



**HARVEST TECHNOLOGY GROUP LIMITED**

# **STATUTORY REPORT**

## **JUNE 2024**

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# Directors' Report



The Directors present their report together with the financial statements of Harvest Technology Group Limited ("Company") and the entities it controls (together, "the Group") for the financial year ended 30 June 2024.

## Directors Details

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

### **JEFFERY SENGELMAN**

**CHAIR & INDEPENDENT NON-EXECUTIVE DIRECTOR (1<sup>st</sup> July 2023 to 30<sup>th</sup> January 2024)**

**EXECUTIVE CHAIR (31<sup>st</sup> January 2024 to 4<sup>th</sup> August 2024)**

**CHAIR & INDEPENDENT NON-EXECUTIVE DIRECTOR (5<sup>th</sup> August 2024 to present)**

Jeffery Sengelman DSC AM CSC MAICD is a retired Major General in the Australian Defence Force, with a distinguished career spanning almost 40 years, most recently as Special Operations Commander, Australia.

He has been a trusted senior adviser to both Government and the Chief of the Defence Force on security issues of national significance, and a principal adviser on Counter Terrorism.

Jeffery holds a Bachelor of Arts, a Master of Arts in International Relations and a Master of Arts in Strategic Studies and is a graduate of the Australian Command and Staff College, United States Army War College and a Fellow of the Harvard Kennedy School of Government.

Interests in shares: Nil

### **ILARIO FAENZA**

**INDEPENDENT EXECUTIVE DIRECTOR / INTERIM GROUP CHIEF EXECUTIVE OFFICER (appointed effective 29 January 2024)**

**EXECUTIVE DIRECTOR / GROUP CHIEF EXECUTIVE OFFICER (5<sup>th</sup> August 2024 to present)**

Ilario Faenza (MAICD) is a professional company director and turnaround specialist with substantial experience spanning more than 30 years.

Ilario commenced his career as an IT engineer in the 1980's, progressing to various management & senior management roles, culminating in COO and CEO roles over his executive career. More recently, Ilario has focussed on non-executive and executive board roles, focussed on assisting high growth startup companies to achieve commercialisation and helping guide executives to build sustainable companies.

He is also the Non-executive Chairman of Biome Australia Ltd (ASX:BIO), Australia's leading condition specific probiotics company and Non-Executive Chairman of TRU Recognition Holdings Ltd, Australia's leading AI Recognition technology company.

Interests in shares: Nil

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

A law graduate of Cambridge University, Marcus Machin has extensive international experience in finance, shipping and oil and gas. Based in Dubai for the past 25 years, initially as the Finance Director for a major regional participant in oil services, engineering, vessel-owning and investment, Marcus established arabCapital in 2000 as a corporate finance and advisory practice focused primarily on the international shipping and oil services sectors.

Since 2000, arabCapital has worked in association with the Tufton Finance Group (Tufton) London, a finance house focused on shipping and oil services and together with Tufton has concluded over US\$1.0 billion of institutional investments in managed investment fund vehicles.

Interests in shares: 18,917,292 fully paid ordinary shares

**ROSS MCKINNON**  
**NON-EXECUTIVE INDEPENDENT DIRECTOR**

Ross is a seasoned director with extensive corporate and technology experience who has led high performance teams within large international corporations.

Graduating from the University of Queensland with dual degrees, Bachelor of Mining Engineering (Hons) and Bachelor of Science, he has worked with technology in many sectors including finance, aerospace, manufacturing, and retail. Ross is currently Executive Chairman of Grabba Technologies Pty Ltd which is involved in end-to-end integration of the latest biometric identity authentication and data capture technologies.

Interests in shares: 7,692,308 fully paid ordinary shares

**PAUL GUILFOYLE**  
**MANAGING DIRECTOR (resigned effective 10 July 2023)**  
**GROUP CHIEF EXECUTIVE OFFICER (terminated 31st January 2024)**

Paul Guilfoyle resigned as a director on the 10<sup>th</sup> July 2023 and was terminated as Group Chief Executive Officer for convenience on the 31 January 2024.

Interests in shares\*: 38,327,243 fully paid ordinary shares

Interests in share options\*: 3,333,333 unissued shares under option

\* As at the date of termination as a Director

## Company Secretary

Jack Rosagro was appointed on 8 October 2021 and continues to act as Company Secretary.

## Board Meetings and Attendance

The Board is required to meet a minimum of 6 times per year. Directors are required to allocate sufficient time to perform their responsibilities effectively, including adequate time to prepare for Board meetings.

During the reporting year, the Board met 9 times. The number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

| Director                                     | Full meetings of Directors |                          | Meetings of Audit & Risk Management Committee |                          |
|----------------------------------------------|----------------------------|--------------------------|-----------------------------------------------|--------------------------|
|                                              | Eligible to attend         | No. of meetings attended | Eligible to attend                            | No. of meetings attended |
| Jeffery Sengelman                            | 9                          | 9                        | 2                                             | 2                        |
| Marcus Machin                                | 9                          | 9                        | 2                                             | 2                        |
| Ross McKinnon                                | 9                          | 9                        | 2                                             | 2                        |
| Ilario Faenza<br>(Appointed 31 January 2024) | 3                          | 3                        | 1                                             | 1                        |

## Principal Activities

The principal activities of the entities within the Group during the year 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; and
- 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.

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

## Operating and Financial Review

### Financial Results

Revenue for the financial year ended was \$2,649,497 (2023: \$3,042,307). The last twelve months have remained challenging with continuing economic and geopolitical turmoil which has led to increased market uncertainty with some key customers having project delays.

From a technology standpoint, our ongoing investment in research and development activities led to the receipt of \$1,670,311 (2023: \$2,564,281 representing claims for FY22 and FY21) in R&D incentive rebates from the Australian Tax Office during the year.

Personnel expenses reduced by 21.7%% from \$7,660,911 to \$6,000,067, as the Company focused on cost discipline, investing in the capabilities needed to grow and support sales and optimising its skills-mix needed for the next phase of growth. Overall staff numbers reduced gradually during the year from 41 to 27.

The Group incurred a net loss after income tax from continuing and discontinued operations of \$13,329,216 (2023: \$10,002,733). The results include an impairment of intellectual property of \$5,875,887 (2023: \$2,552,853), intellectual property amortisation of \$826,102 (2023: \$1,219,800), depreciation/amortisation of \$552,291 (2023: \$578,919), share based payments expense of \$566,331 (2023: \$486,080) and loss from the discontinued vessel operations division of \$666,024 (2023: loss of \$318,312).

The Group recorded a net cash outflow for the year of \$546,953 (2023: \$3,504,719). Net operational cash outflows were higher at \$4,803,422 (2023: \$4,586,206) mainly due to the lower receipt of \$1,670,311 in R&D rebate incentives during the year that pertained only to FY2023 claim (2023: \$2,564,281 pertained to FY2022 and FY2021 claims). The cash balance as at June 30, 2024, of \$444,943 (2023: \$992,018) was significantly boosted post year-end by the raising of \$2,200,000 additional funding (refer Significant Events After Balance Date below).

### Leading Innovation

Harvest is a global leader in the delivery of innovative 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.

In the last twelve months the Group has continued to invest in research and development activities and resources to provide innovative solutions to the market and extend the Company's competitive advantage. In June 2024, the Company has launched Nodestream™ Live, a cutting-edge cloud-based software designed to streamline and enhance remote video monitoring in bandwidth-constrained environments. This revolutionary platform enables the user to aggregate video feeds from various sites and devices into a single, easy-to-manage system. It supports streaming up to 16 channels of video per encoding device from as low as 500kbps, ensuring unparalleled situational awareness even where network availability has previously limited video streaming.

## Capital Management

In relation to funding for the Group, the following activities were successfully undertaken during the period:

In July 2023, the Group had received \$2,100,000 from sophisticated investors through a placement at \$0.037/share.

In August 2023, the Group raised \$155,000 from existing eligible shareholders through a share purchase plan at \$0.037/share.

In September 2023, the Group received a \$960,045 advance from Radium Capital, providing early access to funds expected to be received in relation to the Company's Research and Development Tax Incentive rebate for the year ended 30 June 2023. The facility was fully repaid in January 2024.

In January 2024, the Group had received \$1,588,418 from sophisticated investors through a placement at \$0.015/share.

In May 2024, the Group had received \$1,217,000 from several key existing shareholders and new investors through a loan note financing placement, providing early access to funds expected to be received in relation to the Group's Research and Development Tax Incentive rebate for the year ended 30 June 2024.

In July 2024, the Group has reached an agreement (subject to conditions) with the existing convertible note holders to the extension of the \$4,000,000 convertible note maturity date from 28 November 2024 to 28 November 2026.

In August 2024, Mr. Ilario Faenza and Mr. Marcus Machin have provided short term unsecured director loans to the Group totalling \$150,000.

In August 2024, the Group had received \$2,050,000 from sophisticated investors via a range of debt and convertible note instruments.

## Significant Changes in The State of Affairs

During the financial year, the Group underwent a reorganisation of the management team, with Mr. Ilario Faenza appointed as Group CEO and Executive Director on 31st January 2024, and the termination of the former Group CEO and Group COO on the same date.

There were no significant changes in the state of affairs of the Group that occurred during the financial year other than disclosed above.

## Dividends

The Directors recommend that no dividend be paid for the year ended 30 June 2024 (2023: nil).

## Significant Events After Balance Date

In July 2024, the Group has reached an agreement (subject to conditions) with the existing convertible note holders to the extension of the \$4,000,000 convertible note maturity date from 28 November 2024 to 28 November 2026.

In addition, whilst the Group is in the process of satisfying the preconditions to the 28 November 2026 extension, in September 2024, the convertible note holders agreed to extend their notes maturity to November 2025, by a Deed of Amendment to the original contracts.

In August 2024, the Group has received \$150,000 from director loans and raised \$2,050,000 from a range of debt and convertible note instruments as disclosed in the Capital Management section above.

Other than disclosed above there has been no matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the

state of affairs of the Group in future financial years.

## Likely Developments

Information on likely developments in the operations of the consolidated Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated Group.

## Unissued Shares Under Option

At the date of this report, unissued ordinary shares of the Company under option are:

| Date options granted | Number of shares under option | Exercise price of option (cents) | Expiry date of option |
|----------------------|-------------------------------|----------------------------------|-----------------------|
| 3-Mar-23             | 6,000,000                     | 25                               | 3-Mar-25              |
| 13-Nov-23            | 5,000,000                     | 7.5                              | 30-Jun-26             |
| 26-Apr-24            | 58,947,247                    | 3                                | 26-Apr-27             |
|                      | <b>69,947,247</b>             |                                  |                       |

These options do not entitle the holder to participate in any share issue of the Company.

During or since the end of the financial year, no shares were issued as a result of the exercise of options (2023: 3,840,000).

45,186,832 options expired or lapsed during or since the end of the reporting period.

## Performance Rights

During the financial year, no shares were issued as a result of the conversion of performance rights (2023: nil).

No performance rights expired or lapsed during or since the end of the reporting period (2023: 56,000,000). Milestones for conversion of performance rights are detailed in note 7.1.

## Environmental Legislation

The Group is not subject to any Environment Approvals, however, is aware of and maintains compliance to applicable environmental legislations during the performance of its daily operations.

## Indemnification and Insurance of Officers and Auditors

The Company has agreed to indemnify all the Directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year, the Company incurred an insurance premium of \$71,481 (2023: \$73,266) in respect of a policy insuring the Directors and Officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001.

No agreements have been entered into to indemnify the Group's auditors.

## Non-Audit Services

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

## Remuneration Report

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The Remuneration Report, page 12, outlines the remuneration arrangements in place for the key management personnel of the Group for the financial year ended 30 June 2024.

## Proceedings on Behalf of the Group

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No person has applied under section 237 of the Corporations Act 2001 for leave of Court to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

## Auditor

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HLB Mann Judd continues in office in accordance with section 327 of the Corporations Act 2001.

## Auditor Independence

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Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. The Independence Declaration for the year ended 30 June 2024 is set out on page 18.

Signed in accordance with a resolution of the Directors.



**JEFFERY SENGELMAN**

Chair

Dated in Perth, Western Australia, this 30<sup>th</sup> day of September 2024.



# Remuneration Report



This report outlines the remuneration arrangements in place for the Directors of Harvest Technology Group Limited (the Group) for the year ended 30 June 2024. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The Remuneration Report details the remuneration arrangements for the Directors who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, whether executive or otherwise.

## Remuneration Philosophy

The performance of the Group depends upon the quality of the Executives and Key Management Personnel (KMP). The philosophy of the Group in determining remuneration levels is to:

- Set competitive remuneration packages to attract and retain high calibre people;
- Link Executive and KMP rewards to shareholder value creation; and
- Establish appropriate, demanding performance hurdles for variable Executive and KMP remuneration.

## Remuneration & Nomination Committee

The Remuneration & Nomination Committee is responsible for determining and reviewing compensation arrangements for the Key Management Personnel. The Remuneration & Nomination Committee assesses the appropriateness of the nature and amount of remuneration of Key Management Personnel on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

The Remuneration & Nomination Committee operates in accordance with its Charter. The main responsibilities of the Committee are:

- Determine remuneration policies and remuneration of Directors;
- Evaluate and approve incentive policies/schemes for Key Executives;
- Ensure all Directors and senior executives have a written agreement setting out the terms of their appointment;
- Evaluate the Managing Director's performance on an annual basis;
- Determine and review professional indemnity and liability insurance for Directors and senior management;
- Review the Board composition to ensure the Board has the correct balance of skills and expertise;
- Identify, evaluate and recommend candidates for the Board, the position of Managing Director and the position of Company Secretary;
- Appointment of the Managing Director and the Company Secretary;
- Succession planning for Board members and the Managing Director.

The Remuneration & Nomination Committee can seek independent external advice from consultants with specific industry experience relevant to the Group's remuneration assessment. Specific policies and procedures regarding remuneration determination is contained within the Directors Report.

Given the size of the Board, the Board fulfils the role of the Remuneration and Nomination Committee.

## Remuneration Structure

In accordance with best practice corporate governance, the structure of Executive Director and Non-Executive Director remuneration is separate and distinct.

### Executive Director and KMP Remuneration

Remuneration can consist of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

#### **Fixed Remuneration**

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary.

#### **Variable Remuneration - Short-Term Incentive Scheme**

The objective of the short-term incentive program is to link the achievement of the Group's operational targets with the remuneration received by Key Management Personnel charged with meeting those targets.

The total potential short-term incentive available may be set at a level so as to provide sufficient incentive to the Executive Directors and other Key Management to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

#### **Variable Remuneration – Long-Term Incentive Scheme**

The Group also makes long-term incentive payments, such as performance rights, to reward Directors and other Key Management Personnel in a manner that aligns this element of remuneration with the creation of shareholder wealth.

### Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Non-Executive Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. The latest determination was on 10 May 2016 when the Company was admitted to the Official ASX List and an aggregate remuneration of \$350,000 per annum was set. Any future changes would be approved by shareholders at an Annual General Meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the way it is apportioned amongst Non-Executive Directors is reviewed annually. The Remuneration & Nomination Committee considers advice from external advisors as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Non-Executive Director receives a fee for being a Director of the Company which is inclusive of statutory superannuation and membership of sub-committees.

The Remuneration & Nomination Committee reviewed the expected commitments of each Director relative to the activities of the Company and agreed Non-Executive Directors' fees of \$50,000 per annum for the 2024 financial year and \$75,000 for the Chairperson's fees. This is considered commensurate with the size and activity levels of the Group. During the period from December 2023 to February 2024 the directors have agreed to a reduction of their fee to support the Group's reorganisation effort therefore the remuneration paid and payable to the directors were lesser as disclosed in the Remuneration of Directors section below.

## Employment Contracts

Remuneration and other terms of employment of Executive Directors and other Key Management Personnel are formalised in employment contracts. The major provisions of the agreements related to remuneration are set out below.

| Name               | Employee notice period | Employer notice period | Base salary/ fee | Termination Benefit ** |
|--------------------|------------------------|------------------------|------------------|------------------------|
| Paul Guilfoyle***  | 6 months               | 6 months               | \$325,000*       | 6 months base salary   |
| Linda Shields***   | 6 months               | 6 months               | \$250,000*       | 6 months base salary   |
| Craig Byron****    | 3 months               | 3 months               | \$250,000*       | 3 months base salary   |
| Ilario Faenza***** | 3 months               | 3 months               | \$400,000        | None                   |

\* Base salary is exclusive of the superannuation guarantee charge rate applicable at the time (currently 11%).

\*\* Termination benefits are payable upon early termination by the Group, other than for gross misconduct. They are equal to base salary and superannuation payable for the notice period.

\*\*\* Paul Guilfoyle and Linda Shields were terminated effective 31 January 2024.

\*\*\*\* Craig Byron resigned from the Company effective 30 June 2024.

\*\*\*\*\* Ilario Faeza is employed as an independent contractor.

## Remuneration of Directors

|                                                           |      | Short-term<br>employee benefits   | Post-employment<br>benefits | Share-<br>based<br>payments |             |                             |
|-----------------------------------------------------------|------|-----------------------------------|-----------------------------|-----------------------------|-------------|-----------------------------|
| Name                                                      | Year | Cash salary<br>and fees (A)<br>\$ | Superannuation<br>\$        | \$                          | Total<br>\$ | Performance<br>Related<br>% |
| Executive Director                                        |      |                                   |                             |                             |             |                             |
| Paul Guilfoyle<br>(Terminated 31 January<br>2024)         | 2024 | 346,631                           | 38,500                      | -                           | 385,131     | -                           |
|                                                           | 2023 | 320,385                           | 33,640                      | -                           | 354,025     | -                           |
| Ilario Faenza<br>(Appointed 29 January<br>2024)           | 2024 | 209,024                           | -                           | -                           | 209,024     | -                           |
|                                                           | 2023 | -                                 | -                           | -                           | -           | -                           |
| Non-Executive Directors                                   |      |                                   |                             |                             |             |                             |
| Jeffery Sengelman                                         | 2024 | 68,745                            | -                           | -                           | 68,745      | -                           |
|                                                           | 2023 | 49,980                            | -                           | -                           | 49,980      | -                           |
| Marcus Machin                                             | 2024 | 47,920                            | -                           | -                           | 47,920      | -                           |
|                                                           | 2023 | 30,000                            | -                           | -                           | 30,000      | -                           |
| Ross McKinnon                                             | 2024 | 47,920                            | -                           | -                           | 47,920      | -                           |
|                                                           | 2023 | 12,501                            | -                           | -                           | 12,501      | -                           |
| Sub-total Non-<br>Executive<br>Directors'<br>remuneration | 2024 | 373,609                           | -                           | -                           | 373,609     | -                           |
|                                                           | 2023 | 92,481                            | -                           | -                           | 92,481      | -                           |
| Total Directors'<br>Remuneration                          | 2024 | 720,240                           | 38,500                      | -                           | 758,740     | -                           |
|                                                           | 2023 | 412,866                           | 33,640                      | -                           | 446,506     | -                           |

(A) Includes movements in accruals for annual leave, salary and termination benefits for Executive Directors.

## Remuneration of Other Key Management Personnel

|                                                      |      | Short-term<br>employee<br>benefits | Post-<br>employment<br>benefits | Share-<br>based<br>payments |             |                             |
|------------------------------------------------------|------|------------------------------------|---------------------------------|-----------------------------|-------------|-----------------------------|
| Name                                                 | Year | Cash salary<br>and fees (A)<br>\$  | Superannuation<br>\$            | \$                          | Total<br>\$ | Performance<br>Related<br>% |
| <b>Other KMP</b>                                     |      |                                    |                                 |                             |             |                             |
| Linda Shields<br>COO (terminated<br>31 January 2024) | 2024 | 259,203                            | 27,500                          | 60,616                      | 347,319     | 17                          |
|                                                      | 2023 | 238,209                            | 25,012                          | 29,653                      | 292,874     | 10                          |
| Craig Byron<br>CFO (resigned<br>30 June 2024)        | 2024 | 251,923                            | 27,500                          | 64,166                      | 343,589     | 19                          |
|                                                      | 2023 | 255,070                            | 26,782                          | 59,172                      | 341,024     | 17                          |
| <b>Total Other KMP<br/>Remuneration</b>              | 2024 | 511,126                            | 55,000                          | 124,782                     | 690,908     | 18                          |
|                                                      | 2023 | 493,279                            | 51,794                          | 88,825                      | 633,898     | 14                          |

(A) Includes movements in accruals for annual leave, salary and termination benefits.

## Options

### Granted as Compensation

No share options were granted to the Directors or other key management personnel of the Company as part of their remuneration in FY 2024 or FY 2023.

## Performance Rights

No performance rights were granted to the Directors or other key management personnel of the Company as part of their remuneration in FY 2024 or FY 2023.

The performance rights tabled below were provided at no cost to the recipients. During the year, 1,000,000 performance rights for Jeffery Sengelman did not meet the performance conditions.

|                   | Number of<br>performance<br>rights granted | Grant<br>date | Value per<br>Performance<br>right at grant<br>date<br>cents | Value of<br>performance<br>rights at<br>grant date<br>\$ | End of<br>performance<br>period | Expiry date |
|-------------------|--------------------------------------------|---------------|-------------------------------------------------------------|----------------------------------------------------------|---------------------------------|-------------|
| Name              |                                            |               |                                                             |                                                          |                                 |             |
| Jeffery Sengelman | 500,000                                    | 23-Nov-20     | 21.41                                                       | 107,050                                                  | 1-Sep-21                        | 10-Nov-25   |
| Jeffery Sengelman | 500,000                                    | 23-Nov-20     | 18.74                                                       | 93,700                                                   | 1-Mar-22                        | 10-Nov-25   |

## Share-based Remuneration granted as Compensation

For details of share-based payments granted during the year, refer note 7.1.

## Other Information

### Ordinary Shares Held by KMP

|                                | Held at 1 July 2023 | Purchases / Employees' Incentive Plan | Sales / Cancel | Conversion of Performance Rights & Options | Held at 30 June 2024 |
|--------------------------------|---------------------|---------------------------------------|----------------|--------------------------------------------|----------------------|
| <b>Non-Executive Directors</b> |                     |                                       |                |                                            |                      |
| Jeffery Sengelman              | 500,000             | -                                     | (500,000)      | -                                          | -                    |
| Marcus Machin                  | 18,917,292          | -                                     | -              | -                                          | 18,917,292           |
| Ross McKinnon                  | 7,692,308           | -                                     | -              | -                                          | 7,692,308            |

|                           | Held at 1 July 2023 | Purchases / Employees' Incentive Plan | Sales / Cancel | Conversion of Performance Rights & Options | Held at resigned / termination date* |
|---------------------------|---------------------|---------------------------------------|----------------|--------------------------------------------|--------------------------------------|
| <b>Executive Director</b> |                     |                                       |                |                                            |                                      |
| Paul Guilfoyle *          | 36,671,179          | 1,656,064                             | -              | -                                          | 38,327,243                           |
| <b>Other KMP</b>          |                     |                                       |                |                                            |                                      |
| Linda Shields *           | 20,472,334          | 2,491,667                             | (1,775,000)    | -                                          | 21,189,001                           |
| Craig Byron *             | 1,024,511           | 2,041,667                             | -              | -                                          | 3,066,178                            |

### Options Held by Directors

|                               | Held at 1 July 2023 | Purchases | Sales | Expired     | Held at 30 June 2024 |
|-------------------------------|---------------------|-----------|-------|-------------|----------------------|
| <b>Non-Executive Director</b> |                     |           |       |             |                      |
| Marcus Machin                 | 3,333,333           | -         | -     | (3,333,333) | -                    |

|                           | Held at 1 July 2023 | Purchases | Sales | Expired | Held at resigned / termination date* |
|---------------------------|---------------------|-----------|-------|---------|--------------------------------------|
| <b>Executive Director</b> |                     |           |       |         |                                      |
| Paul Guilfoyle*           | 3,333,333           | -         | -     | -       | 3,333,333                            |

### Performance Rights Held by KMP

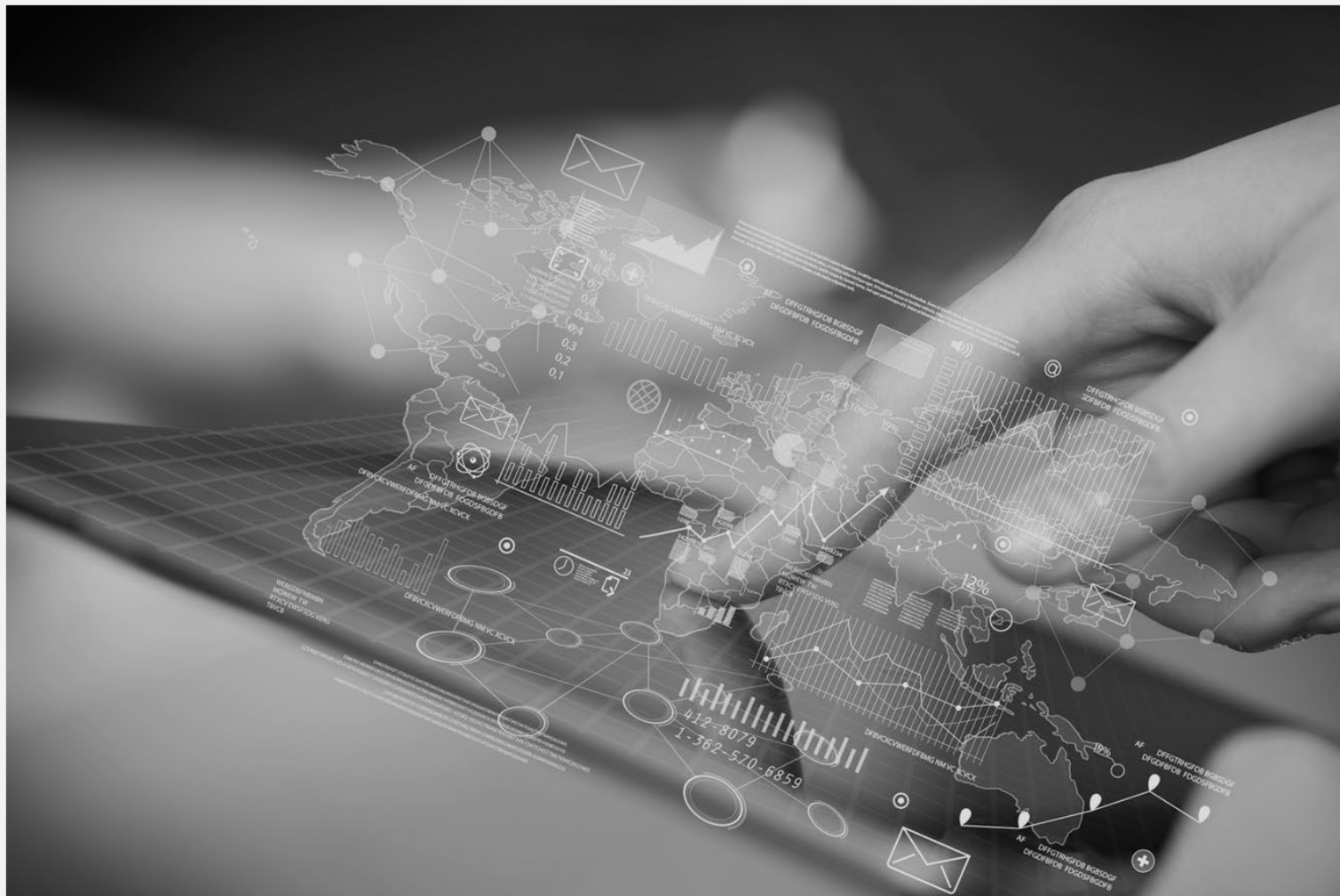
No key management personnel hold performance rights at any time during the financial year, nor at year end.

### Other Transactions with Directors or Key Management Personnel

Details of other transactions with Directors or Key Management Personnel not involving remuneration are disclosed in note 7.4.

### Voting and Comments at the Company's 2023 Annual General Meeting

The Company received 73.15% of "yes" votes on its remuneration report for the 30 June 2023 financial year.



# Auditor's Independence Declaration



## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Harvest Technology Group Limited for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia  
30 September 2024



**D I Buckley**  
Partner

**hlb.com.au**

**HLB Mann Judd ABN 22 193 232 714**

A Western Australian Partnership

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

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Liability limited by a scheme approved under Professional Standards Legislation.



