ASX Announcement

31 August 2018

Appendix 4D for the half year ended 30 June 2018

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 2018. 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 2018 Half Year Financial Report	**Six months to 30 June 2018**	**Six months to 30 June 2017[2]**	**Change**
	$A'000	$A'000	%
Revenue from ordinary activities[1]	**1,818**	1,424	28%
Net profit (loss) from ordinary activities after tax attributable to members[1]	**(2,792)**	(8,771)	68%
Net profit (loss) after tax attributable to members	**(3,604)**	(8,534)	58%

[1] 'Revenue from ordinary activities' and 'Net profit (loss) from ordinary activities after tax attributable to members' represents continuing operations only.
[2] 30 June 2017 comparatives for 'Revenue from ordinary activities' and 'Net profit (loss) from ordinary activities after tax attributable to members' have been restated to remove discontinued operations.

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 $565,000, up 125% on the $251,000 booked in the corresponding half of 2017;
- $122,000 of revenue was booked from TillerStack Field Force Management;
- Other income included R&D tax rebates of $1.1 million (2017: $1.2 million);
- A net loss before financing costs, tax, depreciation, amortisation and impairment (EBITDAI) from continuing operations of $1.2 million (2017: $1.4 million loss);
- A loss from discontinued operations (Condat AG sold on 7 May 2018) of $0.8 million including transaction costs (2017: profit of $0.2 million);
- Interest and borrowing costs incurred on convertible note and debt facilities of $557,000, excluding discontinued operations (2017: $468,000).

Please refer to the accompanying 30 June 2018 Half Year Financial Report, results announcement and presentation slides for further information.

Dividends for the period ended 30 June 2018

No interim dividend has been declared or proposed (2017 – $nil).

Net Tangible Assets (Liabilities) per Share

	30 June 2018[1] $A	30 June 2017[2] $A
Net assets (liabilities) per share	0.001	0.004
Less: Intangible assets per share	(0.009)	(0.028)
Net tangible assets (liabilities) per share	(0.008)	(0.024)

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

2 Based on 528,230,798 issued ordinary shares at 30 June 2017.

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

The Consolidated Entity disposed of 100% of the issued shares of Condat AG ("Condat") on 7 May 2018. Further details are included in note 3 to the attached Half Year Financial Report.

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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 2018 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

Invigor has consolidated its operations to focus on growing its two core divisions – Loyalty and Pricing, as well as continuing to invest in the growth and development of its 100% owned Field Force Management business TillerStack.

Tendering activity and the new business pipeline in the Loyalty and Pricing divisions is very encouraging with approximately $1m contracted and committed by new and existing customers since 30 June. It is anticipated $400,000 would be recognised as revenue in the second half. Contracted revenue is expected to build further.

The growth in contracted revenue from core operations is being matched by a reduction in costs with direct operating costs from continuing operations reducing from $1.4 million in the six months to December 2017, to $1.1 million in the six months to 30 June 2018. Total costs from continuing operations have decreased from $3.3 million to $3.1 million over the same period. The Company's intention to strengthen its balance sheet, as reported to the ASX today, will further strengthen Invigor's financial position in the current half.

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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 2018

TABLE OF CONTENTS

DIRECTORS' REPORT 3

AUDITOR'S INDEPENDENCE DECLARATION 6

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION 8

CONSOLIDATED STATEMENT OF CASH FLOWS 9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 10

NOTES TO THE HALF YEAR FINANCIAL REPORT 11

DIRECTORS' DECLARATION 26

INDEPENDENT AUDITOR'S REVIEW REPORT 27

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 2018 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	19 July 2012
Roger Clifford	18 November 2015
Gregory Cohen	19 July 2012
Jeremy Morgan	2 March 2016
Robert McKinnon (Chairman)	3 July 2017
Jack Hanrahan	3 July 2017
Claire Mula	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.

In today's dynamic and competitive world, Invigor's innovative solutions empower commerce to grow more profitably through data-driven management of their customers, competitors and staff. Invigor's cloud-based solutions such as Pricing, Loyalty and Field Force Management, goes beyond analytics to put data to work. Using a mix of artificial intelligence, technology and deep industry knowledge, Invigor is able to demonstrably improve productivity and growth of their customers.

Invigor is comprised of a passionate team of industry specialists in Australia, Asia and Europe. Its solutions are adopted by leading companies including retailers, consumer brands, shopping centres, ecommerce, transport and telcos and it continues to expand its customer footprint globally.

Significant Changes in the State of Affairs
The Company has continued operating as a digital solutions group during the financial period. 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.

