and services providers and wearable manufactures to access new customer base
- Develop our business in the U.S. and EMEA regions
- Actively seek business opportunities to expand market penetration
- Development of mobile platform

EXPANSION & GROWTH

- Release of mobile platform
- Establish relationships within the Australian Defence, Space and National Security communities with aspiration to become a trusted provider to 5VEY and Primes
- Explore and develop third-party alliances and opportunities in the Consumer market
- Commence initial exploration and development of business opportunities in Asia

Maintaining our Competitive Edge

Harvest is a global leader in the delivery of technology, enabling people to connect and transfer real-time, high-fidelity data, video and audio from anywhere in the world regardless of location, network quality or congestion.

Over the past six months the Group has continued to invest in the Infinity technology platform, developing new products and enhancements to existing products to drive diversification of the customer base, provide innovative and unique solutions to the market and help penetrate new geographic and market sectors. Notable developments include:

- Release of the Company's V2 Nodestream™ Core Engine and commencement of the roll-out of the new V2 protocol across the existing customer base. The V2 protocol boasts additional enhanced and configurable security applications and an additional 20% saving of bandwidth usage in comparison to the V1 protocol
- The Company announced in November 2022, it was ahead of schedule in the development of its next major product, a cloud-based platform, code-named "NS2". NS2 will incorporate the Nodestream™ engine within



an ecosystem delivering synchronous data, video and audio anywhere and anytime while combining all the capabilities available in cloud environments, such as artificial intelligence and scalable data storage

- Entering into a Memorandum of Understanding (MOU) with drone manufacturer Carbonix, which will allow the two companies to deliver untethered “beyond horizon” drone operations through combining Harvest’s optimised remote connectivity solutions with Carbonix’s fixed-wing vertical take-off and landing (VTOL) drones
- Working with Inmarsat and their partner network to support the scalable potential of the UAV market by leveraging the Group’s existing connectivity solutions.

The Company is committed to continue investing in research and development activities and resources to support our expansion. During the period, the Company received \$946,951 R&D tax incentive rebate in relation to the FY2021 financial year. The next R&D claim (for c.\$1.6m) for the FY2022 financial year was submitted in February 2023.

Business Outlook

The key focus areas for the Company moving into 2023 is on:

- Continuing to accelerate its revenue growth whilst maintaining discipline around spending to achieve profitability as soon as possible; and
- Delivery of innovative technology solutions, including its Cloud-based technology platform.

This includes:

- Continuing to expand and diversify its customer base across regions through targeted business development/marketing and lead generation activities
- Explore and develop further strategic partnerships and alliances with leading industry players to accelerate and support the roll-out of Infinity technology products and services
- Undertake key development programs with partners for our Cloud-based technology platform moving to live client Beta trials in the first half of 2023 as part of the product’s go-to-market process
- Further Infinity hardware and software developments in line with the Embedded Systems technology roadmap, proof-of-concept initiatives and trials to help create enhanced core functionality and drive end-customer/user growth.

Our product roadmap for 2023 is set to bring together our unique proprietary protocol with new platform applications to create a new unified communication platform. The Company expects this will significantly broaden its applicable markets along with streamlining its ability to scale the technology.

Corporate Matters

In February 2023, the Company announced it had received \$249,600 from the exercise of 3,840,000 unlisted options over fully paid ordinary shares.



Financial Results

For the six months ended December 31, 2022, the Group increased its revenue from providing remote technology solutions by 118% to \$1,852,430 (six months ended December 31, 2021: \$849,860).

Driven by the growth in revenue, the Group reduced the loss after income tax incurred from continuing and discontinued operations for the six months ended December 31, 2022, by \$2,613,556 (36%) to \$4,629,073 (six months ended December 31, 2021, loss from continuing and discontinued operations of \$7,242,629). The loss included significant pre-tax, non-cash expenses of intellectual property amortisation of \$614,912, property, plant and equipment depreciation of \$166,554 and equity settled employees' incentive of \$270,682.

The Group had a net cash outflow for the period of \$3,039,054 (six months ended December 31, 2021, of \$1,586,626). The cash balances as at December 31, 2022, were \$1,461,252 (June 30, 2022: \$4,497,315).

The results include a loss from the discontinued vessel operations division of \$223,197 (2021: \$542,230), continued investment in research and development activities for the technology product and services suite and growth in people and capability across the organisation to cater for the expansion in commercial operations.

