



Announcement to ASX

ASX Code: HTG

July 28, 2022

ACTIVITY REPORT – JUNE QUARTER 2022

KEY HIGHLIGHTS DURING THE QUARTER

- **16% higher Monthly Recurring Revenue (MRR) in June 2022 (\$257K) compared to March 2022, with forecast MRR of \$340K-\$380K in September 2022.**
- **Commencing FY2023 with a resilient balance sheet and an opportunity pipeline at least three times its forecast MRR and total revenue targets following the recent expansion of sales resources across the UK, Europe, Middle East and Africa, and U.S. regions to complement the existing APAC sales team.**
- **In addition to growing and diversifying revenue streams, core focus is on disciplined spending to reduce the cash burn rate and extend the cash runway. Net operating cash outflows were significantly reduced to \$2.19m in the June quarter, down from \$3.65m in the March quarter.**
- **\$4.5m cash at bank on June 30, 2022, exclusive of \$1.0m committed placement proceeds from directors.**
- **Signed a reseller agreement with RSM Australia, a 100-year-old professional services company promoting technology to improve efficiency and sustainability, and reduce costs, for its customers across a range of industries and government.**
- **In partnership with Inmarsat Aviation, delivered a new innovative solution to livestream high-quality video at less than 100kbps for beyond visual line of sight operations for small commercially deployed drones.**

July 28, 2022: Harvest Technology Group Limited (ASX:HTG) (**Company, Harvest, Group**) a global leader in network optimised remote operations, is pleased to provide its quarterly activity report and Appendix 4C for the June quarter 2022.

CORPORATE AND FINANCIAL SUMMARY

As reported in the Company's recent "HTG Trading Update" (dated July 12, 2022) the Company reported a June Group MRR of \$257k, despite the adverse impacts of macro and geopolitical instability; client project delays; customers' choosing to delay purchases until commencement of their FY2023 budget; extended time in conversion of some maritime opportunities due to assets being located offshore for longer periods and made inaccessible for installation; and significant delays in hardware components due to the continuing impact of the COVID pandemic on supply chains.

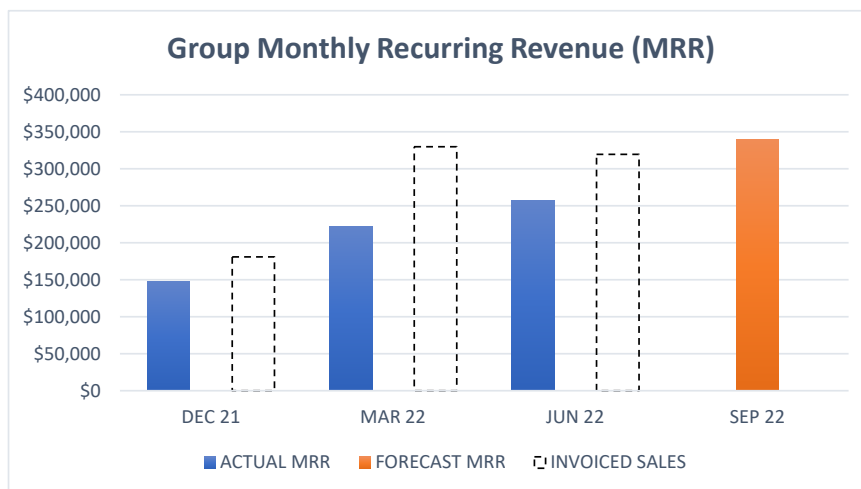


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During the June quarter, Annual Recurring Revenue (ARR) from remote communication technology sales increased to over \$3.0M demonstrating the growing demand for the Company's technology. Invoiced sales for the month of June alone exceeded \$319k.

Group MRR is forecast to increase by more than 32% by September 2022 (to \$340K-\$380K), following increased investment in sales and marketing resources and activities, including expansion into the Americas and UK/EMEA regions. The Company is confident it is on track to meet the September 2022 forecast.



*Monthly recurring revenue (MRR) represents a blended revenue figure across all products and services sold to customers. Any revenue received in advance is apportioned over the service period. Invoiced Sales represents the actual revenue billed to customers during the month.

