Invion Limited

ABN 76 094 730 417

Appendix 4D

Half Year Report
for the six months ended 31 December 2016 (current period)
and the previous corresponding period, the six months to 31 December 2015

Results for announcement to the market

				$
Revenue from continuing operations	Down	100%	to	267
Total Income	Down	80%	to	172,824
Profit/ (Loss) from ordinary activities after tax attributable to members:	Up	201%*	to	3,020,395*
Net Profit/ (Loss) for the period attributable to members:	Up	204%*	to	3,111,247*

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	(0.10) cents	(0.35) cents

No dividend is proposed to be paid. The Company has not gained or lost control over any entity in the period.

This information should be read in conjunction with the most recent Annual Financial Report (30 June 2016). Full financial details of the Company are available in the attached audit reviewed Financial Report for the half-year ended 31 December 2016.

An explanation of the results of the current period is set out in the Directors' Report. *The Company has recorded a tax benefit of $4,029,809 for the period. The majority of the tax benefit arises from carry forward losses that have been recognised as the benefit is now considered probable of realisation. This deferred tax asset has been offset against the deferred tax liability recorded on the acquisition of Inverseon, Inc. in August 2012.

This report is based on the interim consolidated financial statements for the half year ended 31 December 2016 of Invion Limited and its controlled entities, which have been reviewed by Ernst & Young (EY). The Independent Auditor's Report provided by EY is included in the consolidated financial statements. EY have issued a review report that has been issued with a material uncertainty regarding continuation as a going concern.

Invion Limited

Financial report

For half-year ended 31 December 2016

INVION

Targeting inflammation

LISTED ON ASX

Company Directory

Directors
Dr Greg Collier, Interim Executive Chair & MD
Mitchell Glass, M.D., Executive VP R&D and CMO
Dr James Campbell, Non-executive Director
Mr Warren Brown, Non-executive Director
Mr Gregory Brown (Alternate Director)

Company Secretary
Ms Melanie Farris

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Australian Business Number
76 094 730 417

Securities Exchange Listing
Australian Securities Exchange
ASX Code: IVX

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Contents

Directors' Report, p3

Auditor's independence declaration, p6

Interim consolidated statement of comprehensive income, p7

Interim consolidated statement of financial position, p8

Interim consolidated statement of changes in equity, p9

Interim consolidated statement of cash flows, p10

Notes to the interim consolidated financial statements, p11

Directors' Declaration, p20

Auditor's Report, p21

Directors' Report

Your directors submit their report for the half-year ended 31 December 2016.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Dr Greg Collier, Interim Executive Chair and Managing Director
Mitchell Glass, M.D., Executive VP R&D and Chief Medical Officer
Dr James Campbell, Non-executive Director
Mr Warren Brown, Non-executive Director
Mr Gregory Brown (Alternate Director)

Review and Results of operations

The Invion Group consists of Invion Limited and its wholly owned subsidiary Invion, Inc. The Group has operations in Brisbane, Australia and Delaware, USA. The activity of Invion during the period was directed to the R&D maintenance and commercial partnering of its assets: INV102 (nadolol), INV103 (ala-Cpn10), and INV104 (zafirlukast). The income attributable to the owners of the parent for the period ended 31 December 2016 was $3,020,395 (2015: $2,992,623 loss). No dividend was proposed or paid during the period.

Asset and Business Development

The Board's overarching strategic objective has been to enhance the value of the Company's assets by mitigating risk along each program's clinical development pathway, and to ultimately realise the potential of those assets. In the period under review the corporate and business strategy has been focused on identifying and developing potential commercial partners.

To complement internal strategic business development activity, in the prior period the Company appointed Ferghana Partners Group for a period of six months to increase reach and progress various potential commercial opportunities. At the completion of that appointment, and in the period under review, the Company continued to actively pursue these and other introductions and discussions.

In the period under review, business development and partnering discussions extended to pharmaceutical companies, health and other funds, and like-minded biotechnology groups.