Notwithstanding the fact the Group incurred a loss of \$4,629,073 and a net cash outflow of \$3,039,054 for the period, the Directors are of the opinion that the Company is a going concern for the following reasons:

- Received \$249,600 proceeds from the exercise of unlisted options in February 2023
- Receipt of \$500,000 deferred placement proceeds from a director in February 2023
- Expected receipt of c.\$1.6m R&D tax incentive rebate in the coming months
- The cessation of the loss-making vessel operations division; and
- The strong interest from industry-leading global resellers and customers in the Group's products and services during the past six months. which is evidenced by the significant growth in revenue during the first half of the current financial year and the steadily growing value of our sales pipeline, and supports our strategy to diversify our revenue base and enter into development agreements for embedded systems with several companies. This requires continued investment in research and development activities and resources to support our expansion.

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

DIVIDENDS

The Directors recommend that no dividend be provided for the half-year ended December 31, 2022 (half-year ended December 31, 2021: Nil).



SUBSEQUENT EVENTS

Other than as disclosed in Note 13, there have been no matters or circumstances that have arisen since the end of the reporting period that have affected or may affect, significantly, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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 review of the half-year report. The Independence Declaration is set out on the following page and forms part of this Directors' Report for the half-year ended 31 December 2022.

Signed in accordance with a resolution of Directors.

JEFFERY SENGELMAN

Chairman

Perth, Western Australia

24 February 2023

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Harvest Technology Group Limited for the half-year ended 31 December 2022, 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 review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
24 February 2023


D I Buckley
Partner

hlb.com.au

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

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	31 December 2022 \$	30 June 2022 \$
Assets			
Cash and cash equivalents		1,461,252	4,497,315
Trade and other receivables	7	1,187,942	709,708
Inventory		501,669	559,635
Prepayments		95,288	160,986
Other bonds and deposits		443,163	443,163
Derivative financial assets		-	145,159
Current tax receivables		2,362	35,216
Total current assets		3,691,676	6,551,182
Intangible assets	8	8,495,804	9,106,144
Property, plant and equipment	9	1,245,104	1,378,095
Right-of-use leased assets		1,371,803	1,493,081
Other bonds and deposits		218,444	218,444
Total non-current assets		11,331,155	12,195,764
Total assets		15,022,831	18,746,946
Liabilities			
Trade and other payables		656,015	646,545
Other liabilities		40,749	132,256
Borrowings		18,549	100,406
Employee entitlements		671,756	648,039
Lease liabilities		261,002	251,657
Derivative financial liabilities		-	132,188
Total current liabilities		1,648,071	1,911,091
Lease liabilities		1,448,196	1,581,839
Provisions		122,821	120,610
Borrowings	10	3,767,330	3,714,594
Total non-current liabilities		5,338,347	5,417,043
Total liabilities		6,986,418	7,328,134
Net assets		8,036,413	11,418,812
Equity			
Issued capital	11	43,346,184	41,254,787
Unissued capital	11	1,278,761	2,112,761
Reserves		5,843,509	5,854,232
Accumulated losses		(42,432,041)	(37,802,968)
Total equity attributable to equity holders of the Company		8,036,413	11,418,812

The accompanying notes are an integral part of these financial statements



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

		31 December 2022	31 December 2021
	Note	\$	\$
Revenue			
Revenue from continuing operations	4	1,852,430	849,860
Research and development incentive		946,951	-
Other income		14,842	6,873
		2,814,223	856,733
Expenses			
Cost of goods sold		(702,775)	(247,970)
Marketing and business development		(163,528)	(395,903)
Personnel expenses - other		(2,099,213)	(2,867,205)
Personnel expenses – research and development		(2,229,645)	(1,512,071)
General and administration		(431,768)	(250,501)
Professional fees		(218,717)	(392,020)
Depreciation and amortisation		(904,953)	(914,944)
Research and development		(188,856)	(480,837)
Finance expenses		(279,830)	(297,586)
Loss before income tax		(4,405,062)	(6,502,304)
Income tax expense	6	(814)	(198,095)
Net loss for the year from continuing operations		(4,405,876)	(6,700,399)
Loss after tax from discontinued operations	3	(223,197)	(542,230)
Loss attributable to owners of the Company		(4,629,073)	(7,242,629)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences on foreign operations		(10,723)	10,077
Total comprehensive loss for the period		(4,639,796)	(7,232,552)
Loss per share			
Basic and diluted loss per share (cents per share)	5	(0.78)	(1.37)
Basic and diluted loss per share (cents per share) from continuing operations		(0.74)	(1.27)
Basic and diluted loss per share (cents per share) from discontinued operations		(0.04)	(0.10)