# Consolidated Financial Statements



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2024

|                                                                                | Note | 2024<br>\$         | 2023<br>\$        |
|--------------------------------------------------------------------------------|------|--------------------|-------------------|
| <b>Assets</b>                                                                  |      |                    |                   |
| Cash and cash equivalents                                                      | 5.1  | 444,943            | 992,018           |
| Trade and other receivables                                                    | 5.2  | 362,110            | 528,836           |
| Inventory                                                                      | 5.3  | 458,701            | 504,967           |
| Prepayments                                                                    |      | 174,355            | 189,892           |
| Other bonds and deposits                                                       | 4.4  | -                  | 478,767           |
| <b>Total current assets</b>                                                    |      | <b>1,440,109</b>   | <b>2,694,480</b>  |
| Intangible assets                                                              | 4.1  | -                  | 5,312,789         |
| Property, plant and equipment                                                  | 4.2  | 806,069            | 1,091,941         |
| Right of use leased assets                                                     | 4.3  | 1,014,714          | 1,250,367         |
| Other bonds and deposits                                                       | 4.4  | 228,213            | 218,990           |
| <b>Total non-current assets</b>                                                |      | <b>2,048,996</b>   | <b>7,874,087</b>  |
| <b>Total assets</b>                                                            |      | <b>3,489,105</b>   | <b>10,568,567</b> |
| <b>Liabilities</b>                                                             |      |                    |                   |
| Trade and other payables                                                       | 5.4  | 1,334,429          | 564,686           |
| Other liabilities                                                              | 5.5  | 414,756            | 91,661            |
| Borrowings                                                                     | 6.2  | 5,277,564          | 135,066           |
| Employee entitlements                                                          | 2.4  | 707,419            | 660,120           |
| Lease liabilities                                                              | 6.3  | 290,258            | 270,178           |
| <b>Total current liabilities</b>                                               |      | <b>8,024,426</b>   | <b>1,721,711</b>  |
| Lease liabilities                                                              | 6.3  | 1,028,919          | 1,311,660         |
| Provisions                                                                     | 6.4  | 129,704            | 125,074           |
| Borrowings                                                                     | 6.2  | -                  | 3,822,502         |
| <b>Total non-current liabilities</b>                                           |      | <b>1,158,623</b>   | <b>5,259,236</b>  |
| <b>Total liabilities</b>                                                       |      | <b>9,183,049</b>   | <b>6,980,947</b>  |
| <b>Net (liabilities) / assets</b>                                              |      | <b>(5,693,944)</b> | <b>3,587,620</b>  |
| <b>Equity</b>                                                                  |      |                    |                   |
| Issued capital                                                                 | 6.1  | 48,076,797         | 44,189,044        |
| Unissued capital                                                               | 6.1  | 1,278,761          | 1,278,761         |
| Reserves                                                                       |      | 6,085,415          | 5,925,516         |
| Accumulated losses                                                             |      | (61,134,917)       | (47,805,701)      |
| <b>Total equity (deficiency) attributable to equity holders of the Company</b> |      | <b>(5,693,944)</b> | <b>3,587,620</b>  |

The accompanying notes are an integral part of these financial statements

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the Year Ended 30 June 2024

|                                                                                 | Note | 2024<br>\$          | 2023<br>\$          |
|---------------------------------------------------------------------------------|------|---------------------|---------------------|
| <b>Revenue</b>                                                                  |      |                     |                     |
| Sales                                                                           | 2.2  | 2,649,497           | 3,042,307           |
| Research and development tax incentive                                          | 2.3  | 1,670,311           | 2,564,281           |
| Other income                                                                    | 2.3  | 97,002              | 48,949              |
|                                                                                 |      | <b>4,416,810</b>    | <b>5,655,537</b>    |
| <b>Expenses</b>                                                                 |      |                     |                     |
| Cost of goods sold                                                              |      | (457,192)           | (1,099,191)         |
| Marketing and business development                                              |      | (507,209)           | (359,510)           |
| Personnel expenses – other                                                      | 2.4  | (3,884,261)         | (3,863,891)         |
| Personnel expenses – research and development                                   | 2.4  | (2,115,806)         | (3,797,020)         |
| General and administration                                                      |      | (1,084,490)         | (650,622)           |
| Professional fees                                                               |      | (836,438)           | (491,273)           |
| Depreciation and amortisation                                                   |      | (1,378,394)         | (1,798,718)         |
| Research and development                                                        |      | (284,414)           | (167,926)           |
| Intangible assets impairment                                                    |      | (5,875,887)         | (2,552,823)         |
| Finance expenses                                                                | 2.5  | (655,330)           | (555,958)           |
| <b>Loss before income tax</b>                                                   |      | <b>(12,662,611)</b> | <b>(9,681,395)</b>  |
| Income tax expense                                                              | 2.6  | (581)               | (3,026)             |
| <b>Net loss for the year from continuing operations</b>                         |      | <b>(12,663,192)</b> | <b>(9,684,421)</b>  |
| <b>Loss after tax from discontinued operations</b>                              | 3    | (666,024)           | (318,312)           |
| <b>Loss attributable to owners of the Company</b>                               |      | <b>(13,329,216)</b> | <b>(10,002,733)</b> |
| <b>Other comprehensive income</b>                                               |      |                     |                     |
| <i>Items that may be reclassified subsequently to profit or loss</i>            |      |                     |                     |
| Foreign operations – foreign currency translation differences                   |      | (1,239)             | (43,513)            |
| <b>Total comprehensive loss for the year</b>                                    |      | <b>(13,330,455)</b> | <b>(10,046,246)</b> |
| <b>Total comprehensive loss attributable to owners of the Company</b>           |      | <b>(13,330,455)</b> | <b>(10,046,246)</b> |
| Loss for the year is attributable to:                                           |      |                     |                     |
| Continuing operations                                                           |      | (12,663,192)        | (9,684,421)         |
| Discontinued operations                                                         |      | (666,024)           | (318,312)           |
|                                                                                 |      | <b>(13,329,216)</b> | <b>(10,002,733)</b> |
| Total comprehensive loss for the year is attributable to:                       |      |                     |                     |
| Continuing operations                                                           |      | (12,664,431)        | (9,727,934)         |
| Discontinued operations                                                         |      | (666,024)           | (318,312)           |
|                                                                                 |      | <b>(13,330,455)</b> | <b>(10,046,246)</b> |
| <b>Loss per share</b>                                                           |      |                     |                     |
| Basic and diluted loss per share (cents per share)                              | 2.7  | (1.81)              | (1.64)              |
| Basic and diluted loss per share (cents per share) from continuing operations   | 2.7  | (1.72)              | (1.59)              |
| Basic and diluted loss per share (cents per share) from discontinued operations | 2.7  | (0.09)              | (0.05)              |

The accompanying notes are an integral part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the year ended 30 June 2024

|                                                     | Issued<br>Capital<br>\$ | Unissued<br>Capital<br>\$ | Share-<br>based<br>Payment<br>Reserve<br>\$ | Equity<br>Component<br>of<br>Convertible<br>Note<br>\$ | Foreign<br>Exchange<br>Reserve<br>\$ | Accumulated<br>Losses<br>\$ | Total<br>Equity<br>\$ |
|-----------------------------------------------------|-------------------------|---------------------------|---------------------------------------------|--------------------------------------------------------|--------------------------------------|-----------------------------|-----------------------|
| <b>Balance at 1 July 2022</b>                       | <b>41,254,787</b>       | <b>2,112,761</b>          | <b>5,324,898</b>                            | <b>499,385</b>                                         | <b>29,949</b>                        | <b>(37,802,968)</b>         | <b>11,418,812</b>     |
| Net loss for the year                               | -                       | -                         | -                                           | -                                                      | -                                    | (10,002,733)                | (10,002,733)          |
| Foreign exchange translation                        | -                       | -                         | -                                           | -                                                      | (43,513)                             | -                           | (43,513)              |
| <b>Total comprehensive loss for the year</b>        | -                       | -                         | -                                           | -                                                      | (43,513)                             | (10,002,733)                | (10,046,246)          |
| Shares issued during the year                       | 1,749,600               | -                         | -                                           | -                                                      | -                                    | -                           | 1,749,600             |
| Share issue costs (net of tax benefit)              | (20,624)                | -                         | -                                           | -                                                      | -                                    | -                           | (20,624)              |
| Deferred Consideration on acquisition of subsidiary | 750,000                 | (750,000)                 | -                                           | -                                                      | -                                    | -                           | -                     |
| Shares in lieu of bonus                             | 455,281                 | (84,000)                  | -                                           | -                                                      | -                                    | -                           | 371,281               |
| Share-based payments (Refer note 7.1)               | -                       | -                         | 114,797                                     | -                                                      | -                                    | -                           | 114,797               |
| <b>Balance at 30 June 2023</b>                      | <b>44,189,044</b>       | <b>1,278,761</b>          | <b>5,439,695</b>                            | <b>499,385</b>                                         | <b>(13,564)</b>                      | <b>(47,805,701)</b>         | <b>3,587,620</b>      |
| <b>Balance at 1 July 2023</b>                       | <b>44,189,044</b>       | <b>1,278,761</b>          | <b>5,439,695</b>                            | <b>499,385</b>                                         | <b>(13,564)</b>                      | <b>(47,805,701)</b>         | <b>3,587,620</b>      |
| Net loss for the year                               | -                       | -                         | -                                           | -                                                      | -                                    | (13,329,216)                | (13,329,216)          |
| Foreign exchange translation                        | -                       | -                         | -                                           | -                                                      | (1,239)                              | -                           | (1,239)               |
| <b>Total comprehensive loss for the year</b>        | -                       | -                         | -                                           | -                                                      | (1,239)                              | (13,329,216)                | (13,330,455)          |
| Shares issued during the year                       | 3,843,418               | -                         | -                                           | -                                                      | -                                    | -                           | 3,843,418             |
| Share issue costs (net of tax benefit)              | (360,858)               | -                         | -                                           | -                                                      | -                                    | -                           | (360,858)             |
| Shares in lieu of bonus                             | 405,193                 | -                         | -                                           | -                                                      | -                                    | -                           | 405,193               |
| Share-based payments (Refer note 7.1)               | -                       | -                         | 161,138                                     | -                                                      | -                                    | -                           | 161,138               |
| <b>Balance at 30 June 2024</b>                      | <b>48,076,797</b>       | <b>1,278,761</b>          | <b>5,600,833</b>                            | <b>499,385</b>                                         | <b>(14,803)</b>                      | <b>(61,134,917)</b>         | <b>(5,693,944)</b>    |

*The accompanying notes are an integral part of these financial statements*

## CONSOLIDATED STATEMENT OF CASHFLOWS

### For the year ended 30 June 2024

|                                                           | Note   | 2024<br>\$         | 2023<br>\$         |
|-----------------------------------------------------------|--------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>               |        |                    |                    |
| Receipts from customers                                   |        | 2,978,355          | 3,167,082          |
| Receipts from R&D tax incentive                           |        | 1,670,311          | 2,564,281          |
| Payments to suppliers and employees                       |        | (8,978,735)        | (10,002,351)       |
| Interest paid                                             |        | (443,595)          | (291,431)          |
| Interest paid on lease liabilities                        |        | (52,245)           | (61,704)           |
| Interest received                                         |        | 23,068             | 5,727              |
| Income taxes paid                                         |        | (581)              | 32,190             |
| <b>Net cash used in operating activities</b>              | 5.1(b) | <b>(4,803,422)</b> | <b>(4,586,206)</b> |
| <b>Cash flows from investing activities</b>               |        |                    |                    |
| Payments for plant and equipment                          |        | (29,952)           | (49,405)           |
| Advance to a former Director                              |        | -                  | (500,000)          |
| Repayment from a former Director                          |        | 100,000            | 400,000            |
| <b>Net cash from / (used in) investing activities</b>     |        | <b>70,048</b>      | <b>(149,405)</b>   |
| <b>Cash flows from financing activities</b>               |        |                    |                    |
| Proceeds from issue of share capital and options exercise | 6.1    | 3,843,418          | 1,749,600          |
| Loan from former Group CEO                                |        | 250,000            | -                  |
| Loan repayment to former Group CEO                        |        | (250,000)          | -                  |
| Proceed from Loan Note financing                          |        | 1,217,000          | -                  |
| Loan from R&D funding facility                            |        | 960,045            | -                  |
| Repayment of R&D funding facility                         |        | (960,045)          | -                  |
| Payment of capital raising costs                          | 6.1    | (360,858)          | (20,624)           |
| Repayment of principal lease liabilities                  | 6.4    | (322,641)          | (313,362)          |
| Repayment of borrowings and premium funding facility      | 6.2    | (190,498)          | (184,722)          |
| <b>Net cash from financing activities</b>                 |        | <b>4,186,421</b>   | <b>1,230,892</b>   |
| <b>Net decrease in cash and cash equivalents</b>          |        | <b>(546,953)</b>   | <b>(3,504,719)</b> |
| Cash and cash equivalents at 1 July                       |        | 992,018            | 4,497,315          |
| Effect of exchange rate fluctuations on cash held         |        | (122)              | (578)              |
| <b>Cash and cash equivalents at 30 June</b>               | 5.1(a) | <b>444,943</b>     | <b>992,018</b>     |

*The accompanying notes are an integral part of these financial statements*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the year ended 30 June 2024

#### Section 1: Basis of Preparation

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

- Basis of preparation
- Results for the year
- Business Combination
- Assets and Liabilities
- Working capital disclosures
- Equity and funding
- Other disclosures

Significant accounting policies specific to one note are included within that note and where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies during the year.

##### 1.1 General Information

The Company, Harvest Technology Group Limited, is a for-profit, listed public company domiciled in Australia. The Company's registered office is located at Ground Floor, 16 Ord Street, West Perth, WA 6005.

The Group is primarily involved in:

- remote communications technology based around data transmission protocols; and
- bespoke solutions for the offshore energy, resources and renewables sectors, specialising in subsea and asset integrity risk mitigation technology.

The consolidated financial statements of the Group as at and for the year ended 30 June 2024 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and were authorised for issue by the Board of Directors on. The financial statements are general purpose financial statements which:

- have been prepared in accordance with Australian Accounting Standards (**AASBs**) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (**IFRSs**) as issued by the International Accounting Standards Board (**IASB**);
- have been prepared on a historical cost basis, except for financial assets held at fair value through profit or loss. The basis of measurement is discussed further in the individual notes;
- are presented in Australian Dollars;
- adopt all new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2023; and,
- do not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective.

##### 1.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at 30 June each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability, to affect those returns through its power

over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

### 1.3 Foreign Currency Translation

The primary economic environment in which the Group operates is Australia. The consolidated financial statements are therefore presented in Australian dollars.

Transactions in foreign currencies are initially recorded in Australian dollars at the exchange rate on that day. Foreign currency monetary assets and liabilities are translated into Australian dollars at the year-end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year-end, a foreign exchange gain or loss may arise. Any such differences are recognised in the profit or loss. Non-monetary assets and liabilities measured at historical cost are translated into Australian dollars at the exchange rate on the date of the transaction.

The functional currency of the Group's US based subsidiaries, Opsivity, Inc and SnapSupport, Inc, is US Dollars (USD). The functional currency of the Group's UK based subsidiary, Harvest Technology (UK) Ltd, is British Pound Sterling (GBP).

As at the balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of Harvest Technology Group Limited at the rate of exchange ruling at balance date and income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the date of the transactions are used.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

### 1.4 Research and Development Expenditure Tax Offset

The Group undertakes expenditure on activities that are categorised as 'eligible expenditure' under the Research & Development Tax Concession which, dependent upon certain criteria, may be subject to a tax offset. The Group will submit a claim for the 2024 financial year and have not recognised a receivable pending the review and approval of the claim by the Australian Taxation Office. A deferred tax asset is recognised for unclaimed tax credits that are carried forward to the extent permitted under accounting standards.

### 1.5 Impairment

#### Non-financial assets

At each reporting date, the Group reviews the carrying amount of its non-financial assets, other than deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

### 1.6 New, Revised or Amending Accounting Standards and Interpretations Adopted

#### Standards and Interpretations Applicable to 30 June 2024

The Directors have reviewed all Standards and Interpretations on issue not yet adopted for the period ended 30 June 2024. 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 Company, and therefore, no change is necessary to Group accounting policies including:

- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates
- AASB 2021-5: Amendments to Australian Accounting Standards – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
- AASB 2022-7: Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted and are not expected to have a material impact on Group Accounting policies.