Condat AG
On 7 May 2018 the Consolidated Entity sold 100% of the issued share capital of its German operating subsidiary Condat AG ("Condat"). Prior to the sale, certain assets of Condat AG relating to the Field Force Management solution (Skyware) were transferred to another subsidiary of the Company (TillerStack GmbH, previously Invigor Germany (Holdings) GmbH). The financial results of Condat for the period have been presented as a Discontinued Operation in the financial 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 2018 was $3.6 million (30 June 2017 - $8.5 million loss). This includes a loss of $2.8 million from continuing operations.

The net loss before financing costs, tax, depreciation, amortisation and impairment (EBITDAI) was $1.2 million (30 June 2017 - $1.4 million loss). The result reflects:

- revenue from sales, licence fees and services from continuing operations for the period of $0.7 million (2017 excluding Condat discontinued operations: $0.3 million).
- $0.8 million loss from discontinued operations (Condat) including loss on sale of $0.6 million, transaction costs of $0.2 million, and operating profit of $24,000 for the period up the date of disposal.

- interest and borrowing costs incurred on convertible note and debt facilities of $557,000 excluding Condat (comparative period - $468,000).

Product offerings

<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 Pricing and Loyalty. 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:

Pricing

Invigor's Pricing Solutions, Insights Retail and SpotLite make decisions that affect sales, margin and competitive growth strategies through a deep understanding of competitor's behaviour and the impact on their performance. These are cloud-based competitive intelligence platforms that deliver granular data and insights on product range, pricing and promotional strategies covering both online, instore and above-the-line advertising such as through newspapers and catalogues.

Loyalty

Invigor Loyalty Solutions is the next generation of customer engagement. It utilises artificial intelligence to link data to commerce by automating strategic recommendations and digitising operational programs like personalised campaigns, loyalty programs and instore engagement. Invigor Loyalty includes a comprehensive range of solutions aimed at understanding the drivers of customer behaviour and influencing their journeys in a way that improves the lifetime value of customers. These solutions include Visitor, Campaign, Rewards, Predict and Shopper Insights.

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

<u>TillerStack: Field Service Solution</u>

Skyware is a sophisticated mobile field service management solution for companies with field staff in service and maintenance. Skyware enables companies with mobile workers conducting skilled, technical work processes (such as fixing infrastructure or maintaining assets) to more effectively and efficiently complete the task at hand. Skyware can integrate into the relevant customer interfaces including major ERP systems and legacy platforms to ensure a single source of truth. Skyware delivers customer satisfaction along with improved worker efficiency (more jobs completed per day) and reduction in travel time and costs. Skyware currently counts some of Europe's largest enterprises as customers including Unity Media.

<u>Other assets</u>

MI Ventures Pty Ltd ATF MI Ventures Unit Trust

Invigor Group Limited entered into a Joint Venture arrangement, MI Ventures Pty Ltd, with Melic Pty Limited in September 2016 to install Wi-Fi at Manly Wharf. The Joint Venture was formed by way of a unit trust with each party holding 50 units each.

The Joint Venture earns revenue through the provision of targeted advertising, promotions and offers to commuters at Manly Wharf through the Wi-Fi network and digital advertising screens that have been installed. Invigor Group Limited's investment in MI Ventures Pty Ltd has been recognised using the equity method of accounting.

Funding

The Company raised $0.15 million in January 2018, and $1.0 million in March 2018 on the exercise of options. A further, $1.0 million was raised in February and March 2018 from a sophisticated investor who has agreed to restructure this as a Convertible Note expiring in May 2019 subject to final shareholder approval. On 29 June 2018, the loan facility with Marcel was extended to $2.6 million, and is available until 31 December 2019.

In addition, $3.7 million of debts were retired following the sale of Condat AG.

Subsequent to period end, the Company also agreed a share placement for $668,000. Refer **Events subsequent to reporting date** below.

Dividends
No final dividend for the 2017 financial year was proposed or declared. No interim dividend has been proposed or declared for the period ended 30 June 2018. A dividend reinvestment plan has not been activated.

Events subsequent to reporting date
On 28 August 2018 the Board considered and supported the restructuring of $2.33 million of Convertible Notes to bring them in line with the conversion price of the $2.45 million of Convertible Notes. These changes will be subject to shareholder approval at a shareholder meeting to be held in October 2018.

On 31 August 2018, the Company agreed the placement of 167,000,000 shares at $0.004 to sophisticated investors, for a total of $668,000. The pricing of this capital raise will trigger an automatic adjustment to the conversion price of the $2.45 million Convertible Notes (as previously approved by shareholders) due to mature in October 2018. The conversion price will adjust to a maximum of $0.004 per share.

A further $0.4 million has been drawn against the Marcel loan facility subsequent to the balance date, bringing total liabilities to Marcel of $2.3 million.

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 6 and forms part of the Directors' Report for the period ended 30 June 2018.

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.

