Results for announcement to the market

31 August 2021

Appendix 4D for the half year ended 30 June 2021

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 2021. The results are extracted from the accompanying Half Year Financial Report.

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 2021 Half Year Financial Report	**Six months to 30 June 2021**	**Six months to 30 June 2020[1]**	**Change**
	$A'000	$A'000	%
Revenue from ordinary activities[2]	**865**	324	167%
Earnings before interest, tax, impairment, depreciation and amortisation ('EBITDA')[3]	**(456)**	(1,176)	61%
Net profit (loss) from ordinary activities after tax attributable to members	**(1,703)**	(2,154)	21%
Net profit (loss) after tax attributable to members	**(354)**	(2,147)	84%

Commentary on results

- Revenue from sales, licence fees and services from continuing operations for the half was $0.9 million, up 167% on $0.3 million booked in the corresponding half of 2020, due to growth in demand for our Solutions;
- A net loss before financing costs, tax, depreciation and amortisation (EBITDA) from continuing operations of $0.5 million, an improvement on 2020 period (2020: $1.2 million loss) due to increased revenue and continued cost reductions;
- Other income of $0.7 million included R&D tax rebates of $0.6 million (2020: $1.1 million other income);
- The sale of the Company's German subsidiary, TillerStack GmbH, completed in January 2021, with a net gain from discontinued operations of $1.3 million (net of transaction costs);
- An increase in interest and borrowing costs incurred on convertible note and debt facilities of $1.2 million (2020: $1.0 million).

Please refer to the accompanying 30 June 2021 Half Year Financial Report and results announcement for further information.

[1] Restated to remove discontinued operations, being German subsidiary TillerStack GmbH
[2] Revenue from ordinary activities is from continuing operations only excluding discontinued operations
[3] EBITDA is from continuing operations only excluding discontinued operations

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Dividends for the period ended 30 June 2021

No interim dividend has been declared or proposed (2020 – $nil).

Net Tangible Assets (Liabilities) per Share

	30 June 2021[4]	30 June 2020[5]
	$A	$A
Net assets (liabilities) per share	(0.112)	(0.105)
Less: Intangible assets per share	-	-
Net tangible assets (liabilities) per share	(0.112)	(0.105)

Details of entities over which control has been gained or lost during the period
On 15 January 2021 the Company completed the sale of its German subsidiary, TillerStack GmbH. Refer to note 5 of the accompanying Half Year Financial Report for further details.

****

HY Financial Performance

See Attached Announcement.

****

The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the accompanying 30 June 2021 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.

Approved and authorised for release by the Board

For further information, please contact:

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About Invigor Group Limited

[4] Based on 162,817,394 issued ordinary shares at 30 June 2021
[5] Based on 152,039,352 issued ordinary shares at 30 June 2020

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 2021

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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 2021.

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 – resigned as Director on 23 June 2021	18 November 2015
Gregory Cohen	19 July 2012
Jeremy Morgan – resigned as Director on 23 June 2021	2 March 2016
Thierry Manor	8 December 2020
Gavin Solomon	8 December 2020

Environmental Regulation and Performance
The Consolidated Entity is not subject to any particular or significant environmental regulations under the laws of jurisdictions in which it operates.

Principal Activity
The principal activity of the Consolidated Entity is a B2B data intelligence and analytics company that provide solutions to enable brands, suppliers and retailers to understand competitor price movements and grow revenue and margin through actionable insights. Invigor's product solutions include Retailer Insights, and Pricing.

Invigor's innovation in owned retail platforms and unique cross-channel data ecosystem allows businesses to have a holistic view of the e-commerce retail their 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, pricing and promotions strategy and increase long-term profitability.

Significant Changes in the State of Affairs
The Company has continued operating as a B2B data intelligence and solutions group during the period. The business activities have been funded by drawing on new and existing debt facilities. Details are provided throughout this Directors' Report.

Despite the circumstances surrounding COVID-19 and the significant impact on the economy, the Company has managed to adapt to the changed environment and grow its core business throughout this period. The primary focuses during this half-year period have been on securing new customers, creating new products to increase the revenue from existing customers, establishing strategic relationships and strengthening the Company's balance sheet.

In October 2019 the Company's shares were voluntarily suspended from the ASX while the Company sought to restructure the balance sheet and raise additional working capital through the issue of new shares. The Company had originally planned to hold a shareholders meeting to approve a number of initiatives in early 2020, but due to COVID-19 and market conditions the Company decided to postpone this meeting. The Company has plans for this to occur in Q3 2021. Refer to Events subsequent to reporting date for further discussion.

During 2020 the Company signed a contract to sell TillerStack GmbH ("TillerStack"), its subsidiary in Germany. The sale of TillerStack for US$1.2M (cA$1.7M) was completed on 15 January 2021. Refer to note 5 for further details.

The Company enrolled in the Australian Government JobKeeper program from April 2020 to September 2020 and received $244,500 in cash flows for eligible employees during 2020. No COVID-19 related cash incentives were received by the Company in HY2021.

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 2021 was $0.4 million (30 June 2020: $2.1 million loss) which included $1.3 million profit from discontinued operations (TillerStack). The net loss before financing costs, tax, depreciation and amortisation (EBITDA) from continuing operations was $0.5 million (30 June 2020: $1.2 million loss from continuing operations).

The result reflects:

- A significant increase in revenue from sales, licence fees and services from continuing operations for the period to $0.9 million (2020: $0.3 million) due to additional contracts for the core Pricing products, and fees for professional services;
- Other revenue and income including R&D rebate of $0.7 million (2020: $1.1 million);
- A decrease in employee benefit expenses for continuing operations to $1.3 million in the period (2020: $1.7 million); and
- Increased interest and borrowing costs incurred on convertible note and debt facilities of $1.2 million (2020: $1.0 million).

Product offering
The Group's Australian business is focused on two major complementary product suites within Data Intelligence and Analytics being the ***Pricing brand and retail solutions***.

<u>**Data Intelligence and Analytics**</u>
The Group's Australian business is focused on two major complementary product suites within Data Intelligence and Analytics being the ***Pricing brand and retail solutions***.