## 1.7 Accounting Judgements and Estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment are included in the following notes:

- Note 2.6 - Income tax expense
- Note 4.1 - Intangibles
- Note 5.2 - Recoverability of Trade Receivables
- Note 6.2 - Borrowings
- Note 7.1 - Share-based payments

## 1.8 Going Concern

The consolidated financial statements have been prepared on a going concern basis which contemplates the 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 working capital deficiency of \$6,584,317 (2023: working capital \$972,769) the fact that the Group incurred a loss and a net cash outflow of for the year, the Directors are of the opinion that the Group is a going concern for the following reasons:

- In July 2024, the Group has reached an agreement (subject to conditions) with the existing convertible note holders to the extension of the \$4,000,000 convertible note maturity date from 28 November 2024 to 28 November 2026.
- In addition, whilst the Group is in the process of satisfying the preconditions to the 28 November 2026 extension, the convertible note holders agreed to extend their notes maturity to November 2025, by a Deed of Amendment to the original contracts.
- In August and September 2024, the Group had received \$2,050,000 from sophisticated investors through a range of debt and convertible note instruments.
- In September 2024, the Group is in the advanced stages of completing an equity raise of \$2,000,000, expected to close in October 2024.
- Expected receipt of 2024 R&D tax incentive rebate by October 2024; and
- The strong interest on the newly launched Nodestream Live in June 2024 is expected to significantly improve the Group's speed to market and hence will improve the revenue stream.

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.

## Section 2: Results for the Year

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

### Key Estimates and Assumptions in this Section

#### *Deferred taxation*

The Group has unrecognised carried forward tax losses which can be utilised against future taxable profits.

### 2.1 Operating Segments

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

The Group operated in two distinct segments during the past year:

- 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        |                    |
|------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                | 30 June 2024<br>\$ | 30 June 2023<br>\$ | 30 June 2024<br>\$ | 30 June 2023<br>\$ |
| Remote communications technology               | 833,086            | 6,360,100          | (838,812)          | (660,453)          |
| Subsea and asset integrity risk mitigation     | -                  | 478,767            | (122,568)          | (17,220)           |
| <b>Total segment assets and liabilities</b>    | <b>833,086</b>     | <b>6,838,867</b>   | <b>(961,380)</b>   | <b>(677,673)</b>   |
| Corporate and other segment assets/liabilities | 2,656,019          | 3,729,700          | (8,221,669)        | (6,303,274)        |
| <b>Total</b>                                   | <b>3,489,105</b>   | <b>10,568,567</b>  | <b>(9,183,049)</b> | <b>(6,980,947)</b> |

## Segment Revenue and Results

The following is an analysis of the Group's revenue and results from continuing operations by reportable operating segment.

|                                                                        | Revenue            |                    | Segment Profit / (Loss) |                     |
|------------------------------------------------------------------------|--------------------|--------------------|-------------------------|---------------------|
|                                                                        | 30 June 2024<br>\$ | 30 June 2023<br>\$ | 30 June 2024<br>\$      | 30 June 2023<br>\$  |
| Remote communications technology <sup>(1)</sup>                        | 2,649,497          | 3,042,307          | (8,422,231)             | (7,542,455)         |
| <b>Total for continuing operations</b>                                 | <b>2,649,497</b>   | <b>3,042,307</b>   | <b>(8,422,231)</b>      | <b>(7,542,455)</b>  |
| Subsea and asset integrity risk mitigation<br>(discontinued operation) | -                  | -                  | (666,024)               | (160,132)           |
| <b>Total for continuing and discontinued operations</b>                | <b>2,649,497</b>   | <b>3,042,307</b>   | <b>(9,088,255)</b>      | <b>(7,702,587)</b>  |
| Other income                                                           |                    |                    | 64,711                  | 42,677              |
| Research and development incentive                                     |                    |                    | 1,670,311               | 2,564,281           |
| Finance income                                                         |                    |                    | 32,291                  | 6,273               |
| Central and administration expenses                                    |                    |                    | (5,352,363)             | (4,196,214)         |
| Finance expense                                                        |                    |                    | (655,330)               | (555,958)           |
| <b>Loss before tax</b>                                                 |                    |                    | <b>(13,328,635)</b>     | <b>(9,841,528)</b>  |
| Income tax benefit/ (expense)                                          |                    |                    | (581)                   | (161,205)           |
| <b>Loss after tax</b>                                                  |                    |                    | <b>(13,329,216)</b>     | <b>(10,002,733)</b> |

<sup>(1)</sup> The remote communications technology segment result includes an expense of and for amortisation and impairment of intellectual property.

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

|                | Geographical Non-Current Assets |                  |
|----------------|---------------------------------|------------------|
|                | 2024<br>\$                      | 2023<br>\$       |
| Australia      | 2,044,970                       | 7,850,827        |
| United States  | 279                             | 18,171           |
| United Kingdom | 3,747                           | 5,089            |
|                | <b>2,048,996</b>                | <b>7,874,087</b> |

**Sales to External Customers**

|                          | <b>2024</b>      | <b>2023</b>      |
|--------------------------|------------------|------------------|
|                          | <b>\$</b>        | <b>\$</b>        |
| Americas                 | 189,648          | 218,777          |
| Australia & Asia Pacific | 1,446,857        | 2,212,873        |
| Europe                   | 390,665          | 121,801          |
| Middle East & Africa     | 362,307          | 147,674          |
| United Kingdom           | 260,020          | 341,183          |
|                          | <b>2,649,497</b> | <b>3,042,308</b> |

## 2.2 Revenue

### Accounting Policy

Revenue from contracts with customers is recognised in consolidated statement of profit or loss and other comprehensive income when the performance obligations are considered met, per the specific requirements of contract for the goods or services being provided by the Group, as disclosed further below.

The Group determines whether each performance obligation within a contract is satisfied over time or at a point in time.

Revenue is recognised at an amount that reflects the consideration the Group expects to be entitled to, net of goods and services tax (or other valued added taxes as applicable). Invoiced amounts are reflected in trade receivables.

#### **Revenue Recognition**

The Group recognises revenue from the following key sources:

- Sale of hardware products
- Hire of hardware products
- Software licence subscription fees
- Services

The accounting policies for each of these sources has been set out below:

#### **Sale of hardware products**

The Group sells hardware products direct to customers and through distribution partners. Revenue is recognized when control of the hardware has transferred, being when the hardware has been shipped to the customer/distributor's specified location (delivery). Any income derived from shipping charges is also recognised at the time of delivery. It is at this point in time at which the right to consideration becomes unconditional.

Where customers/distributors are responsible for arranging shipment, revenue is recognized on an ex-warehouse basis when collected by the customer/distributor (or their shipping agent).

When a customer/distributor initially places the order, the customer or distributor is invoiced and the transaction price at that point in time is recognised by the Group as deferred revenue, until control of the hardware has transferred to the customer or distributor and revenue is recognised.

Outside of warranties, customers/distributors do not have the right to return hardware sold therefore no "right to returned goods" asset is recognised.

#### **Hire of hardware products**

The Group offer customers the ability to hire certain hardware products over time. Typically, the minimum hire period is one month and may stretch up to a maximum term of 36 months. Hire revenues are recognized on a daily basis over the term of the hire period. The Group considers the performance obligation in respect of those services is satisfied over time.

The transaction price allocated to these hire activities is recognized as deferred revenue ("revenue received in advance" liability) at the time of the initial sales transaction and is released on a straight-line basis over the hire period.

#### Software licence subscription fees

The Group provides customers with a licence to access its software for the duration of the contract term. Such services are recognized as a performance obligation satisfied over time.

The transaction price allocated to these hire activities is recognized as deferred revenue ("revenue received in advance" liability) at the time of the initial sales transaction and is released on a straight-line basis over the period of the licence.

#### Services

The Group provides project and consulting services to customers. Revenue from these services is recognised over time as services are rendered, typically in accordance with the achievement of project milestones and/or hours expended.

#### **Transaction price**

The total transaction price at the start of the contract is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, net of goods and services tax. The transaction price does not include estimates of consideration resulting from change orders for additional goods or services unless these are agreed. Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when or as those performance obligations are satisfied.

#### **Disaggregation of revenue**

AASB 15 requires entities to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group has determined that a disaggregation of revenue using existing segments and the nature of revenue best depicts the Group's revenue.

|                            | Provision of services |                  | Hardware sales   |                  | Total            |                  |
|----------------------------|-----------------------|------------------|------------------|------------------|------------------|------------------|
|                            | 2024<br>\$            | 2023<br>\$       | 2024<br>\$       | 2023<br>\$       | 2024<br>\$       | 2023<br>\$       |
| Revenue earned over time   | 1,400,350             | 2,026,263        | -                | -                | 1,400,350        | 2,026,263        |
| Revenue at a point in time | -                     | -                | 1,249,147        | 1,016,044        | 1,249,147        | 1,016,044        |
|                            | <b>1,400,350</b>      | <b>2,026,263</b> | <b>1,249,147</b> | <b>1,016,044</b> | <b>2,649,497</b> | <b>3,042,307</b> |

The Group has 3 customers where the revenue generated from these customers is more than 10% of the Group's revenue. Customer A generated 30% (2023: 31%), Customer B generated 13% (2023: 0%), Customer C generated 11% (2023: 0%) and Customer D generated 0% (2023: 28%) of the Group's revenue for the year.

## 2.3 Other Income

### Accounting Policy

#### **Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants relating to historical expenditure for Research & Development and Export Market Development are recognised in full in the period that they are received.

|                                        | 2024<br>\$    | 2023<br>\$    |
|----------------------------------------|---------------|---------------|
| Research and development tax incentive | 1,670,311     | 2,564,281     |
| <b>Others</b>                          |               |               |
| Government grants                      | 28,000        | 28,000        |
| Interest income                        | 32,291        | 6,273         |
| Gain on disposal of an investment      | 34,525        | -             |
| Insurance claimed                      | -             | 5,250         |
| Late charges received                  | -             | 9,426         |
| Other                                  | 2,186         | -             |
|                                        | <b>97,002</b> | <b>48,949</b> |

## 2.4 Personnel Expenses and Employee Benefits

### Accounting Policy

#### **Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### **Other long-term employee benefits**

The Group's net obligation in respect of long-term employee benefits is the amount of the future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

#### **Share-based payments**

The policy relating to share-based payments is set out in note 7.1.

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

|                                                     |             | <b>2024</b>      | <b>2023</b>      |
|-----------------------------------------------------|-------------|------------------|------------------|
|                                                     | <b>Note</b> | <b>\$</b>        | <b>\$</b>        |
| Wages and salaries                                  |             | 4,793,770        | 5,542,174        |
| Directors' remuneration                             | 7.4         | 758,740          | 461,625          |
| Other KMP remuneration                              | 7.4         | 690,908          | 829,531          |
| Contributions to superannuation                     |             | 453,921          | 442,319          |
| (Decrease)/increase in liability for annual leave   |             | 62,565           | (50,989)         |
| Equity-settled share-based payments                 |             | 280,411          | 282,456          |
| Fringe benefits tax                                 |             | 3,309            | -                |
| Other associated personnel expenses                 |             | 287,143          | 153,795          |
| <b>Total personnel costs</b>                        |             | <b>7,330,767</b> | <b>7,660,911</b> |
| Transferred to intangible assets                    |             | (1,330,700)      | -                |
|                                                     |             | <b>6,000,067</b> | <b>7,660,911</b> |
| Shown as:                                           |             |                  |                  |
| Non-research and development expenses               |             | 3,884,261        | 3,863,891        |
| Research and development related personnel expenses |             | 2,115,806        | 3,797,020        |
|                                                     |             | <b>6,000,067</b> | <b>7,660,911</b> |

Further information relating to Directors' and KMP remuneration is set out in note 7.4.

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

|                            | <b>2024</b>      | <b>2023</b>      |
|----------------------------|------------------|------------------|
| <b>Current</b>             | <b>\$</b>        | <b>\$</b>        |
| Salary accrual             | (198,126)        | (227,010)        |
| Superannuation             | (123,816)        | (117,955)        |
| Liability for annual leave | (385,477)        | (315,155)        |
|                            | <b>(707,419)</b> | <b>(660,120)</b> |

## 2.5 Finance Costs

### Accounting Policy

Finance costs comprise interest and other finance charges on borrowings and banking arrangements. Interest expense on short term borrowings is recognised as it accrues in profit or loss, using the effective interest method.

|                                                                             | Note | 2024<br>\$     | 2023<br>\$     |
|-----------------------------------------------------------------------------|------|----------------|----------------|
| <b>Interest expense on financial liabilities measured at amortised cost</b> |      |                |                |
| Interest expense on convertible notes                                       | 6.2  | 483,335        | 467,907        |
| Interest on lease liabilities                                               |      | 52,245         | 61,704         |
| Interest expense on R&D funding facility                                    |      | 49,947         | -              |
| Interest expense on loan notes                                              |      | 33,009         | -              |
| Interest expense on loan from former Group CEO                              |      | 9,096          | -              |
| Interest expense on other borrowings                                        |      | 6,468          | 5,530          |
| Other finance charges                                                       |      | 21,230         | 20,817         |
| Finance expense recognised in profit or loss                                |      | <b>655,330</b> | <b>555,958</b> |

## 2.6 Income Tax Expense

### Accounting Policy

Income tax expense comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities. Current tax is based on tax rates enacted or substantively enacted at the balance date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used for calculating taxable profits. Deferred tax balances are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on substantively enacted rates at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

#### (a) Amounts recognised in profit or loss

|                                        | 2024<br>\$   | 2023<br>\$     |
|----------------------------------------|--------------|----------------|
| <b>Current tax benefit / (expense)</b> |              |                |
| Current tax                            | -            | -              |
| Deferred tax                           | -            | -              |
| Under provision in prior year          | (581)        | (3,026)        |
| Total income tax benefit / (expense)   | <b>(581)</b> | <b>(3,026)</b> |

**(b) Reconciliation of Income Tax**

|                                                                                                | <b>2024</b>         | <b>2023</b>        |
|------------------------------------------------------------------------------------------------|---------------------|--------------------|
|                                                                                                | <b>\$</b>           | <b>\$</b>          |
| Loss after tax*                                                                                | (12,663,192)        | (9,684,422)        |
| Total income tax (benefit) / expense                                                           | 581                 | 3,026              |
| Loss excluding income tax                                                                      | <b>(12,662,611)</b> | <b>(9,681,396)</b> |
| Income tax at the Australian tax rate of 25% (2023: 25%)                                       | (3,165,653)         | (2,420,349)        |
| <i>Tax effect of amounts which are non-deductible (taxable) in calculating taxable income:</i> |                     |                    |
| Entertainment                                                                                  | 1,384               | 832                |
| Share-based payments                                                                           | 172,901             | 108,575            |
| Amortisation and impairment of intellectual property                                           | 1,328,197           | 880,404            |
| Other permanent differences                                                                    | (519,709)           | (687,725)          |
| Difference in foreign income tax rates                                                         | 5,008               | 87,066             |
| Under / (over) provision in prior years                                                        | 581                 | 3,026              |
| Foreign tax losses not brought to account                                                      | 282,963             | 368,253            |
| Deferred tax assets not brought to account                                                     | 1,894,909           | 1,662,944          |
|                                                                                                | <b>581</b>          | <b>3,026</b>       |

\* Loss for the year is inclusive of continued operations only.

