Results for announcement to the market

30 August 2019

Appendix 4D for the half year ended 30 June 2019

Invigor Group Limited (ASX: IVO) is pleased to report its financial results for the Company and its controlled entities (together the Consolidated Entity) for the half year ended 30 June 2019. The results are extracted from the accompanying Half Year Financial Report which has been reviewed by the Company's auditor. The principal activity of the Consolidated Entity is a B2B data intelligence and solutions company that turns data analytics into value for the retail and service industries.

Extracted from the 30 June 2019 Half Year Financial Report	**Six months to 30 June 2019** **$A'000**	**Six months to 30 June 2018** $A'000	**Change** %
Revenue from ordinary activities[1]	**2,344**	1,818	29%
Earnings before interest, tax, impairment, depreciation and amortisation ('EBITDAI')[1]	**(1,641)**	(1,236)	-33%
Net profit (loss) from ordinary activities after tax attributable to members[1]	**(8,886)**	(2,792)	-218%
Net profit (loss) after tax attributable to members	**(8,886)**	(3,604)	-147%

[1] *'Revenue from ordinary activities', 'EBITDAI' and 'Net profit (loss) from ordinary activities after tax attributable to members' represents continuing operations only.*

Commentary on results

- Revenue from sales, licence fees and services from continuing operations from the core Loyalty and Pricing divisions for the half was approximately $621,000, up 10% on the $564,000 booked in the corresponding half of 2018;
- $633,000 of revenue was booked from TillerStack Field Force Management, up on the $123,000 booked for two months in 2018;
- Other income of $1.1m included R&D tax rebates of $1.0 million (2018: $1.1 million);
- A net loss before financing costs, tax, depreciation, amortisation and impairment (EBITDAI) from continuing operations of $1.6 million (2018: $1.2 million loss);
- Comparable interest and borrowing costs incurred on convertible note and debt facilities of $595,000 (2018: $557,000); and
- A decision by the Company to no longer capitalise software development and to write off all remaining goodwill and capitalised development ($6.65 million). In particular:
    - impairment of goodwill and intangibles of $4,727,000, refer to note 10 for additional details; and
    - higher amortisation charge (expense) of $1,923,000 (2018: $999,000) due to a change in amortisation periods in the prior year.

Please refer to the accompanying 30 June 2019 Half Year Financial Report and results announcement for further information.

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Dividends for the period ended 30 June 2019

No interim dividend has been declared or proposed (2018 – $nil).

Net Tangible Assets (Liabilities) per Share

	30 June 2019[1] $A	30 June 2018[2] $A
Net assets (liabilities) per share	(0.004)	0.001
Less: Intangible assets per share	-	(0.009)
Net tangible assets (liabilities) per share	(0.004)	(0.008)

1 Based on 2,857,437,562 issued ordinary shares at 30 June 2019.

2 Based on 1,250,977,883 issued ordinary shares at 30 June 2018.

Details of entities over which control has been gained or lost during the period

As announced in May 2019, Invigor acquired the business and assets of Sun Asia Group Pty Limited ("Sun Asia"). Sun Asia is an Australian produce company set up by experienced agribusiness and financial services executive Geoff Shannon. No legal entity, or share capital, was purchased as part of this transaction.

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The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the accompanying 30 June 2019 Half Year Financial Report and results announcement released today. These documents should be read in conjunction with each other document.

Review status

The Auditor's review report on the Half Year Financial Report contains an emphasis of matter on the use of key estimates and judgements, and a material uncertainty paragraph relating to the preparation of the financial statements on a going concern basis.

Second half outlook

As a result of the initiatives undertaken in the half (refer to page 13 for more details), Invigor is now well-placed to establish itself as an Australasian-focused e-commerce business underpinned by market-leading analytics, loyalty and payments technology. The integration of Sun Asia Group and the ongoing build-out of operations in Asia with Winning Group is creating an integrated platform for Australian products to be promoted and sold at scale to Asian consumers. The integration of loyalty and analytics technology into established payments platforms provides another channel for growth.

With the ongoing support of the major shareholders and funding partners, Invigor is now actively assessing a number of promising avenues that will transform the Company into a focused revenue-generating Australasian e-commerce business.

For further information, please contact:

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About Invigor Group Limited

Invigor Group (ASX: IVO) is a B2B data intelligence and solutions company that turns data analytics into dollars for the retail and service industries. Invigor's innovation in owned retail platforms and unique cross-channel data ecosystem allows businesses to have a holistic view of their customers and competitive landscape to not only understand, but effectively engage with today's physical and digital consumers. Combined with proprietary data and predictive engines, Invigor Group provides strategic insights and recommendations that empower businesses to successfully influence future customer strategy and increase long-term profitability.

INVIGOR GROUP LIMITED

ACN 081 368 274

HALF YEAR FINANCIAL REPORT

PERIOD ENDED 30 JUNE 2019

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DIRECTORS' REPORT

The Directors present their report together with the financial report of the Consolidated Entity comprising Invigor Group Limited ("the Company" or "Invigor") and its controlled entities (together "the Consolidated Entity") for the half year ended 30 June 2019 and the Auditor's report thereon.

Directors
The Directors of the Company at any time during or since the end of the reporting period were:

Directors	Appointed
Gary Cohen – appointed Chairman on 18 June 2019	19 July 2012
Roger Clifford	18 November 2015
Gregory Cohen	19 July 2012
Jeremy Morgan	2 March 2016
Robert McKinnon (Chairman) – resigned as Director on 18 June 2019	3 July 2017
Jack Hanrahan	3 July 2017
Claire Mula – resigned as Director on 31 May 2019	3 July 2017

Principal Activity
The principal activity of the Consolidated Entity is a B2B data intelligence and solutions company that turns data analytics into dollars for the retail and service industries. Refer to product offering section for more details.

Significant Changes in the State of Affairs
As announced in May 2019, Invigor acquired the business and assets of Sun Asia Group Pty Limited ("Sun Asia"). Sun Asia is an Australian produce company set up by experienced agribusiness and financial services executive Geoff Shannon. Sun Asia has a number of established relationships with dozens of farms in Australia. Sun Asia's business comprises of Sun Asia's brand name, intellectual property, relationships, know-how and key staff, in particular Geoff Shannon and Suzanne Bennet. The Sun Asia business is in the process of being integrated into a new Smart Farm division, which complements the existing relationships Invigor has throughout Asia. Refer to note 5 for further details of the acquisition.

The Company has also recently announced the launch of WeWine to promote wine sales from the cellar door to local and international Chinese visitors utilising the WeChat pay platform.

In addition to the Sun Asia acquisition, the Company has continued operating as a digital solutions group during the financial period. There has been positive progress made with the partnership with Tencent partner Winning Group, which was completed in late 2018, including the deployment of WeChat Pay into over 42 merchants in Singapore. In addition, the Company has secured a major fashion retailer, Club 21, with over 50 retail stores in Singapore, and deployment into these stores is expected to be completed in the second half of 2019.

The business activities have been funded by the raising of new equity and drawing on available debt facilities. Details are provided throughout this Directors' Report.

There were no other significant changes in the affairs of the Consolidated Entity during the financial period.

Operating and Financial Review

Result for the period
The net loss after tax of the Consolidated Entity for the half year ended 30 June 2019 was $8.9 million (30 June 2018: $3.6 million loss, including discontinued operations). The net loss before financing costs, tax, depreciation, amortisation and impairment (EBITDAI) was $1.6 million (30 June 2018: $1.2 million loss).