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

Bob McKinnon
Chairman

Gary Cohen
Director and CEO

Dated at Sydney this 31st day of August 2018

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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 2018, 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

31 August 2018

	Note	30 June 2018 $'000	30 June 2017 Restated* $'000
Revenue		687	251
Other revenue/income		1,131	1,173
Total revenue/income		**1,818**	**1,424**
Employee benefits expense		(1,758)	(1,769)
Professional fees		(501)	(402)
Impairment expense		-	(6,450)
Other operating costs		(847)	(624)
Profit (Loss) from Joint Venture		52	(32)
(Loss) on non-current assets		-	(13)
Total (loss) before financing costs, tax, depreciation and amortisation		**(1,236)**	**(7,866)**
Depreciation and amortisation		(999)	(434)
Total (loss) before financing costs and tax		**(2,235)**	**(8,300)**
Financing costs incurred		(557)	(468)
(Loss) before income tax		**(2,792)**	**(8,768)**
Income tax benefit (expense)		-	(3)
(Loss) for the period from continuing operations		**(2,792)**	**(8,771)**
Discontinued operation			
Profit (loss) from discontinued operations, net of tax	3	(812)	237
(Loss) for the period		**(3,604)**	**(8,534)**
Other comprehensive income		(99)	52
Total comprehensive (loss) for the period		**(3,703)**	**(8,482)**
Earnings per share		**Cents**	**Cents**
Basic earnings (loss) per share attributable to ordinary equity holders		(0.31)	(1.76)
Diluted earnings (loss) per share attributable to ordinary equity holders		(0.31)	(1.76)
Earnings per share – continuing operations		**Cents**	**Cents**
Basic earnings (loss) per share attributable to ordinary equity holders		(0.24)	(1.81)
Diluted earnings (loss) per share attributable to ordinary equity holders		(0.24)	(1.81)

**30 June 2017 balances restated to remove discontinued operations. Refer to Note 3.*

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

	Note	30 June 2018 $'000	31 December 2017 $'000
CURRENT ASSETS			
Cash and cash equivalents		77	511
Trade and other receivables	4	1,688	1,952
Total Current Assets		1,765	2,463
NON-CURRENT ASSETS			
Property, plant and equipment		9	80
Investments accounted for using the equity method		34	9
Intangible assets	7	10,740	14,814
Total Non-Current Assets		10,783	14,903
TOTAL ASSETS		**12,548**	**17,366**
CURRENT LIABILITIES			
Other creditors and accruals	8	1,817	2,427
Interest bearing loans and borrowings	9	9,572	8,816
Provisions		221	345
Total Current Liabilities		11,610	11,588
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	9	-	2,301
Provisions		7	21
Total Non-Current Liabilities		7	2,322
TOTAL LIABILITIES		**11,617**	**13,910**
NET ASSETS		**931**	**3,456**
EQUITY			
Issued capital	10	148,621	146,582
Reserves	11	2,504	3,464
Accumulated losses		(150,194)	(146,590)
TOTAL EQUITY		**931**	**3,456**

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

	Note	30 June 2018 $'000	30 June 2017 $'000
Cash flows from operating activities			
Receipts from customers		2,908	3,937
Payments to suppliers and employees		(6,119)	(6,221)
Net cash from (used in) operating activities		**(3,211)**	**(2,284)**
Cash flows from investing activities			
Disposal of discontinued operations, net of cash disposed	3	2,379	-
Payments for property, plant and equipment		-	-
Payments for acquisition of investments and convertible notes		-	(101)
Proceeds from claims receivable		56	-
Net cash from (used in) investing activities		**2,435**	**(101)**
Cash flows from financing activities			
Proceeds from the issue of shares and options		150	984
Proceeds from the exercise of share options		992	-
Proceeds from borrowings and issue of convertible notes		2,426	900
Repayment of borrowings and redemption of convertible notes		(2,710)	814
Borrowing costs paid		(497)	(448)
Payment of capital raising costs		(19)	-
Net cash flow from (used in) financing activities		**342**	**2,250**
Net increase (decrease) in cash and cash equivalents		(434)	(135)
Cash and cash equivalents at 1 January		511	642
Cash and cash equivalents at 30 June		**77**	**507**

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

Consolidated	Issued Capital $'000	Accumulated Losses $'000	Reserves $'000	Total $'000
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**
Balance at 1 January 2017	**140,848**	**(133,440)**	**2,161**	**9,569**
Profit (loss) for the period	-	(8,534)	-	(8,534)
Foreign currency translation reserve	-	-	52	52
Total comprehensive income (loss)	-	(8,534)	52	(8,482)
Transactions with owners in their capacity as owners:				
Issue of shares	1,000	-	-	1,000
Share based payments reserve	-	-	298	298
Capital raising costs reversed (incurred)	(61)	-	-	(61)
Balance at 30 June 2017	**141,787**	**(141,974)**	**2,511**	**2,324**

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

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 2018 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 2017 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 31 August 2018.