Our Pricing solutions are designed to fuel real-time decision making with our live competitor pricing tool and help retailers plan their own promotional strategy that's backed by data. It is seen as a must have tool for e-commerce players as the date helps ultimately contribute to brands and retailers bottom line revenue.

Pricing Insights
Built with proprietary crawling technology to ingest web and catalogue information to deliver live visibility of all competitor activity. Data-driven Share of Voice (SOV) analytics to optimise pricing and promotions strategy.

- Access to 360-degree view of competitor pricing across online and offline channels
- Customized reports to maximise revenue and market positioning
- Real-time alerts whenever a competitor or channel changes price
- Insights on competitor pricing strategies and tactics over the short and long term
- View on suppliers' positions & promotions
- Historical data to understand demand, seasonal variations and improve product mix
- 5 years of historic pricing and promotional material regarding Consumer Electronics and Liquor industries

Retailers Insights
A proprietary insights tool giving retailers an intrinsic look at performance across location, product and customers with a built-in SMS loyalty engine.

- Real time visibility: Single view of business data and performance in real-time across multiple data sources to quickly identify and respond to anomalies and opportunities.
- Action oriented opportunities: Layered with Invigor proprietary algorithms that look for patterns and extract the next best opportunities to drive uplift in revenue, margins and customer engagement strategies.

- Cloud-hosted and available through a secure log-in to empower retailers with the data they need to have fact-based discussions with suppliers and brands.

Dynamic Pricing
A purely AI driven platform that tracks and analyses multiple data sources to dynamically adjust prices across multiple channels, live. Increases revenue and optimises profitability

- Allows retailers to increase revenue and profits
- Leverage market pricing intelligence from Invigor Pricing Insights
- Optimise pricing on all products, not just the power SKUs
- AI and rules-based pricing strategies
- Integrate approved price recommendations into ERP or eCommerce marketplace platform
- Incorporate stock levels and floor pricing into pricing strategies
- Intuitive, easy to use interface for rules and AI management

Funding
The Company has raised $132,000 from the issue of Convertible Notes during the period, and drawn $0.3 million from existing loan facilities. Refer to note 12 for further details.

Refer to Events subsequent to reporting date for additional funding raised in July and August 2021.

Dividends
No final dividend for the 2020 financial year was proposed or declared. No interim dividend has been proposed or declared for the period ended 30 June 2021. A dividend reinvestment plan has not been activated.

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

Events subsequent to reporting date
Covid-19 Pandemic
The COVID-19 pandemic has created unprecedented uncertainty of the economic environment. Actual economic events and conditions in future may be materially different from those estimated by the Group at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have adverse impacts to the Group. At the date of this report an estimate of the future effects of the COVID-19 pandemic on the Group cannot be made, as the impact will depend on the magnitude and duration of the economic downturn and how markets continue to react to this, with the full range of possible effects unknown.

TillerStack sale
As per note 5, in August 2020 the Company signed a Share Purchase Agreement for the sale of 100% of the issued share capital of its German operating subsidiary TillerStack GmbH to ZenaTech Inc (previously ZenaDrone Inc) for USD1.25 million (A$1.7 million), less any NTA adjustments. In January 2021 the sale of TillerStack GmbH completed. Since 30 June 2021, a further USD0.1 million ($0.13 million) of deferred consideration payments have been received.

Loans and borrowings
Since 30 June 2021 the Company has repaid $152,000 to Finarch Holdings in July and August 2021. The Finarch facility has also been varied and extended in August 2021 allowing the Company to drawdown an additional $235,000 on 2 August 2021. This amount is repayable in monthly instalments to January 2022.

The Company has also raised an additional $500,000 from the issue of Convertible Notes to a sophisticated investor in August 2021.

In August 2021, the loan facility with Glowaim Pty Ltd of $1,400,000 has been extended to 31 October 2021 for the repayment of the principal amount of $1.4 million and extended until January 2023 for the repayment of accrued interest.

Share consolidation
On 6 July 2021 the Company announced a consolidation of issued capital and other securities in the ratio 10:1. As a result, the shares on issue post consolidation were 16,282,684.

Planned General Meeting
The Company intends to prepare resolutions and the required Notices, and intends to call a General Meeting of shareholders in Q3 2021. The resolutions seek approval for a major capital and debt restructure to raise $8 million, with an ability for oversubscriptions to $10 million, of new equity and to eliminate $15.2 million of debt and liabilities (as at 30 June 2021) from its balance sheet. The proposed transactions include:

- The conversion of up to $8.3 million of debt and accrued interest from Marcel Equity and related parties including Gary and Gregory Cohen and RJL Investments Pty Ltd.
- The conversion of up to $2.4 million of debt and accrued interest from Convertible Note Holders and unsecured debt holders.
- The issue of shares and options for the conversion of up to $0.65 million to the 2021 Convertible Note holders.
- A significant capital raise of $8 million, with an ability for oversubscriptions to $10 million, through the issue of ordinary shares.

Other matters
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.

Likely Developments and Prospects
The Company has increased its focus on growth of the Retail Insights and Pricing Insights solutions targeted at both brands and retailers which will assist the Company's performance.

The Company intends to undertake a capital raising to retire debt, fund growth and provide sufficient working capital to apply to the ASX for the resumption of market trading. A proposed General Meeting of shareholders in Q3 2021 will seek approval for a major capital and debt restructure to raise $8 million, with an ability for oversubscriptions to $10 million, of new equity and to eliminate $15.2 million of debt and liabilities (as at 30 June 2021) from its balance sheet.

The Company also intends and has committed to explore strategic opportunities to further drive revenue growth and profitability, which will likely be required to ensure that the full amount of the fund-raising requirements is achieved.

Rounding off
In accordance with the *ASIC 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.