The result reflects:
- A decision by the Company to no longer capitalise software development and to write off all remaining goodwill and capitalised development ($6.65 million). In particular:

  - impairment of goodwill and intangibles of $4,727,000, refer to note 10 for additional details; and
  - higher amortisation charge (expense) of $1,923,000 (2018: $999,000) due to a change in amortisation periods in the prior year.
- increase in revenue from sales, licence fees and services from continuing operations for the period to $1.3 million (2018 excluding Condat discontinued operations: $0.7 million); and
- comparable interest and borrowing costs incurred on convertible note and debt facilities of $595,000 (2018: $557,000).

Product offerings
The Company's product offerings include:
- Data intelligence and analytics
- Smart Farm (Sun Asia) and WeWine
- TillerStack (Germany)

Each of these are described below.

<u>Data Intelligence and Analytics</u>
The Group's Australian and South-East Asian business is focused on two major complementary product suites within Data Intelligence and Analytics being Loyalty and Pricing. The business plan is to use the complementary suite of big data products to source, aggregate, analyse and publish insights and content for the benefit of businesses and consumers. The interconnected data sets enable enterprise clients including retailers, brands and shopping centres to better understand the market, competitors and shoppers, and effectively engage with them in order to increase sales, margin and profit. Using its current products and a pipeline of additional offerings, the Group will have the ability to provide an end-to-end solution spanning sales, product management, business intelligence, marketing, advertising, content creation and distribution, while monetising each step of the process. This division has the following main products:

Loyalty
Invigor's Loyalty solution uses complex data sets (such as transaction and customer data as well as competitive pricing and promotion data) and artificial intelligence to provide strategic insights and loyalty solutions to commerce-based business, improving key drivers of sales, profit and customer value.

Loyalty has a range of products that help B2C businesses understand their customers and influence their journeys, increase spend and lifetime value. Invigor works with partners such as payments providers to deliver Loyalty solutions to Merchants as a value-added premium service. Loyalty products include: Campaign & Rewards, Shopper Insights, Payment Partnerships and Visitor.

Campaign & Rewards provides insights on customer behaviour and enables improvement of key metrics such as store visits, spend and loyalty through more targeted, digitised engagement like promotions, offers, loyalty programs and personalized messaging.

Shopper Insights utilises artificial intelligence and machine learning to enable commerce-based customers to identify, retain and acquire more valuable customers, improve promotional efficiency and product assortment as well as making the most of dynamic recommendations to improve sales, customer lifetime value and maximise investments in marketing, merchandising and customer strategy.

Payment Partnerships leverage Invigor's loyalty technology and retail expertise to provide valuable shopping behaviour data and insights, offering next-level customer engagement. Invigor combines its advanced loyalty technology with payment platforms intelligence (WeChat Pay for instance) in order to maximise retailers and merchants' capabilities to understand, identify and engage the right customers at the right moment of their shopping journey via membership programs, official accounts, targeted advertising and store campaigns.

Visitor supercharges existing WiFi networks, enables them to become powerful tools to collect, analyse and understand customer and visitor behaviour.

Pricing

Invigor's Pricing solution provides visibility into competitor's pricing and promotions to help customers develop successful strategies and make better repricing and investment decisions that improve sales, volume and margin. Invigor is able to deliver near real-time data at a granular product level through a variety of tools which include dashboards, alerts, reports, data feeds to consumer brands, retailers, government organisations and data partners.

In partnership with Neal Analytics, a Microsoft Gold Partner, Invigor delivers sophisticated models and predictive recommendations to optimise promotional effectiveness and product assortment.

Smart Farm (Sun Asia)

As previously described, Sun Asia brings an existing supply chain from Australian farm gate to Invigor's technology platform which includes Invigor's partnership with Winning Group in Asia. This will allow the direct sourcing and subsequent sale of quality Australian grown produce.

Subsequent to period end, the Company also announced the establishment of a Wine Sales Platform, through WeChat Pay, for Chinese consumers. This will leverage the Smart Farm strategy, and use the partnership with Winning Group to enable wine producers to access Chinese consumers in Australia and China.

TillerStack: Field Service Solution

Invigor, through a wholly owned subsidiary TillerStack GmbH, currently operates an established integrated field force management solution for companies with mobile staff in service and maintenance. This solution is known as Skyware.

Skyware allows companies to seamlessly manage their mobile workforce. It optimises technical, field workflow, increases customer satisfaction through AI and provides dispatchers and mobile workers with an intuitive interface for all directives.

The directors are pleased with the progress being made with each of these product sets.

Funding

The Company raised $0.25 million in January 2019 on the completion of a Share Purchase Plan. A further, $0.8 million was raised in April and May 2019 from the issue of new shares. $0.5 million was raised in June 2019 from the issue of convertible notes.

$2.3 million has been drawn from new and existing loan facilities in the period and $1.7 million of loan repayments have been made in the period. Refer to note 12 for further details. On 1 May 2019, the loan facility with Marcel was extended to $4.0 million, and is available until 31 December 2019.

Subsequent to period end, the Marcel loan facility was extended to $5.0 million and is available until 31 December 2020. An additional $0.5 million has been drawn against the loan since 30 June 2019.

Dividends

No final dividend for the 2018 financial year was proposed or declared. No interim dividend has been proposed or declared for the period ended 30 June 2019. A dividend reinvestment plan has not been activated.

Seasonality of operations

The Company's operations are not considered to be seasonal in nature.

New accounting standards implemented

The Group has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases has not had a material impact on the Consolidated Entity, and no restatement of comparatives was required. Further details are included in note 1(i).

Events subsequent to reporting date

Subsequent to reporting date, the Company has negotiated and agreed the extension of $2.7 million of loan facilities with sophisticated investors to 31 December 2019. Refer to note 12 for additional details. The Company has also negotiated a restructuring with a lender Partners For Growth (PFG), which includes a $1.0 million repayment funded by Marcel Equity (or a related party), and repayment of the loan balance of $250,000 by February 2020.

On 19 August 2019, the Company announced that a dispute has arisen between a former convertible note holder Raus Capital Fund Limited ('Raus'), and the Company regarding the conversion of its $500,000 note in December 2018. Raus has issued a statutory demand on the Company for $500,000 based their claims, which was affirmed by the Supreme Court. The Company has appealed the decision, and the Defence to the Company seeking to extend the statutory demand to after an Appeal has been granted, so the time period has been extended to after the Appeal.

On 26 August 2019, the Company provided notice of a General Meeting of shareholders to be held on 26 September 2019. A number of matters are to be voted on, including a proposed share consolidation of all equity instruments in the ratio of 20:1.

On 27 August 2019, the Company extended the Marcel Equity loan agreement to a maximum facility of $5.0 million, extended to 31 December 2020.

The directors are not aware of any other matter or circumstance that has occurred since the end of the financial period that has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial periods.

Prospects
The Company is looking to leverage both existing and new partnerships to drive further growth across all business units. The Company expects to announce a number of key partnerships and contracts with market leading organisations that will significantly underpin the revenue growth over the next 12 months.

The Company expects implementation of its business strategy to deliver improved financial results.

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001
The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' Report for the period ended 30 June 2019.

Rounding off
In accordance with the *Australian and Securities Investments Commissions Corporation (Rounding in Financial/Directors Reports) Instrument 2016/191*, values are rounded to the nearest thousand dollars unless otherwise stated. Amounts less than $100 are rounded to zero.