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 2017 consolidated financial report. They have been consistently applied by each entity in the Consolidated Entity for all periods presented, unless otherwise stated.

(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 4), Income Tax losses (Note 6), Intangible assets (Note 7) and Interest-bearing loans and borrowings (Note 9).

(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 2018 the Group incurred a net loss of $3.6 million including discontinued operations (2017: $8.5 million), had net cash outflows from operating activities of $3.2 million (2017: $2.3 million), and at that date the Group's current liabilities exceed its current assets by $9.8 million (Dec 2017: $9.1 million).

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

- The expected improvement in the statement of financial position due to the conversion of convertible notes in October 2018 ($3.78 million). The Company has had discussions with all major convertible note holders and they are of the opinion that the majority will convert their notes into ordinary shares reducing the net asset deficiency by at least $3.7 million;
- The ability to raise additional liquidity for working capital through the issue of debt or equity;
- R&D tax rebates (cash) due of $1.1 million to fund working capital;
- Confirmation received in writing from the group's related parties to extend the current terms of financing facilities available beyond the periods stated in the financial report;
- The budgets and forecasts prepared by the directors for the next twelve months anticipate the business will continue to improve cash flow results; and
- The ability of the Group to scale back part of its operations and reduce expenditure if required.

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, there is a material uncertainty as to whether the company will be able to pursue its business objectives and continue to operate as a going concern, including realising its assets and extinguishing its liabilities at the amounts shown in the financial statements. No adjustments have been made to the recoverability and classification of recorded asset values or the amount and classification of liabilities that might be necessary should the group not continue as a going concern.

(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 are amortised over the period of expected future sales from the related projects, which is generally no more than 5 years. Capitalised development expenditure is reviewed at least annually for impairment.

(g) Investments and financial assets

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.

(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 3 – 5 years.

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, Condat AG (discontinued in the period) and Australia & South-East Asia as separately identifiable operating segments. TillerStack GmbH previously formed part of the Condat AG segment, 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

	TillerStack GmbH	Condat AG (discontinued)	Australia & SE Asia	Consolidated Total
Half-year ended 30 June 2018	$'000	$'000	$000	$'000
Revenue from external customers	122	2,376	565	3,063
Other revenue/income[1]	-	-	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)
Half-year ended 30 June 2017				
Revenue from external customers	-	3,256	251	3,507
Other revenue/income	-	-	1,173	1,173
Total segment revenue/income	**-**	**3,256**	**1,424**	**4,680**
EBITDA (before impairment)	-	426	(1,416)	(990)
Finance costs	-	(40)	(468)	(508)
Depreciation and amortisation	-	(149)	(434)	(583)

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

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

	30 June 2018 $'000	30 June 2017 $'000
Total EBITDA for reportable segments	**(1,048)**	**(990)**
Depreciation and amortisation for reportable segments	(1,128)	(583)
Impairment charges for reportable segments	-	(6,450)
Finance costs for reportable segments	(592)	(508)
Elimination of discontinued operations	(24)	(237)
Income tax benefit (expense)	-	(3)
(Loss) for the period from continuing operations	**(2,792)**	**(8,771)**

c) Revenue & other income by geographical region

	30 June 2018 $'000	30 June 2017 $'000
Australia	1,588	1,363
Asia (Singapore, Philippines, Indonesia)	108	61
Germany (including discontinued operations)	2,498	3,256
Total revenue & other income	**4,194**	**4,680**

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. Discontinued operations

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 period have been presented as a Discontinued Operation in the financial report. The comparative Consolidated statement of profit or loss and other comprehensive income has been restated to show the discontinued operation separately from continuing operations.

a) Results of discontinued operation	30 June 2018 $'000	30 June 2017 $'000
Revenue	2,376	3,256
Expenses	(2,352)	(3,019)
Results from operating activities	24	237
Income tax	-	-
Results from operating activities, net of tax	24	237
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)**	**237**
Basic and diluted earnings (loss) per share (cents)	**(0.07)**	**0.05**

b) Cash flows from (used in) discontinued operation	30 June 2018 $'000	30 June 2017 $'000
Net cash used in operating activities	(100)	122
Net cash from Investing activities	(65)	-
Net cash from financing activities	117	(195)
Net cash flow for the period	**(48)**	**(73)**

c) Effect of disposal on the financial position of the Group	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	2,444
Cash and cash equivalents disposed of	(65)
Net cash inflow	**2,379**

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

4. Receivables

	30 June 2018 $'000	31 December 2017 $'000
Trade debtors	246	752
Provision for doubtful debts	(39)	(39)
Work in progress	-	689
Research and development tax rebate	1,075	-
Sundry debtors and other receivables	70	379
Prepayments	147	171
Deferred proceeds from sale of subsidiary	189	-
Current	**1,688**	**1,952**

5. Dividends

There were no dividends paid or proposed during the period (2017 - $nil). The directors have not proposed the payment of an interim dividend since the period end (2017 - $nil).