Nadolol: Currently contraindicated in airway disease, INV102 (nadolol) has been shown in a large, controlled phase 2 clinical trial to be safe and well tolerated by patients. The Company has shown that nadolol blocks the beta-arrestin pathway, which is strongly implicated in the phenotype of chronic airway disease, and that by blocking this pathway and reversing abnormal mucus production, nadolol represents a promising and novel method of treating an underlying cause of chronic airway diseases including asthma and COPD. This has formed the

foundation of the Company's messaging to potential partners and collaborators in business development discussions.

Zafirlukast: The Company's position is that delivery of this FDA-approved non-steroidal drug via an inhaled route will provide superior benefit to patients and bypass problems currently associated with its systemic delivery. Invion's collaborator on this project, Hovione Scientia Limited, has provided critical work on formulation and manufacturing that has enabled the Company to seek to partner this program, so as to progress the drug into clinical trials.

Cpn10: Following the completion of the phase 2 study in lupus patients and global reach and numerous early partnering discussions, this program has not yet been partnered, however it remains in the Company's efforts.

For the respiratory asset package, the Company has been in contact with over 40 major pharmaceutical and biotechnology companies and funds interested in Invion's programs.

These activities have occurred against a backdrop of reduced headcount and continued minimisation of cash burn so as to preserve capital in this interim phase for the Company.

Loan funding

Loans from Directors

In March 2015, the Company entered into loan agreements with each Director. The loans from directors/ former directors/ related parties are unsecured (non-equity related) debt funding which was provided by directors and related parties for working capital. The key terms of the loan:

- Advance: Each director/ former director/ related party loaned the Company $200,000 for a total loan amount from Directors/ related parties to the Company of $1,200,000
- Interest rate: 10% per annum. Interest accrues daily and is payable at termination
- Termination Date: the earlier of 14 July 2017; or, the date which is 5 Business Days after the Company completes a Corporate Transaction; or, the date on which the Lender demands payment of the Money Owing following the occurrence of an Event of Default.

Changes to issued capital

Issued capital: No capital was issued in the period.

Lapse of unlisted share options: On 6 September 2016, a total of 51,500,000 unlisted share options lapsed unexercised. The options had previously been issued pursuant to a private placement to a US institutional investor as announced 1 September 2015.

Total number of shares and options on issue

At 31 December 2016, and at the date of this report, the number of ordinary shares of Invion Limited on issue was 1,237,071,273. The total number of share options on issue was 59,057,353.

Events after the reporting period

No reportable events occurred between the end of the period and the date of this report.

Auditor's Independence Declaration

We have obtained the independence declaration on page 6 from our auditors, Ernst & Young.

Signed in accordance with a resolution of the directors.



Dr Greg Collier
Interim Executive Chair and Managing Director
Brisbane, 27 February 2017

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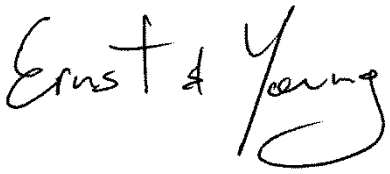
Auditor's Independence Declaration to the Directors of Invion Limited

As lead auditor for the review of Invion Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

This declaration is in respect of Invion Limited and the entities it controlled during the financial period.



Ernst & Young



Ric Roach
Partner
Brisbane
27 February 2017

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Interim consolidated statement of comprehensive income

	Notes	31 December 2016 $	31 December 2015 $
Grant received		-	139,100
Interest revenue		267	235
Total revenue		267	139,335
Other income	4	172,557	742,610
Employee and employee benefits expense		(40,997)	(748,150)
Depreciation and amortisation expenses		(626,037)	(671,846)
Finance costs		(70,210)	(183,859)
Administration & corporate expenses		(310,448)	(986,129)
Rent and occupancy expense		(1,214)	(33,078)
Share-based payment expense	13	(36,414)	(193,703)
Research & development costs	5	(21,984)	(1,111,397)
Patent costs		(74,500)	(126,397)
Business development		(434)	(75,364)
Loss before income tax expense		**(1,009,414)**	**(3,247,978)**
Income tax benefit	6	4,029,809	255,355
Income / (loss) for the period attributable to owners of the parent		**3,020,395**	**(2,992,623)**
Other comprehensive loss *Items may be reclassified subsequently to profit or loss:*			
Unrealised exchange differences on translation of foreign subsidiary		90,852	289,838
Total comprehensive income / (loss) attributable to owners of the parent		3,111,247	(2,702,785)
Earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the parent			
Basic and dilutive earnings (cents)		0.24	(0.22)

The interim consolidated statement of comprehensive income should be read in conjunction with the notes to the Financial Statements.