Gary Cohen
Chairman

Gregory Cohen
Director and CFO

Dated at Sydney this 31st day of August 2021

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

I declare that, to the best of my knowledge and belief, during the half year ended 30 June 2021, 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 Australia

MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257

GEORGE S DAKIS
Partner
Audit and Assurance

Melbourne, Victoria

31 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	30 June 2021	30 June 2020 Restated[1]
Continuing operations		$'000	$'000
Revenue	3	865	324
Other revenue/income	4	654	1,075
Total revenue/income		**1,519**	**1,399**
Employee benefits expense		(1,263)	(1,714)
Professional fees		(248)	(232)
Other operating costs		(464)	(680)
Profit (Loss) from Joint Venture		-	51
Total (loss) before financing costs, tax, depreciation and amortisation		**(456)**	**(1,176)**
Depreciation and amortisation		(1)	(3)
Total (loss) before financing costs and tax		**(457)**	**(1,179)**
Financing costs incurred		(1,246)	(975)
(Loss) before income tax		**(1,703)**	**(2,154)**
Income tax benefit (expense)		-	-
(Loss) for the period from continuing operations		**(1,703)**	**(2,154)**
Discontinued operations			
Profit (loss) from discontinued operations, net of tax	5	1,349	7
(Loss) for the period		**(354)**	**(2,147)**
Other comprehensive income		253	6
Total comprehensive (loss) for the period		**(101)**	**(2,141)**
Earnings per share		**Cents**	**Cents[1]**
Basic earnings (loss) per share attributable to ordinary equity holders		(0.23)	(1.41)
Diluted earnings (loss) per share attributable to ordinary equity holders		(0.23)	(1.41)
Earnings per share – continuing operations		**Cents**	**Cents[1]**
Basic earnings (loss) per share attributable to ordinary equity holders		(1.12)	(1.42)
Diluted earnings (loss) per share attributable to ordinary equity holders		(1.12)	(1.42)

[1] Prior year comparatives have been restated to remove discontinued operations, refer to note 5.

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 2021 $'000	31 December 2020 $'000
CURRENT ASSETS			
Cash and cash equivalents	6	1	1
Trade and other receivables	7	1,282	274
Assets held for sale	5	-	103
Total Current Assets		1,283	378
NON-CURRENT ASSETS			
Property, plant and equipment		1	1
Total Non-Current Assets		1	1
TOTAL ASSETS		**1,284**	**379**
CURRENT LIABILITIES			
Cash and cash equivalents	6	44	84
Trade and other creditors and accruals	11	8,237	6,681
Interest bearing loans and borrowings	12	11,078	11,560
Provisions		196	205
Liabilities held for sale	5	-	327
Total Current Liabilities		19,555	18,857
NON-CURRENT LIABILITIES			
Provisions		35	25
Total Non-Current Liabilities		35	25
TOTAL LIABILITIES		**19,590**	**18,882**
NET ASSETS (LIABILITIES)		**(18,306)**	**(18,503)**
EQUITY			
Issued capital	13	277	155,105
Reserves	14	3,751	3,372
Accumulated losses		(22,334)	(176,980)
TOTAL EQUITY		**(18,306)**	**(18,503)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	30 June 2021[1] $'000	30 June 2020[1] $'000
Cash flows from operating activities			
Receipts from customers		986	1,058
Payments to suppliers and employees		(1,470)	(1,658)
Other income received		-	198
Net cash from (used in) operating activities		**(484)**	**(402)**
Cash flows from investing activities			
Disposal of discontinued operations, net of cash disposed	5	857	-
Net cash from (used in) investing activities		**857**	**-**
Cash flows from financing activities			
Proceeds from the issue of shares and options		-	-
Proceeds issue of convertible notes		132	-
Proceeds from borrowings		346	495
Repayment of borrowings and redemption of convertible notes		(762)	(115)
Borrowing costs paid		(123)	(20)
Net cash flow from (used in) financing activities		**(407)**	**360**
Net increase (decrease) in cash and cash equivalents		(34)	(42)
Cash and cash equivalents at 1 January	6	(83)	(73)
Add cash from assets held for sale on 1 January	5	74	-
Cash and cash equivalents at 30 June	6	**(43)**	**(115)**

[1] Includes discontinue operations, refer to note 5 for further detail.

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 2021	**155,105**	**(176,980)**	**3,372**	**(18,503)**
Profit (loss) for the period	-	(354)	-	(354)
Foreign currency translation reserve	-	-	253	253
Total comprehensive income (loss)	-	(354)	253	(101)
Transactions with owners in their capacity as owners:				
Issue of shares	177	-	-	177
Cancellation of share capital against accumulated losses	(155,000)	155,000		-
Share based payments reserve	-	-	126	126
Capital raising costs reversed (incurred)	(5)	-	-	(5)
Balance at 30 June 2021	**277**	**(22,334)**	**3,751**	**(18,306)**
Balance at 1 January 2020	**155,105**	**(171,992)**	**2,762**	**(14,095)**
Profit (loss) for the period	-	(2,147)	-	(2,147)
Foreign currency translation reserve	-	-	6	6
Total comprehensive income (loss)	-	(2,147)	6	(2,141)
Transactions with owners in their capacity as owners:				
Issue of shares	-	-	-	-
Share based payments reserve	-	-	110	110
Options reserve	-	-	180	180
Capital raising costs reversed (incurred)	-	-	-	-
Balance at 30 June 2020	**155,105**	**(174,139)**	**3,088**	**(15,946)**

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

This condensed consolidated interim financial report ("half-year financial report") as at and for the six months ended 30 June 2021 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. The principal accounting policies adopted in the preparation of the consolidated financial report are set out below and have been consistently applied by each entity in the Consolidated Entity for all periods presented, unless otherwise stated.

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

(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 2020 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*.

Comparative figures have been adjusted to conform to changes in presentation for the interim financial period when required by accounting standards, and to restate profit or loss items to remove discontinued operations. Where the Consolidated Entity has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

The half-year financial report was approved by the Board of Directors on 31 August 2021.

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 2020 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 7), Income Tax losses (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 2021 the Group incurred a net loss of $0.4 million, including $1.7 million loss from continuing operations (2020: $2.1 million loss from continuing operations), had net cash outflows from operating activities of $0.5 million (2020: $0.4 million outflows), and at that date the Group's current liabilities exceed its current assets by $18.3 million (31 December 2020: $18.5 million)

The Financial Report has been prepared on a going concern basis on the basis that the Company can raise additional debt and/or equity. See Note 12 and the accompanying table in relation to the current level of debt and proposals that the Company intends to undertake in relation thereto.

