



Announcement to ASX

ASX Code: HTG

August 31, 2021

Appendix 4E Preliminary Final Report to ASX in accordance with Listing Rule 4.3A

August 31, 2021: Harvest Technology Group Limited (ASX:HTG) (Company) is pleased to provide to the market its Appendix 4E Preliminary Final Report for the year ended June 30, 2021, in accordance with Listing Rule 4.3A.

I. DETAILS OF THE REPORTING PERIODS

This report covers the financial year ended 30 June 2021. Corresponding comparative information covers the financial year ended 30 June 2020.

II. RESULTS FOR ANNOUNCEMENT TO THE MARKET

				30 June 2021	30 June 2020
				\$	\$
		%			
(i)	Revenue	Down by	28	8,515,970	11,765,947
(ii)	Net profit (loss) for the year from ordinary activities attributable to members (NPAT)	Up by	66	(10,238,659)	(6,148,327)
(iii)	Net profit (loss) for the year attributable to members (NPAT)	Up by	66	(10,238,659)	(6,148,327)
(iv)	Dividends			Nil	Nil
(v)	Record date for determining entitlements for dividend			n/a	n/a

Revenue

Revenue decreased in FY2021 largely as a result of COVID-19 implications affecting offshore operations with cancelled/delayed projects and travel restrictions having an impact. Marine operations were stronger in the second half of the year with the completion of three work scopes during this period. The focus in the technology business has been on the further development of the Company's proprietary remote communications technology. This research and development work has focussed on embedded technology and software driven applications to increase speed to market and build a platform for future scalability.



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Profitability

The Group reported a net loss for the year ended 30 June 2021 of \$10,238,659. The following expenses contributed to the net loss:

Description	Nature	Value
Amortisation of the Harvest Infinity and SnapSupport intellectual property	Non Cash	\$835,809
Share based payments – issued to employees and directors as remuneration based on KPI's and the increase in market capitalisation and share price	Non cash	\$2,138,673
The cost of leasing the VOS Shine plus the redelivery costs in September 2021 are being recognised on a progressive basis via Amortisation of Right of Use Assets	Non recurring	\$2,555,993

The result reflects a period of substantial transition whilst coping with the challenges of COVID-19, plus substantial development work on the Company's proprietary remote communications technology.

Cashflow and Balance Sheet

The cash balances as at 30 June 2021 were \$6.76 million. A strong solvency and cash position provides the necessary resources to develop further applications for our cutting edge technology.

The Balance Sheet reflects the acquisition of technology (in intangible assets) and the associated commitments required for the acquisition of Harvest Infinity (formally Advanced Offshore Streaming) and SnapSupport in deferred consideration and derivative financial instruments (convertible notes). It also reflects the lease of the vessel being used for subsea activities which forms a significant portion of the right of use assets with associated liabilities shown as lease liabilities.

The operational net cash outflows for the year were \$4.55M.

III. DIVIDENDS

The Board did not declare nor pay any dividends for the financial year ended 30 June 2021 and it is not proposed to pay any dividends in relation to the financial year end.

IV. ANNUAL FINANCIAL INFORMATION

This report includes the following statements:

- Consolidated Statement of Comprehensive Income for the financial year ended 30 June 2021;
- Consolidated Statement of Financial Position as at 30 June 2021;
- Consolidated Statement of Cash Flows for the financial year ended 30 June 2021; and
- Consolidated Statement of Changes in Equity for the financial year ended 30 June 2021.

As at the date of issue of this report, Consolidated Financial Statements for the year ended 30 June 2021 are in the process of being audited.



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V. NET TANGIBLE ASSETS PER SECURITY

Net tangible assets are defined as the net assets of the Group less intangible assets. Assets classified as intangible assets include goodwill, software and intellectual property.

	30 June 2021	30 June 2020
Net tangible assets per ordinary share (cents per share)	1.06	1.11

VI. CONTROL GAINED OVER ENTITIES HAVING MATERIAL EFFECT

Acquisition of SnapSupport, Inc.

On June 21, 2021, the Company successfully completed the acquisition of SnapSupport, Inc. The acquisition investment of \$2.59M was completed via two tranches of shares calculated as \$1.29M each divided by the 5-day VWAP for the 5 days prior to acquisition. The first tranche was issued upon completion, of which 50% of the shares were subject to a voluntary escrow for a period of 6 months from the date of issue. The remaining tranche will be issued 12 months after acquisition.