**(c) Recognised Deferred Tax Assets and Liabilities**

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

|                                                    | <b>2024</b>    | <b>2023</b>      |
|----------------------------------------------------|----------------|------------------|
|                                                    | <b>\$</b>      | <b>\$</b>        |
| <b>Deferred tax liabilities at 25% (2023: 25%)</b> |                |                  |
| Prepayments                                        | -              | -                |
| Fixed Assets                                       | 4,824          | 21,639           |
| Right of use assets                                | 253,679        | 312,592          |
| Intellectual Property                              | -              | 1,327,985        |
| Other temporary differences                        | 1,952          | 2,400            |
|                                                    | <b>260,455</b> | <b>1,664,616</b> |
| Offset of deferred tax assets                      | (260,455)      | (1,664,616)      |
| Net deferred tax liability recognised              | <b>-</b>       | <b>-</b>         |

All movements are charged to income tax throughout the year.

**(d) Deferred tax assets**

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

|                                     | <b>2024</b>      | <b>2023</b>      |
|-------------------------------------|------------------|------------------|
|                                     | <b>\$</b>        | <b>\$</b>        |
| <b>Deferred tax assets</b>          |                  |                  |
| Tax losses                          | 260,455          | 836,644          |
| Capital raising costs               | -                | 217,253          |
| Employee entitlements               | -                | 158,740          |
| Right of use assets lease liability | -                | 395,460          |
| Provision for restoration           | -                | 15,987           |
| Other temporary differences         | -                | 40,532           |
|                                     | <b>260,455</b>   | <b>1,664,616</b> |
| Offset of deferred tax liabilities  | (260,455)        | (1,664,616)      |
| Net deferred tax assets recognised  | -                | -                |
|                                     | <b>8,242,799</b> | <b>5,908,155</b> |

**2.7 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 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***

|                                                                                 | <b>2024</b>         | <b>2023</b>         |
|---------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                 | <b>\$</b>           | <b>\$</b>           |
| Net loss for the year from continuing operations                                | (12,663,192)        | (9,684,421)         |
| Net loss for the year from discontinued operations                              | (666,024)           | (318,312)           |
| Net loss for the year attributable to ordinary shareholders                     | <b>(13,329,216)</b> | <b>(10,002,733)</b> |
| Issued ordinary shares at 1 July                                                | 631,819,516         | 588,926,643         |
| Effect of shares issued                                                         | 102,976,780         | 20,791,799          |
| Weighted average number of ordinary shares at 30 June                           | <b>734,796,296</b>  | <b>609,718,442</b>  |
| Basic and diluted loss per share from continuing operations (cents per share)   | (1.72)              | (1.59)              |
| Basic and diluted loss per share from discontinued operations (cents per share) | (0.09)              | (0.05)              |
| Basic and diluted loss per share (cents per share) *                            | <b>(1.81)</b>       | <b>(1.64)</b>       |

\* At 30 June 2024, 69,947,247 options (2023: 51,186,832 options), 181,181,182 convertible note shares (2023: 181,181,182), and 1,000,000 performance rights (2023: 1,000,000 performance rights) were excluded from diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

## Section 3: Discontinued Operations

### Accounting Policy

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

In August 2021, the Group announced the long-term charter of the offshore support vessel VOS Shine would finish and returned to the vessel owner. 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. The Group anticipates that there will be minimal movement on these accounts during the upcoming period as the Group finalises payments and expenses in existence at the completion of the previous financial period.

### Results for the year from discontinued operations

|                                                    | 30 June 2024     | 30 June 2023     |
|----------------------------------------------------|------------------|------------------|
|                                                    | \$               | \$               |
| Sales                                              | -                | -                |
| Cost of goods sold                                 | -                | -                |
| General and administration                         | (6,352)          | 35,261           |
| Professional fees                                  | (187,257)        | (195,394)        |
| Impairment on other deposit                        | (472,415)        | -                |
| Withholding tax suffered                           | -                | (158,179)        |
| <b>Loss after tax from discontinued operations</b> | <b>(666,024)</b> | <b>(318,312)</b> |

### Cash flows from discontinued operations

|                                                             | 2024            | 2023             |
|-------------------------------------------------------------|-----------------|------------------|
|                                                             | \$              | \$               |
| <b>Cash flows from operating activities</b>                 |                 |                  |
| Receipts from customers                                     | -               | -                |
| Cash paid to suppliers and employees                        | (81,909)        | (199,194)        |
| Interest paid on lease liabilities                          | -               | -                |
| <b>Net cash (used in) / from operating activities</b>       | <b>(81,909)</b> | <b>(199,194)</b> |
| <b>Cash flows from investing activities</b>                 |                 |                  |
| Payments for plant and equipment                            | -               | -                |
| <b>Net cash from / (used in) investing activities</b>       | <b>-</b>        | <b>-</b>         |
| <b>Cash flows from financing activities</b>                 |                 |                  |
| Repayment of principal lease liabilities                    | -               | -                |
| <b>Net cash from / (used in) financing activities</b>       | <b>-</b>        | <b>-</b>         |
| <b>Net (decrease)/increase in cash and cash equivalents</b> | <b>(81,909)</b> | <b>(199,194)</b> |

## Section 4: Assets and Liabilities

This section focuses on the assets and liabilities which form the core of the ongoing business, including those assets and liabilities which support ongoing development as well as capital and other commitments existing at year end.

### Key Estimates and Assumptions in This Section

#### *Indicators of impairment*

The Group has reviewed intellectual property for indicators of impairment in accordance with AASB 138. An assessment for impairment of intellectual property has been undertaken under the requirements of AASB 136. An impairment was recognised amounting to \$ 5,875,887 (2023: \$2,552,823) as a result of this assessment.

### 4.1 Intangible Assets

#### Information about Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### Accounting Policy

##### **Research and development**

Research costs are expensed in the period in which they are incurred. Research costs are largely made up of employee labour.

Development costs on a particular project are only to be capitalised if a benefit of more than 12 months is expected and the following recognition criteria have been met:

- It is probable that the project will be a success considering its commercial and technical feasibility;
- The Group can demonstrate its intention to complete and its ability and intention to use or sell the asset;
- The Group has sufficient resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Capitalised development costs are amortised over their useful life once the asset is ready for use.

Development costs previously recognised as an expense are not recognised as assets in a subsequent period.

##### **Software development**

Development costs include personnel and other directly attributable costs incurred in the development of software. Capitalised software development costs are recognised as an intangible asset and amortised over their estimated useful lives, which is considered to be three to ten years. Software development costs are capitalised as “under development” until the products to which the costs relate become available for use. At the point in which the products become available for use, the costs are transferred from “under development” to “in use” and amortised from that point.

##### **Patents and trademarks**

Significant costs associated with patents amortised on a straight-line basis over the period of their expected benefit, being their finite life of eight years.

Trademarks are not amortised as they have an indefinite useful life as the Company renews its trademark registration every ten years but are subject to impairment.

#### **Impairment**

Non-current assets are tested for impairment when facts and circumstances indicate that the carrying amount may exceed the recoverable amount.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than an area of interest. The Group performs impairment testing in accordance with note 1.5.

|                                    | Proprietary<br>Information<br>\$ | Patents<br>\$ | Software<br>Under<br>Development<br>\$ | Total<br>\$       |
|------------------------------------|----------------------------------|---------------|----------------------------------------|-------------------|
| <b>Gross carrying amount</b>       |                                  |               |                                        |                   |
| Balance at 1 July 2022             | 11,631,667                       | 850           | -                                      | 11,632,517        |
| Foreign currency translation       | (20,732)                         | -             | -                                      | (20,732)          |
| Balance at 30 June 2023            | 11,610,935                       | 850           | -                                      | 11,611,785        |
| Balance at 1 July 2023             | 11,610,935                       | 850           | -                                      | 11,611,785        |
| Addition                           | -                                | -             | 1,389,200                              | 1,389,200         |
| Foreign currency translation       | -                                | -             | -                                      | -                 |
| <b>Balance at 30 June 2024</b>     | <b>11,610,935</b>                | <b>850</b>    | <b>1,389,200</b>                       | <b>13,000,985</b> |
| <b>Amortisation and impairment</b> |                                  |               |                                        |                   |
| Balance at 1 July 2022             | 2,526,373                        | -             | -                                      | 2,526,373         |
| Amortisation for the year          | 1,219,800                        | -             | -                                      | 1,219,800         |
| Impairment                         | 2,552,823                        | -             | -                                      | 2,552,823         |
| Balance at 30 June 2023            | 6,298,996                        | -             | -                                      | 6,298,996         |
| Balance at 1 July 2023             | 6,298,996                        | -             | -                                      | 6,298,996         |
| Amortisation for the year          | 826,102                          | -             | -                                      | 826,102           |
| Impairment                         | 4,485,837                        | 850           | 1,389,200                              | 5,875,887         |
| <b>Balance at 30 June 2024</b>     | <b>11,610,935</b>                | <b>850</b>    | <b>1,389,200</b>                       | <b>13,000,985</b> |
| <b>Carrying amounts</b>            |                                  |               |                                        |                   |
| Balance at 30 June 2023            | 5,311,939                        | 850           | -                                      | 5,312,789         |
| <b>Balance at 30 June 2024</b>     | <b>-</b>                         | <b>-</b>      | <b>-</b>                               | <b>-</b>          |

Impairment charge of \$5,875,887 (2023: \$2,552,823) has been recognised in the current year to write-off the remaining intangible assets balance. Following the restructuring in current financial year, the Group decided to write off the remaining intangible balance aligns with conservative financial reporting practices, considering internal and external factors might affect the timing of profitability and related inherent risk in forecasting future cashflows. The group also wanted to present a more collate reporting between statement of profit or loss and statement of cashflows moving forward instead of capitalising the R&D cost as intangible assets.

Despite the write-off, the Group remains optimistic about the future profitability of its product, supported by continuous technological improvements and strategic restructuring initiatives as previously announced to the market.

## 4.2 Property, Plant and Equipment

### Accounting Policy

#### **Recognition and measurement**

Items of property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and recognised net within “other gains and losses” in profit or loss.

#### **Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a diminishing balance basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of the assets are as follows:

|                               |               |
|-------------------------------|---------------|
| Plant and equipment           | 3 - 15 years  |
| Motor vehicles                | 12 - 15 years |
| Computer equipment & software | 2 - 4 years   |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

|                                | Plant &<br>Equipment<br>\$ | Fixtures &<br>Fittings<br>\$ | Computer<br>Equipment<br>\$ | Demonstration<br>Equipment<br>\$ | Equipment<br>for Hire<br>\$ | Leasehold<br>Improvements<br>\$ | Total<br>\$      |
|--------------------------------|----------------------------|------------------------------|-----------------------------|----------------------------------|-----------------------------|---------------------------------|------------------|
| <b>Gross carrying amount</b>   |                            |                              |                             |                                  |                             |                                 |                  |
| Balance at 1 July 2022         | 3,200                      | 225,584                      | 302,257                     | 55,854                           | 300,229                     | 1,056,406                       | 1,943,530        |
| Additions                      | 4,805                      | 9,222                        | 19,722                      | -                                | 15,655                      | -                               | 49,404           |
| Disposals/Scrapping            | -                          | -                            | (1,787)                     | -                                | -                           | (2,634)                         | (4,421)          |
| Foreign currency translation   | 471                        | -                            | (1,045)                     | (155)                            | (133)                       | -                               | (862)            |
| <b>Balance at 30 June 2023</b> | <b>8,476</b>               | <b>234,806</b>               | <b>319,147</b>              | <b>55,699</b>                    | <b>315,751</b>              | <b>1,053,772</b>                | <b>1,987,651</b> |
| Additions                      | -                          | 6,833                        | 18,118                      | -                                | 5,000                       | -                               | 29,951           |
| Disposals/Scrapping/Transfer   | -                          | -                            | -                           | -                                | (18,531)                    | -                               | (18,531)         |
| Foreign currency translation   | 7                          | -                            | 9                           | -                                | -                           | -                               | 16               |
| <b>Balance at 30 June 2024</b> | <b>8,483</b>               | <b>241,639</b>               | <b>337,274</b>              | <b>55,699</b>                    | <b>302,220</b>              | <b>1,053,772</b>                | <b>1,999,087</b> |
| <b>Depreciation</b>            |                            |                              |                             |                                  |                             |                                 |                  |
| Balance at 1 July 2022         | 160                        | 67,332                       | 135,858                     | 51,153                           | 187,458                     | 123,474                         | 565,435          |
| Depreciation for the period    | 1,661                      | 41,635                       | 93,433                      | 3,517                            | 41,002                      | 150,492                         | 331,740          |
| Disposals/Scrapping            | -                          | -                            | (1,494)                     | -                                | -                           | -                               | (1,494)          |
| Foreign currency translation   | 90                         | -                            | 107                         | (155)                            | (13)                        | -                               | 29               |
| <b>Balance at 30 June 2023</b> | <b>1,911</b>               | <b>108,967</b>               | <b>227,904</b>              | <b>54,515</b>                    | <b>228,447</b>              | <b>273,966</b>                  | <b>895,710</b>   |
| Depreciation for the period    | 3,686                      | 42,317                       | 69,345                      | 1,184                            | 37,199                      | 150,544                         | 304,275          |
| Disposals/Scrapping/Transfer   | -                          | -                            | -                           | -                                | (7,585)                     | -                               | (7,585)          |
| Foreign currency translation   | 165                        | -                            | 453                         | -                                | -                           | -                               | 618              |
| <b>Balance at 30 June 2024</b> | <b>5,762</b>               | <b>151,284</b>               | <b>297,702</b>              | <b>55,699</b>                    | <b>258,061</b>              | <b>424,510</b>                  | <b>1,193,018</b> |
| <b>Carrying amounts</b>        |                            |                              |                             |                                  |                             |                                 |                  |
| Balance at 30 June 2023        | 6,565                      | 125,839                      | 91,243                      | 1,184                            | 87,304                      | 779,806                         | 1,091,941        |
| <b>Balance at 30 June 2024</b> | <b>2,721</b>               | <b>90,355</b>                | <b>39,572</b>               | <b>-</b>                         | <b>44,159</b>               | <b>629,262</b>                  | <b>806,069</b>   |

### 4.3 Right-Of-Use Assets

|                                | Plant &<br>Equipment<br>\$ | Vessel<br>\$ | Building <sup>(1)</sup><br>\$ | Total<br>\$      |
|--------------------------------|----------------------------|--------------|-------------------------------|------------------|
| <b>Gross carrying amount</b>   |                            |              |                               |                  |
| Balance taken up 1 July 2022   | 9,144                      | -            | 1,713,822                     | 1,722,966        |
| Additions                      | -                          | -            | -                             | -                |
| Derecognition                  | -                          | -            | -                             | -                |
| Provision for restoration      | -                          | -            | 4,464                         | 4,464            |
| <b>Balance at 30 June 2023</b> | <b>9,144</b>               | <b>-</b>     | <b>1,718,286</b>              | <b>1,727,430</b> |
| Additions                      | 7,734                      | -            | -                             | 7,734            |
| Derecognition                  | -                          | -            | -                             | -                |
| Provision for restoration      | -                          | -            | 4,630                         | 4,630            |
| <b>Balance at 30 June 2024</b> | <b>16,878</b>              | <b>-</b>     | <b>1,722,916</b>              | <b>1,739,794</b> |
| <b>Amortisation</b>            |                            |              |                               |                  |
| Balance at 1 July 2022         | 5,681                      | 0            | 224,204                       | 229,885          |
| Amortisation for the period    | 1,892                      | -            | 245,286                       | 247,178          |
| <b>Balance at 30 June 2023</b> | <b>7,573</b>               | <b>-</b>     | <b>469,490</b>                | <b>477,063</b>   |
| Amortisation for the period    | 1,829                      | -            | 246,188                       | 248,017          |
| <b>Balance at 30 June 2024</b> | <b>9,402</b>               | <b>-</b>     | <b>715,678</b>                | <b>725,080</b>   |
| <b>Carrying amounts</b>        |                            |              |                               |                  |
| Balance at 30 June 2023        | 1,571                      | -            | 1,248,796                     | 1,250,367        |
| <b>Balance at 30 June 2024</b> | <b>7,476</b>               | <b>-</b>     | <b>1,007,238</b>              | <b>1,014,714</b> |

(1) Bentley office building lease was entered in 2021 with an initial 7 year term with an option to renew for a further 5 year term. The right of use asset has been calculated over the initial 7 year term.