The accompanying notes are an integral part of these financial statements



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Issued Capital	Unissued Capital	Share-based Payment Reserve	Equity Component of Convertible Note	Foreign Exchange Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	31,671,048	2,028,761	4,940,264	499,385	(2,202)	(23,302,308)	15,834,948
Net loss for the period	-	-	-	-	-	(7,242,629)	(7,242,629)
Foreign exchange translation	-	-	-	-	10,077	-	10,077
Total comprehensive loss for the period	-	-	-	-	10,077	(7,242,629)	(7,232,552)
Shares issued during the period	3,012,853	-	-	-	-	-	3,012,853
Share issued costs (net of tax benefit)	(179,111)	-	-	-	-	-	(179,111)
Shares in lieu of bonus	254,407	-	-	-	-	-	254,407
Share-based payments	-	-	152,844	-	-	-	152,844
Balance at 31 December 2021	34,759,197	2,028,761	5,093,108	499,385	7,875	(30,544,937)	11,843,389
Balance at 1 July 2022	41,254,787	2,112,761	5,324,898	499,385	29,949	(37,802,968)	11,418,812
Net loss for the period	-	-	-	-	-	(4,629,073)	(4,629,073)
Foreign exchange translation	-	-	-	-	(10,723)	-	(10,723)
Total comprehensive loss for the period	-	-	-	-	(10,723)	(4,629,073)	(4,639,796)
Shares issued during the period	1,000,000	-	-	-	-	-	1,000,000
Share issue costs (net of tax benefit)	(13,284)	-	-	-	-	-	(13,284)
Shares in lieu of bonus	354,681	(84,000)	-	-	-	-	270,681
Deferred consideration on acquisition of subsidiary	750,000	(750,000)	-	-	-	-	-
Balance at 31 December 2022	43,346,184	1,278,761	5,324,898	499,385	19,226	(42,432,041)	8,036,413

The accompanying notes are an integral part of these financial statements



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	31 December 2022 \$	31 December 2021 \$
Cash flows from operating activities		
Receipts from customers	1,792,904	8,672,796
Receipts on research and development incentive	946,951	-
Cash paid to suppliers and employees	(5,779,078)	(11,447,820)
Interest paid	(192,473)	(195,174)
Interest paid on lease liabilities	(32,004)	(35,340)
Interest received	4,627	3,482
Income taxes refund / (paid)	32,041	(140,597)
Net cash used in operating activities	(3,227,032)	(3,142,653)
Cash flows from investing activities		
Payments for plant and equipment	(36,932)	(665,294)
Proceeds from sale of plant and equipment	-	1,690
Payments to acquire a subsidiary	-	-
Proceeds from security deposits	-	44,015
Net cash used in investing activities	(36,932)	(619,589)
Cash flows from financing activities		
Proceeds from issue of share capital	500,000	2,952,853
Payment of capital raising costs	(13,285)	(238,814)
Proceeds from exercise of options	-	60,000
Repayments of principal lease liabilities	(156,303)	(598,423)
Repayment of borrowings and premium funding facility	(105,502)	-
Net cash from financing activities	224,910	2,175,616
Net decrease in cash and cash equivalents	(3,039,054)	(1,586,626)
Cash and cash equivalents at 1 July	4,497,315	6,756,988
Effect of exchange rate fluctuations on cash held	2,991	(3,989)
Cash and cash equivalents at 31 December	1,461,252	5,166,373

The accompanying notes are an integral part of these financial statements



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Statement of Compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2022 as well as any public announcements made by Harvest Technology Group Limited and its subsidiaries during the half-year.

1.2 Basis of Preparation

The consolidated half-year financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in preparation of the half-year financial statements are consistent with those adopted and disclosed in the Group's financial report for the year ended 30 June 2022. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The half-year financial statements were approved by the Board of Directors on 24 February 2023.