Reference is made to the Preliminary Final Report - June 30, 2021 following this announcement.

This announcement was authorised for release by Paul Guilfoyle, Managing Director.

Mr. Paul Guilfoyle

Managing Director, Harvest Technology Group

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HARVEST TECHNOLOGY GROUP LIMITED

ABN 77 149 970 445

PRELIMINARY FINAL REPORT

June 30, 2021



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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 \$	2020 \$
Continuing operations			
Sales		8,293,375	11,563,315
Other income		222,595	184,184
Cost of Goods Sold		(6,544,553)	(6,935,837)
Marketing and business development		(161,358)	(15,991)
Personnel expenses - other		(6,491,012)	(5,096,837)
Personnel expenses – research and development		(1,088,979)	(439,899)
General and administration		(803,064)	(1,000,927)
Professional fees		(673,911)	(962,778)
Depreciation and amortisation		(3,620,557)	(3,360,490)
Impairment of Goodwill		-	(533,153)
Research and development		(277,657)	-
Finance expenses		(661,263)	(589,030)
Revaluation of Financial Assets held at FVTPL		-	(2,040)
Other losses		-	(4,094)
Loss before income tax		(11,806,383)	(7,193,577)
Income tax benefit		1,567,723	1,177,249
Net loss for the year from continuing operations		(10,238,659)	(6,016,328)
Loss after tax from discontinued operations		-	(133,399)
Loss attributable to owners of the Company		(10,238,659)	(6,149,727)
Other comprehensive income			
Foreign currency translation differences on foreign operations		(2,202)	1,400
Total comprehensive loss for the year		(10,240,861)	(6,148,327)
Total comprehensive loss attributable to owners of the Company		(10,240,861)	(6,148,327)
Loss per share			
Basic and diluted loss per share (cents per share)	4	(2.13)	(1.86)
Basic and diluted loss per share (cents per share) from continuing operations	4	(2.13)	(1.82)
Basic and diluted loss per share (cents per share) from discontinued operations	4	-	(0.04)

The accompanying notes form part of these financial statements



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 \$	2020 \$
Assets			
Cash and cash equivalents		6,756,988	11,306,298
Trade and other receivables		5,805,238	1,010,787
Inventory		189,802	79,135
Prepayments		168,640	108,802
Financial Assets held at FVTPL		-	17,590
Current tax receivables		32,893	-
Total current assets		12,953,561	12,522,612
Intangible assets		10,301,724	7,791,092
Property, plant and equipment		429,487	161,634
Right of use assets		88,003	3,241,596
Other bonds and deposits		827,547	608,251
Total non-current assets		11,646,761	11,802,573
Total assets		24,600,322	24,325,185
Liabilities			
Trade and other payables		2,672,737	1,142,783
Revenue in advance		5,077	-
Borrowings		-	115,520
Employee entitlements		476,620	232,668
Lease liabilities		490,266	2,509,282
Deferred consideration		729,325	727,256
Provisions		768,415	-
Current tax liability		-	12,846
Total current liabilities		5,142,440	4,740,355
Lease liabilities		3,783	622,169
Deferred consideration		-	672,761
Provisions		-	1,244,678
Borrowings		3,619,151	3,535,717
Deferred tax liabilities		-	867,334
Total non-current liabilities		3,622,934	6,942,659
Total liabilities		8,765,374	11,683,014
Net assets		15,834,948	12,642,171
Equity			
Issued capital	2	31,671,048	20,666,186
Unissued capital		2,028,761	1,738,628
Reserves		5,437,447	3,301,006
Accumulated losses		(23,302,308)	(13,063,649)
Total equity attributable to equity holders of the Company		15,834,948	12,642,171

The accompanying notes form part of these financial statements



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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

