



Announcement to ASX
ASX Code: HTG

October 31, 2022

ACTIVITY REPORT – SEPTEMBER QUARTER 2022

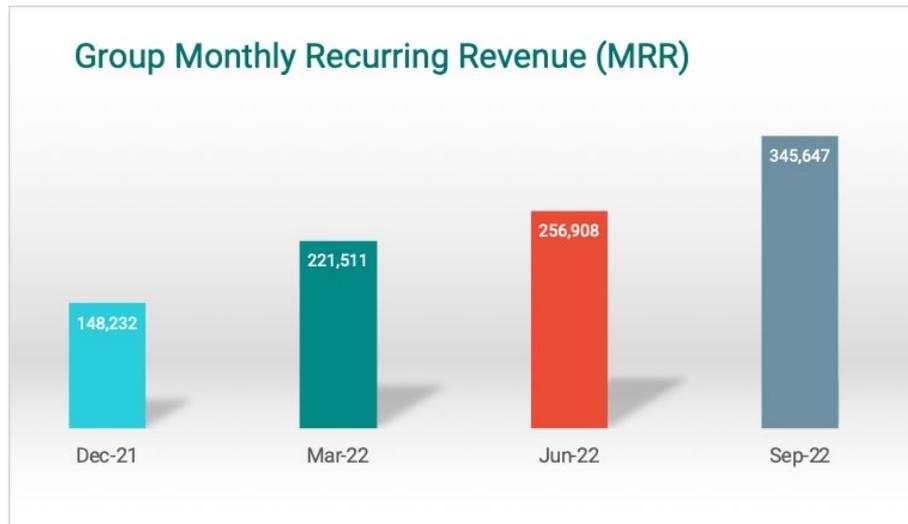
KEY HIGHLIGHTS DURING THE QUARTER

- **34.5% higher Monthly Recurring Revenue (MRR) in September 2022 (\$346K) compared to June 2022, exceeding the forecast minimum MRR target of \$340K, equivalent to Annual Recurring Revenue (ARR) of \$4.1M.**
- **Record quarterly revenue of \$887K achieved in the September quarter, representing 66.7% growth year-on-year and 53.8% higher than the June quarter.**
- **The Group continues to deliver on its Phase 2 strategy of diversifying revenue streams and its customer base with new contract wins announced and a growing opportunity pipeline.**
- **The Group continues to focus on disciplined spending to reduce the cash burn rate. Net cash outflow for the September quarter was reduced to \$2.3M (June Qtr: \$2.45M). Additional initiatives are being implemented to further reduce operating costs across the remainder of the financial year.**
- **\$2.2M cash at bank on September 30, 2022, exclusive of \$1.0M committed placement proceeds from directors and annual R&D Claim proceeds (est. \$0.95M), both expected to be received in November 2022. Customer receipts in the December quarter are expected to increase significantly from record revenue achieved in the September quarter.**

October 31, 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 September 2022 quarter.

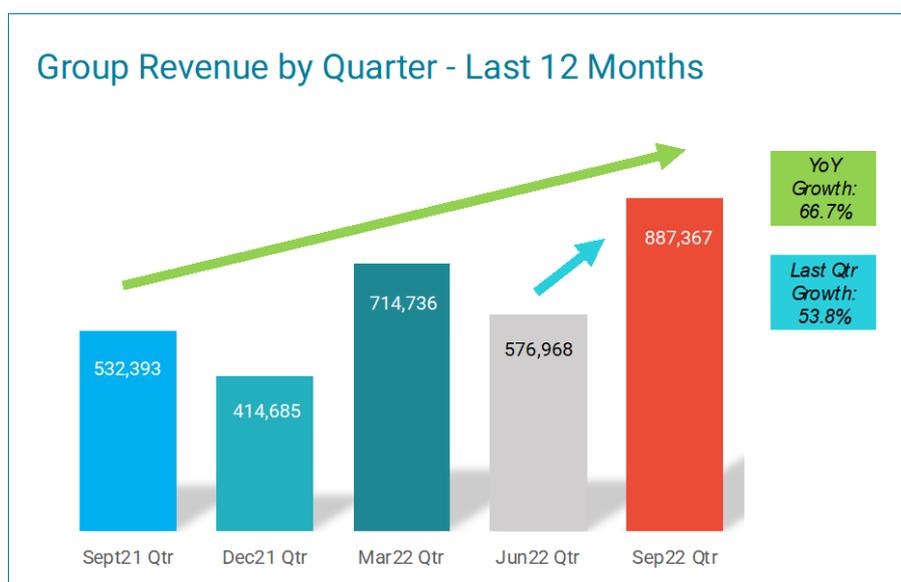
CORPORATE AND FINANCIAL SUMMARY

As reported in the Company's recent "HTG Trading Update" (dated October 17, 2022) the Company reported a September Group MRR of \$346K, which represents an increase of 34.5% when compared to the June 2022 quarter and continues the steady upward trend in revenue growth witnessed over the past 12 months (as shown in the following chart).



*Monthly Recurring Revenue (MRR) represents a blended figure across all products and services sold to customers.
Any revenue received in advance is apportioned over the service period.

MRR is a commonly used reporting metric among software subscription and SaaS companies whose predominant source of revenue is monthly/annual licence subscriptions. The Company operates a more diverse business model than pure software or SaaS businesses, offering a wider range of products and solutions that can impact the comparability of MRR metrics over time as the sales mix changes. As Harvest's business scales and the revenue mix develops between licensing, hire, sales and revenue derived from sales of third-party products or bespoke developments, MRR is becoming a less relevant revenue reporting metric for the Company. Consequently, moving forward Harvest will report Group revenue for each quarter in accordance with Australian Accounting Standards, consistent with its annual consolidated financial statements.