Interim consolidated statement of financial position

	Notes	31 December 2016 $	30 June 2016 $
Current assets			
Cash and cash equivalents	7	547,137	437,399
Trade and other receivables	8	35,676	647,528
Other current assets		69,847	81,761
Total current assets		**652,660**	**1,166,688**
Non-Current Assets			
Trade and other receivables	8	-	53,865
Property, plant and equipment		4,221	5,782
Intangible assets	9	10,408,446	10,755,631
Total Non-Current Assets		10,412,667	10,815,278
Total Assets		**11,065,327**	**11,981,966**
Current Liabilities			
Trade and other payables	10	418,655	466,576
Financial liabilities	11	1,220,070	120,199
Short-term provisions		53,420	50,792
Total current liabilities		**1,692,145**	**637,567**
Non-Current Liabilities			
Deferred tax liabilities		236,557	4,155,435
Financial liabilities		-	1,200,000
Total Non-Current Liabilities		236,557	5,355,435
Total Liabilities		**1,928,702**	**5,993,002**
Net Assets		**9,136,625**	**5,988,964**
Equity			
Issued Capital	12	123,052,032	123,052,032
Reserves	12	23,999,902	23,872,636
Accumulated losses		(137,915,309)	(140,935,704)
Total Equity		**9,136,625**	**5,988,964**

The interim consolidated statement of financial position should be read in conjunction with the notes to the Financial Statements.

Interim consolidated statement of changes in equity

	Note	Issued capital $	Options reserve $	Foreign currency translation reserve $	Convertible note reserve $	Accumulated earnings/(losses) $	Total equity $
As at 1 July 2016		123,052,032	19,356,769	2,029,153	2,486,714	(140,935,704)	5,988,964
Income / (loss) for the period		-	-	-	-	3,020,395	3,020,395
Other comprehensive income / (loss)		-	-	90,852	-	-	90,852
Total comprehensive income / (loss)		**-**	**-**	90,852	-	(3,020,395)	9,100,211
Share option expense	13	-	36,414	-	-	-	36,414
As at 31 December 2016		123,052,032	19,393,183	2,120,005	2,486,714	(137,915,309)	9,136,625

	Note	Issued capital $	Options reserve $	Foreign currency translation reserve $	Convertible note reserve $	Accumulated losses $	Total equity $
As at 1 July 2015		119,884,852	19,107,884	1,868,716	2,486,714	(136,487,994)	6,860,172
Loss for the period		-	-	-	-	(2,992,623)	(2,992,623)
Other comprehensive income / (loss)		-	-	289,838	-	-	289,838
Total comprehensive income / (loss)		**-**	**-**	289,838	-	(2,992,623)	(2,702,785)
Issue of share capital	12	3,211,993	-	-	-	-	3,211,993
Transaction costs	12	(198,340)	-	-	-	-	(198,340)
Share option expense	13	-	193,703	-	-	-	193,703
As at 31 December 2015		122,898,505	19,301,587	2,158,554	2,486,714	(139,480,617)	7,364,743

The interim consolidated statement of changes in equity should be read in conjunction with the notes to the Financial Statements.