	2021 \$	2020 \$
Cash flows from operating activities		
Receipts from customers	3,981,077	12,042,226
Cash paid to suppliers and employees	(12,542,190)	(12,480,190)
Interest paid	(498,521)	(489,735)
Interest received	19,524	3,184
Income taxes (paid)/received	(1,260)	(152,800)
Net cash used in operating activities	(9,041,369)	(1,077,315)
Cash flows from investing activities		
Payments for plant and equipment	(386,912)	(96,214)
Proceeds from sale of plant and equipment	15,472	7,500
Payment to acquire a subsidiary	(750,000)	(3,500,000)
Acquisition of cash in business combination	-	257,392
Payments for security deposits	(219,296)	(553,889)
Net cash used in investing activities	(1,340,736)	(3,885,211)
Cash flows from financing activities		
Proceeds from issue of share capital and options exercise	9,201,498	11,500,410
Proceeds from sale of investment in FVTPL	22,759	300,000
Payment of capital raising costs	(599,236)	(83,807)
Proceeds from issue of convertible notes	-	4,000,000
Repayment of lease liabilities	(2,676,706)	(1,694,756)
Repayment of loans from related parties	-	(10,386)
Proceeds from borrowings	-	1,342,864
Repayment of borrowings and premium funding facility	(115,520)	(1,257,885)
Net cash from financing activities	5,832,795	14,096,440
Net increase / (decrease) in cash and cash equivalents	(4,549,310)	9,133,914
Cash and cash equivalents at 1 July	11,306,298	2,172,384
Effect of exchange rate fluctuations on cash held	-	-
Cash and cash equivalents at 30 June	6,756,988	11,306,298

The accompanying notes form part of these financial statements



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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2021

	Issued Capital	Unissued Capital	Share- based Payment Reserve	Equity Component of Convertible Note	Foreign Exchange Reserve	Accumulated Losses	Total Equity
Balance at 1 July 2019	9,379,698	-	430,991	-	1,400	-	2,648,004
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	-	-	2,619,393	-	-	-	2,619,393
Balance at 30 June 2020	20,666,186	1,738,628	2,801,621	499,385	-	(13,063,649)	12,642,171
Balance at 1 July 2020	20,666,186	1,738,628	2,801,621	499,385	-	(13,063,649)	12,642,171
Net loss for the period	-	-	-	-	-	(10,238,659)	(10,238,659)
Foreign exchange translation	-	-	-	-	(2,202)	-	(2,202)
Total comprehensive loss for the period	-	-	-	-	(2,202)	(10,238,659)	(10,240,861)
Shares issued during the period	10,507,639	-	-	-	-	-	10,507,639
Share issue costs (net of tax benefit)	(449,427)	-	-	-	-	-	(449,427)
Deferred consideration on acquisition of subsidiary	750,000	528,761	-	-	-	-	1,278,761
Funds received for options yet to be issued	-	(41,978)	-	-	-	-	(41,978)
Expiry and vesting of options	-	-	2,746	-	-	-	2,746
Shares in lieu of bonus	196,650	(196,650)	-	-	-	-	-
Share-based payments	-	-	2,135,897	-	-	-	2,138,643
Balance at 30 June 2021	31,671,048	2,028,761	4,940,264	499,385	(2,202)	(23,302,308)	15,834,948

The accompanying notes form part of these financial statements



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1: BASIS OF PREPARATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) and are prepared on an accruals basis based on historical costs.

The consolidated financial statements are presented in Australian Dollars (AUD), which is the presentation currency of the Group.

The consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, and consolidated statement of changes in equity provide comparative information for the year ended 30 June 2021. Where necessary, the comparatives have been reclassified to be consistent with the current period disclosures.

Significant Accounting Judgements and Key Estimates

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Standards and Interpretations applicable to 30 June 2021

In the year ended 30 June 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the reporting period beginning on or after 1 July 2020. As a result of this review, the Directors have determined that there is no material impact of the Standard and Interpretations issued on the Company and, therefore, no change is necessary to its accounting policies.

New Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2021. As a result of this review, the Directors have determined that there is no material impact of the Standard and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to its accounting policies.

No other new standards, amendments to standards or interpretations are expected to affect the Company's financial statements.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021 CONT'D

NOTE 2: ISSUED CAPITAL

Ordinary shares	30 June 2021	30 June 2020
Issued and fully paid	519,882,052	436,378,203
Escrowed	2,167,392	-
	522,049,444	436,378,203

	Year to 30 June 2021		Year to 30 June 2020	
	No.	\$	No.	\$
<i>Movements in ordinary shares</i>				
Balance at beginning of year	436,378,203	20,666,186	257,856,438	9,379,698
Issued of fully paid shares for cash	23,842,185	7,629,499	124,074,074	11,100,000
Issued on conversion of performance rights	500,000	-	25,000,000	-
Issued on conversion of options	28,096,433	1,599,378	5,541,669	257,500
Issued via rights issue	-	-	23,906,022	525,932
Issue of fully paid shares in business acquisition	22,491,283	2,028,761	-	-
Issue of fully paid shares in lieu of bonuses	10,741,340	196,650	-	-
Share issue costs incurred (net of tax benefit)	-	(449,427)	-	(596,944)
Balance at end of year	522,049,444	31,671,048	436,378,203	20,666,186