Outlook
As a result of the initiatives undertaken in the half (refer to page 13 for more details), Invigor is now well-placed to establish itself as an Australasian-focused e-commerce business underpinned by market-leading analytics, loyalty and payments technology. The integration of Sun Asia Group and the ongoing build-out of operations in Asia with Winning Group is creating an integrated platform for Australian products to be promoted and sold at scale to Asian consumers. The integration of loyalty and analytics technology into established payments platforms provides another channel for growth.

With the ongoing support of the major shareholders and funding partners, Invigor is now actively assessing a number of promising avenues that will transform the Company into a focused revenue-generating Australasian e-commerce business.

This report is made in accordance with a resolution of the Directors.

Gary Cohen
Chairman and CEO

Gregory Cohen
Director and CFO

Dated at Sydney this 30th day of August 2019

MOORE STEPHENS

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AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF INVIGOR GROUP LIMITED

I declare that, to the best of my knowledge and belief, during the half year ended 30 June 2019, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

Moore Stephens

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

30 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	30 June 2019 $'000	30 June 2018 $'000
Continuing operations			
Revenue	3	1,254	687
Other revenue/income		1,090	1,131
Total revenue/income		**2,344**	**1,818**
Employee benefits expense		(2,744)	(1,758)
Professional fees		(281)	(501)
Other operating costs		(990)	(847)
Profit (Loss) from Joint Venture		30	52
Total (loss) before financing costs, tax, impairment, depreciation and amortisation		**(1,641)**	**(1,236)**
Impairment of goodwill and intangible assets		(4,727)	-
Depreciation and amortisation		(1,923)	(999)
Total (loss) before financing costs and tax		**(8,291)**	**(2,235)**
Financing costs incurred		(595)	(557)
(Loss) before income tax		**(8,886)**	**(2,792)**
Income tax benefit (expense)		-	-
(Loss) for the period from continuing operations		**(8,886)**	**(2,792)**
Discontinued operations			
Profit (loss) from discontinued operations, net of tax	4	-	(812)
(Loss) for the period		**(8,886)**	**(3,604)**
Other comprehensive income		(36)	(99)
Total comprehensive (loss) for the period		**(8,922)**	**(3,703)**
Earnings per share		**Cents**	**Cents**
Basic earnings (loss) per share attributable to ordinary equity holders		(0.34)	(0.31)
Diluted earnings (loss) per share attributable to ordinary equity holders		(0.34)	(0.31)
Earnings per share – continuing operations		**Cents**	**Cents**
Basic earnings (loss) per share attributable to ordinary equity holders		(0.34)	(0.24)
Diluted earnings (loss) per share attributable to ordinary equity holders		(0.34)	(0.24)

The above Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2019 $'000	31 December 2018 $'000
CURRENT ASSETS			
Cash and cash equivalents	6	1	155
Trade and other receivables	7	1,480	964
Total Current Assets		1,481	1,119
NON-CURRENT ASSETS			
Property, plant and equipment		25	11
Investments accounted for using the equity method		25	30
Intangible assets	10	-	6,015
Total Non-Current Assets		50	6,056
TOTAL ASSETS		**1,531**	**7,175**
CURRENT LIABILITIES			
Cash and cash equivalents	6	80	-
Other creditors and accruals	11	3,220	2,281
Interest bearing loans and borrowings	12	8,499	7,227
Provisions		280	246
Total Current Liabilities		12,079	9,754
NON-CURRENT LIABILITIES			
Provisions		22	8
Total Non-Current Liabilities		22	8
TOTAL LIABILITIES		**12,101**	**9,762**
NET ASSETS (LIABILITIES)		**(10,570)**	**(2,587)**
EQUITY			
Issued capital	13	154,561	153,575
Reserves	14	2,679	2,762
Accumulated losses		(167,810)	(158,924)
TOTAL EQUITY		**(10,570)**	**(2,587)**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	30 June 2019 $'000	30 June 2018[1] $'000
Cash flows from operating activities			
Receipts from customers		1,833	2,908
Payments to suppliers and employees		(3,877)	(6,119)
Other income received		27	-
Net cash from (used in) operating activities		**(2,017)**	**(3,211)**
Cash flows from investing activities			
Disposal of discontinued operations, net of cash disposed	4	195	2,379
Payments for acquisition of business operations, net of cash acquired	5	(250)	-
Proceeds from sale of assets		77	-
Loans (to)/repaid from equity investments		34	-
Proceeds from claims receivable		-	56
Net cash from (used in) investing activities		**56**	**2,435**
Cash flows from financing activities			
Proceeds from the issue of shares and options		782	150
Proceeds from the exercise of share options		-	992
Proceeds issue of convertible notes		500	-
Proceeds from borrowings		2,319	2,426
Repayment of borrowings and redemption of convertible notes		(1,671)	(2,710)
Borrowing costs paid		(171)	(497)
Payment of capital raising costs		(32)	(19)
Net cash flow from (used in) financing activities		**1,727**	**342**
Net increase (decrease) in cash and cash equivalents		(234)	(434)
Cash and cash equivalents at 1 January		155	511
Cash and cash equivalents at 30 June	6	**(79)**	**77**

[1] Including discontinued operations, refer to note 4.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated	Issued Capital $'000	Accumulated Losses $'000	Reserves $'000	Total $'000
Balance at 1 January 2019	**153,575**	**(158,924)**	**2,762**	**(2,587)**
Profit (loss) for the period	-	(8,886)	-	(8,886)
Foreign currency translation reserve	-	-	(36)	(36)
Total comprehensive income (loss)	-	(8,886)	(36)	(8,922)
Transactions with owners in their capacity as owners:				
Issue of shares	1,067	-	-	1,067
Shares not yet issued reserve	-	-	(237)	(237)
Share based payments reserve	-	-	134	134
Options reserve	-	-	56	56
Capital raising costs reversed (incurred)	(81)	-	-	(81)
Balance at 30 June 2019	**154,561**	**(167,810)**	**2,679**	**(10,570)**
Balance at 1 January 2018	**146,582**	**(146,590)**	**3,464**	**3,456**
Profit (loss) for the period	-	(3,604)	-	(3,604)
Foreign currency translation reserve	-	-	(99)	(99)
Total comprehensive income (loss)	-	(3,604)	(99)	(3,703)
Transactions with owners in their capacity as owners:				
Issue of shares	2,060	-	-	2,060
Shares not yet issued reserve	-	-	(909)	(909)
Share based payments reserve	-	-	47	47
Options reserve	-	-	1	1
Capital raising costs reversed (incurred)	(21)	-	-	(21)
Balance at 30 June 2018	**148,621**	**(150,194)**	**2,504**	**931**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

NOTES TO THE HALF-YEAR FINANCIAL REPORT

1. Significant accounting policies

(a) Reporting entity

Invigor Group Limited is a limited liability company incorporated and domiciled in Australia.

This condensed consolidated interim financial report ("half-year financial report") as at and for the six months ended 30 June 2019 comprises Invigor Group Limited ("the Company" or "Invigor"), its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interests in associates and jointly controlled entities.

(b) Basis of preparation

This half-year financial report is a general-purpose financial report which has been prepared in accordance with AASB134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 *Interim Financial Reporting.*

This half-year financial report does not include all of the information required for a full annual financial report. Accordingly, this report is to be read in conjunction with the 31 December 2018 consolidated financial report and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The half-year financial report was approved by the Board of Directors on 30 August 2019.

In accordance with the Australian and Securities Investments Commissions Corporation (Rounding in Financial/Directors Reports) Instrument 2016/191, values are rounded to the nearest thousand dollars unless otherwise stated. Amounts less than $100 are rounded to zero.