6. Income Tax Losses

	30 June 2018 $'000	31 December 2017 $'000
Unused tax losses for which no deferred tax asset has been recognised:		
Income tax losses[1]	16,386	16,386
Capital losses[1]	45,036	45,036
Potential benefit at 30%		
Income tax losses	4,916	4,916
Capital losses	13,511	13,511

[1] *Losses based on 2017 Income Tax Return, excluding six months ended 30 June 2018*

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.

7. Intangible assets

	30 June 2018 $'000	31 December 2017 $'000
Software and technology		
Cost (gross carrying amount)	5,540	5,249
Accumulated amortisation	(2,177)	(1,767)
Net carrying amount	3,363	3,482
Goodwill		
Cost (gross carrying amount)	8,423	11,296
Impairment	(4,600)	(4,600)
Net carrying amount	3,823	6,696
Capitalised development expenditure		
Cost (gross carrying amount)	5,884	6,279
Accumulated amortisation	(2,330)	(1,643)
Net carrying amount	3,554	4,636
Total intangible assets		
Cost (gross carrying amount)	19,847	22,824
Accumulated amortisation & impairment	(9,107)	(8,010)
Net carrying amount	**10,740**	**14,814**

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

	30 June 2018 $'000	31 December 2017 $'000
Software and technology		
Net carrying amount at the beginning of the period	3,482	828
Additions	304	-
Acquisitions through business combinations	-	4,004
Amortisation charge	(410)	(540)
Impairment	-	(600)
Disposals	(13)	-
Transfer (to)/from other category	-	(210)
Net carrying amount at the end of the period	3,363	3,482
Goodwill		
Net carrying amount at the beginning of the period	6,696	11,296
Impairment	-	(4,600)
Disposal on sale of subsidiary	(2,873)	-
Net carrying amount at the end of the period	3,823	6,696
Capitalised development expenditure		
Net carrying amount at the beginning of the period	4,636	3,251
Additions	984	2,246
Amortisation charge	(687)	(1,100)
Disposals	(1,379)	-
Transfer (to)/from other category	-	210
Foreign exchange	-	29
Net carrying amount at the end of the period	3,554	4,636
Total intangibles		
Net carrying amount at the beginning of the period	14,814	15,375
Additions	1,288	2,246
Acquisitions through business combinations	-	4,004
Amortisation charge[1]	(1,097)	(1,640)
Impairment	-	(5,200)
Disposals on sale of subsidiary	(4,265)	-
Foreign exchange	-	29
Net carrying amount at the end of the period	**10,740**	**14,814**

[1] *Amortisation charge includes $129,000 from discontinued operations.*

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 assets were acquired following completion of the acquisitions of Global Group Australia and Amethon Solutions in 2014, Condat during 2015 and Invigor Asia (Sprooki) in 2017. The Software and technology assets are recognised at cost less accumulated amortisation and impairment losses, if any. Refer Notes 1(h). In 2017, an impairment loss of $600,000 was recognised in profit or loss relating to the MVID patent intangible asset. The carrying value of the MVID asset at 30 June 2018 is nil (31 December 2017: nil).

Goodwill

Goodwill is allocated to the Consolidated Entity's cash generating units (CGUs). At 30 June 2018, 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; and to the TillerStack CGU comprising the entity's German operation TillerStack GmbH which was carved out from the

Condat segment and CGU prior to sale. Goodwill is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

The recoverable amount of goodwill has been assessed by reference to both fair value less costs to sell and value in use methodologies. 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 are used to estimate the amount available from the sale of assets in arm's-length transactions between knowledgeable and willing parties.

Impairment testing

For the purposes of impairment testing, goodwill is allocated to the Group's cash-generating units as follows:

	30 June 2018 $'000	**31 December 2017** $'000
Australia & South-East Asia	951	951
TillerStack (previously Condat)[1]	2,872	5,745
Total	**3,823**	**6,696**

[1] Goodwill relating to the TillerStack business carved out from Condat has been valued based on the Condat acquisition date allocations. The remaining goodwill attributable to the Media business of Condat has been disposed.

For value in use assessment, a 5-year discounted cash flow model was utilised which included the following assumptions:

	Australia & SE Asia	**TillerStack**
Discount rate	22%	22%
Annual revenue growth rate (years 1 to 2)	100%	47%
Annual revenue growth rate (years 3 to 5)	27%	17%
Terminal growth rate	3%	3%

The estimated recoverable amount exceeded/(did not exceed) the carrying value for each CGU by the following amounts:

	30 June 2018 $'000	**31 December 2017** $'000
Australia & South-East Asia	825	8,100
TillerStack	500	n/a

Significant estimate: Impact of possible change in key assumptions

Australia & South-East Asia CGU

The value in use amount of the Australia & South-East Asia CGU is estimated to be $7.2 million. This exceeds the carrying amount of the CGU at 30 June 2018 by $0.8 million. The recoverable amount of this CGU would equal its carrying amount if revenue was reduced by 2% each year with no change in forecast costs, and would be fully impaired if revenue was reduced by 17% each year with no change in forecast costs.