Interim consolidated statement of cash flows

	Notes	31 December 2016 $	31 December 2015 $
Cash flows from (used in) operating activities			
Payments to suppliers and employees		(554,923)	(4,655,714)
Cash received in the course of operations		53	139,514
R&D Tax Rebate		609,719	2,408,166
Interest paid on borrowings		-	(42,394)
Interest received		267	235
Net cash provided by (used in) operating activities		55,116	(2,150,193)
Cash flows from (used in) investing activities			
Receipt of previous bank guarantee		53,865	-
Net cash provided by (used in) investing activities		53,865	-
Cash flows from (used in) financing activities			
Proceeds from issue of shares		4,000	3,085,493
Cost of capital raising		-	(198,340)
Repayment of borrowings		-	(974,213)
Net cash provided by in financing activities		4,000	1,912,940
Net increase (decrease) in cash held		112,981	(237,253)
Net foreign exchange differences		(3,243)	59,587
Cash and cash equivalents at beginning of period		437,399	2,284,513
Cash and cash equivalents at end of period	7	547,137	2,106,847

The interim consolidated statement of cash flows should be read in conjunction with the notes to the Financial Statements.

Notes to the consolidated financial statements

1. Corporate information

Invion Limited is a Company limited by shares incorporated in Australia whose shares have been publicly traded on the Australian Securities Exchange since its listing on 15 February 2011 (ASX:IVX). Invion Limited is a clinical-stage life sciences (drug development) company. The Company is focused on the development of treatments for major market opportunities in inflammatory diseases including asthma, chronic bronchitis and lupus. Invion has three therapeutic candidates: INV102 (nadolol) – a repurposed beta adrenergic biased ligand; INV103 (ala-Cpn10) – a modified naturally occurring human protein; and INV104 (zafirlukast) - a leukotriene receptor antagonist (LTRA) or anti leukotriene.

The Invion Group ("the Group") consists of Invion Limited ("Invion" or "the Company") and its wholly owned subsidiary Invion, Inc. The Group has operations in Brisbane (Australia) and Delaware (USA).

2. Basis of preparation and changes to the Company's accounting policies

The interim consolidated financial statements for the six months ended 31 December 2016 have been prepared in accordance with AASB 134 Interim Financial Reporting. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 30 June 2016 and to announcements issued to the ASX.

2a. Going concern

This financial report for the six months ended 31 December 2016 has been prepared on a going concern basis. The Group incurred an operating profit after income tax of $3,020,395 (2015: $2,992,623 loss) for the half-year. At 31 December 2016 the Company had net assets of $9,136,625 (30 June 2016: $5,998,964) and a net current liability position of $1,039,485 (30 June 2016: $529,121 net current assets). In common with other companies in the biotechnology sector, the Group's operations are subject to risks and uncertainty due primarily to the nature of the drug development and commercialisation. In order for the Group to execute its near term and longer term plans, the Board will be required to complete a transaction to obtain sufficient capital to meet operational and program development needs. These conditions of uncertainty and the need to obtain further capital give rise to significant uncertainty as to whether the Group will be able to continue as a going concern and be able to pay its debts as and when they fall due.

The Company's strategic focus is the realisation of shareholder value through the completion of a commercial transaction, for example the sale or out-licence, of one or all of its drug assets. Such a transaction may include receipt of funds (via upfront or milestone related payment). Should the Directors be unable to secure a commercial transaction at this time, the Board considers it likely that it may be necessary to raise additional capital. Directors cannot be certain

that a commercial or capital raising transaction will complete. If a transaction is not completed, there is uncertainty whether Invion will continue as a going concern and the Group may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different from those stated in the financial report. This report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should Invion not be able to continue as a going concern.

2b. New standards, interpretations and amendments thereof, adopted by the Company

This half-year consolidated financial report has been prepared by adopting accounting policies that are consistent with those adopted in the annual financial statements for the year ended 30 June 2016. New standards and amendments to standards mandatory for the first time for the financial year beginning 1 July 2016 have been adopted. The adoption of these standards will not have a material financial effect on the current period or any prior period and is not likely to affect future periods. The Group has not elected to early adopt any other new standards or amendments that are issued but not yet effective. The future impacts of the above are being assessed by the Group.