(c) Accounting policies

The accounting policies applied by the Consolidated Entity in this half-year financial report are the same as those applied by the Consolidated Entity in its 31 December 2018 consolidated financial report. They have been consistently applied by each entity in the Consolidated Entity for all periods presented, unless otherwise stated. The Group had to change its accounting policies as a result of adopting AASB 16 Leases. The impact of the adoption of this Standard and the respective accounting policies is disclosed in Note 1(i).

(d) Use of estimates and judgements

The preparation of the consolidated half-year financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the remainder of this financial year and the next financial year are the measurement of Receivables (Note 7), Income Tax losses (Note 9), Intangible assets (Note 10) and Interest-bearing loans and borrowings (Note 12).

(e) Preparation of financial statements on the going concern basis

The consolidated financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

During the half-year ended 30 June 2019 the Group incurred a net loss of $8.9 million (2018: $3.6 million including discontinued operations), had net cash outflows from operating activities of $2.0 million (2018: $3.2 million), and at that date the Group's current liabilities exceed its current assets by $10.6 million (Dec 2018: $8.6 million).

In determining that the going concern basis is appropriate, the directors have had regard to:

- The agreement and support from the Company's funders and major shareholders to extend facilities as required. This includes confirmation received in writing from the group's core shareholders to extend the current terms of financing facilities available beyond the periods stated in the financial report (total drawn facilities at 30 June 2019 - $6.5m). The company is in active discussions with all core shareholders to restructure all the debt of the company to improve the balance sheet and debt position.
- The continued support of Marcel Equity. Marcel Equity has expressed strong support for the Company, including extending of facility in August 2019 to $5.0 million as per note 12, and has the ability to continue to support additional funding requirements in the near term.
- It is the Company's intention to undertake capital raisings to fund growth and to capitalise on strategic opportunities, the Directors are confident of being able to raise enough capital to provide sufficient working capital to the Group to allow it to continue to strive to meet its objectives;
- The consequential planned disposal of non-core assets as a result of this Strategy.
- The successful integration of Sun Asia Group into the Company as announced on 29 May 2019. It is forecast that the integration of Sun Asia will contribute positive cash flows to the Company; and
- The Company expects significant growth of transaction revenue streams from the provision of merchant services (e.g. transaction fees, loyalty programs and advertising commissions for payment platforms, including WeChat Pay), across our participating markets over the short term.

The Company's ability to continue to operate as a going concern is dependent upon the items listed above. Should these events not occur as anticipated, the Company is unlikely be able to pursue its business objectives and will have difficulty continuing to operate as a going concern, including realising its assets and extinguishing its liabilities at the amounts shown in the financial statements.

(f) Research and development expenditure

Research expenditure is expensed as incurred.

Development expenditure incurred on projects may be capitalised if the product or service is technically feasible, adequate resources are available to complete the projects, it is probable that future economic benefits will be generated and expenditure attributable to a project can be reliably measured. Expenditure capitalised comprises the direct costs of services, direct labour and an appropriate portion of overheads. Other development costs are expensed when they are incurred. Capitalised development expenditure, if any, is stated at cost less accumulated amortisation and any impairment losses and amortised over the period of expected future sales from the related projects, which is generally no more than three years. Capitalised development expenditure is reviewed at least annually for impairment. At 30 June 2019, the Board reviewed the policy and determined that development expenditure will not be capitalised while the Company has negative cashflow from the related operating activities. As a result, the balance of previously capitalised development expenditure was fully impaired at 30 June 2019.

(g) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Financial assets are recognised when the rights to receive cash flows and the risks and rewards of ownership are transferred to the Consolidated Entity. Financial assets are derecognised when the rights to receive cash flows from these assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

Financial liabilities are recognised if the Consolidated Entity becomes a party to the contractual provisions of a financial instrument. Financial liabilities are derecognised if the Consolidated Entity's obligations specified in the contract expire or are discharged or cancelled. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value though profit or loss, any directly attributable transaction costs, except as described below.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Purchases of investments are recognised when the Consolidated Entity is entitled to the risks and rewards of ownership. This is usually on settlement date, being the date on which the asset is delivered to the Consolidated Entity. Sales of investments are recognised when the Consolidated Entity is unconditionally committed to sell the asset and the risks and rewards of ownership have been substantially transferred by the Consolidated Entity.

The Consolidated Entity classifies its investments as either loans and receivables at amortised cost or financial assets through profit or loss. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Consolidated Entity provides money, goods or services directly to a debtor with no intention of selling the receivable. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest method, less allowance for impairment, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in the income statement in interest income. Losses arising from any impairment of such loans and advances are recognised in the income statement.

Financial assets at fair value through profit or loss
An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition or subsequently re-designated in compliance with accounting standards. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial instruments are designated at fair value through profit or loss if the Consolidated Entity manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. Attributable transaction costs are recognised in profit or loss when incurred. Financial instruments that are classified as at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management strategy are reported within liabilities in the balance sheet, but included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

<u>Impairment</u>
The Consolidated Entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is considered to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment includes observable data that indicates that there is a measurable decrease in the future cash flows expected to be received.

Loans and receivables
For loans and receivables carried at amortised cost, the Consolidated Entity first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Consolidated Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets

with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Financial assets at fair value through profit or loss
For financial assets at fair value through profit and loss, the Consolidated Entity assesses at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

(h) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Consolidated Entity's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Any goodwill on acquisitions of associates or jointly controlled entities is included in investments in associates or jointly controlled entities where the equity method is adopted. Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Identifiable intangible assets

The useful lives of separately identified intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets other than goodwill which is not amortised. Other intangible assets are amortised from the date they are available for use. The useful lives of intangible assets are reviewed, and adjusted if appropriate, at each balance date. The estimated useful life of software and technology intangible assets is three years.

(i) Leases

This note describes the nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

Policy

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie leases with a remaining term of 12 months or less) and leases of low value assets are recognised as operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability is as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement day and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Initial application

The Group has adopted AASB 16: Leases retrospectively from 1 January 2019. In accordance with AASB 16.C7 the comparatives for the 2018 reporting period have not been restated. The Group has recognised a lease liability and right-of-use asset for all leases recognised as operating leases under AASB 117: Leases where the Group is the lessee.

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- Leases that have remaining lease term of less than 12 months as at 1 January 2019 have been accounted for in the same was as short-term leases.
- The use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- Applying AASB 16 to leases previously identified as leases under AASB 117: *Leases* and Interpretation 4: *Determining whether an arrangement contains a lease* without reassessing whether they are, or contain, a lease at the date of initial application.
- Not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The operating lease commitments of the Group at 31 December 2018 were $102,000. As these commitments relate to short term leases, no lease liability has been recognised on adoption of AASB 16.

2. Segment reporting

The Consolidated Entity has adopted AASB 8 Operating Segments whereby segment information is presented using a ‘management approach’. That is, segment information is provided on the same basis as information used for management reporting purposes by the chief operating decision maker. The chief operating decision maker is considered to the Board of Directors.

The Consolidated Entity has identified TillerStack GmbH and Australia & South-East Asia as separately identifiable operating segments. TillerStack GmbH previously formed part of the Condat AG segment (Condat AG was disposed in May 2018), and has been considered a separately identified segment from 1 May 2018.