MAXIMISING CASH RESOURCES

The Company reported a cash balance of \$4.5M at June 30, 2022. As highlighted in the Appendix 4C, net operating cash outflows were significantly reduced in the June quarter to \$2.19m, down from \$3.65m in the March quarter, as the Group remains focused on cost discipline, reducing the cash burn rate and extending the cash runway. Cash receipts from customers increased to \$1.0m in the June quarter from \$548K in the March quarter.

The Group's total gross operating overheads (before revenue) are estimated at approximately \$825k per month in the year ahead. This is inclusive of all operating expenditure, including research and development costs, as the Company continues to invest in developing new products for release later in FY2023 and delivering enhanced functionality to the existing Nodestream™ technology, Infinity product range, and flagship remote inspection system, RiS™.



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KEY DEVELOPMENTS

In terms of commercial, technology and operational developments, the June quarter has seen significant progress with several important milestones:

- RSM Australia (RSM) has been named a partner and reseller of Harvest's Network Optimised Livestreaming products. The entry of the Company and RSM into a non-exclusive resale agreement focuses on developing sales opportunities for the Infinity suite of products as part of RSM's value proposition, ensuring their clients are at the forefront of best practice, technology and innovation in a rapidly changing world economy and helping them improve efficiencies, reduce costs, and meet sustainability goals¹.
- DOF Subsea, a leading provider of integrated subsea projects and marine services in all major offshore regions worldwide, chose Harvest's AVR2™ solution to support their offshore inspection, repair and maintenance activities. The self-contained industrial streaming solution allows onshore personnel to log in via the web and watch live video using any device to provide a secure, ultra-low bandwidth optimised video live streaming from their Remotely Operated Vehicles (ROVs) from anywhere in the world. Harvest intends to further expand its footprint across the DOF fleet with AVR2™, Nodestream™ and RiS™ technology.
- The Company has been working closely with Inmarsat Aviation to deliver a new Unmanned Aerial Vehicle, i.e., drone (UAV), facilitating complete proof-of-concept realisation of a satellite terminal with embedded Nodestream™ technology capabilities. At the end of May, the Company successfully enabled and demonstrated UAV direct-to-satellite video and control streaming functionality at less than 100kbps, setting the stage for simple and clean BVLOS (beyond visual line of sight) operations for small commercially deployed UAVs anywhere in the world. This capability was enabled and proven through live payload control, over ultra-low bandwidth with ultra-high point-to-point encryption, with streams near real-time (1-2 second latency) over the Inmarsat ELERA network via GEO constellation.
- The Company is exploring several operational trial opportunities for the proposed Nodestream™/Webex by Cisco integration. Both opportunities are in the civil infrastructure space and have communicative restrictions due to limited connectivity from several remote sites. The Company has held further meetings with senior technical staff within Cisco's Webex team through the June quarter and will be meeting with them during the September 2022 quarter to explore further integration options of Nodestream™ protocols and services within the Webex ecosystem. This will form part of a wider discovery process in transition from proof-of-concept to operational deployment.
- To maximise its ability to meet an increasing pipeline of opportunity for sales of Infinity products and support its Phase 2 strategy of income and customer diversity, the Company expanded its global presence into the United Kingdom, Europe, Middle East, and Africa (EMEA) and US regions during the June quarter, welcoming three key personnel to the global customer experience team: Martyn

¹ The binding and non-exclusive worldwide reseller agreement is for an initial term of twelve months and renewable annually and is predicated on discount by cumulative sales volume with all sales based on minimum 12-monthly plans for hire and licensing. All other terms are standard for an agreement of this nature. The Company will continue to keep the market informed of any material updates.



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Hopkins, Head of Sales - EMEA, Andy Freeman, Technical Sales Manager – EMEA and Brandon Mercer, Head of Sales – Americas.

Martyn has previously worked for Airbus, Inmarsat and Thuraya, and has a wealth of experience in the maritime, government and enterprise markets. Andy brings with him considerable technical and operational knowledge in the energy sector and in subsea inspection, maintenance, and repair services. Both Martyn and Andy are based in the UK.