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

- The Company's increased contracted revenue resulting from its focus on growth of the Pricing Insights and related solutions targeted at both brands and retailers which will assist the Company's performance;
- The proceeds from the Convertible Promissory Note paid monthly over the next 7 months by ZenaTech Inc. from the sale of TillerStack GmbH;
- The expected issue of new equity of at least $8 million from sophisticated and institutional investors as provided for in the executed mandate with PAC Partners. The raising is expected to occur in September 2021 and the subscription will be finalised following approval by shareholders at the General Meeting;
- The scheduled repayment of $5.6 million of debt and trade and other payables following the capital raise;
- The expected $10.7 million reduction of the Company's debt as a consequence of a debt-to-equity conversion which is to be considered for shareholder approval at a General Meeting expected to be called by September 2021;
- The continued support of Marcel Equity. Marcel Equity has expressed continued support for the Company. The current facility of $7.5 million has a capacity of $3.0 million. The Board notes that during year $0.5 million was made available, but as a result of the COVID-19 impact the ability of Marcel Equity to meet a full drawdown has been restricted as per note 12;
- The additional $0.5 million convertible note investment made by a sophisticated investor in August 2021 to provide additional working capital;
- The continued support and extension of financing facilities provided by the Company's lenders and convertible note holders as per note 12;
- The continued support from the Company's creditors and staff in agreeing to scheduling payments; and
- The plan to use the additional funding facilities to extinguish older payables and accruals and restore the payables balance to normal trading terms;

The Company's ability to raise the proposed $8 million and continue as a going concern is dependent on the company's ability to meet the ASX's resumption of trading requirements in order for it to be able to be reinstated on the ASX during late 2021.

The Company has also implemented a Safe Harbour Plan and the Directors confirm that the Company is in full compliance with the provisions of this Plan at the date of this financial report.

While past performance is no guarantee of future results, the Company has previously been successful in managing the above uncertainties so that the Company can continue on a going concern basis. After considering all available information, the Directors have concluded it is appropriate to prepare the half year financial report on a going concern basis.

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 in the normal course of business at the amounts shown in the financial statements.

(f) 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.

(g) Leases

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 (i.e., 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.

The operating lease commitments of the Group at 30 June 2021 relate to short-term leases, therefore no right of use asset has been recognised, and the contracts are recognised as operating expenses on a straight-line basis over the term of the lease.

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. The TillerStack GmbH segment, which is discontinued, operated primarily in Germany. The Australia & South-East Asia segment operates primarily in Australia and Singapore.

a) Segment results

	TillerStack GmbH (discontinued)	Australia & SE Asia	Consolidated Total
Half-year ended 30 June 2021	$'000	$000	$'000
Revenue from external customers	64	865	929
Other revenue/income[1]	-	654	654
Total segment revenue/income	**64**	**1,519**	**1,583**
EBITDA[2]	(34)	(456)	(490)
Finance costs	-	(1,246)	(1,246)
Depreciation and amortisation	-	(1)	(1)
Half-year ended 30 June 2020			
Revenue from external customers	509	324	833
Other revenue/income[1]	-	1,075	1,075
Total segment revenue/income	**509**	**1,399**	**1,908**
EBITDA	12	(1,176)	(1,164)
Finance costs	-	(975)	(975)
Depreciation and amortisation	(5)	(3)	(8)

[1] *Refer to note 4*
[2] *EBITDA presented in this note excludes the gain on sale of TillerStack*

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

	30 June 2021 $'000	30 June 2020 $'000
Total EBITDA for reportable segments	**(490)**	**(1,164)**
Depreciation and amortisation for reportable segments	(1)	(8)
Finance costs for reportable segments	(1,246)	(975)
Elimination of discontinued operations – excluding gain on sale (refer note 5)	34	(7)
Income tax benefit (expense)	-	-
Profit (Loss) for the period from continuing operations	**(1,703)**	**(2,154)**

c) Revenue & other income by geographical region (including discontinued operations)

	30 June 2021 $'000	30 June 2020 $'000
Australia	1,519	1,363
Asia (Singapore, Philippines, Indonesia)	-	36
Germany	64	509
Total revenue & other income	**1,583**	**1,908**

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 2021 $'000	30 June 2020 $'000
Pricing (including Dynamic Repricing & Drink@Home)	640	300
Loyalty (including Visitor)	-	24
Professional Services	225	-
Total revenue from contracts with customers	**865**	**324**

b) Disaggregation of revenue	30 June 2021 $'000	30 June 2020 $'000
Licence subscription fees including support services	592	293
Licence and application set up fees	27	-
Project fees	21	31
Provision of Executive and management services	225	-
Total revenue	**865**	**324**

c) Timing of revenue recognition	30 June 2021 $'000	30 June 2020 $'000
Services transferred over time	844	293
Products and services transferred at a point in time	21	31
Total revenue	**865**	**324**

4. Other revenue and income

	30 June 2021 $'000	30 June 2020 $'000
Research & Development Tax Rebate	560	885
JobKeeper subsidy – Australia	-	77
ATO cashflow boost	-	50
Singapore government wages subsidies	-	28
Proceeds from sale/recovery of other assets (excluding TillerStack)	94	35
Other revenue / income	**654**	**1,075**

5. Sale of TillerStack GmbH and discontinued operations

TillerStack GmbH

In August 2020 the Company signed a Share Purchase Agreement for the sale of 100% of the issued share capital of its German operating subsidiary TillerStack GmbH to ZenaTech Inc (previously ZenaDrone Inc) for USD1.25 million (A$1.7 million), less any NTA adjustments. 50% of the purchase price was payable in cash on settlement, and 50% of the purchase price was payable by a 12-month amortising Promissory Note with a convertible option to ZenaTech Inc shares.

The settlement was expected by 15 October 2020, however the parties subsequently agreed to extend the settlement to 14 January 2021. Deposits received in FY2020 of USD175,000 (A$235,000) were recognised as a liability (advance consideration) as at 31 December 2020.