The TillerStack GmbH (and Condat AG) segments operate primarily in Germany. The Australia & South-East Asia segment operates primarily in Australia and Singapore.

a) Segment results

Half-year ended 30 June 2019	**TillerStack GmbH $'000**	**Condat AG (discontinued) $'000**	**Australia & SE Asia $000**	**Consolidated Total $'000**
Revenue from external customers	633	-	621	1,254
Other revenue/income[1]	-	-	1,090	1,090
Total segment revenue/income	**633**	**-**	**1,711**	**2,344**
EBITDA (before impairment)	(153)	-	(1,488)	(1,641)
Finance costs	(170)	-	(425)	(595)
Depreciation and amortisation	(35)	-	(1,888)	(1,923)
Half-year ended 30 June 2018				
Revenue from external customers	122	2,376	565	3,063
Other revenue/income	-	-	1,131	1,131
Total segment revenue/income	**122**	**2,376**	**1,696**	**4,194**
EBITDA (before impairment)	(101)	187	(1,134)	(1,048)
Finance costs	(63)	(35)	(494)	(592)
Depreciation and amortisation	(18)	(129)	(981)	(1,128)

[1] Other revenue includes the Research & Development Tax Rebate, and profit/recoveries from sale and liquidation of other assets

b) Reconciliation of segment EBITDA to profit (loss) for the period is as follows:

	30 June 2019 $'000	**30 June 2018** $'000
Total EBITDA for reportable segments	**(1,641)**	**(1,048)**
Depreciation and amortisation for reportable segments	(1,923)	(1,128)
Impairment charges for reportable segments	(4,727)	-
Finance costs for reportable segments	(595)	(592)
Elimination of discontinued operations	-	(24)
Income tax benefit (expense)	-	-
(Loss) for the period from continuing operations	**(8,886)**	**(2,792)**

c) Revenue & other income by geographical region

	30 June 2019 $'000	**30 June 2018** $'000
Australia	1,523	1,588
Asia (Singapore, Philippines, Indonesia)	188	108
Germany (including discontinued operations)	633	2,498
Total revenue & other income	**2,344**	**4,194**

The Consolidated Entity has adopted the amendment included in AASB 2009-5. No segment assets or segment liabilities are disclosed as these were not regularly provided to the chief operating decision maker.

3. Revenue from contracts with customers (from continuing operations)

a) Revenue by Product	30 June 2019 $'000	30 June 2018[1] $'000
Pricing (including Spotlite)	289	355
Loyalty (including Visitor)	332	209
TillerStack	633	123
Total revenue from contracts with customers	**1,254**	**687**

b) Disaggregation of revenue	30 June 2019 $'000	30 June 2018 $'000
Licence subscription fees including support services	443	382
Licence and application set up fees	42	16
Project fees	136	166
Sale of customised hardware	101	5
Maintenance and support services	532	118
Total revenue	**1,254**	**687**

c) Timing of revenue recognition	30 June 2019 $'000	30 June 2018 $'000
Services transferred over time	1,017	516
Products and services transferred at a point in time	237	171
Total revenue	**1,254**	**687**

[1] *30 June 2018 balances have been restated to remove discontinued operations. Refer to Note 4.*

4. Discontinued operations – prior year

Condat AG

On 7 May 2018 the Consolidated Entity sold 100% of the issued share capital of its German operating subsidiary Condat AG ("Condat") for €1.8 million ($2,873,000). Prior to the sale, certain assets of Condat relating to the Skyware business were transferred to another subsidiary of the Company (TillerStack GmbH, previously Invigor Germany (Holdings) GmbH).

Condat was not previously classified as held-for-sale or as a discontinued operation. The financial results of Condat for the prior period have been presented as a Discontinued Operation in the financial report.

a) Results of discontinued operation	30 June 2018 $'000
Revenue	2,376
Expenses	(2,352)
Results from operating activities	24
Income tax	-
Results from operating activities, net of tax	24
Gain (loss) on sale of discontinued operation	(662)
Transaction costs relating to discontinued operations	(174)
Income tax on gain (loss) on sale of discontinued operation	-
Profit (loss) for the period	**(812)**
Basic and diluted earnings (loss) per share (cents)	**(0.07)**

b) Cash flows from (used in) discontinued operation	**30 June 2018** $'000
Net cash used in operating activities	(100)
Net cash from Investing activities	(65)
Net cash from financing activities	117
Net cash flow for the period	**(48)**

c) Effect of disposal on the financial position of the Group	**30 June 2019** $000	**30 June 2018** $'000
Intangible assets		1,393
Property, plant and equipment		54
Trade and other receivables		2,222
Cash and cash equivalents		65
Provisions		(90)
Trade and other payables		(2,982)
Net assets and liabilities		**662**
Consideration received, satisfied in cash (June 2019: deferred consideration received)	195	2,444
Cash and cash equivalents disposed of	-	(65)
Net cash inflow	**195**	**2,379**

The loss for the prior period from discontinued operations was attributable entirely to the owners of the Company.

5. Business combinations – Sun Asia

a) Summary of acquisition

On 22 May 2019 the Company signed a binding Heads of Agreement to acquire the business of Sun Asia Group Pty Limited ("Sun Asia"), comprising the IP, the customers and key contracts, the know-how and key staff. Sun Asia has developed relationships with farmers of various produce as well as having its own farms. The Company consider this to be a business combination.

The acquisition is subject to approval from the Company's shareholders for the issue of shares (see details of purchase consideration below). A General Meeting will be held on 26 September 2019 at which the issue of shares is subject to approval.

b) Purchase consideration and cash movements

The acquisition has a potential total consideration of $2 million through the following payments and issue of shares:

- $250,000 in cash, paid on 18 June 2019, and recorded as a deposit at 30 June 2019 (refer note 7)
- $500,000 by the issue of 125 million shares at $0.004, to be issued in September 2019, subject to shareholder approval at a General Meeting to be held on 26 September 2019
- Up to $1.25 million by the issue of 312,500,000 performance shares, subject to growth milestones being achieved up to 31 December 2020.

c) Fair value of net assets acquired

Pending completion of the acquisition (on issue of the 125,000,000 shares described above), the fair value of the consideration will be determined, along with the fair value of assets acquired. At 30 June 2019, the $250,000 deposit paid has been recognised in other receivables, refer to note 7.

6. Cash and cash equivalents

	30 June 2019 $'000	31 December 2018 $'000
Cash at bank and on hand, presented as a current asset	1	155
Bank overdrafts, drawn at period end, presented as a current liability	(80)	-
Cash and cash equivalents per statement of cash flows	**(79)**	**155**

7. Trade and other receivables

	30 June 2019 $'000	31 December 2018 $'000
Trade debtors	164	598
Allowance for expected credit loss	(39)	(39)
Research and development tax rebate	1,011	-
Deposit for business combination (see note 5)	250	-
Sundry debtors and other receivables	15	241
Prepayments	79	164
Current	**1,480**	**964**

8. Dividends

There were no dividends paid or proposed during the period (2018 - $nil). The directors have not proposed the payment of an interim dividend since the period end (2018 - $nil).

9. Income Tax Losses

Based on the most recent Income Tax Return of the consolidated Australian tax group, there are approximately $18.2 million of unused income tax losses, and $45.0 million of unsused capital losses for which no deferred tax asset has been recognised. The potential benefits at 30% is $5.5 million for the income tax losses, and $13.5 million for the capital losses.

The benefit of all tax losses can only be utilised if the requirements of the Income Tax Assessment Act are satisfied at the time the Company seeks to utilise the available losses. This will include the requirement to meet either the continuity of ownership test or the same business test at that time. Deferred tax assets have not been recognised for deductible temporary differences and unused tax losses as it is not presently probable that future taxable amounts will be available to utilise those temporary differences and losses.