#### 4.4 Other Bonds and Deposits

|                                                        | Note | 2024<br>\$     | 2023<br>\$     |
|--------------------------------------------------------|------|----------------|----------------|
| <b>Current</b>                                         |      |                |                |
| Cash deposit to provide security over a bank guarantee | (i)  | -              | 478,767        |
|                                                        |      | -              | <b>478,767</b> |
| <b>Non-current</b>                                     |      |                |                |
| Cash deposit to provide security over new premises     | (ii) | 228,213        | 218,990        |
|                                                        |      | <b>228,213</b> | <b>218,990</b> |
|                                                        |      | <b>228,213</b> | <b>697,757</b> |

- (i) Under the terms of the lease agreement of the VOS Shine, the Group was required to provide an on demand bank guarantee to Vroon Offshore Services B.V. ("Vroon"), the vessel owner, to secure its payment and performance obligations. The Group's bankers issued the guarantee secured by a cash deposit of 292,000 Euro. The cash deposit was due to be refunded on 1 January 2022 on expiry of the guarantee. This guarantee was called by Vroon prior to expiry, the validity of the call being a matter of dispute between the Group and Vroon. The position on the settlement of final contractual obligations is subject to negotiation, the contract having a framework for the resolution of disputes which ultimately includes an arbitration process. The Group will continue to avail itself of all available options to recover the funds drawn under the guarantee. In current financial year, the Group took the prudent decision to impair the deposit even though the Group remains confident of full recovery.
- (ii) The Group was required to provide a bank guarantee of in respect of the lease of the premises in Technology Park, Bentley, Western Australia.

## Section 5: Working Capital Disclosures

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

### 5.1 Cash and Cash Equivalents

#### Accounting Policy

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

#### a) Reconciliation of cash and cash equivalents

|                                                          | 2024    | 2023    |
|----------------------------------------------------------|---------|---------|
|                                                          | \$      | \$      |
| Cash and cash equivalents in the statement of cash flows | 444,943 | 992,018 |

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

|                                                    | 2024               | 2023               |
|----------------------------------------------------|--------------------|--------------------|
|                                                    | \$                 | \$                 |
| <b>Cash flows from operating activities</b>        |                    |                    |
| Operating loss after tax                           | (13,329,216)       | (10,002,733)       |
| <b>Adjustments for:</b>                            |                    |                    |
| Depreciation and amortisation                      | 1,378,394          | 1,798,718          |
| Equity-settled share-based payment transactions    | 566,331            | 486,080            |
| Net finance expense                                | 123,738            | 264,528            |
| Net finance income                                 | (9,223)            | (36,150)           |
| Loss/ (gain) on cashflow hedge                     | -                  | 12,971             |
| Intangible assets impairment                       | 5,875,887          | 2,552,823          |
| Allowance for expected credit losses               | 125,674            | -                  |
| Impairment of other deposit                        | 472,415            | -                  |
| R&D recognition as intangible assets               | (1,389,200)        | -                  |
| Computer equipment written off                     | -                  | 293                |
| Withholding tax written off                        | -                  | 158,179            |
| <b>Change in operating assets and liabilities:</b> |                    |                    |
| Change in trade and other receivables              | (58,948)           | 122,693            |
| Change in prepayments                              | 15,537             | (28,906)           |
| Change in inventories                              | 46,266             | 54,669             |
| Change in other operating assets                   | 182,039            | 195,542            |
| Change in current tax assets                       | -                  | 35,216             |
| Change in trade and other payables                 | 826,490            | (171,615)          |
| Change in contract liabilities                     | 323,095            | (40,595)           |
| Change in employee entitlements                    | 47,299             | 12,081             |
| <b>Net cash used in operating activities</b>       | <b>(4,803,422)</b> | <b>(4,586,206)</b> |

## 5.2 Trade and Other Receivables

### Accounting Policy

Trade receivables are measured on initial recognition at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from seven to thirty days.

Impairment of trade receivables is continually reviewed and those considered uncollectable are written off by reducing the carrying amount directly. An allowance account is used when there is an expectation that the Group will be unable to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

|                                           | 2024<br>\$     | 2023<br>\$     |
|-------------------------------------------|----------------|----------------|
| <b>Current</b>                            |                |                |
| Trade debtors <sup>(1)</sup>              | 546,949        | 518,869        |
| Allowance for expected credit losses      | (250,749)      | (125,075)      |
|                                           | 296,200        | 393,794        |
| Accrued income                            | -              | -              |
| Amount due from a director <sup>(2)</sup> | -              | 100,000        |
| Other receivables                         | 65,910         | 35,042         |
|                                           | <b>362,110</b> | <b>528,836</b> |

(1) The average credit period on sales of goods and rendering of services is 30 days. An allowance \$250,749 (2023: \$125,075) 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) Refer to note 7.4 for further details.

### Allowance for expected credit losses

The ageing of the receivables and allowances for expected credit losses provided for above are as follows:

|                       | Trade debtors  |                | Allowance for expected credit losses |                |
|-----------------------|----------------|----------------|--------------------------------------|----------------|
|                       | 2024<br>\$     | 2023<br>\$     | 2024<br>\$                           | 2023<br>\$     |
| Current               | 218,807        | 227,995        | -                                    | -              |
| 1 to 30 days overdue  | 64,200         | 128,466        | -                                    | -              |
| 31 to 60 days overdue | -              | 10,406         | -                                    | -              |
| 61 to 90 days overdue | 2,685          | 10,406         | -                                    | -              |
| Over 90 days overdue  | 261,257        | 141,596        | 250,749                              | 125,075        |
|                       | <b>546,949</b> | <b>518,869</b> | <b>250,749</b>                       | <b>125,075</b> |

### Movements in allowance for expected credit losses

|                                             | 2024           | 2023           |
|---------------------------------------------|----------------|----------------|
|                                             | \$             | \$             |
| Balance at 1 July                           | 125,075        | 138,743        |
| Impaired receivables written off            | -              | (13,668)       |
| Impairment losses recognised on receivables | 125,674        | -              |
| <b>Balance at the end of the year</b>       | <b>250,749</b> | <b>125,075</b> |

The Group have individually assessed the recoverability of each receivable balance based predominantly upon age of outstanding debt and communication with the debtor.

## 5.3 Inventory

### Accounting Policy

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Goods in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

|                          | 2024           | 2023           |
|--------------------------|----------------|----------------|
|                          | \$             | \$             |
| <b>Current</b>           |                |                |
| Raw materials – at cost  | 343,803        | 341,115        |
| Finished goods – at cost | 114,898        | 163,852        |
| <b>Total</b>             | <b>458,701</b> | <b>504,967</b> |

## 5.4 Trade and Other Payables

### Accounting Policy

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months

|                                         | 2024<br>\$       | 2023<br>\$     |
|-----------------------------------------|------------------|----------------|
| <b>Current</b>                          |                  |                |
| Trade payables                          | 164,756          | 198,290        |
| Authorised government agencies          | 216,608          | 131,108        |
| Non-trade payables and accrued expenses | 953,065          | 235,288        |
|                                         | <b>1,334,429</b> | <b>564,686</b> |

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 7.2.

## 5.5 Other Liabilities

### Accounting Policy

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. As a result of the contracts which the Group enters into, a number of different liabilities are recognised on the Group's balance sheet. These include but are not limited to Deferred income.

|                             | 2024<br>\$ | 2023<br>\$ |
|-----------------------------|------------|------------|
| <b>Current</b>              |            |            |
| Revenue received in advance | 414,756    | 91,661     |

## Section 6: Equity and Funding

This section focuses on the debt and equity funding available to the Group at year end, most notably covering share capital and loans and borrowings.

### 6.1 Capital and Reserves

#### Accounting Policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

#### Share Capital

|                                                           | Ordinary shares    |             |                   |            |
|-----------------------------------------------------------|--------------------|-------------|-------------------|------------|
|                                                           | Number of shares   |             | Amount in \$      |            |
|                                                           | 2024               | 2023        | 2024              | 2023       |
| <b>Movement in ordinary shares on issue:</b>              |                    |             |                   |            |
| <b>On issue at 1 July</b>                                 | <b>631,819,516</b> | 588,926,643 | <b>44,189,044</b> | 41,254,787 |
| <b><i>Shares issued and expensed during the year:</i></b> |                    |             |                   |            |
| Issue of fully paid shares for cash                       | 166,840,458        | 14,358,974  | 3,843,418         | 1,500,000  |
| Issued on conversion of options                           | -                  | 3,840,000   | -                 | 249,600    |
| Shares cancelled                                          | (500,000)          | -           | -                 | -          |
| Issue of fully paid shares in lieu of bonuses             | 13,697,964         | 6,537,399   | 405,193           | 455,281    |
| Deferred consideration on acquisition of subsidiary       | -                  | 18,156,500  | -                 | 750,000    |
| Capital raising costs incurred (net of tax benefit)       | -                  | -           | (360,858)         | (20,624)   |
| <b>On issue at 30 June</b>                                | <b>811,857,938</b> | 631,819,516 | <b>48,076,797</b> | 44,189,044 |

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.

## Unissued Capital

|                                          | 2024             | 2023             |
|------------------------------------------|------------------|------------------|
|                                          | \$               | \$               |
| Balance at 1 July                        | 1,278,761        | 2,112,761        |
| Deferred consideration shares issued     | -                | (750,000)        |
| Shares in lieu of bonus issued           | -                | (84,000)         |
| <b>Balance at 30 June <sup>(1)</sup></b> | <b>1,278,761</b> | <b>1,278,761</b> |

<sup>(1)</sup> The remaining balance comprises the final tranche of deferred consideration shares for SnapSupport, Inc acquisition.

## Share Options

The Company has a share-based payment option scheme under which options to subscribe for the Company's shares have been granted to certain Directors and employees (see note 7.1).

## Nature and Purpose of Reserves

Movement in reserves are shown within the Statement of Changes in Equity.

### *Share-Based Payments Reserve*

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to note 7.1 for further details of these plans.

### *Foreign Currency Translation Reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

### *Convertible Note Reserve*

The convertible note reserve is used to record the equity component of convertible notes issued on 28 November 2019. Refer to note 6.2 for further details of the convertible notes' accounting treatment and terms.

## 6.2 Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 7.2.

### Accounting Policy

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

#### Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

|                                  | 2024<br>\$       | 2023<br>\$       |
|----------------------------------|------------------|------------------|
| <b>Unsecured</b>                 |                  |                  |
| Premium funding facility         | 115,714          | 135,066          |
|                                  | <b>115,714</b>   | <b>135,066</b>   |
| <b>Secured</b>                   |                  |                  |
| Convertible notes <sup>(1)</sup> | 3,944,850        | 3,822,502        |
| Loan notes <sup>(2)</sup>        | 1,217,000        | -                |
| <b>Total Borrowings</b>          | <b>5,161,850</b> | <b>3,822,502</b> |
| Current                          | 5,277,564        | 135,066          |
| Non-current                      | -                | 3,822,502        |
|                                  | <b>5,277,564</b> | <b>3,957,568</b> |

<sup>(1)</sup> There is a general security over the assets of the company.

<sup>(2)</sup> There is a general security over the Research and Development rebate from the Australian Tax Office.

### Reconciliation of Movement in Borrowings

|                                | Premium<br>funding<br>\$ | Convertible<br>Notes<br>\$ | Loan<br>Notes<br>\$ | Loan from<br>former<br>Group CEO<br>\$ | Research<br>and<br>Development<br>\$ |
|--------------------------------|--------------------------|----------------------------|---------------------|----------------------------------------|--------------------------------------|
| Balance at 1 July 2022         | 100,406                  | 3,714,594                  | -                   | -                                      | -                                    |
| New facility                   | 214,176                  | -                          | -                   | -                                      | -                                    |
| Interest costs charged         | 5,163                    | 467,908                    | -                   | -                                      | -                                    |
| Less repaid <sup>(1)</sup>     | (184,722)                | (360,000)                  | -                   | -                                      | -                                    |
| Foreign currency               | 43                       | -                          | -                   | -                                      | -                                    |
| Balance at 30 June 2023        | 135,066                  | 3,822,502                  | -                   | -                                      | -                                    |
| New facility                   | 165,259                  | -                          | 1,217,000           | 250,000                                | 960,045                              |
| Interest costs charged         | 5,887                    | 483,335                    | 33,009              | 9,096                                  | 49,947                               |
| Less repaid <sup>(1)</sup>     | (190,498)                | (271,233)                  | -                   | (259,096)                              | (1,009,992)                          |
| Accrued in other payables      | -                        | (89,754)                   | (33,009)            | -                                      | -                                    |
| <b>Balance at 30 June 2024</b> | <b>115,714</b>           | <b>3,944,850</b>           | <b>1,217,000</b>    | <b>-</b>                               | <b>-</b>                             |

<sup>(1)</sup> Amounts repaid include interest and loan establishment costs.