1.3 Accounting Judgements and Estimates

The preparation of the half-year financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The judgements, estimates and assumptions applied to the half-year financial statements, including the key sources of estimation uncertainty were the same as those that applied to the Group's last annual financial report for the year ended 30 June 2022, except for the following:

Recoverability of the Harvest Infinity Cash Generating Unit

The Group has reviewed the Harvest Infinity Cash Generating Unit (CGU) for indicators of impairment in accordance with AASB 136 and concluded that no impairment indicators existed at period end.

1.4 Application of New and Revised Standards

The Directors have reviewed all Standards and Interpretations on issue not yet adopted for the period ended 31 December 2022. As a result of this review, the Directors have determined that there is no material impact of the



Standards and Interpretations on issue not yet adopted by the Group, and therefore, no change is necessary to Group accounting policies.

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

1.5 Going Concern

The consolidated financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business and at the amounts stated in the financial statements. Notwithstanding the fact that the Group incurred a loss of \$4,629,073 and a net cash outflow of \$3,039,054 for the period, the Directors are of the opinion that the Group is a going concern for the following reasons:

- Received \$249,600 proceeds from the exercise of unlisted options in February 2023
- Receipt of \$500,000 deferred placement proceeds from a director in February 2023
- Expected receipt of c.\$1.6m R&D tax incentive rebate in the coming months
- The cessation of the loss-making vessel operations division; and
- The strong interest from industry-leading global resellers and customers in the Group's products and services during the past six months, which is evidenced by the significant growth in revenue during the first half of the current financial year and the steadily growing value of our sales pipeline, and supports our strategy to diversify our revenue base and enter into development agreements for embedded systems with several companies. This requires continued investment in research and development activities and resources to support our expansion.

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



2. 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's reportable segments under AASB 8 *Segment Reporting* are therefore as follows:

- Remote communications technology sector; and
- Subsea and asset integrity risk mitigation technology-based solutions within 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 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. 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	
	31 December 2022 \$	30 June 2022 \$	31 December 2022 \$	30 June 2022 \$
Remote communications technology	9,853,114	10,386,283	(516,308)	(760,821)
Subsea and asset integrity risk mitigation (discontinued operation)	443,163	443,163	(288)	(20,678)
Total segment assets and liabilities	10,296,277	10,829,446	(516,596)	(781,499)
Corporate and other segment assets/liabilities	4,726,554	7,917,500	(6,469,822)	(6,546,635)
Total	15,022,831	18,746,946	(6,986,418)	(7,328,134)



2. SEGMENT REPORTING (CONTINUED)

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)	
	31 December 2022 \$	31 December 2021 \$	31 December 2022 \$	31 December 2021 \$
Remote communications technology ^{(1) (2)}	1,852,430	849,860	(1,470,767)	(3,130,765)
Total for continuing operations	1,852,430	849,860	(1,470,767)	(3,130,765)
Subsea and asset integrity risk mitigation (discontinued operation) ⁽²⁾	-	2,642,929	(223,197)	(542,230)
Total for continuing and discontinued operations	1,852,430	3,492,789	(1,693,964)	(3,672,995)
Other income			10,215	3,391
Finance income			4,627	3,482
Central and administration expenses			(2,669,307)	(3,080,826)
Finance expense			(279,830)	(297,586)
Loss before tax			(4,628,259)	(7,044,534)
Income tax benefit / (expense)			(814)	(198,095)
Loss after tax			(4,629,073)	(7,242,629)

⁽¹⁾ The remote communications technology segment result includes an expense of \$614,912 for amortisation of intellectual property.

⁽²⁾ Revenue from the use of remote communications technology hardware by subsea and asset integrity risk mitigation customers is recognised within the subsea and asset integrity risk mitigation revenue.

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

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

Management do not consider the cashflows of each segment separately.

Geographical Information

	Sales to External Customers		Geographical Non-Current Assets	
	31 December 2022 \$	31 December 2021 \$	31 December 2022 \$	30 June 2022 \$
Australia	1,719,229	3,368,527	8,517,413	9,199,153
United States	110,702	124,262	2,807,823	2,993,663
United Kingdom	22,499	-	5,919	2,948
	1,852,430	3,492,789	11,331,155	12,195,764



3. DISCONTINUED OPERATIONS

On 16 August 2021, the Group announced the long-term charter of the offshore support vessel VOS Shine would finish on 16 September 2021 and the vessel would be returned to the vessel owner at that time. As such, the subsea and asset integrity risk management operations to which the VOS Shine was related, are shown as discontinued operations in this report.