2c. Convertible Notes

The component of the convertible note that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of the convertible notes, the fair value of the embedded derivative and convertible note is determined and the residual (being the conversion option) is recorded as a separate component of equity. The net balance of the convertible note is recorded as an interest bearing liability. The liability is increased over the term of the liability using the effective interest rate implicit in the note. Any increase recorded is recognised as interest expense. Certain convertible notes contain a feature which allows options over ordinary shares to be issued. This option feature is recorded as an embedded derivative liability on issuance of the convertible note at the fair value of the embedded derivative. At each Balance Date while the convertible note is outstanding the embedded derivative liability is re-measured to fair value through the profit and loss.

2d. Fair value hierarchy

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuation Technique: In determining Fair Value, consideration is given to the price that would be paid to transfer the liability in an orderly transaction between market participants at the measurement date. Determination of the fair value of the convertible note has thus taken into the contractual obligations of the Company, expectations regarding the timing of conversion, the conversion price/actual share price and the probability of any other events occurring that would result in an increase to the face value of the convertible note as set out in the contract with the counterparty. Disclosure of quantitative unobservable inputs has not been made as they are not expected to materially impact the amount recorded.

Reconciliation of recurring Level 3 fair value movements

Convertible Note	31 December 2016 $	31 December 2015 $
Balance at 1 July	100,000	385,000
Loss on fair value adjustment (i)	(100,000)	-
Less conversion in period	-	(82,500)
Balance at 31 December	-	302,500

(i) The Convertible Security is on issue to the Australian Special Opportunities Funds (ASOF). The convertible note currently has a face value of $0.00, however the Deed provides for an increase to the face value of the note by $100,000 upon occurrence of events, including certain capital raisings, as set out in the agreement. The Convertible Security expires on 24 March 2017. The Directors have assessed the fair value of the Convertible Security as nil due to the probability of payment at 31 December 2016.

3. Segment Information

The Invion Group operates as a clinical-stage life sciences (drug development) group with operations in Australia and the United States. The Group does not currently consider that the risks and returns of the Group are affected by differences in either the products or services it provides, nor the geographical areas in which the Group operates. As such the Group operates as one segment. Group performance is evaluated based on operating profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Group financing (including finance costs and finance income) and income taxes are managed on a Group basis.

4. Other income

	31 December 2016 $	31 December 2015 $
Other income		
Unrealised foreign exchange gain (loss)	72,505	14,444
R&D tax rebate (i)	-	728,166
Revaluation of financial liability (ii)	100,000	-
Other income	52	-
	172,557	742,610

(i) An R&D tax rebate for the period is not recorded due to the completion of major clinical development activities in the financial year ended 30 June 2016.

(ii) As recorded in prior periods, a Convertible Security is on issue to the Australian Special Opportunities Funds (ASOF). The convertible note currently has a face value of $0.00, however the Deed provides for an increase to the face value of the note by $100,000 upon occurrence of events, including certain capital raisings, as set out in the agreement. The Convertible Security expires on 24 March 2017. The Directors have assessed the fair value of the Convertible Security as nil due to the probability of payment at 31 December 2016.

5. Research and Development costs

	31 December 2016 $	31 December 2015 $
R&D costs		
Clinical trial costs	4,060	661,446
Drug production and supply	17,924	166,604
Feasibility for inhaled respiratory drug franchise	-	283,347
Other R&D costs	-	-
	21,984	1,111,397

6. Income tax benefit

Based on the expectation that recovery of the Company's intellectual property will be through sale (refer note 2a), the Company has recorded a tax benefit of $4,029,809 for the period ended 31 December 2016 (2015: $255,355). The majority of the tax benefit arises from carry forward losses that have been recognised as the benefit is now considered probable of realisation. This deferred tax asset has been offset against the deferred tax liability recorded on the acquisition of Inverseon, Inc. in August 2012.