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the Australia & South-East Asia CGU to exceed its recoverable amount.

Impairment charge

In the prior period, an impairment loss of $4,600,000 was recognised in profit or loss relating to goodwill. This was a result of impairment testing undertaken whereby the carrying amount of the Australia & South-East Asia CGU exceeded the recoverable amount based on long term forecasts. The integration of the Sprooki products into this CGU since 30 June 2017 has positioned this division for future growth.

8. Other creditors and accruals

	30 June 2018 $'000	31 December 2017 $'000
Other creditors and accrued expenses	1,472	2,042
Unearned revenue	345	385
Current	**1,817**	**2,427**

Included in other creditors and accrued expenses are amounts totalling $54,445 (2017 - nil) payable at balance date under cost recovery agreements with Marcel Equity Pty Ltd and associated entities. These amounts are unsecured.

9. Interest bearing loans and borrowings

	30 June 2018 $'000	31 December 2017 $'000
Unsecured borrowings – convertible notes	4,780	3,780
Unsecured borrowings – loan and overdraft facilities	2,068	3,877
Unsecured borrowings – employees	-	459
Secured borrowings - loan facilities	2,724	700
Current	**9,572**	**8,816**
Secured borrowings – loan facilities	-	2,000
Unsecured borrowings – loan facilities	-	301
Non-current	**-**	**2,301**

Current

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.

2017 convertible notes issues

Issue 1

During November and December 2016, the Company received funds from a number of sophisticated investors with the intention of gaining shareholder approval for this funding to be in the form of Convertible Notes. The total funds received were $2,520,000. These funds were approved and issued as Convertible Notes on 19 April 2017. $70,000 was repaid in 2017 by mutual agreement, with the balance of Convertible Notes at 30 June 2018 being $2,450,000. The key terms of the facility are:

- Convertible notes on issue at 30 June 2018 – 81,666,667, to be adjusted on conversion based on the final conversion price. Based on the Company's share price at 30 June 2018, less 15% discount, the number of notes is estimated at 576,470,588
- Maturity Dates – 12 months from the 1st note issue date with the option to extend for a further 6 months by mutual consent. The maturity date was extended by mutual consent in the period to 19 October 2018
- Ranking – unsecured
- Conversion price – the convertible notes may be converted into shares at the lower of $0.007 per share and the 30-day VWAP at the time of conversion discounted by 15% (subject to a floor price of $0.0046). The committed capital raise since period end detailed in note 14 will adjust the current conversion price to the lower $0.004 and the 30-day VWAP at the time of conversion discounted by 15% (subject to a floor of $0.0027)
- Interest – 10.0 per cent per annum, compounded monthly on the principal amount outstanding of each convertible note, and payable 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.

Issue 2
During June, July and August 2017, the Company received funds from a number of sophisticated investors with the intention of gaining shareholder approval for this funding to be in the form of Convertible Notes. $1,340,000 of these funds were approved and issued as Convertible Notes on 3 October 2017. $10,000 of Convertible Notes were converted to ordinary shares by the holder in 2017, with the balance of Convertible Notes at 30 June 2018 being $1,330,000.

The key terms of the facility are:

- Convertible notes on issue at 30 June 2018 – 110,833,334 at $0.012 per share
- Maturity Dates – 12 months from the 1st note issue date
- Ranking – unsecured
- Conversion price – the convertible notes may be converted into shares at the conversion price of $0.012 per share (subject to any adjustment in accordance with the terms and conditions of those notes)
- Interest – 10.0 per cent per annum, compounded monthly on the principal amount outstanding of each convertible note, and payable 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.

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 2018 - 142,857,142 at $0.007 per share
- Maturity dates – 7 May 2019
- Ranking – unsecured
- Conversion price - the convertible notes may be converted into shares at the conversion price of $0.007 per share or 10-day VWAP at the time on conversion if below $0.007 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, compounded monthly on the principal amount outstanding of each convertible note, and 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.

Unsecured borrowings – loan and overdraft facilities

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, under which Marcel made 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, the loan facility with Marcel was renewed and extended with a drawdown limit $2,600,000, and is now available until 31 December 2019.

An amount of $1,879,000 (31 December 2017 - $1,124,000) has been drawn as at 30 June 2018. $2,000,000 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 $600,000 of borrowings (fully drawn at 30 June 2018) incur interest at a rate of 15% per annum.

All loan and overdraft balances previously held by Condat AG were sold as part of the disposal of the subsidiary.