In January 2021 the sale completed, and the balance of cash settlement of USD450,000 (A$548,000) was received on 18 January 2021. Five Promissory Note payments totalling USD245,000 (A$314,000) were also received in the period to 30 June 2021, and an additional two payments of USD100,000 (A$130,000) have been received subsequent to period end. The total consideration received and receivable after NTA adjustments is $1.58 million, of which $436,000 is receivable at 30 June 2021 and included in other assets and receivables (note 7).

TillerStack GmbH has previously been presented as an operating segment, and therefore the financial results of TillerStack GmbH are presented as 'Discontinued Operations' in the consolidated income statement for the half year ended 30 June 2021. The 30 June 2020 comparatives are also restated to present the financial results of TillerStack GmbH as 'Discontinued Operations'. TillerStack GmbH was classified as held for sale at 31 December 2020.

a) Results of discontinued operation	**30 June 2021**	**30 June 2020**
	$'000	$'000
Revenue	64	509
Expenses	(98)	(502)
Results from operating activities	(34)	7
Income tax	-	-
Results from operating activities, net of tax	(34)	7
Gain (loss) on sale of discontinued operation	1,476	-
Transaction costs relating to discontinued operations	(93)	-
Income tax on gain (loss) on sale of discontinued operation	-	-
Profit (loss) for the period from discontinued operations	**1,349**	**7**

b) Cash flows from (used in) discontinued operation	**30 June 2021**	**30 June 2020**
	$'000	$'000
Net cash used in operating activities	(74)	2
Net cash from Investing activities	-	-
Net cash from financing activities	-	-
Net cash flow for the period	**(74)**	**2**

c) Assets and liabilities of disposal group held for sale	**31 December 2020**
	$000
Property, plant and equipment	10
Trade and other receivables	19
Cash and cash equivalents	74
Assets held for sale	**103**
Provisions	-
Trade and other payables	327
Liabilities held for sale	**327**

d) **Cash flows from consideration**	**30 June 2021** $000	**30 June 2020** $'000
Consideration received, satisfied in cash	857	-
Cash and cash equivalents disposed of	-	-
Net cash inflow	**857**	**-**

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

6. Cash and cash equivalents

	30 June 2021 $'000	**31 December 2020** $'000
Cash at bank and on hand, presented as a current asset	1	1
Bank overdrafts, drawn at period end, presented as a current liability	(44)	(84)
Cash and cash equivalents per statement of cash flows	**(43)**	**(83)**

7. Receivables

	30 June 2021 $'000	**31 December 2020** $'000
Trade debtors	170	121
Allowance for expected credit loss	(39)	(39)
Deferred consideration receivable	436	-
Sundry debtors and other receivables	560	50
Prepayments	155	142
Current	**1,282**	**274**

8. Fair values of financial instruments

The fair values of financial assets and liabilities recognised at balance date are not considered to be materially different from their carrying amounts as described below or in the relevant notes to these financial statements. The Consolidated Entity has considered that the use of derivative financial instruments, such as foreign exchange contracts or interest rate swaps, to minimise the risks associated with financial instruments, was not necessary during the financial year.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating fair values of financial assets and liabilities.

Financial assets at fair value through profit or loss

Fair values for listed securities are based on the quoted market price at balance date without any deduction for transaction costs. The Consolidated Entity held no listed securities at balance date. Fair values for unlisted securities are assessed using financial models, supporting analysis, including the terms upon which funding or investments are made, and may be supported by independent analysis if considered appropriate to aid the assessment.

Interest-bearing borrowings

Fair values are estimated using analysis based on current terms and rates for similar types of lending arrangements. Fair values of interest-bearing borrowings due within 12 months are generally assessed to equal face value given the short term to maturity.

Trade and other receivables and payables
The carrying amounts represent fair value because of their short term to maturity.

Contingent consideration
Fair values for contingent consideration arising from business combinations is estimated using financial models and supporting analysis based on the terms of the purchase agreement.

Fair value hierarchy
At 30 June 2021 there are no financial instruments held at fair value.

9. Dividends
There were no dividends paid or proposed during the period (2020 - $nil). The directors have not proposed the payment of an interim dividend since the period end (2020 - $nil).

10. Income Tax Losses

Based on the most recent Income Tax Return of the consolidated Australian tax group, there are approximately $33.8 million of unused income tax losses, and $45.0 million of unused capital losses for which no deferred tax asset has been recognised. The potential benefits at 30% is $10.1 million for the income tax losses, and $13.5 million for the capital losses.

The benefit of all losses available to the Australian tax consolidated group can only be utilised if the requirements of the Income Tax Assessment Act are satisfied at the time the head entity 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.

Invigor Asia Pte Ltd has corporate tax losses of approximately SGD 4.8 million (gross) subject to completion of the 2020 tax return.

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.

11. Trade and other creditors and accruals

	30 June 2020 $'000	**31 December 2020** $'000
Trade creditors	2,098	1,796
Other creditors and accrued expenses	5,942	4,392
TillerStack sale consideration received in advance of completion (refer Note 5)	-	235
Contract liabilities (Unearned revenue)	197	258
Current	**8,237**	**6,681**

Included in trade creditors are amounts totalling $1,115,000 (31 December 2020: $958,000) payable at balance date under cost recovery agreements with Marcel Equity Pty Ltd and associated entities, and payable under consultancy arrangements with other related parties. These amounts are unsecured.

Included in other creditors and accrued expenses are amounts totalling $2,295,000 (31 December 2020: $1,570,000) payable at balance date for accrued interest and other fees payable to Marcel Equity Pty Ltd, Gary Cohen and other Director related parties. These amounts are unsecured.

Invoice assignment facilities (including related party facility)

In February 2021, the Company entered into an invoice assignment facility with Inventive Healthcare Solutions Pty Ltd, an entity associated with Gary Cohen, Thierry Manor and Gregory Cohen. At 30 June 2021, the liability owing to Inventive Healthcare Solutions Pty Ltd under this facility is $208,000, and during the period, fees of

$33,000 were incurred. Since period end, the facility has been reduced to $142,000 and has been replaced by the facility discussed below.