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021 *CONT'D*

NOTE 3: SEGMENT REPORTING

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

The Group currently operates in two distinct segments:

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

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

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

Segment Assets and Liabilities

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

	Assets		Liabilities	
	30 Jun 2021 \$	30 Jun 2020 \$	30 Jun 2021 \$	30 Jun 2020 \$
Subsea and asset integrity risk mitigation	5,387,536	5,594,766	(3,013,970)	(4,838,728)
Remote communications technology	11,589,149	8,672,912	(292,778)	(242,012)
Total segment assets and liabilities	16,976,685	14,267,678	(3,306,748)	(5,080,740)
Corporate and other segment assets/liabilities	7,623,636	10,057,507	(5,458,626)	(6,602,274)
Total	24,600,322	24,325,185	(8,765,374)	(11,683,014)



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021 CONT'D

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 Jun 2021 \$	30 Jun 2020 \$	30 Jun 2021 \$	30 Jun 2020 \$
Subsea and asset integrity risk mitigation	6,203,308	10,224,705	(3,365,386)	(2,434,133)
Remote communications technology	2,090,067	1,388,610	(1,594,709)	(220,146)
Total for continuing operations	8,293,375	11,563,315	(4,960,095)	(2,654,279)
Clever Buoy shark detection technology	-	21,632	-	(133,399)
Total for continuing and discontinued operations	8,293,375	11,584,947	(4,960,095)	(2,787,678)
Other income			203,071	-
Finance income			19,524	3,185
Central and administration expenses			(6,502,046)	(3,953,184)
Finance expense			(566,837)	(589,299)
Loss before tax			(11,806,383)	(7,326,976)
Income tax benefit			1,567,723	1,177,249
Loss after tax			(10,238,659)	(6,149,727)

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

Remote communications technology segment result includes an expense of \$835,809 for amortisation of intellectual property.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021 CONT'D**

NOTE 4: EARNINGS (LOSS) PER SHARE

	30 June 2021	30 June 2020
Basic earnings (loss) per share (cents per share)	(2.13)	(1.86)
Weighted average number of ordinary shares	<u>481,510,939</u>	<u>383,822,721</u>

Options, performance rights and convertible notes are considered to be potential ordinary shares and are included in the determination of diluted earnings per share to the extent to which they are dilutive. In this period, the addition of these amounts would have been anti-dilutive and therefore, have not been included.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021 *CONT'D*

NOTE 5: BUSINESS COMBINATION

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

Assets Acquired and Liabilities Assumed at Date of Acquisition

The fair value of identifiable assets and liabilities acquired in the asset acquisition are as follows:

	Fair Value \$	Acquisition Adjustments \$	Closing Value \$
Cash and Cash Equivalents	826	-	826
Trade Receivables and Contract Assets	13,894	-	20,209
Intangible Assets (Intellectual Property) ¹	249,600	3,096,841	3,346,441
Deferred Tax Liability ²	-	(805,719)	(805,719)
Net assets acquired	264,321	2,291,122	2,555,443

- 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.

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.

- 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 26%.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021 *CONT'D*

Fair Value of Consideration Transferred

	Consideration \$
<i>Tranche 1 - Initial consideration</i>	
Share consideration	639,380
Share consideration - 6 month escrow	639,381
<i>Tranche 2 - Deferred consideration</i>	
Deferred share consideration – 12 months	1,278,761
Total consideration paid and payable	2,557,522

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

Acquisition Costs

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

Included in the consolidated net loss for the year is a loss of \$74,294 for this business unit.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021 *CONT'D*

NOTE 6: INTERESTS IN SUBSIDIARIES

The consolidated financial statements include the financial statements of Harvest Technology Group Limited and its subsidiaries listed in the table below:

Name of subsidiary	Registration & Operation	% Equity Interest	
		2021	2020
Harvest Technology Pty Ltd	Australia	100%	100%
Harvest Infinity Pty Ltd	Australia	100%	100%
Shark Attack Mitigation Systems Pty Ltd	Australia	100%	100%
Clever Buoy Australia Pty Ltd	Australia	100%	100%
Harvest Technology Group, Inc.	USA	100%	-
SnapSupport, Inc.	USA	100%	-