In May 2018, TillerStack GmbH, previously Invigor Holdings (Germany) GmbH, settled in full the €1,300,000 loan facility previously held with an investor/consultant of the Company, Mr. Peter Hermann. Also in May 2018, a new 12-month €120,000 loan facility with Mr Hermann was entered into. The loan accrues interest at a rate of 9% per annum. The amount outstanding at balance date was €120,000 ($189,000) (31 December 2017 (previous loan facility) – €1,300,000 ($1,990,812)).

Secured borrowings

On 31 October 2017, the Company entered into a new Prepayment Loan Agreement under which the lender has made available a facility in the amount of $700,000 at an interest rate of 15% p.a. The facility is being used to fund the Company's research and development activities. The facility is presently fully drawn and is repayable by the earlier of 31 October 2018 or on receipt of the research and development tax rebate amount for the year ended 31 December 2017. Amounts drawn under the facility are secured against the grant receivable.

Invigor Group Limited 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 is for 2 years at a 10% annual interest rate. IVO issued 66.6 million warrants to the firm exercisable at 3.0 cents on 19 April 2017 which expire in 2021. As the loan repayment date (1 February 2019) is within 12 months of balance date, the loan has been presented as current at 30 June 2018.

Credit card facilities relating to the group were drawn to $24,000 at 30 June 2018.

Other available overdraft facilities

The Consolidated Entity has a $100,000 interest bearing overdraft facility with National Australia Bank which was fully available at 30 June 2018 (31 December 2017 – fully available). The facility is secured by guarantees provided by entities associated with Gary Cohen and Gregory Cohen.

10. Issued capital and share options

Company	30 June 2018 Shares	31 December 2017 Shares	30 June 2018 $'000	31 December 2017 $'000
Ordinary shares, fully paid	**1,250,977,883**	**956,720,314**	**148,621**	**146,582**

Movement in ordinary share capital Fully paid shares				
Balance at the beginning of the period	956,720,314	461,564,131	146,582	140,848
Issue of fully paid shares	152,368,998	494,322,850	1,067	5,883
Issue of shares on conversion of Convertible Notes	-	833,333	-	10
Issue of shares on conversion of Options	141,888,571	-	993	-
Capital raising costs recovered (incurred)	-	-	(21)	(159)
Net balance at end of period	**1,250,977,883**	**956,720,314**	**148,621**	**146,582**

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 2018 to date, the Company has issued:

- 151,297,570 ordinary shares on 27 February 2018 following shareholder approval of a share placement to sophisticated investors and related parties
- 1,071,428 on 7 March 2018 in a share placement to a sophisticated investor for placement fees
- 141,888,571 in total on 7 March 2018, 21 March 2018 and 5 April 2018 in a share placement to sophisticated investors and related parties on conversion of Options

Entitlement Options

The Company issued options pursuant to a pro rata entitlement offer completed in April 2013. Additional options, on the same terms, were issued in December 2013, March 2014 and July 2016. There were 76,867,889 of these options ("Entitlement Options") on issue at 30 June 2018, and no movement in the balance in the current period (2017: no movement). Key terms of these options are:
Exercise price – 5.0 cents per Entitlement Option
Expiry – 1 July 2018. These options have expired and lapsed subsequent to period end.
Entitlement – one fully paid ordinary share in the Company for each Entitlement Option exercised.
There are no vesting or exercise conditions.

Warrants

The Company has issued Warrants as approved by Shareholders on 19 April 2017 and June 23 2017 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.

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 2018, there were 36,402,195 Incentive Options on issue under the Plans (31 December 2017 – 42,235,528). 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 2018 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 2018 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 #
22-Jul-13	22-Jul-18	0.10	7,198,855	-	-	-	7,198,855	7,198,855
24-Dec-13	24-Dec-18	0.10	270,015	-	-	-	270,015	270,015
17-Sep-14	17-Sep-19	0.10	3,283,328	-	-	-	3,283,328	3,283,328
26-Mar-15	26-Mar-20	0.10	3,166,665	-	-	-	3,166,665	3,166,665
1-Jul-15	1-Jul-20	0.10	6,583,333	-	-	-	6,583,333	4,416,667
29-Jul-15	29-Jul-20	0.10	416,667	-	-	-	416,667	416,667
1-Dec-15	1-Dec-20	0.10	416,665	-	-	-	416,665	416,665
12-Jul-16	12-Jul-21	0.05	2,500,000	-	-	-	2,500,000	2,500,000
20-May-17	20-May-22	0.05	7,900,000	-	(2,083,333)	-	5,816,667	2,050,000
22-Jun-17	22-Jun-22	0.03	1,000,000	-	-	-	1,000,000	333,334
3-Jul-17	3-Jul-22	0.05	2,000,000	-	-	-	2,000,000	-
1-Aug-17	1-Aug-22	0.05	7,500,000	-	(4,500,000)	-	3,000,000	-
3-Apr-18	3-Apr-23	0.05	-	750,000	-	-	750,000	-
Total			**42,235,528**	**750,000**	**(6,583,333)**	**-**	**36,402,195**	**24,052,196**

Since period end, 7,948,855 Incentive Options have been cancelled or expired and lapsed.