In May 2021 the Company entered into an invoice assignment facility with a third-party provider. Under the facility, at the request of the Company, the provider could advance up to 90% of an assigned customer invoice. On collection of the invoice by the Company, the advanced amount plus financing fee is repayable to the provider. At 30 June 2021, the liability owing under this facility is $122,000, and during the period, fees of $6,000 were incurred which are included in financing costs.

12. Interest bearing loans and borrowings

	30 June 2021	31 December 2020
	$'000	$'000
Unsecured borrowings – convertible notes	1,132	1,000
Unsecured borrowings – loan and overdraft facilities	5,501	5,451
Unsecured borrowings - employees	177	187
Secured borrowings – loan facilities	4,268	4,922
Current	**11,078**	**11,560**

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.

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.

The key terms of the facility are:

- Convertible notes on issue at 30 June 2021 – 12,500,000 at $0.08 per share
- Maturity dates – 7 May 2019, extended to 31 December 2019. These notes are now due on demand, with discussions between note holders and the Company ongoing. The Company will seek approval at a General Meeting expected to be called in Q3 2021 for the conversion of 100% of this debt to equity through the issue of ordinary share capital. This is subject to shareholder approval.
- Ranking – unsecured
- Conversion price - the convertible notes may be converted into shares at the conversion price of $0.08 per share
- Interest – 17 per cent per annum, 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.

2021 Convertible notes issue

During early 2021, the Company received a total of $132,000 in funds from sophisticated investors for convertible notes.

The key terms of the convertible notes are:

- Convertible notes on issue at 30 June 2021 – 132,000 at $0.14 per share estimated (30% discount to an expected capital raise offer price)

- Maturity dates – twelve months from issue (issue dates between March 2021 and June 2021)
- Ranking – unsecured
- Conversion price - the convertible notes may be converted into shares at the conversion price of $0.14 per share estimated (30% discount to an expected capital raise offer price)
- Interest – 15 per cent per annum, 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 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 would make available up to $700,000 as and when required by the Company, subject to the terms of the loan arrangement. The loan arrangement has subsequently been extended a number of times (both limit and repayment date).

In February 2020, the Company extended the term and amount of the agreement to 31 December 2021, and $7.5 million (from $5 million at 31 December 2019) with 15% pa interest. It is intended that a significant portion of the Marcel Equity facility will be converted to equity subject to shareholder approval.

An amount of $4,548,000 has been drawn as at 30 June 2021 (31 December 2020: $4,496,000).

The terms of the facility are that it is only repayable from the Company's available cash flow (principal and interest).

Other loan facilities

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 2020 is $233,333. Interest accrues at 20% per annum. This loan is now due on demand, with discussions between the investor and the Company ongoing. The Company will seek approval at a General Meeting expected to be called in Q3 2021 for the conversion of 100% of this debt to equity through the issue of ordinary share capital. This is subject to shareholder approval.

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 2021. The repayment date was 31 December 2019 and extended to July 31, 2021, and the loan is now repayable on demand. The Company continues to negotiate with the borrower to extend beyond terms currently agreed and to repay the principal from the proceeds of the upcoming capital raise. Interest accrues at 3% per month.

In 2018, the Company entered into a Prepayment Loan Agreement with Karoo Investment Group Pty Ltd under which the lender made available a facility in the amount of $1,320,000 at an interest rate 15% - 22% p.a. The facility was primarily used to fund the Company's research and development activities. $1,100,000 of the facility was secured against the Company's research and development tax rebate amount for the year ended 31 December 2018, and was fully repaid in 2019 and 2020. The balance of $220,000 at 30 June 2021 is unsecured and remains as a short-term loan repayable on demand.

Unsecured borrowings – employees

In November 2019 the Company entered into unsecured loan agreements with certain employees. At 30 June 2021 the balance is $177,000 (31 December 2020: $187,000). Interest accrues at 15% per annum. The loans were repayable by 30 June 2020, and are now repayable on demand.

Secured borrowings

R&D loans

In December 2019, the Company entered into a Prepayment Loan Agreement with Finarch Holdings Pty Limited under which the lender made available a facility in the amount of $710,000 at an interest rate 20% p.a. The facility was being used to fund the Company's research and development activities. The original facility was fully repaid in the period on receipt of the research and development tax rebate amount for the year ended 31 December 2020.

In November 2020, the Company varied the Loan Agreement with Finarch Holdings Pty Limited under which the lender made available a facility in the amount of $640,000 at an interest rate 20% p.a, repayable by 10 May 2021. In December 2020, the Finarch facility was again extended for an additional facility $850,000, repayable in instalments up to 10 August 2021, subject to an extension option in the Company's favour. Amounts drawn under the facility are secured against the research and development rebate receivable, and the Promissory Note issued by the Purchaser of TillerStack GmbH (note 5). During the period, $655,000 of repayments have been made to Finarch in accordance with the terms of the facility agreement. The balance of the facility at 30 June 2021 was $835,000. Subsequent to period end, a further $152,000 has been repaid to Finarch, and the facility has been varied and increased by an additional $235,000 which has been drawn. $640,000 of the facility is repayable on receipt of the Company's 2020 research and development tax rebate, and the balance in instalments to January 2022.

Glowaim facility
On 28 February 2019, the Company entered into a $1,000,000 loan facility with Glowaim Pty Ltd. This was extended to $1,400,000 in November 2019. The facility is fully drawn at 30 June 2021, with repayment of the principal extended since period end to 31 October 2021 and the repayment of accrued interest extended until 15 January 2023. Interest accrues at 20% per annum.

PFG facility

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. $1,750,000 was repaid in instalments in 2019, and $33,000 was repaid in December 2020. The net balance remaining at 30 June 2021 of $217,000 is repayable on demand. PFG have agreed to extend pending a future capital raising. Interest accrues at 16% per annum on the balance.