10. Intangible assets

	30 June 2019 $'000	31 December 2018 $'000
Software and technology		
Cost (gross carrying amount)	5,552	5,552
Accumulated amortisation	(3,779)	(2,980)
Impairment	(1,773)	-
Net carrying amount	-	2,572
Goodwill		
Cost (gross carrying amount)	5,551	5,551
Impairment	(5,551)	(4,600)
Net carrying amount	-	951
Capitalised development expenditure		
Cost (gross carrying amount)	7,252	6,623
Accumulated amortisation	(5,249)	(4,131)
Impairment	(2,003)	-
Net carrying amount	-	2,492
Total intangible assets		
Cost (gross carrying amount)	18,355	17,726
Accumulated amortisation & impairment	(18,355)	(11,711)
Net carrying amount	**-**	**6,015**

Reconciliation of carrying amounts at the beginning and end of the period:

Software and technology		
Net carrying amount at the beginning of the period	2,572	3,482
Acquisitions through business combinations	-	303
Impairment	(1,773)	-
Amortisation charge	(799)	(1,201)
Disposals	-	(12)
Net carrying amount at the end of the period	-	2,572
Goodwill		
Net carrying amount at the beginning of the period	951	6,696
Impairment	(951)	-
Disposal on sale of subsidiary	-	(5,745)
Net carrying amount at the end of the period	-	951
Capitalised development expenditure		
Net carrying amount at the beginning of the period	2,492	4,636
Additions	629	1,723
Impairment	(2,003)	-
Amortisation charge	(1,118)	(2,453)
Disposals	-	(1,379)
Foreign exchange	-	(35)
Net carrying amount at the end of the period	-	2,492
Total intangibles		
Net carrying amount at the beginning of the period	6,015	14,814
Additions	629	1,723
Acquisitions through business combinations	-	303
Impairment	(4,727)	-
Amortisation charge	(1,917)	(3,654)
Disposals on sale of subsidiary	-	(7,136)
Foreign exchange	-	(35)
Net carrying amount at the end of the period	**-**	**6,015**

Software and technology

An intangible asset is recognised for software and technology owned by the Consolidated Entity. Software and technology acquired under a business combination has been recognised at fair value at acquisition date. Fair value has been established using appropriate analysis and having regard to the relevant contractual terms of the transactions. The software and technology were acquired following completion of the acquisitions of Global Group Australia, Amethon Solutions in 2014 and Invigor Asia (Sprooki) in 2017.

The Software and technology assets are recognised at cost less accumulated amortisation and impairment losses, if any. An impairment expense of $1,773,000 has been recognised at 30 June 2019 following a review of the value in use, and considering the current negative cashflows of the Company

Goodwill

Goodwill is allocated to the Consolidated Entity’s cash generating units (CGUs). At 30 June 2019, the goodwill balance related to the Australia & South-East Asia CGU, comprising the Australian businesses acquired in prior periods (including Invigor Digital Solutions “IDS”) and the Asian Sprooki business acquired in 2017 was fully impaired at 30 June 2019 based on the value in use assessment prepared by the Company. The total impairment expense is $951,000.

The recoverable amount of goodwill was assessed by reference to both fair value less costs to sell and value in use (VIU) methodologies. VIU methodologies were applied consistently with the previous reporting period. Where possible, relevant comparable information is used from an active market and where such information is not readily available a combination of market accepted valuation techniques is used to estimate the amount available from the sale of assets in arm's-length transactions between knowledgeable and willing parties.

Capitalised development expenditure

At 30 June 2019, the Company determined that development expenditure will not be capitalised while the Company has negative cashflow from the related operating activities. As a result, the balance of previously capitalised development expenditure of $2,003,000 was fully impaired at 30 June 2019.

11. Other creditors and accruals

	30 June 2019 $'000	31 December 2018 $'000
Trade creditors	1,106	919
Other creditors and accrued expenses	1,821	1,053
Contract liabilities (Unearned revenue)	293	309
Current	**3,220**	**2,281**

Included in trade creditors are amounts totalling $46,000 (2018: nil) payable at balance date under cost recovery agreements with Marcel Equity Pty Ltd and associated entities. These amounts are unsecured. Included in other creditors and accrued expenses are amounts totalling $305,000 (2018: $156,000) payable at balance date for accrued interest with Marcel Equity Pty Ltd and associated entities, and $75,000 (2018: $47,000) for accrued guarantee fees. These amounts are unsecured.

12. Interest bearing loans and borrowings

	30 June 2019 $'000	31 December 2018 $'000
Unsecured borrowings – convertible notes	1,500	1,000
Unsecured borrowings – loan and overdraft facilities	4,649	3,377
Secured borrowings – loan facilities	2,350	2,850
Current	**8,499**	**7,227**
Non-current	-	-

<u>Current</u>

Unsecured borrowings – convertible notes

Unsecured convertible notes are shown as a current liability at balance date because the note holders held a current right at that date to issue a conversion notice notwithstanding the remaining terms to maturity under the facilities.

2018 Convertible notes issue

During February and March 2018, the Company received a total of $1,000,000 funds from three sophisticated investors as an initial investment in TillerStack (Skyware) with the option of converting to shares in the Company at $0.01. It was subsequently agreed to extend the facility as a Convertible Note in the Company on the terms listed below, subject to shareholder approval, with a right to invest in TillerStack.

The key terms of the facility are:

- Convertible notes on issue at 30 June 2019 – 250,000,000 at $0.004 per share (repriced from $0.007 per share)
- Maturity dates – 7 May 2019, extended to 31 December 2019
- Ranking – unsecured

- Conversion price - the convertible notes may be converted into shares at the conversion price of $0.004 per share or 10-day VWAP at the time on conversion if below $0.004 and subject to a floor price of $0.004 (subject to any adjustment in accordance with the terms and conditions of those notes)
- Interest – 10.0 per cent per annum, payable on maturity
- Fee – extension fee equal to 40 per cent of outstanding interest, payable on maturity
- Redemption – on the maturity date, or at a later date when the noteholder gives a notice requiring redemption, or after the occurrence of a defined event of default.

2019 Convertible Notes issue

On 29 May 2019 the Company issued a Convertible Note and in June received $500,000 of funds from a sophisticated investor. The key terms of the facility are:

- Convertible notes on issue at 30 June 2019 – 100,000,000 at $0.005 per share
- Maturity dates – 29 May 2020
- Ranking – unsecured
- Conversion price - the convertible notes may be converted into shares at the conversion price of $0.005 per share (subject to any adjustment in accordance with the terms and conditions of those notes)
- Interest – 12.0 per cent per annum, payable on quarterly in arrears
- Redemption – on the maturity date, or at a later date when the noteholder gives a notice requiring redemption, or after the occurrence of a defined event of default.

Unsecured borrowings – loan and overdraft facilities

Marcel Equity facility

In February 2016, the Company entered into an interest-bearing short-term loan arrangement with Marcel Equity Pty Ltd (“Marcel”), an entity associated with Gary Cohen and Gregory Cohen (Directors of the Company), under which Marcel will make available up to $700,000 as and when required by the Company, subject to the terms of the loan arrangement. In December 2016, this arrangement was renewed and extended with a drawdown limit of $1,000,000 and was available until 31 March 2018. In September 2017, this arrangement was renewed and extended with a drawdown limit of $2,000,000 and was available until 30 September 2018. On 29 June 2018, this arrangement was renewed and extended with a drawdown limit $2,600,000, and was available until 31 December 2019. On 30 November 2018, this arrangement was renewed and extended with a drawdown limit of $3,000,000, available until 31 December 2019. On 1 May 2019, this arrangement was renewed with a drawdown limit of $4,000,000, available until 31 December 2019. Refer to note 17 for events subsequent to period end.