Based in the U.S., Brandon has a background in SaaS, wearable technology, and land mobile communications, with channel sales experience across the public safety, energy, and enterprise sectors.

For more detail on any of the above developments please refer to the Company's "HTG Trading Update" (dated July 12, 2022).

OUTLOOK

During the next quarter:

- Group MRR is forecast to increase by more than 32% to \$340K-\$380K.
- The recently expanded sales team will continue to focus on building a footprint and growing sales for the Infinity product line across the three key regions, APAC, UK/EMEA and the Americas.
- The Company will continue to invest in R&D as it moves towards live Beta trials for new products to help drive future growth.

APPENDIX 4C

Cash balance at June 30, 2022 was \$4.5M. In accordance with Listing Rule 4.7C.1., net operating cash outflows during the quarter were (\$2.2M) comprising cash receipts from customers of \$1.0M and cash outflows from operating activities including research and development (\$1.2M), staff costs (\$625k), marketing costs (\$535K), and other corporate costs (\$826K).

Please refer to the Appendix 4C Filing for further details on the results for the quarter.

ITEM 6.1

The following table provides a breakdown of the amount disclosed in Item 6.1 of the Appendix 4C for the June 2022 quarter.

Category	Amount
Directors' fees	\$66,668
Managing Director – salary and other benefits	\$82,500
Related Party – Company Secretarial Services on arms-length terms	\$12,700



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Note: Unless otherwise specified, references to \$ amounts within this report are in Australian Dollars (AUD).

- End -

This announcement was authorised for release by the Board of Directors.

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About Harvest Technology Group

Harvest Technology Group Limited (ASX: HTG) is a global leader in network optimised remote operations that deliver real-time remote control, communication, automation, and monitoring capabilities. Headquartered in Perth, Australia, the group of companies is revolutionising remote field services with ultra-low bandwidth Network Optimised Livestreaming solutions that enable customers to stay connected to operations and personnel anywhere in the world while utilising just a fraction of existing bandwidth resources.

To learn more please visit: www.harvest.technology

If you would like to receive the HTG Insights Newsletter for future updates, please visit the Company's website and subscribe at the bottom of the page.

Forward Looking Statements

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices, or potential growth of Harvest Technology Group Limited, are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Harvest Technology Group Limited

ABN

77 149 970 445

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,001	10,245
1.2 Payments for		
(a) research and development	(1,200)	(4,289)
(b) product manufacturing and operating costs	(461)	(7,190)
(c) advertising and marketing	(535)	(2,009)
(d) leased assets	-	(9)
(e) staff costs	(625)	(2,945)
(f) administration and corporate costs	(275)	(2,062)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	5
1.5 Interest and other costs of finance paid	(91)	(399)
1.6 Income taxes paid	-	(140)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash used in operating activities	(2,185)	(8,793)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	-	(750)
(i) property, plant and equipment	(67)	(1,078)
(j) investments	-	-
(k) intellectual property	-	-
(l) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	1
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	44
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash used in investing activities	(67)	(1,783)
3. Cash flows from financing activities			
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	9,814
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	60
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(81)	(789)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(121)	(765)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash used in financing activities	(202)	8,320
4. Net decrease in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	6,945	6,758
4.2	Net cash used in operating activities (item 1.9 above)	(2,185)	(8,793)
4.3	Net cash used in investing activities (item 2.6 above)	(67)	(1,783)
4.4	Net cash used in financing activities (item 3.10 above)	(202)	8,320

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	6	(5)
4.6	Cash and cash equivalents at end of period	4,497	4,497

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,497	6,945
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,497	6,945

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	162
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (Insurance Premium Funding)	100	100
7.4 Total financing facilities	100	100
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	IQmulate Premium Funding, 2.5433% Interest Rate, Unsecured, 12 January 2023 Maturity Date	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash used in operating activities (item 1.9)	(2,185)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,497
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,497
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.06
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 July 2022.....

Authorised by: By the Board of Directors.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.