Gary Cohen (Director) facility

In December 2019, Gary Cohen paid out $1,000,000 to PFG on behalf of the Company. The Company has agreed to a loan agreement with Gary Cohen on the same terms as PFG, being a secured charge, and interest at 16% per annum. The balance at 30 June 2021 is $1,000,000. The loan is payable on demand. Gary Cohen has agreed to extend the loan facility and convert this loan to shares as part of the capital restructure to take place following approval at the upcoming General Meeting.

Employee loans

In December 2020 the Company entered into secured loan agreements with certain employees and ex-employees. The loans are secured under a General Security Deed dated 31 December 2020 between the Company and Marcel Underwriting No. 1 Pty Ltd ACN 076 449 593 as bare trustee for each of the Lenders and registered on the Personal Property Security Register ('PPSR').

At 30 June 2021 the balance is $787,000. Interest accrues at 15% per annum. The loans were repayable by 30 April 2021, however subsequent to period end, an extension has been agreed by all concerned parties until 31 October 2021.

Other available overdraft facilities

Credit card facilities relating to the group were drawn to $29,000 at 30 June 2021.

The Company had a $100,000 interest bearing overdraft facility with National Australia Bank which was drawn to $44,000 at 30 June 2021 (31 December 2020 – drawn to $85,000). The credit card and overdraft facilities are secured by guarantees provided by entities associated with Gary Cohen and Gregory Cohen.

Further Information on Facilities and Plans

Please refer to the table below for further information and discussion on the facilities and the planned extensions and further capital raising. Also refer to note 17 for events subsequent to reporting date.

Debt/Equity Facility	**Assumptions and risks discussion**
2018 Convertible Notes In February and March 2018, a $1,000,000 loan to the Company was extended as a convertible note. The convertible note matured on 31 December 2019 and is now payable on demand. A further $300,000 was received from a different investor as a convertible note on 31 October 2018. This amount is recognised by the Company as a loan liability. At as 30 June 2021 $233,333 remains owing.	The Company and the noteholders have agreed to support the planned debt restructure and have indicated that they intend to convert 100% of this debt to equity. The conversion of debt to equity will require shareholder approval. The Company is aiming to seek shareholder approval at a General Meeting expected to be called in Q3 2021. .
Marcel Facility On 11 February 2020 the Company's loan arrangement with Marcel Equity was increased to a maximum available amount to draw down of $7,500,000. As at 30 June 2021, the Company has drawn down $4,548,000. As a result of the COVID-19 impact the ability of Marcel Equity to meet a full drawdown has been restricted. This facility will become due for payment when the Company has available cash flow.	Marcel Equity has expressed continued support for the Company, including an extension of the facility in February 2020 from $5 million to $7.5 million. As part of this agreement, Marcel will convert a total of $7.2m million of the debt and other liabilities, (including this $4.6m debt) into equity in the Company (pending shareholder approval). The conversion of $7.2 million owing to Marcel Equity to equity will require shareholder approval. The Company is aiming to seek shareholder approval at a General Meeting expected to be called in Q3 2021.
Glowaim Facility On 28 February 2019, the Company entered into a $1,000,000 loan facility with Glowaim Pty Ltd. This was extended to $1,400,000 in November 2019. The facility is fully drawn at 30 June 2021 and repayment was extended during August 2021 to 31 October 2021 for the repayment of the principal of $1.4 million (scheduled from the upcoming capital raise), and the repayment of the accrued interest was extended to 15 January 2023.	The Loan has been extended to 31 October 2021 for the $1.4 million principal, with a repayment from the upcoming capital raise. The repayment of the accrued interest has been extended until 15 January 2023.

Other loans – unsecured The Company has other unsecured loans including: - Karoo Investment Group $220,000 loan facility which is fully drawn at 30 June 2021 - Employee loan facility of $177,000 These loans are repayable on demand.	These loans are continuing and are repayable on demand.
Other Loans – secured The Company has other secured borrowings including: - Finarch Holdings Pty Limited $835,000 total facility secured against the 2020 R&D rebate, and TillerStack sale Promissory Notes. $152,000 has been repaid since period end. $640,000 is repayable on receipt of the 2020 R&D rebate, and the balance is due in monthly instalments to January 2022. - Employee and ex-employee loans of $787,000 repayable by 31 October 2021. The loans are secured under a General Security between the Company and Marcel Underwriting No. 1 Pty Ltd ACN 076 449 593 as bare trustee for each of the Lenders and registered on the PPSR.	These loans are within their loan terms.
Capital Raise The Company intends to undertake a capital raising to retire debt, fund growth and provide sufficient working capital to ensure the reinstatement of market trading	The proposed General Meeting of shareholders in Q3 2021 will seek approval for the raising of approximately $8 million in capital. This capital raise is important to the Company's ability to continue as a going concern over the next 12 months.

13. Issued capital

Company	**30 June 2021** Shares	**31 December 2020** Shares	**30 June 2021** $'000	**31 December 2020** $'000
Ordinary shares, fully paid	**162,817,394**	**152,039,352**	**277**	**155,105**

Movement in ordinary share capital **Fully paid shares**				
Balance at the beginning of the period	152,039,352	152,039,352	155,105	155,105
Issue of fully paid shares (non-cash)	10,778,042	-	177	-
Reduction in share capital against accumulated losses	-	-	(155,000)	-
Capital raising costs recovered (incurred)	-	-	(5)	-
Net balance at end of period	**162,817,394**	**152,039,352**	**277**	**155,105**

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.

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 3,333,334 fully paid ordinary shares for an exchange price of 60 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 1,333,334 fully paid ordinary shares for an exchange price of 40 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 2,500,000 fully paid ordinary shares for an exchange price of 8 cents per share 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 2021, there were 18,611,698 Incentive Options on issue under the Plans (31 December 2020 – 5,611,698).

Options on issue under the Plans may have varying vesting dates. All options on issue under the Plans at 30 June 2021 expire 5 years from the applicable grant date.