7. Cash and cash equivalents

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	31 December 2016 $	30 June 2016 $
Cash at bank and in hand	547,137	437,399
Petty cash advance	-	-
Total cash and cash equivalents	547,137	437,399

8. Trade and other receivables

	31 December 2016 $	30 June 2016 $
Trade and other receivables		
Current [(i)]		
Trade debtors	7,671	7,671
R&D tax incentive rebate	-	619,209
Goods and services tax refundable	7,640	5,767
Unpaid share issue consideration	10,000	14,000
Litigation payments owing	1,070,075	1,070,075
Less: impairment of receivables	(1,070,075)	(1,070,075)
Other receivables	10,365	881
Total trade and other receivables	35,676	647,528
Non-current		
Bank guarantee deposit	-	53,865
	-	53,865

(i) The carrying value of trade debtors and other receivables approximate the fair value at balance date.

9. Intangible assets

	31 December 2016 $	30 June 2016 $
Intangible Assets		
Intellectual property (at cost)	20,098,566	19,666,204
Less: impairment	(4,125,000)	(4,125,000)
Less: accumulated amortisation	(5,565,120)	(4,785,573)
Net carrying value	**10,408,446**	**10,755,631**
Reconciliation of intellectual property (at cost)		
Opening balance	10,755,631	11,683,939
Foreign currency translation gain (loss)	277,329	370,415
Amortisation charge	(624,514)	(1,298,723)
Closing balance	10,408,446	10,755,631

Note on carry value of intangible assets: The INV012 (nadolol) asset is the primary intangible asset of the Company. The Board and Management continue to be of the view that, following the completion, reporting of data and subsequent from the large Phase 2 smoking cessation study as well as progress along the path to an inhaled version of the drug, that

INV012 (nadolol) continues to represent a potential significant asset for the Group, and that there remains large potential for the nadolol asset to add significant value to the Company.

10. Trade and other payables

	31 December 2016 $	30 June 2016 $
Trade and other payables		
Current [(i)]		
Trade creditors	145,140	204,717
Accrued expenses	41,935	100,491
Director related accruals [(ii)]	231,580	161,368
	418,655	466,576

(i) The carrying value of trade creditors and other payables approximate the fair value at balance date. Trade creditors are non-interest bearing and are normally settled on 30-day terms.

(ii) Director related accruals reflect accrued interest on Director loans (see Note 15, Related Party Transactions).

11. Financial Liabilities

	31 December 2016 $	30 June 2016 $
Financial liabilities		
Current		
Promissory notes payable (from acquisition) [(i)]	20,070	20,199
Convertible Security [(ii)]	100,000	100,000
Revaluation to fair value [(ii)]	(100,000)	-
Loans from directors and related parties [(ii)]	1,200,000	-
	1,220,070	120,199

(i) Promissory notes payable relates to Notes assumed in the acquisition of Inverseon Inc. Notes are recorded at approximately fair value at balance date.

(ii) The Convertible Security is on issue to the Australian Special Opportunities Funds (ASOF). The convertible note currently has a face value of $0.00, however the Deed provides for an increase to the face value of the note by $100,000 upon occurrence of events, including certain capital raisings, as set out in the agreement. The Convertible Security expires on 24 March 2017. The Directors have assessed the fair value of the Convertible Security as nil due to the probability of payment at 31 December 2016.

(iii) The carrying amounts of the loans from Directors and related parties are a reasonable approximation of fair value. In March 2015, the Company entered into loan agreements with Directors subsequent to which unsecured (non-equity related) debt funding was provided to

the Company for working capital and for the repayment of outstanding liabilities. The key terms of the loan are:

a. Advance: Each director/ former director/ related party loaned the Company $200,000 for a total loan amount from Directors/ related parties to the Company of $1,200,000
b. Interest rate: 10% per annum. Interest accrues daily and is payable at termination
c. Termination Date: the earlier of 14 July 2017; or, the date which is 5 Business Days after the Company completes a Corporate Transaction; or, the date on which the Lender demands payment of the Money Owing following the occurrence of an Event of Default.