## Convertible Notes

The Company raised \$4,000,000 from the issue of 4,000,000 convertible notes on 28 November 2019 for the acquisition of Harvest Infinity Pty Ltd. Details of the convertible notes are as disclosed below. All convertible notes 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.

The liability component is measured at amortised cost. The effective interest expense for the year is calculated by applying an effective interest rate of 12.45% to the liability component of the notes. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the statement of financial position at 30 June 2024 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.

### Subsequent event of Convertible Notes

In July 2024, the Group has reached an agreement (subject to conditions) with the convertible notes holders to extend the maturity date from 28 November 2024 to 28 November 2026 and the interest rate is revised to 15% per annum, of which 9% annual interest will be paid on quarterly basis and the remaining 6% annual interest will be capitalised. All other terms and conditions of the convertible notes remain unchanged. In addition, whilst the Group is in the process of satisfying the preconditions to the 28 November 2026 extension, the convertible note holders agreed to extend their notes maturity to November 2025, by a Deed of Amendment to the original contracts.

## Loan Notes

### Terms of Loan Notes on Issue

- Interest rate: 15% per annum
- Maturity date: 25 April 2025 or 20 business days from receiving the R&D
- The loan principal under all scenarios is to be repaid in cash
- The loan Interest are payable with the following option:

| Option | Type                                                               | \$                    |
|--------|--------------------------------------------------------------------|-----------------------|
| A      | In cash at end of term                                             | 392,000               |
| B      | In cash or shares (at \$0.035 per share) at end of term            | 620,000               |
| C      | In shares (at \$0.0205 per share) 12 months' interest paid upfront | 205,000               |
|        |                                                                    | <hr/> 1,217,000 <hr/> |

## Research and Development funding facility

### *Terms of Research and Development funding facility*

- Interest rate: 16% to 22% per annum depending on the timing of the receipt of the rebate from the Australian Tax Office
- Maturity date: 29 February 2024
- Secured against the Research and Development rebate from the Australian Tax Office
- This facility was fully repaid in January 2024

## Loan from former Group CEO

### *Terms of Loan from former Group CEO*

- Interest rate: 16% per annum
- Maturity date: 20 June 2024
- The Board has reviewed the terms with the latest available market information and concluded the terms are equivalent to an arm's length transaction
- The loan was fully repaid in March 2024

## 6.3 Lease Liabilities

|                              | 2024<br>\$       | 2023<br>\$       |
|------------------------------|------------------|------------------|
| Balance at 1 July            | 1,581,838        | 1,833,496        |
| Lease inception              | 7,735            | -                |
| Principal repayments         | (322,641)        | (313,362)        |
| Interest expense             | 52,245           | 61,704           |
| Exchange differences         | -                | -                |
| <b>Balance at 30 June</b>    | <b>1,319,177</b> | <b>1,581,838</b> |
| <b><i>Classification</i></b> |                  |                  |
| Current                      | 290,258          | 270,178          |
| Non-current                  | 1,028,919        | 1,311,660        |
|                              | <b>1,319,177</b> | <b>1,581,838</b> |

Refer to Note 7.2 for further disclosures on lease liabilities.

## 6.4 Provisions

|                                                                                        | 2024           | 2023           |
|----------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                        | \$             | \$             |
| Balance at 1 July                                                                      | 125,074        | 120,610        |
| Recognition of provision for restoration requirements in regard of right-of-use assets | 4,630          | 4,464          |
| <b>Balance at 30 June</b>                                                              | <b>129,704</b> | <b>125,074</b> |
| <b>Classification</b>                                                                  |                |                |
| Current                                                                                | -              | -              |
| Non-current                                                                            | 129,704        | 125,074        |
|                                                                                        | <b>129,704</b> | <b>125,074</b> |

## Section 7: Other Disclosures

The disclosure in this section focuses on share schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions, can also be found here.

### Key Estimates and Assumptions in this Section

#### Share-Based Payments

The fair value of share options is measured using the Black-Scholes options pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on an evaluation of the company's historic volatility, particularly over the historic period commensurate with the expected term) and weighted average expected life of the instruments (based on historical experience), expected dividends (if any) and the risk-free interest rate (based on government bonds). Service and non-market conditions are not considered in determining fair value.

In addition, the Group has on issue, performance shares and performance rights as detailed in note 7.1. Significant judgement is required in relation to assessing the degree of probability associated with the non-market vesting conditions being met.

### 7.1 Share-Based Payments

#### Accounting Policy

The share option programme allows Group employees to receive rights to acquire shares of the Company. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Options may also be issued to parties for services rendered. The amount recognised is determined on similar principles when the value of options issued approximates the fair value of the services provided.

Where the fair value of an employee share option or performance right has been recognised as a share-based payment and the option or right lapses on expiry, the total amount of the share-based payment expense is transferred from the share-based payment reserve to accumulated losses. Where a share option or right has lapsed and the non-market vesting criteria has not been met, any previously recorded share-based payment expense is reversed through the consolidated statement of profit or loss and other comprehensive income.

The share-based payment expense included within the consolidated financial statements can be broken down as follows:

|                                              | 2024<br>\$ | 2023<br>\$ |
|----------------------------------------------|------------|------------|
| <b>(a) Expensed in personnel expenses</b>    |            |            |
| Shares issued to employees                   | 405,193    | 371,281    |
| <b>(b) Expensed in professional fees</b>     |            |            |
| Options issued to consultants of the Company | 161,139    | 114,797    |

## Shares

The Company operates both Short and Long Term Incentive Plans (Incentive Plans) which give eligible employees (including members of Key Management Personnel) the opportunity to receive share-based incentives as part of their remuneration.

The incentives normally vest based on satisfaction of performance conditions specified in the Incentive Plans, which typically involve both a qualifying period of service and based on achieving performance hurdle conditions specific to their role in the organization. The employee must be actively employed in their full-time position at the time the performance hurdle conditions were met. Any shares proposed to be issued under the Incentive Plans are subject to Board approval. The Company reserves the right to payout the value of the incentive in either cash or shares (at the Company's sole discretion).

During the year the Company issued the following shares to employees at a deemed issue price of nil under the Incentive Plans:

|                          | Number of Shares<br>Issued |
|--------------------------|----------------------------|
| Key Management Personnel | 3,933,334                  |
| Other employees          | 9,764,630                  |
| Total                    | <u>13,697,964</u>          |

For the purposes of calculating the share-based payment expense, the shares are valued on grant date at the market price of the Company's shares on that date. Shares were issued during the year with a fair value range of \$0.028 to \$0.037 per share.

During the year, the following KMPs were issued shares in relation to Short and Long-Term Incentive Plans:

|                  |                                                                       |
|------------------|-----------------------------------------------------------------------|
| Ms Linda Shields | 850,000 shares at fair value of \$0.037 per share in September 2023   |
|                  | 1,041,667 shares at fair value of \$0.028 per share in October 2023   |
| Mr Craig Byron   | 1,000,000 shares at fair value of \$0.035 per share in September 2023 |
|                  | 1,041,667 shares at fair value of \$0.028 per share in October 2023   |

### Equity-Settled Share Option Programme

The Company adopted an Employee Share Options Scheme (ESOS) effective 24 August 2016. Under the ESOS, the Company may grant options and rights to Company eligible participants over a period of 3 years to acquire securities up to a maximum of 15% of the Company's total issued ordinary shares at the date of the grant. The fair value of share options granted is estimated using the Black-Scholes option pricing model.

The options and rights vest on a time scale as specified in the ESOS and are granted for no consideration. Options and rights granted under the plan carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share. The maximum term of an option is 5 years from grant date and the exercise price is settled in cash. Options may not be transferred other than to an associate of the holder.

### Options

The following tables illustrate the share-based payment arrangements in place, and the number and weighted average exercise prices of and movements in share options. At 30 June 2024, a summary of the Group options issued and not exercised, excluding those options issued free attaching in share placements, are as follows:

| Grant date                                          | Vesting date | Expiry date | Exercise Price (cents) | Balance at start of year | Granted during the year | Exercised/ Expired during the year | Balance at year-end | Vested and exercisable at year-end |
|-----------------------------------------------------|--------------|-------------|------------------------|--------------------------|-------------------------|------------------------------------|---------------------|------------------------------------|
| 03-Mar-23                                           | 03-Mar-23    | 03-Mar-25   | 25                     | 6,000,000                | -                       | -                                  | 6,000,000           | 6,000,000                          |
| 17-Jul-23                                           | 17-Jul-23    | 30-Jun-26   | 7.5                    | -                        | 5,000,000               | -                                  | 5,000,000           | 5,000,000                          |
| 16-Apr-24                                           | 16-Apr-24    | 26-Apr-27   | 3                      | -                        | 6,000,000               | -                                  | 6,000,000           | 6,000,000                          |
| <b>Total</b>                                        |              |             |                        | <b>6,000,000</b>         | <b>11,000,000</b>       | <b>-</b>                           | <b>17,000,000</b>   | <b>17,000,000</b>                  |
| Weighted average exercise price (cents)             |              |             |                        | 25                       | 5.5                     | -                                  | 12.4                | 12.4                               |
| Weighted average remaining contractual life (years) |              |             |                        | 1.68                     | -                       | -                                  | 1.82                | -                                  |

Options are settled by the physical delivery of shares.

At 30 June 2023, a summary of the Group options issued and not exercised, excluding those options issued free attaching in share placements, are as follows:

| Grant date                                          | Vesting date | Expiry date | Exercise Price (cents) | Balance at start of year | Granted during the year | Exercised/ Expired during the year | Balance at year-end | Vested and exercisable at year-end |
|-----------------------------------------------------|--------------|-------------|------------------------|--------------------------|-------------------------|------------------------------------|---------------------|------------------------------------|
| 18-Feb-20                                           | 18-Feb-20    | 18-Feb-23   | 6.5                    | 3,840,000                | -                       | (3,840,000)                        | -                   | -                                  |
| 18-Feb-20                                           | 18-Feb-20    | 18-Feb-23   | 10                     | 1,920,000                | -                       | (1,920,000)                        | -                   | -                                  |
| 03-Mar-23                                           | 03-Mar-23    | 03-Mar-25   | 25                     | -                        | 6,000,000               | -                                  | 6,000,000           | 6,000,000                          |
| <b>Total</b>                                        |              |             |                        | <b>5,760,000</b>         | <b>6,000,000</b>        | <b>(5,760,000)</b>                 | <b>6,000,000</b>    | <b>6,000,000</b>                   |
| Weighted average exercise price (cents)             |              |             |                        | 7.67                     | 25                      | 7.67                               | 25                  | 25                                 |
| Weighted average remaining contractual life (years) |              |             |                        | 0.64                     | -                       | -                                  | 1.68                | -                                  |

Options are settled by the physical delivery of shares.

Key valuation assumptions made at valuation date for options still on issue at year-end are summarised below:

|                             | Tranche 9 | Tranche 10 | Tranche 11 |
|-----------------------------|-----------|------------|------------|
| Exercise price (cents)      | 25        | 7.5        | 3.0        |
| Grant date                  | 3-Mar-23  | 17-Jul-23  | 16-Apr-24  |
| Expiry date                 | 3-Mar-25  | 30-Jun-26  | 26-Apr-27  |
| Life of the options (years) | 2.00      | 2.96       | 3.03       |
| Volatility                  | 84.00%    | 93.25%     | 100.55%    |
| Risk free rate              | 3.67%     | 3.863%     | 3.958%     |

## Performance Rights

At 30 June 2024, a summary of the Group performance rights issued are as follows:

| Note | Grant date | End of performance period | Expiry date | Tranche | Balance at the start of the year | Granted during the year | Lapsed/ Converted during the year | Balance at year-end | Vested and convertible at year-end | Expensed During the Year (\$) |
|------|------------|---------------------------|-------------|---------|----------------------------------|-------------------------|-----------------------------------|---------------------|------------------------------------|-------------------------------|
| (i)  | 23-Nov-20  | 1-Sep-21                  | 10-Nov-25   | B       | 500,000                          | -                       | -                                 | 500,000             | -                                  | -                             |
| (ii) | 23-Nov-20  | 1-Mar-22                  | 10-Nov-25   | C       | 500,000                          | -                       | -                                 | 500,000             | -                                  | -                             |

Each performance right represents a right to be issued one ordinary share, with no exercise price payable on conversion, upon the achievement of the following revenue-based milestones:

- (i) Tranche B performance rights will vest upon the Group achieving a VWAP of at least \$0.50 over any twenty consecutive trading day period before the milestone date, being 1 September 2021.
- (ii) Tranche C performance rights will vest upon the Group achieving a VWAP of at least \$0.75 over any twenty consecutive trading day period before the milestone date, being 1 March 2022.

Tranches B and C were granted after receiving shareholder approval at the Company's AGM on 10 November 2020. Both Tranche B and C have not met the conditions of the relevant milestone and the performance rights will not vest.

## 7.2 Financial Instruments

### Accounting Policy

#### **Recognition and derecognition**

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### **Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL);
- equity instruments at fair value through other comprehensive income (FVOCI);
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

#### **Subsequent remeasurement of financial assets**

##### **Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised costs using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 139.

#### **Impairment of financial assets**

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replace AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

The '12-month expected credit losses' are recognised for the first category whilst 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

#### ***Classification and measurement of financial liabilities***

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are initially measured at amortised cost using the effective interest method except for derivatives and financial liabilities designation at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### ***Derivative financial instruments***

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL).

## **Capital Risk Management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains consistent since 2023.

The capital structure of the Group consists of cash and cash equivalents, borrowings and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

## **Financial Risk Management Objectives**

The Group is exposed to market risk (including foreign currency exchange rate risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effect of these risks and the Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed on a continuous basis to reflect changes in market conditions and the Group's activities. The Group does not trade financial instruments, including derivative financial instruments, for speculative purposes.

## Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Due to the expansion of the Group into the North American and UK/EMEA markets, there has been an increase to the Group's exposure to market risks.

### Foreign currency exchange rate risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the balance date expressed in Australian dollars are as follows:

|                        | Consolidated |         |             |        |
|------------------------|--------------|---------|-------------|--------|
|                        | Assets       |         | Liabilities |        |
|                        | 2024         | 2023    | 2024        | 2023   |
|                        | \$           | \$      | \$          | \$     |
| <b>Currency</b>        |              |         |             |        |
| United States Dollars  | 55,372       | 73,075  | 14,895      | 8,393  |
| Euro                   | -            | 478,767 | -           | -      |
| British Pound Sterling | 45,566       | 27,838  | 31,411      | 17,430 |

### Foreign Currency Sensitivity Analysis

The sensitivity analysis below details the Group's sensitivity to an increase/decrease in the Australian dollar against the United States Dollar, Euro, and British Pound Sterling. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, including external loans where the denomination of the loan is in a currency other than the currency of the borrower and adjusts their translation balance date for 500 basis point change in foreign currency rates.