The Company did not issue any ordinary shares to participants in the Plans during the period ended 30 June 2021 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 2021 are shown in the following table:

Date options granted	Expiry Date[1]	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 #
20-May-17	20-May-22	1.00	257,508	0	0	0	257,508	257,508
22-Jun-17	22-Jun-22	0.60	50,004	0	0	0	50,004	50,004
3-Jul-17	3-Jul-22	1.00	100,002	0	0	0	100,002	100,002
1-Aug-17	1-Aug-22	1.00	83,340	0	0	0	83,340	83,340
3-Apr-18	3-Apr-23	1.00	37,500	0	0	0	37,500	37,500
4-Dec-18	4-Dec-23	0.20	5,083,344	0	0	0	5,083,344	3,633,341
29-Jun-21	29-Jun-25	0.025	0	4,000,000	0	0	4,000,000	4,000,000
29-Jun-21	29-Jun-25	0.04	0	3,000,000	0	0	3,000,000	3,000,000
29-Jun-21	29-Jun-25	0.05	0	4,000,000	0	0	4,000,000	4,000,000
29-Jun-21	29-Jun-24	0.015	0	2,000,000	0	0	2,000,000	2,000,000
Total			**5,611,698**	**13,000,000**	**0**	**0**	**18,611,698**	**17,161,695**

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
		$	#	#	#	#	#	#
17-Jun-16	17-Jun-21	2.00	37,500	0	(37,500)	0	0	0
19-Apr-17	19-Apr-22	1.00	37,500	0	0	0	37,500	37,500
5-Jul-17	5-Jul-22	0.60	25,002	0	0	0	25,002	25,002
5-Jul-17	5-Jul-22	1.00	12,501	0	0	0	12,501	12,501
7-May-21	7-May-23	0.015	0	21,250,000	0	0	21,250,000	21,250,000
Total			**112,503**	**21,250,000**	**(37,500)**	**0**	**21,325,003**	**21,325,003**

14. Reserves

	30 June 2021 $'000	31 December 2020 $'000
Employee equity benefits reserve		
Opening balance	2,841	2,670
Share based payments	126	171
Total employee benefits reserve	2,967	2,841
Foreign currency translation reserve		
Opening balance	(280)	(328)
Exchange differences arising on the translation of the financial statements of foreign subsidiaries	253	48
Total foreign currency translation reserve	(27)	(280)
Options reserve		
Opening balance	811	450
Options expense	-	361
Total options reserve	811	811
Total reserves	**3,751**	**3,372**

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.

15. Commitments

Leases

At 30 June, 2021 there were no commitments in relation to short term leases contracted for at the reporting date but not recognised as liabilities.

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

On 29 January 2021, the Company announced that Sun Asia Group have commenced proceedings against the Company, Gary Cohen and Gregory Cohen, seeking relief from the agreements previously entered into, and seeking damages. The Company are proposing to file a defence to the proceedings and a cross claim and have applied for security of costs. At the date of this report, the Directors do not believe that any material contingent liability has arisen as a result of these proceedings.

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.

17. Events Subsequent to Balance Date

These events have been updated to include all events up to the date of this report.

Covid-19 Pandemic

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment. Actual economic events and conditions in future may be materially different from those estimated by the Group at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have adverse impacts to the Group. At the date of this report an estimate of the future effects of the COVID-19 pandemic on the Group cannot be made, as the impact will depend on the magnitude and duration of the economic downturn and how markets continue to react to this, with the full range of possible effects unknown.

TillerStack sale

As per note 5, in August 2020 the Company signed a Share Purchase Agreement for the sale of 100% of the issued share capital of its German operating subsidiary TillerStack GmbH to ZenaTech Inc (previously ZenaDrone Inc) for USD1.25 million (A$1.7 million), less any NTA adjustments. In January 2021 the sale of TillerStack GmbH completed. Since 30 June 2021, a further USD0.1 million ($0.13 million) of deferred consideration payments have been received.

Loans and borrowings

Since 30 June 2021 the Company has repaid $152,000 to Finarch Holdings in July and August 2021. The Finarch facility has also been varied and extended in August 2021 allowing the Company to drawdown an additional $235,000 on 2 August 2021. This amount is repayable in monthly instalments to January 2022.

The Company has also raised an additional $500,000 from the issue of Convertible Notes to a sophisticated investor in August 2021.

In August 2021, the loan facility with Glowaim Pty Ltd of $1,400,000 has been extended to 31 October 2021 for the repayment of the principal amount of $1.4 million and extended until January 2023 for the repayment of accrued interest.

Share consolidation
On 6 July 2021 the Company announced a consolidation of issued capital and other securities in the ratio 10:1. As a result, the shares on issue post consolidation were 16,282,684.

Planned General Meeting
The Company intends to prepare resolutions and the required Notices and intends to call a General Meeting of shareholders in Q3 2021. The resolutions seek approval for a major capital and debt restructure to raise $8 million, with an ability for oversubscriptions to $10 million, of new equity and to eliminate $15.2 million of debt and liabilities (as at 30 June 2021) from its balance sheet. The proposed transactions include:

- The conversion of up to $8.3 million of debt and accrued interest from Marcel Equity and related parties including Gary and Gregory Cohen and RJL Investments Pty Ltd.
- The conversion of up to $2.4 million of debt and accrued interest from Convertible Note Holders and unsecured debt holders.
- The issue of shares and options for the conversion of up to $0.65 million to the 2021 Convertible Note holders.
- A significant capital raise of up to $8 million, with an ability for oversubscriptions to $10 million, through the issue of ordinary shares.

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 2021 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

Gregory Cohen
Director and CFO

Dated at Sydney this 31st day of August 2021

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

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 2021, 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 2021 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 2021 the Group incurred a consolidated net loss of $1.7m from continuing operations (2020: $2.1m loss from continuing operations), had net cash outflows from operating activities of $0.5m (2020: $0.4m), and that the Group's current liabilities exceed its current assets by $18.3m (Dec 2020: $18.5m). 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 to pursue its business objectives and will have unlikely continue to operate 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 Group 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.

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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 2021 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 Group, would be in the same terms if provided to the directors as at the time of this auditor's review report.

Moore Australia

MOORE AUSTRALIA AUDIT (VIC)
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GEORGE S DAKIS
Partner
Audit and Assurance
Melbourne, Victoria

31 August 2021