An amount of $2,671,000 (31 December 2018: $2,588,000) has been drawn as at 30 June 2019. $2,400,000 of borrowings under the facility incur interest at a rate of 10.3% per annum, being a rate equivalent to a bank overdraft facility at the time the arrangement was entered into, and $1,600,000 of borrowings ($600,000 drawn at 30 June 2019) incur interest at a rate of 15% per annum.

Other facilities

On 28 February 2019, the Company entered into a $1,000,000 loan facility with Glowaim Pty Ltd. This facility has been fully drawn at 30 June 2019, and subsequent to reporting date, the repayment date has been extended to 31 December 2019. Interest accrues at 15% pa.

On 26 June 2019, the Company entered into a $500,000 loan facility with a sophisticated investor. This facility has been fully drawn at 30 June 2019, and subsequent to reporting date, the repayment date has been extended to 31 December 2019. Interest accrues at 15% pa.

German facilities

A €120,000 loan facility with an investor/consultant of the Company, Mr. Peter Hermann was repaid in full in May 2019. The amount outstanding at 30 June 2019 is nil, (31 December 2018: €120,000 ($189,000)).

Other loan facilities

On 29 November 2018, the Company entered into a loan facility agreement with Karoo Investment Group Pty Ltd. The lender made available $220,000 which is fully drawn at 30 June 2019, at an interest rate of 15% pa. The loan is repayable by 31 October 2019.

On 31 October 2018, the Company received $300,000 from a sophisticated investor as a convertible note, expiring on 31 December 2018. The convertible note had zero interest, and a $50,000 redemption provision should the note not convert. As the investor had not converted the note as at 31 December 2018, the Company have recognised a $350,000 loan liability. $116,667 of this balance was repaid in January 2019. The balance at 30 June 2019 is $233,333. Subsequent to reporting date, the repayment date has been extended to 31 December 2019. Interest accrues at 20% pa.

Secured borrowings

In December 2018, the Company entered into a new Prepayment Loan Agreement with a Karoo Investment Group Pty Ltd under which the lender has made available a facility in the amount of $1,100,000 at an interest rate 18% p.a. The facility is being used to fund the Company's research and development activities. The facility is fully drawn at 30 June 2019, and is repayable by the earlier of 31 October 2019 or on receipt of the research and development tax rebate amount for the year ended 31 December 2018. Amounts drawn under the facility are secured against the grant receivable.

The Company secured a A$2 million loan facility with Partners for Growth (PFG) in February 2017. Under the terms of the agreement, Partners for Growth's funding was for 2 years at a 10% annual interest rate. On 19 April 2017, the Company issued a warrant over 66.6 million ordinary shares to PFG, exercisable at 3.0 cents per share which expire in 2021. $0.5 million was repaid in February 2019, and a further $0.25 million was repaid in June 2019. Since reporting date, the Company has negotiated a restructuring which includes a $1.0 million repayment funded by Marcel Equity (or a related party), and repayment of the loan balance of $250,000 by February 2020.

The Company issued an additional warrant to PFG over 50,000,000 ordinary shares on 26 April 2019. The warrant is exercisable at 0.4 cents per share and expires after three years.

Credit card facilities relating to the group were drawn to $25,000 at 30 June 2019.

<u>Other overdraft facilities</u>

The Consolidated Entity has a $100,000 interest bearing overdraft facility with National Australia Bank which was drawn to $80,000 at 30 June 2019 (31 December 2018 – fully available). The facility is secured by guarantees provided by entities associated with Gary Cohen and Gregory Cohen.

13. Issued capital and share options

Company	**30 June 2019** Shares	**31 December 2018** Shares	**30 June 2019** $'000	**31 December 2018** $'000
Ordinary shares, fully paid	**2,857,437,562**	**2,537,559,895**	**154,561**	**153,575**

Movement in ordinary share capital **Fully paid shares**				
Balance at the beginning of the period	2,537,559,895	956,720,314	153,575	146,582
Issue of fully paid shares	319,877,667	452,118,998	1,067	2,446
Issue of shares on conversion of Convertible Notes	-	986,832,012	-	3,947
Issue of shares on conversion of Options	-	141,888,571	-	993
Capital raising costs recovered (incurred)	-	-	(81)	(393)
Net balance at end of period	**2,857,437,562**	**2,537,559,895**	**154,561**	**153,575**

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 the amounts paid on the shares held.

During 2019 to date, the Company has issued:

- 55,955,581 ordinary shares on 15 January 2019 to sophisticated investors as part of a share purchase plan;
- 872,086 ordinary shares on 29 March 2019 to vendors on final settlement of the acquisition of Invigor Asia Pte Limited (formerly Sprooki Pte Limited)
- 66,800,000 ordinary shares on 15 April 2019 to a sophisticated investor
- 125,000,000 ordinary shares on 29 May 2019 to a sophisticated investor
- 62,500,000 ordinary shares on 31 May 2019 to sophisticated investors as a bonus issue[1]
- 8,750,000 ordinary shares on 26 June 2019 to a sophisticated investor, payment in lieu of broker fees

[1] The issue of 62,500,000 ordinary shares on 31 May 2019 represented a guarantee to a sophisticate investor, no consideration was received or receivable for the issue.

Warrants

The Company has issued Warrants as approved by Shareholders on 19 April 2017, 23 June 2017 and 26 April 2019 as follows:

- A warrant over 66,666,667 fully paid ordinary shares for an exchange price of 3 cents per share to Partners for Growth IV, L.P. The warrant is for a term of 5 years and expires on 19 April 2022.
- A warrant over 26,666,667 fully paid ordinary shares for an exchange price of 2 cents per share to Allectus Capital Limited. The warrant is for a term of 5 years and expires on 23 June 2022.
- A warrant over 50,000,000 fully paid ordinary shares for an exchange price of 0.4 cents per shares to Partners for Growth IV, L.P. The warrant is for a term of 3 years and expires on 26 April 2022.

Options issued under incentive plans ("Incentive Options")

The Company provides benefits to defined employees of the Consolidated Entity (including executive directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions"). Approved incentive plans for the issue of options to defined employees (including executive directors) ("Plans") are in place. At 30 June 2019, there were 166,183,325 Incentive Options on issue under the Plans (31 December 2018 – 173,183,325). Options on issue under the Plans may have varying vesting dates.

The Company did not issue any ordinary shares to participants in the Plans during the period ended 30 June 2019 upon exercise of Incentive Options as no previously granted options were exercised. The issue of shares upon the exercise of options will be governed by the terms of the relevant plan.

Vesting and exercise period - One-third of the options granted to each of the recipients will vest on each anniversary of the grant date (provided that the recipient remains employed by the Company or unless otherwise approved by the Board). The options are exercisable at any time commencing from the relevant vesting date and ending on the 5th anniversary of the date of grant of the options (i.e. expiry date). The issue of shares upon the exercise of the options will be governed by the terms of the Plans.