Results for the period from discontinued operations

	31 December 2022	31 December 2021
	\$	\$
Sales	-	2,642,929
Cost of goods sold	20	(2,956,335)
Professional fees	(65,038)	-
Personnel expenses - other	-	(198,070)
General and administration	-	(26,349)
Depreciation and amortisation	-	(1,675)
Finance expenses	-	(2,730)
Withholding tax suffered	(158,179)	-
Loss after tax from discontinued operations	(223,197)	(542,230)

As the subsea and asset integrity risk mitigation segment was held within Harvest Technology Pty Ltd, a subsidiary entity of Harvest Technology Group Limited. As the Harvest Technology Pty Ltd entity also had costs attributable to the remote communications technology segment, it is not possible to accurately define the opening and closing cash balances on hand relating to the subsea and asset integrity risk management segment.

4. REVENUE

	31 December 2022	31 December 2021
	\$	\$
Revenue earned over time		
Remote communications technology	1,852,430	812,010
Offshore subsea services	-	2,642,929
Total Revenue	1,852,430	3,454,939
Revenue at a point in time		
Remote communications technology	-	37,850
Offshore subsea services	-	-
Total Revenue	-	37,850
	1,852,430	3,492,789



5. LOSS PER SHARE

Basic and Diluted 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 31 December 2022 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

	31 December 2022 \$	31 December 2021 \$
Net loss for the period from continuing operations	(4,405,876)	(6,700,399)
Net loss for the period from discontinued operations	(223,197)	(542,230)
Net loss for the period attributable to ordinary shareholders	(4,629,073)	(7,242,629)
Issued ordinary shares at 1 July	588,926,643	522,049,444
Effect of shares issued	4,096,899	5,107,569
Weighted average number of ordinary shares at period end	593,023,542	527,157,013
Basic and diluted loss per share from continuing operations (cents per share)	(0.74)	(1.27)
Basic and diluted loss per share from discontinued operations (cents per share)	(0.04)	(0.10)
Basic and diluted loss per share (cents per share) *	(0.78)	(1.37)

* At 31 December 2022, 5,760,000 options (2021: 5,760,000 options), nil performance shares (2021: nil performance shares), 181,181,182 convertible note shares and 56,000,000 performance rights (2021: 181,181,182 convertible note shares and 60,214,286 performance rights), were excluded from diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.



6. INCOME TAX EXPENSE

6.1 Amounts Recognised in Profit or Loss

	31 December 2022	31 December 2021
	\$	\$
Current tax benefit / (expense)		
Current tax	-	(138,392)
Deferred tax	-	(184,942)
(Under) / Over provision in prior year	(814)	125,239
Total income tax benefit / (expense)	(814)	(198,095)

6.2 Amounts Recognised Directly in Equity

	31 December 2022	31 December 2021
	\$	\$
Current tax benefit / (expense)	-	-
Net deferred tax	-	(59,703)
Total amounts recognised directly in equity	-	(59,703)

6.3 Reconciliation of Income Tax Expense

	31 December 2022	31 December 2021
	\$	\$
Loss after tax*	(4,629,073)	(7,242,629)
Total income tax (benefit) / expense	814	198,095
Loss excluding income tax	(4,628,259)	(7,044,534)
 Income tax at the Australian tax rate of 25% (2021: 25%)	 (1,157,065)	 (1,761,134)
<i>Tax effect of amounts which are non-deductible (taxable) in calculating taxable income:</i>		
Entertainment	485	3,907
Share-based payments	66,225	38,211
Impairment of intellectual property	-	151,110
Difference in foreign income tax rates	44,792	60,396
Other permanent differences	(196,338)	25,670
Under / (over) provision in prior years	814	(125,239)
Foreign tax losses not brought to account	188,405	319,292
Deferred tax assets not brought to account	1,053,496	1,485,882
	814	198,095

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



7. TRADE AND OTHER RECEIVABLES

	31 December 2022	30 June 2022
	\$	\$
Current		
Trade debtors ⁽¹⁾	653,409	589,342
Impairment allowance	(138,972)	(138,743)
	514,437	450,599
Accrued income	143,318	15,645
Amount due from a director ⁽²⁾	500,000	-
Non-trade receivables and other income	30,187	243,464
	1,187,942	709,708

- 1 The average credit period on rendering of services is 30 days. An allowance (31 December 2022: \$nil, 30 June 2022: \$138,743) 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.
- 2 The amount was pertaining to a Director's placement securities outstanding as at 31 December 2022 and subsequently the amount was received in full on 10 February 2023.