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 1 January 2018	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	-	-	-	5,000,000	5,000,000
1-May-15	1-May-18	0.10	5,000,000	-	(5,000,000)	-	-	-
14-Jul-15	16-Jul-18	0.10	3,000,000	-	-	-	3,000,000	3,000,000
17-Jun-16	17-Jun-21	0.10	750,000	-	-	-	750,000	750,000
17-Jun-16	17-Jun-19	0.10	10,000,000	-	-	-	10,000,000	10,000,000
19-Apr-17	19-Apr-22	0.05	750,000	-	-	-	750,000	750,000
5-Jul-17	5-Jul-22	0.03	500,000	-	-	-	500,000	-
5-Jul-17	5-Jul-22	0.05	250,000	-	-	-	250,000	-
28-Feb-18	31-Mar-18	0.007	-	169,424,287	(27,535,716)	(141,888,571)	-	-
Total			**25,250,000**	**169,424,287**	**(32,535,716)**	**(141,888,571)**	**20,250,000**	**19,500,000**

Since period end, 3,000,000 Other Options have expired and lapsed.

11. Reserves

	30 June 2018	31 December 2017
	$'000	$'000
Employee equity benefits reserve		
Opening balance	2,336	2,080
Share based payments	47	256
Total employee benefits reserve	2,383	2,336
Foreign currency translation reserve		
Opening balance	(157)	(147)
Exchange differences arising on the translation of the financial statements of foreign subsidiaries	(99)	(10)
Total foreign currency translation reserve	(256)	(157)
Options reserve		
Opening balance	376	228
Options expense	1	148
Total options reserve	377	376
Shares not yet issued reserve		
Opening balance	909	-
Cash received and liabilities settled for shares not issued at reporting date	-	909
Issue of shares	(909)	-
Total shares not yet issued reserve	-	909
Total reserves	**2,504**	**3,464**

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.

The shares not yet issued reserve was used to record the value of cash received and liabilities settled for ordinary shares not yet issued at period end. $909,083 was recognised in reserves for shares not yet issued at 31 December 2017. Of this amount $646,000 was received in cash in 2017, and the balance was used to settle liabilities of the Company. On 27 February 2018, shareholders of the Company approved the issue of 129,869,000 ordinary shares for the $909,083 received. The balance at 30 June 2018 is nil.

12. Commitments

Leases

Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are payable as follows:

	30 June 2018	31 December 2017
	$'000	$'000
Within one year	19	442
Later than one year but not later than five years	-	1,689
Later than five years	-	1,513
	19	**3,644**

Lease commitments represent payments due for leased premises under non-cancellable operating leases which have not otherwise been accrued or provided for.

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.

13. Contingent Liabilities

The directors are not aware of any 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.

14. Events Subsequent to Balance Date

On 28 August 2018 the Board considered and supported the restructuring of $2.33 million of Convertible Notes to bring them in line with the conversion price of the $2.45 million of Convertible Notes. These changes will be subject to shareholder approval at a shareholder meeting to be held in October 2018.

On 31 August 2018, the Company agreed the placement of 167,000,000 shares at $0.004 to sophisticated investors, for a total of $668,000. The pricing of this capital raise will trigger an automatic adjustment to the conversion price of the $2.45 million Convertible Notes (as previously approved by shareholders) due to mature in October 2018. The conversion price will adjust to a maximum of $0.004 per share.

A further $0.4 million has been drawn against the Marcel loan facility subsequent to the balance date, bringing total liabilities to Marcel of $2.3 million.

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 7 to 25 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 2018 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.

Bob McKinnon	**Gary Cohen**
Chairman	Director and CEO

Dated at Sydney this 31st day of August 2018

MOORE STEPHENS

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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 consolidated statement of financial position as at 30 June 2018, the condensed consolidated 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 2018 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*.

Emphasis of Matter – Use of key estimates and judgements

Without qualifying our opinion, we draw attention to Note 1(d) in the financial report, regarding the use of estimates and judgements by the Group. Specific emphasis is placed on key estimates and judgements made in relation to the recoverability of receivables, financial assets and intangible assets, amongst other items as disclosed in Note 1(d). Should these estimates and judgements not be realised or meet directors' expectations, there is uncertainty that the intangible assets may not be realised at their current carrying values.

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 2018 the Group incurred a net loss of $3.6m, had net cash outflows from operating activities of $3.2m, and that the Group's current liabilities exceed its current assets by $9.8m. As stated in Note 1(e), these events or 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. 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 2018 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

31 August 2018