Details of Incentive Options on issue under the Plans at 30 June 2019 are shown in the following table:

Date options granted	Expiry Date	Exercise price $	Balance at start of the period #	Issued during the period #	Cancelled or Lapsed during the period #	Exercised during the period #	Balance at end of the period #	Exercisable at end of the period #
17-Sep-14	17-Sep-19	0.10	3,283,328	0	0	0	3,283,328	3,283,328
26-Mar-15	26-Mar-20	0.10	3,166,665	0	0	0	3,166,665	3,166,665
1-Jul-15	1-Jul-20	0.10	6,583,333	0	0	0	6,583,333	6,583,333
29-Jul-15	29-Jul-20	0.10	416,667	0	0	0	416,667	416,667
1-Dec-15	1-Dec-20	0.10	416,665	0	0	0	416,665	416,665
12-Jul-16	12-Jul-21	0.05	2,500,000	0	0	0	2,500,000	2,500,000
20-May-17	20-May-22	0.05	5,816,667	0	0	0	5,816,667	3,933,334
22-Jun-17	22-Jun-22	0.03	1,000,000	0	0	0	1,000,000	666,667
3-Jul-17	3-Jul-22	0.05	2,000,000	0	0	0	2,000,000	666,667
1-Aug-17	1-Aug-22	0.05	2,250,000	0	0	0	2,250,000	750,000
3-Apr-18	3-Apr-23	0.05	750,000	0	0	0	750,000	250,000
4-Dec-18	4-Dec-23	0.01	145,000,000	0	(7,000,000)	0	138,000,000	0
Total			**173,183,325**	**0**	**(7,000,000)**	**0**	**166,183,325**	**22,633,326**

Other Options

The Company has granted options over shares ("Other Options") as part of fee arrangements for capital markets and other services; to non-executive Directors; and to sophisticated investors as detailed in the table below.

Entitlement – one fully paid ordinary share in the Company for each Other Option exercised. There are no vesting or exercise conditions.

Date options granted	Expiry Date	Exercise price $	Balance at start of the period #	Issued during the period #	Cancelled or Lapsed during the period #	Exercised during the period #	Balance at the end of the period #	Exercisable at the end of the period #
18-Aug-14	5-Aug-19	0.10	5,000,000	0	0	0	5,000,000	5,000,000
17-Jun-16	17-Jun-21	0.10	750,000	0	0	0	750,000	750,000
17-Jun-16	1-Jul-19	0.10	10,000,000	0	0	0	10,000,000	10,000,000
19-Apr-17	19-Apr-22	0.05	750,000	0	0	0	750,000	750,000
5-Jul-17	5-Jul-22	0.03	500,000	0	0	0	500,000	166,667
5-Jul-17	5-Jul-22	0.05	250,000	0	0	0	250,000	83,333
28-Feb-19	28-Feb-20	0.004	0	25,000,000	0	0	25,000,000	25,000,000
29-May-19	29-May-20	0.005	0	50,000,000	0	0	50,000,000	50,000,000
Total			**17,250,000**	**75,000,000**	**0**	**0**	**92,250,000**	**91,750,000**

Since period end, 15,000,000 Other Options have expired and lapsed.

14. Reserves

	30 June 2019 $'000	31 December 2018 $'000
Employee equity benefits reserve		
Opening balance	2,443	2,336
Share based payments	134	107
Total employee benefits reserve	2,577	2,443
Foreign currency translation reserve		
Opening balance	(296)	(157)
Exchange differences arising on the translation of the financial statements of foreign subsidiaries	(36)	(139)
Total foreign currency translation reserve	(332)	(296)
Options reserve		
Opening balance	378	376
Options expense	56	2
Total options reserve	434	378
Shares not yet issued reserve		
Opening balance	237	909
Cash received and liabilities settled for shares not issued at reporting date	-	237
Issue of shares	(237)	(909)
Total shares not yet issued reserve	-	237
Total reserves	**2,679**	**2,762**

The employee equity benefits reserve is used to record the value of share-based payments provided to employees, including key management personnel, as part of their remuneration.

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

The options reserve is used to record the value of options issued as part of contracted fee arrangements for services to be provided by third parties.

In December 2018, $236,800 was recognised in reserves for shares not yet issued at 31 December 2018. This amount was received in cash in January 2019 pursuant to a Share Purchase Plan of the Company in December 2018 and January 2019. A further $15,000 in cash was received in January 2019. On 15 January 2019, 55,955,581 ordinary shares were issued for the $251,800 total cash received.

15. Commitments

Leases

Commitments in relation to short term leases contracted for at the reporting date but not recognised as liabilities total $16,000 at 30 June 2019.

Other commitments

The directors are not aware of any other commitments at balance date or arising since the end of the financial period that have significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial periods.

16. Contingent Liabilities

Subsequent to reporting date, as outlined in note 17, a dispute has arisen between a former convertible note holder Raus Capital Fund Limited ('Raus'), and the Company regarding the conversion of its $500,000 note in December 2018. The Company is defending the action by Raus. Should the defence be unsuccessful, the repayment could amount to $500,000, plus interest, of which approximately $375,000 is held in shares in escrow lock (based on valuation at the date of this report).

The directors are not aware of any other material contingent liabilities at balance date or arising since the end of the financial period that have significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial periods.

17. Events Subsequent to Balance Date

Subsequent to reporting date, the Company has negotiated and agreed the extension of $2.7 million of loan facilities with sophisticated investors to 31 December 2019. Refer to note 12 for additional details. The Company has also negotiated a restructuring with a lender Partners For Growth (PFG), which includes a $1.0 million repayment funded by Marcel Equity (or a related party), and repayment of the loan balance of $250,000 by February 2020.

On 19 August 2019, the Company announced that a dispute has arisen between a former convertible note holder Raus Capital Fund Limited ('Raus'), and the Company regarding the conversion of its $500,000 note in December 2018. Raus has issued a statutory demand on the Company for $500,000 based their claims, which was affirmed by the Supreme Court. The Company has appealed the decision, and the Defence to the Company seeking to extend the statutory demand to after an Appeal has been granted, so the time period has been extended to after the Appeal. Refer to ASX announcement on 19 August 2019 for further details.

On 26 August 2019, the Company provided notice of a General Meeting of shareholders to be held on 26 September 2019. A number of matters are to be voted on, including a proposed share consolidation of all equity instruments in the ratio of 20:1.

On 27 August 2019, the Company extended the Marcel Equity loan agreement to a maximum facility of $5.0 million, extended to 31 December 2020.

The directors are not aware of any other matter or circumstance that has occurred since the end of the financial period that has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial periods.

DIRECTORS' DECLARATION

In the opinion of the Directors of Invigor Group Limited:

(a) The consolidated financial statements and notes set out on pages 8 to 29 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2019 and its performance for the six-month period ended on that date; and

   (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

(b) There are reasonable grounds to believe that Invigor Group Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Gary Cohen
Chairman and CEO

Gregory Cohen
Director and CFO

Dated at Sydney this 30th day of August 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF INVIGOR GROUP LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Invigor Group Limited & controlled entities (**the Group**), which comprises the condensed statement of financial position as at 30 June 2019, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not 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 2019 and of its performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(e) in the financial statements, which identifies that during the period ended 30 June 2019 the Group incurred a consolidated net loss of $8.9m, had net cash outflows from operating activities of $2m, and that the Group's current liabilities exceed its current assets by $10.6m. These events and conditions, along with other matters as set forth in Note 1(e), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern.

The directors have stated that the Group's ability to continue to operate as a going concern is dependent upon the items in Note 1(e) eventuating. Should these events not occur as anticipated, the Group is unlikely to be able continue as a going concern, including realising its assets and extinguishing its liabilities at the amounts shown in the financial statements. Our opinion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

a. giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if provided to the directors as at the time of this auditor's review report.

Moore Stephens

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

30 August 2019