Movement in Impairment Allowance

	31 December 2022	30 June 2022
	\$	\$
Balance at the beginning of period	138,743	36,550
Impaired receivables written off	-	(36,550)
Impairment losses recognised on receivables	-	138,743
Foreign exchange translations	229	-
Balance at the end of the period	138,972	138,743

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

	31 December 2022	30 June 2022
	\$	\$
Current	-	-
1 to 30 days overdue	-	-
31 to 60 days overdue	-	-
61 to 90 days overdue	-	13,668
Over 90 days overdue	138,972	125,075
Balance at the end of the period	138,972	138,743



8. INTANGIBLE ASSETS

	Proprietary Information \$	Clever Buoy Patents \$	Total \$
Gross Carrying Amount			
Balance at 1 July 2021	11,607,445	850	11,608,295
Additions	-	-	-
Foreign Currency Translation	24,220	-	24,220
Balance at 30 June 2022	11,631,665	850	11,632,515
Foreign Currency Translation	4,574	-	4,574
Balance at 31 December 2022	11,636,239	850	11,637,089
Amortisation			
Balance at 1 July 2021	1,306,573	-	1,306,573
Amortisation for the period	1,219,800	-	1,219,800
Balance at 30 June 2022	2,526,373	-	2,526,373
Amortisation for the period	614,912	-	614,912
Balance at 31 December 2022	3,141,285	-	3,141,285
Carrying Amounts			
Balance at 30 June 2022	9,105,294	850	9,106,144
Balance at 31 December 2022	8,494,954	850	8,495,804



9. PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment \$	Fixtures & Fittings \$	Computer Equipment \$	Demonstration Equipment \$	Equipment for Hire \$	Leasehold Improvements \$	Under Construction \$	Total \$
Gross Carrying Amount								
Balance at 1 July 2021	-	65,121	185,687	18,286	232,472	-	186,527	688,093
Additions	3,200	171,337	121,617	37,413	68,133	1,056,406	-	1,458,106
Disposals/Scrapping	-	(10,874)	(6,881)	-	(509)	-	(186,527)	(204,791)
Foreign Currency Translation	-	-	1,834	155	133	-	-	2,122
Balance at 30 June 2022	3,200	225,584	302,257	55,854	300,229	1,056,406	-	1,943,530
Additions	3,625	9,222	8,430	-	15,655	-	-	36,932
Disposals/Scrapping	-	-	(1,787)	-	-	(2,634)	-	(4,421)
Foreign Currency Translation	180	-	(534)	64	75	-	-	(215)
Balance at 31 December 2022	7,005	234,806	308,366	55,918	315,959	1,053,772	-	1,975,826
Depreciation								
Balance at 1 July 2021	-	31,179	58,852	10,069	158,506	-	-	258,606
Depreciation for the period	160	44,209	81,096	40,929	29,045	123,474	-	318,913
Disposals/Scrapping	-	(8,056)	(4,198)	-	(106)	-	-	(12,360)
Foreign Currency Translation	-	-	108	155	13	-	-	276
Balance at 30 June 2022	160	67,332	135,858	51,153	187,458	123,474	-	565,435
Depreciation for the period	421	21,015	47,251	1,758	20,863	75,246	-	166,554
Disposals/Scrapping	-	-	(1,494)	-	-	-	-	(1,494)
Foreign Currency Translation	4	-	117	64	42	-	-	227
Balance at 31 December 2022	585	88,347	181,732	52,975	208,363	198,720	-	730,722



Carrying Amounts

Balance at 30 June 2022	3,040	158,252	166,399	4,701	112,771	932,932	-	1,378,095
Balance at 31 December 2022	6,420	146,459	126,634	2,943	107,596	855,052	-	1,245,104



10. BORROWINGS

	31 December 2022	30 June 2022
	\$	\$
Unsecured		
Premium funding facility	18,549	100,406
Secured		
Convertible notes	3,767,330	3,714,594
Total Borrowings	3,785,879	3,815,000
Current	18,549	100,406
Non-current	3,767,330	3,714,594
	3,785,879	3,815,000

Convertible notes issued on 28 November 2019 remain unconverted at period end.