12. Issued Capital

	31 December 2016 Number	31 December 2016 $
Issued Capital		
Ordinary shares issued and fully paid	1,237,071,273	123,052,032
Movements in ordinary shares on issue		
Ordinary shares on issue at 1 July	1,237,071,273	123,052,032
Shares issued	-	-
Ordinary shares on issue at 31 December	1,237,071,273	123,052,032

	31 December 2016	31 December 2015
Movements in reserves		
Balance at 1 July	23,872,636	23,463,314
Share option expense	36,414	193,703
Other comprehensive income (translation of subsidiary)	90,852	289,838
Balance at 31 December	23,999,902	23,946,855

13. Share-based payment

For the six months ended 31 December 2016, the Group has recognised $36,414 of share-based payment transactions expense in the interim consolidated statement of comprehensive income (31 December 2015: $193,703).

14. Commitments and contingencies

Corporate commitments

As lease agreements for office premises, telephones and related office expenses expired in the prior period, no commitment is recognised.

R&D commitments

At the Balance Date, the Company had no contractual commitments relating to R&D development activities (30 June 2016: $nil). On 30 March 2001, the Company entered into a Royalty Agreement with CSL Limited (CSL) regarding its INV103 (ala-Cpn10) asset. This agreement was entered into contemporaneously with the Deed of Assignment, an agreement which assigned CSL's rights to its Research Agreement with Uniquest Pty Ltd to CSL for payment of $125,000. The Royalty Agreements stipulates that Invion is to pay royalties to CSL after commercialisation of products developed under the Research Agreement.

Contingencies related to litigation

As recorded in prior financial statements and public announcements, judgment was delivered on 20 June 2014 in relation to interest and costs of prior litigation, pursuant to which the Company is to receive $1,306,283, in aggregate, for the original litigation judgment and accumulated interest, plus costs of the action on an indemnity basis. The Company has used all avenues available to it to recover the judgment debt, and a Trustee in bankruptcy was appointed. A financial asset in relation to the judgement in the litigation has been recorded, less amounts recovered, but fully impaired to zero.

15. Related party transactions

Loans from Directors

In March 2015, the Company entered into loan agreements with each Director. The loans from directors/ former directors/ related parties are unsecured (non-equity related) debt funding which was provided by directors and related parties for working capital. The key terms of the loan:

- Advance: Each director/ former director/ related party loaned the Company $200,000 for a total loan amount from Directors/ related parties to the Company of $1,200,000
- Interest rate: 10% per annum. Interest accrues daily and is payable at termination
- Termination Date: the earlier of 14 July 2017; or, the date which is 5 Business Days after the Company completes a Corporate Transaction; or, the date on which the Lender demands payment of the Money Owing following the occurrence of an Event of Default.

Transactions with the subsidiary

Invion Limited is the parent entity in the Group. Details of the Group's subsidiary are set out below. During the period the parent transacted with the subsidiary. All transactions were on an arm's length basis and have been eliminated on consolidation.

		% equity interest	
Name	**Country of incorporation**	**31 Dec 2016**	**30 June 2016**
Invion Inc.	USA	**100%**	**100%**

16. Events after the reporting period

No reportable events occurred between the end of the period and the date of this report.

In accordance with a resolution of the directors of Invion Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the financial position as at 31 December 2016 and the performance for the half-year ended on that date; and
   ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) subject to the inherent uncertainty regarding the continuation as a going concern as expressed in Note 2a, that is, the ability of the company to pay its debts as and when they fall due, the Board is of the opinion that there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Dr Greg Collier
Interim Executive Chair and Managing Director
27 February 2017

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Building a better working world

Independent review report to the members of Invion Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Invion Limited, which comprises the interim consolidated statement of financial position as at 31 December 2016, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 and the *Corporations Act 2001* and for such internal controls as the directors determine are 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 Standard on Review Engagements ASRE 2410 *Review of a Financial Report 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: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Invion Limited and the entities it controlled during the half-year, 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 other 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 have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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Conclusion

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 Invion Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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 Regarding Continuation as a Going Concern

Without qualifying our review conclusion above, we draw attention to Note 2a in the financial report which indicates that the consolidated entity incurred a profit from continuing operations after income tax of $3,020,395 in the half-year ended 31 December 2016 (31 December 2015: $2,992,623 loss) and is dependent on the raising of additional funds to continue activities. As a result of this matter there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial assets and report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

Ric Roach
Partner
Brisbane
27 February 2017

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