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For the September 2022 quarter, the Company achieved record quarterly revenue of \$887K, as Infinity sales momentum continues to build, boosted by recently announced new customer wins and a recurring flow of work for existing customers including:

- A 2-year contract for 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. Initial contract value is approximately USD\$60K (refer ASX announcement of September 7, 2022).
- A 2-year contract with Vallianz Holdings Limited, 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" with a contract value of approximately USD\$30K (refer ASX announcement of September 15, 2022).
- 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. The initial contract value is approximately \$200K (refer ASX announcement of September 20, 2022).

CASH RESOURCES

The Company reported a cash balance of \$2.2M at September 30, 2022. As highlighted in the Appendix 4C, net operating cash outflows were \$2.19M (in line with the June quarter) and significantly reduced 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. It is worth noting, cash receipts from customers declined from \$1.0M in the June quarter to \$591K in the September quarter, because of late payments which were instead received in the first week of October (totalling \$245K). The Company expects cash receipts will significantly increase in the December quarter off the back of record revenues achieved in the September quarter and based on a growing opportunity pipeline.

The Company's disciplined approach to spending has yielded savings in operating expenditure against budget during the current quarter. The Group is currently implementing further initiatives to reduce its operating expenditure across the remainder of the financial year, whilst ensuring it can continue to drive sales momentum and deliver enhanced functionality across existing products as well as deliver new products in the second half of the financial year in line with its technology roadmap.

It should be noted that the Group expects to receive circa \$2.0M additional cash in the next month from:

- \$1.0M proceeds from Directors who participated in the Share Placement in March 2022, which is subject to shareholder approval at the Company's AGM scheduled on November 8, 2022; and
- c.\$0.95M from the Australian Tax Office in respect of the Group's most recent R&D claim.

OTHER KEY DEVELOPMENTS



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

- In September 2022, the Company released its V2 Nodestream™ Core Engine and commenced the roll-out across its 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.
- In September 2022, the Company delivered its first, of what is planned to be a regular series, of investor webinars to provide an update on progress against the three-phase strategic plan. Following the webinar, an updated Investor Presentation was released (refer ASX announcement of September 21, 2022).

As announced to market on October 3, 2022, Mr. Stuart Carmichael and Mr. Rod Evans, retired from their roles as non-executive directors. This aligns with the Company's ongoing board renewal process as it completes the operational transition to a global technology company. The Company is currently evaluating the skills and expertise required to complement the current board and strategic direction.

OUTLOOK

In terms of immediate outlook, sales momentum has continued to build since the end of September, evidenced by a growing opportunity pipeline and further customer wins, including an initial order (value of approximately \$234K) secured with 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 (refer ASX announcement of October 4, 2022).

Traditionally, sales activity across many regional markets in the December quarter is disrupted due to the impact of the Christmas holiday period. Whilst economic conditions are expected to remain challenging, the Company remains cautiously optimistic of continuing to grow its sales funnel and increase revenue and customers in the coming quarter as well as generating growth in existing customer spend, bolstered by investment in regional lead generation activities and targeted marketing initiatives.

APPENDIX 4C

Cash balance at September 30, 2022 was \$2.2M. In accordance with Listing Rule 4.7C.1., net operating cash outflows during the quarter were (\$2.2M) comprising cash receipts from customers of \$0.6M and cash outflows from operating activities including research and development (\$1.2M), staff costs (\$620K), marketing costs (\$517K), and other corporate costs (\$443K).

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



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ITEM 6.1

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

Category	Amount
Directors' fees	\$32,497
Managing Director – salary and other benefits	\$96,688
Related Party – Company Secretarial Services on arms-length terms	\$7,000

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.



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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 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	591	591
1.2 Payments for		
(a) research and development	(1,197)	(1,197)
(b) product manufacturing and operating costs	(160)	(160)
(c) advertising and marketing	(517)	(517)
(d) leased assets	-	-
(e) staff costs	(619)	(619)
(f) administration and corporate costs	(285)	(285)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash used in operating activities	(2,185)	(2,185)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(16)	(16)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
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	(16)	(16)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(126)	(126)
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	(126)	(126)

4.	Net decrease in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,497	4,497
4.2	Net cash used in operating activities (item 1.9 above)	(2,185)	(2,185)
4.3	Net cash used in investing activities (item 2.6 above)	(16)	(16)
4.4	Net cash used in financing activities (item 3.10 above)	(126)	(126)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	6	6
4.6	Cash and cash equivalents at end of period	2,176	2,176

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	2,176	2,176
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)	2,176	2,176

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	136
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.

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

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)	74	74
7.4 Total financing facilities	74	74
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.		
IQumulate Insurance 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)	2,176
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,176
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1
<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: Net operating cash flows are expected to improve in the coming quarter as receipts from customers increase as a result of higher sales activity and operating expenses reduce as a result of cost saving initiatives that have been implemented.	
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: In the next quarter the Company expects to receive \$1.95m additional cash proceeds - \$1.0m from Directors placement proceeds subject to shareholder approval at the AGM scheduled for November 8, 2022 and c.\$0.95m from the Company's R&D tax claim in early November 2022.	

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: YES – the Company is confident based on its latest cash flow forecasts, current strategy, growth in actual reported revenues and growing sales pipeline that it will continue to meet its business objectives and continue its operations.

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.

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: 31 October 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.