Terms of Convertible Notes on Issue

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

Accounting Treatment of Convertible Notes

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

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

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 31 December 2022 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.



11. CAPITAL AND RESERVES

11.1 Share Capital

	Ordinary Shares			
	Number of Shares		Amount in \$	
	31 December 2022	30 June 2022	31 December 2022	30 June 2022
Movement in ordinary shares on issue:				
Balance at beginning of the period	588,926,643	522,049,444	41,254,787	31,671,048
<i>Shares issued and expensed during the period</i>				
Issue of fully paid shares for cash	6,666,666	57,663,994	1,000,000	9,798,229
Issue of fully paid shares in business acquisition	18,156,500	-	750,000	-
Issued on conversion of performance rights	-	-	-	-
Issued on conversion of options	-	500,000	-	60,000
Issue of fully paid shares in lieu of bonuses	5,437,399	8,713,205	354,681	491,629
Capital raising costs incurred (net of tax benefit)	-	-	(13,284)	(766,119)
Closing balance	619,187,208	588,926,643	43,346,184	41,254,787

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.

11.2 Unissued Capital

	31 December 2022	30 June 2022
	\$	\$
Balance at the beginning of period	2,112,761	2,028,761
Deferred consideration shares issued ⁽¹⁾	(750,000)	-
Shares in lieu of bonus	-	84,000
Shares in lieu of bonus issued	(84,000)	-
Balance at the end of the period	1,278,761	2,112,761

⁽¹⁾ The final tranche of deferred consideration shares for Harvest Infinity Pty Ltd was issued in December 2022.



12. FINANCIAL INSTRUMENTS

Fair Value Measurement

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

Measured at Fair Value on Recurring Basis

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).

Not Measured at Fair Value

The Group has various financial instruments which are not measured at fair value in the statement of financial position.

The Directors consider that the carrying amounts of current receivables, current payables and current borrowings are a reasonable approximation to their fair values.

The methods and valuation techniques used for the purposes of measuring fair values are unchanged compared to the previous reporting period.

13. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

In February 2023, the Company announced it had received \$249,600 from the exercise of 3,840,000 unlisted options over fully paid ordinary shares.

Other than noted above and in note 7, there have been no other matters or circumstances that have arisen since the end of the financial period that have significantly affected, or may significantly affect, the operations or the Group, the results of these operations, or the state of affairs of the Group in future financial periods.



DIRECTORS' DECLARATION

1. In the opinion of the Directors of Harvest Technology Group Limited (the "**Group**"):
 - (a) the accompanying half-year 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 31 December 2022 and of its performance for the half-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 half-year 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 303(5) of the *Corporations Act 2001* for the half-year ended 31 December 2022.

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

JEFFERY SENGELMAN
Chairman

Dated this 24th day of February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Harvest Technology Group Limited

Report on the Half-Year Financial Report*Conclusion*

We have reviewed the accompanying half-year financial report of Harvest Technology Group Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2022, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Harvest Technology Group Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1.5 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

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

hlb.com.au**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

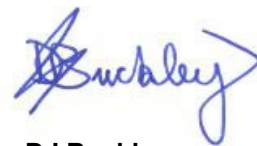
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
24 February 2023



D I Buckley
Partner



Rule 4.2A.3

CORPORATE DIRECTORY

Directors

Jeffery Sengelman
Paul Guilfoyle
Marcus Machin

Company Secretary

Jack Rosagro

Registered Office

C/o 16 Ord Street
West Perth WA 6005

Website

www.harvest.technology

Email

investor@harvest-tech.com.au

Telephone

+61 8 6370 6370

ASX Code

Shares: HTG

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

Legal Form of Entity

Public company

Country of Incorporation and Domicile

Australia

Offices

Australia

Harvest Technology Group Limited
7 Turner Avenue,
Technology Park
Bentley 6102
Western Australia

U.S.

Opsivity Inc.
1155 SW Morrison Street,
Suite 200
Portland OR 97205
USA

Middle East

Harvest c/o arabCapital
P.O. Box 74946
Level 41 Emirates Towers
Dubai UAE

U.K.

Harvest Technology (UK) Ltd
71-75 Shelton Street
Covent Garden
London WC2H 9JQ,
United Kingdom