At balance date, if foreign exchange rates had been 500 basis points higher or lower, and all other variables were held constant, the impact on profit or loss would be:

|                                            | Impact on profit & loss |          |
|--------------------------------------------|-------------------------|----------|
|                                            | 2024                    | 2023     |
|                                            | \$                      | \$       |
| <b>If AUD strengthens by 5% (2023: 5%)</b> |                         |          |
| United States Dollar                       | (2,024)                 | (3,234)  |
| Euro                                       | -                       | (23,938) |
| British Pound Sterling                     | (708)                   | (520)    |
| <b>If AUD weakens by 5% (2023: 5%)</b>     |                         |          |
| United States Dollar                       | 2,024                   | 3,234    |
| Euro                                       | -                       | 23,938   |
| British Pound Sterling                     | 708                     | 520      |

### ***Interest rate risk management***

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

### **Interest Rate Risk Sensitivity Analysis**

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance date.

At balance date, if interest rates had been 50 points higher or lower and all other variables were held constant, the Group's profit or loss would increase / (decrease) by \$2,225 / (\$2,225) (2023: \$4,960 / (\$4,960))

The Group's sensitivity to interest rates has decreased during the year due to the reduction in variable rate debt instruments.

### **Credit Risk Management**

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks and trade and other receivables.

The Group has adopted a policy of only dealing with creditworthy counterparties.

The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks or government agencies with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, represents the Group's maximum exposure to credit risk.

### **Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### ***Non-derivative financial liabilities***

The following table details the Group's expected contractual maturities for its non-derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay.

The table includes both interest and principal cash flows.

|                          | Weighted<br>Average<br>Interest rate<br>% | Less than 6<br>months<br>\$ | 6 months to 1<br>year<br>\$ | 1 – 5 years<br>\$ |
|--------------------------|-------------------------------------------|-----------------------------|-----------------------------|-------------------|
| <b>30 June 2024</b>      |                                           |                             |                             |                   |
| Trade and other payables | -                                         | 1,334,429                   | -                           | -                 |
| Borrowings               | 3.21                                      | 102,367                     | 17,061                      | -                 |
| Lease liabilities        | 3.66                                      | 165,582                     | 166,385                     | 1,088,188         |
|                          |                                           | <b>1,602,378</b>            | <b>183,446</b>              | <b>1,088,188</b>  |
| <b>30 June 2023</b>      |                                           |                             |                             |                   |
| Trade and other payables | -                                         | 564,686                     | -                           | -                 |
| Borrowings               | 3.39                                      | 119,831                     | 19,529                      | -                 |
| Lease liabilities        | 3.64                                      | 160,959                     | 161,375                     | 1,411,272         |
|                          |                                           | <b>845,476</b>              | <b>180,904</b>              | <b>1,411,272</b>  |

### **Derivative financial liabilities**

The following table details the Group's expected contractual maturities for its derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay.

The table includes both interest and principal cash flows.

|                             | Weighted<br>average<br>Interest rate<br>% | Less than<br>6 months<br>\$ | 6 months<br>to 1 year<br>\$ | 1 – 5 years<br>\$ |
|-----------------------------|-------------------------------------------|-----------------------------|-----------------------------|-------------------|
| <b>30 June 2024</b>         |                                           |                             |                             |                   |
| Convertible notes – level 2 | 9.00                                      | 4,149,918                   | -                           | -                 |
| Loan notes – level 2        | 15.00                                     | -                           | 1,368,800                   | -                 |
|                             |                                           | <b>4,149,918</b>            | <b>1,368,800</b>            | <b>-</b>          |
| <b>30 June 2023</b>         |                                           |                             |                             |                   |
| Convertible notes – level 2 | 9.00                                      | 181,479                     | 178,521                     | 4,149,918         |
|                             |                                           | <b>181,479</b>              | <b>178,521</b>              | <b>4,149,918</b>  |

### **Fair Value Measurement**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Directors consider that the carrying amounts of cash and cash equivalents, current receivables, current payables, and current interest-bearing borrowings denominated in Australian Dollars, approximate their fair values.

### 7.3 Capital Commitments

At year end, there were no material capital commitments.

### 7.4 Related Parties

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

|                              |      | 2024             | 2023             |
|------------------------------|------|------------------|------------------|
|                              | Note | \$               | \$               |
| Short-term employee benefits |      | 1,231,366        | 1,108,418        |
| Post-employment benefits     |      | 93,500           | 93,913           |
| Share-based payments         |      | 124,782          | 88,825           |
|                              | 2.4  | <b>1,449,648</b> | <b>1,291,156</b> |

In December 2023, the former Group CEO has provided a short-term loan to the Group amounting to \$250,000. The key terms of the loan facility were as follows:

- Unsecured loan facility;
- Interest rate: 16% per annum; and
- Maturity date: 20 June 2024

The loan was subsequently repaid in full including interest in March 2024.

## 7.5 Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

| Name of subsidiary                      | Principal activity                                                                                        | Place of incorporation, operation and tax resident | Financial year end | Proportion of ownership interest and voting power held by the Group |        |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------|--------------------|---------------------------------------------------------------------|--------|
|                                         |                                                                                                           |                                                    |                    | 2024 %                                                              | 2023 % |
| Harvest Technology Pty Ltd              | Data Transfer Technology, Corporate & Administrative Support                                              | Australia                                          | 30 June            | 100                                                                 | 100    |
| Harvest Infinity Pty Ltd                | Technology Research & Development                                                                         | Australia                                          | 30 June            | 100                                                                 | 100    |
| Opsivity, Inc.                          | Remote Field Mobile SaaS Solutions, Technology Research & Development, Corporate & Administrative Support | United States                                      | 30 June            | 100                                                                 | 100    |
| Harvest Technology (UK) Ltd             | Data Transfer Technology, Corporate & Administrative Support                                              | United Kingdom                                     | 30 June            | 100                                                                 | 100    |
| Harvest Defence Pty Ltd                 | Data Transfer Technology                                                                                  | Australia                                          | 30 June            | 100                                                                 | 100    |
| Shark Attack Mitigation Systems Pty Ltd | Dormant                                                                                                   | Australia                                          | 30 June            | 100                                                                 | 100    |
| Clever Buoy Australia Pty Ltd           | Dormant                                                                                                   | Australia                                          | 30 June            | 100                                                                 | 100    |

## 7.6 Subsequent Events

In July 2024, the Group has reached an agreement (subject to conditions) with the convertible notes holders to extend the maturity date from 28 November 2024 to 28 November 2026 and the interest rate is revised to 15% per annum, of which 9% annual interest will be paid on quarterly basis and the remaining 6% annual interest will be capitalised. All other terms and conditions of the convertible notes remain unchanged. In addition, whilst the Group is in the process of satisfying the preconditions to the 28 November 2026 extension, the convertible note holders agreed to extend their notes maturity to November 2025, by a Deed of Amendment to the original contracts.

In August 2024, Mr. Ilario Faenza and Mr. Marcus Machin have provided short term unsecured director loans to the Group totalling \$150,000. The material terms of the loan agreement are as follows:

- Interest rate: 15% per annum paid at the end of term
- Security: Nil
- The agreement does not include any right to convert the loan to Group shares
- Repayment terms:
  - a) The Borrower agrees that if the Shareholders provide Shareholder Approval, the Borrower will accept an application from the Lender to be issued Notes with a Face Value equal to the Outstanding Amount (rounded down to the nearest whole number). The Outstanding Amount is deemed to be repaid in full on the date of the issuance of such Notes (Note Date).
  - b) If the Shareholders do not provide Shareholder Approval at the next general meeting of the Company, the Borrower must repay the Outstanding Amount to the Lender on the next Business Day after such general meeting (Refusal Date).
  - c) The Borrower must repay the Outstanding Amount to the Lender on the earliest of:
    - (i) the Note Date (by way of issue of the Notes);
    - (ii) the Refusal Date; and
    - (iii) 30 November 2024.

The Group intends to seek shareholder approval at the 2024 Annual General Meeting of the Group to approve the loans be converted to Convertible Notes on the same terms as other investors.

Since 1 July, 2024, the Group had received \$2,050,000 from sophisticated investors through a convertible note placement.

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

## 7.7 Contingent Liabilities

At year end, there were no contingent liabilities.

## 7.8 Parent Company Disclosures

As at, and throughout the financial year ended 30 June 2024, the parent entity of the Group was Harvest Technology Group Limited.

|                                                         | 2024<br>\$          | 2023<br>\$          |
|---------------------------------------------------------|---------------------|---------------------|
| <b>Result of the parent entity</b>                      |                     |                     |
| Loss for the year                                       | (13,185,261)        | (10,774,224)        |
| Other comprehensive income                              | -                   | -                   |
| Total comprehensive loss for the year                   | <b>(13,185,261)</b> | <b>(10,774,224)</b> |
| <b>Financial position of parent entity at year end</b>  |                     |                     |
| Current assets                                          | 134,883             | 645,740             |
| Total assets                                            | <b>370,573</b>      | <b>7,770,200</b>    |
| Current liabilities                                     | (5,913,915)         | (360,079)           |
| Total liabilities                                       | <b>(5,919,323)</b>  | <b>(4,182,580)</b>  |
| <b>Total equity of the parent entity comprising of:</b> |                     |                     |
| Share capital                                           | 48,076,797          | 44,189,044          |
| Unissued capital                                        | 1,278,761           | 1,278,761           |
| Reserves                                                | 6,100,219           | 5,939,081           |
| Accumulated losses                                      | (61,004,527)        | (47,819,266)        |
| <b>Total equity (deficiency)</b>                        | <b>(5,548,750)</b>  | <b>3,587,620</b>    |

## 7.9 Auditors' Remuneration

|                                       | 2024<br>\$    | 2023<br>\$    |
|---------------------------------------|---------------|---------------|
| <b>HLB Mann Judd:</b>                 |               |               |
| Audit and review of financial reports | 85,862        | 79,693        |
| Non-audit services                    | -             | -             |
| <b>TOTAL AUDITORS' REMUNERATION</b>   | <b>85,862</b> | <b>79,693</b> |

## Consolidated Entity Disclosure Statement

Set out below is relevant information relating to entities that are consolidated in the consolidated financial statements at the end of the financial year as required by the *Corporations Act 2001* (s.295(3A)(a)).

**For the year ended 30 June 2024**

| Entity Name                                | Body corporate, partnership or trust | Place incorporated/formed | Proportion of ownership interest and voting power held by the Company % | Australian or foreign tax resident | Jurisdiction for foreign tax resident |
|--------------------------------------------|--------------------------------------|---------------------------|-------------------------------------------------------------------------|------------------------------------|---------------------------------------|
| Harvest Technology Group Ltd (the Company) | Body corporate                       | Australia                 | NA                                                                      | Australian                         | NA                                    |
| Harvest Technology Pty Ltd                 | Body corporate                       | Australia                 | 100                                                                     | Australian                         | NA                                    |
| Harvest Infinity Pty Ltd                   | Body corporate                       | Australia                 | 100                                                                     | Australian                         | NA                                    |
| Opsivity, Inc.                             | Body corporate                       | United States             | 100                                                                     | Foreign                            | United States                         |
| Harvest Technology (UK) Ltd                | Body corporate                       | United Kingdom            | 100                                                                     | Foreign                            | United Kingdom                        |
| Harvest Defence Pty Ltd                    | Body corporate                       | Australia                 | 100                                                                     | Australian                         | NA                                    |
| Shark Attack Mitigation Systems Pty Ltd    | Body corporate                       | Australia                 | 100                                                                     | Australian                         | NA                                    |
| Clever Buoy Australia Pty Ltd              | Body corporate                       | Australia                 | 100                                                                     | Australian                         | NA                                    |

### Key assumptions and judgments

Section 295 (3A) of the *Corporation Act 2001* requires that the tax residency of each entity which is included in the Consolidated Entity Disclosure Statement (CEDS) be disclosed. In the context of an entity which was an Australian resident, "Australian resident" has the meaning provided in the *Income Tax Assessment Act 1997*. The determination of tax residency involves judgement as the determination of tax residency is highly fact dependent and there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

#### Australian tax residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Commission of Taxation's public guidance in *Tax Ruling TR2018/5*.

#### Foreign tax residency

The consolidated entity has applied current legislation and where available judicial precedent in determination of foreign tax residency.

## Directors' Declaration

1. In the opinion of the Directors of Harvest Technology Group Limited (the "Group"):
  - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year then ended;
    - (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements; and
    - (iii) the consolidated entity disclosure statement as at 30 June 2024 is true and correct.
  - b. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
  - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2024.

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



**JEFFERY SENGELMAN** Chair

Dated 30 September 2024



# Independent Auditor's Report



**INDEPENDENT AUDITOR'S REPORT**

To the Members of Harvest Technology Group Limited

**Report on the Audit of the Financial Report***Opinion*

We have audited the financial report of Harvest Technology Group Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Material Uncertainty Related to Going Concern*

We draw attention to Note 1.8 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 opinion is not modified in respect of this matter.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue Recognition</b><br>Refer to Note 2.2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p>The group generated revenue from operations of \$2,649,497. The Group predominately generates revenue through sale of hardware, hire of hardware products, software licence subscription fees and the provision of services.</p> <p>In accordance with AASB 15 <i>Revenue from Contracts with Customers</i>, revenue is recognised when the performance obligations attached to the contract have been met.</p> <p>We focussed on this area as a key audit matter due to the presumption of risk over revenue recognition as prescribed by the Australian Auditing Standards Board. Consequently, this area has been subject to significant audit procedures.</p> | <p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>- We reviewed the Group's accounting policy with regards to the recognition of revenue and insured that it was in compliance with AASB 15;</li> <li>- We reviewed the calculations of revenue received in advance;</li> <li>- We selected a sample of revenue transactions and agreed the transaction to the underlying support including contracts where relevant;</li> <li>- We performed cut-off testing to ensure that revenue was recognised in the correct period;</li> <li>- We assessed the adequacy of the Group's disclosures in respect of revenue.</li> </ul> |

#### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of:

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- (c) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- (d) the consolidated entity disclosure statement that is true and correct and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **REPORT ON THE REMUNERATION REPORT**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the Directors' Report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Harvest Technology Group Limited for the year ended 30 June 2024 complies with Section 300A of the *Corporations Act 2001*.

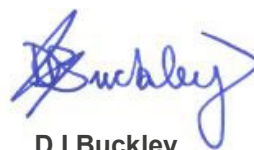
### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**HLB Mann Judd**  
Chartered Accountants

**Perth, Western Australia**  
**30 September 2024**



**D I Buckley**  
Partner

# Corporate Directory

## **Directors**

Jeffery Sengelman

Ilario Faenza

Marcus Machin

Ross McKinnon

## **Secretary**

Jack Rosagro

## **Registered, Principal Office and Postal Address**

7 Turner Avenue, Technology Park

Bentley 6102 Western Australia

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

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

Telephone: +61 8 6370 6370

## **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 17, 221 St Georges Terrace

Perth WA 6000

Telephone: +61 1300 552 270

## **ASX Code**

Shares: HTG

## **Legal Form of Entity**

Public company

## **Country of Incorporation and Domicile**

Australia