Invion Limited

ABN 76 094 730 417

Appendix 4D

Half Year Report
for the six months ended 31 December 2017 (current period)
and the previous corresponding period, the six months to 31 December 2016

Results for announcement to the market

				$
Revenue from continuing operations	Up	11%	to	297
Total Income	Down	73%	to	46,289
Profit/ (Loss) from ordinary activities after tax attributable to members:	Down	138%	to	(1,159,010)
Net Profit/ (Loss) for the period attributable to members:	Down	137%	to	(1,162,209)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	(0.03) cents	(0.10) 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 2017). Full financial details of the Company are available in the attached audit reviewed Financial Report for the half-year ended 31 December 2017.

An explanation of the results of the current period is set out in the Directors' Report.

This report is based on the interim consolidated financial statements for the half year ended 31 December 2017 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 2017

INVION

Targeting inflammation

Company Directory

Directors
Mr Thian Chew, Chairman
Dr Greg Collier, Managing Director and CEO
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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Brisbane
Australia

Share Registry
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Directors' Report

Your directors submit their report for the half-year ended 31 December 2017.

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.

Mr Thian Chew, appointed Non Executive Director and Chair, 1 December 2017
Dr Greg Collier, Managing Director and Chief Executive Officer
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 expanding the Group's business and develop its asset pipeline through the identification and in-licencing of new advanced clinical opportunities. In addition, the Company continued to seek to identify commercial partners for its existing assets. The loss attributable to the owners of the parent for the period ended 31 December 2017 was $1,159,010(2016: $3,020,395 profit). A proportion of this loss, at $615,195, related to non-cash items including depreciation and share based payment expense. No dividend was proposed or paid during the period.

Strategic Transaction with The Cho Group Limited

The Board's overarching strategic objective for the Group has been to identify and in-licence novel drug assets, enhance the value of these assets by mitigating risk along each program's clinical development pathway, and to ultimately realise the commercial potential of those assets.

On 18 April 2017, the Company announced that it had entered into a strategic alliance with The Cho Group Limited that represented an opportunity for Invion to expand its business and develop its asset pipeline through the identification and in-licensing of new advanced clinical opportunities. Through this process, Invion identified Photosoft™, a photodynamic therapy targeted to the treatment of cancers.

On 31 August 2017, Invion announced that it has entered a series of agreements with The Cho Group (collectively, the Transaction). The Transaction comprised:

1. Exclusive Distribution and Licence Agreement: The Cho Group agreed to appoint Invion as exclusive distributor and licensee in Australia and New Zealand of the Photosoft™ technology for the treatment of cancers. In return for the exclusive licence, Invion agreed to issue new shares to The Cho Group (and/or associates) for a licence value of $5.5M at $0.002 per share;

2. R&D Services Agreement: Invion was engaged to conduct the clinical development of Photosoft™ globally, initially targeting prostate cancer in Australian-run clinical trials. The Cho Group agreed to provide non-dilutive funding for the clinical trials and related development, in a clinical development program designed and managed by a joint steering committee between the two companies; and

3. Underwriting Agreement: The Cho Group agreed to fully underwrite a non-renounceable pro rata entitlement offer to Invion Shareholders, to raise up to approximately $2.5M to fund working capital and the costs of the Transaction.

The Shareholders of Invion approved these three agreements – the Transaction – at the Annual General Meeting held on 30 November 2017. Since that time, Invion has been working to establish a Scientific Advisory Board, as well determine potential timing and costs of Phase II/ Phase III clinical trials in prostate cancer, with the aim of leading to approval submissions in this indication.

In addition, Invion will explore short term opportunities for the treatment of skin cancers and other disorders, and will aim to develop a strategy to target ovarian cancer as a future clinical opportunity for Photosoft™.

Business Development for respiratory assets

Invion continues to seek to identify commercial partners for its respiratory assets.

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.

Changes to issued capital

Issued capital: Following shareholder approval at the Annual General Meeting held 30 November 2017, on 4 December 2017, Invion issued 2,750,000,000 new shares to associates of The Cho Group following the completion of the Transaction as detailed above.

Lapse of unlisted share options: On 9 November 2017, a total of 25,650,000 unlisted share options lapsed unexercised.

Total number of shares and options on issue

At 31 December 2017, and at the date of this report, the number of ordinary shares of Invion Limited on issue was 4,205,965,273. The total number of share options on issue was 26,407,353.

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. 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. The interest rate is 10% per annum, with interest accruing daily and payable at termination. The Termination Date has been revised by agreement to be the date which is 5 Business Days after the Company closes its underwritten non-renounceable Rights Issue entitlement offer which was announced on 12 February 2018.

Events after the reporting period

On 12 February 2018, Invion announced a fully underwritten non-renounceable Rights Issue to raise approximately $2.5 million before costs.

As approved by shareholders at Invion's Annual General Meeting held on 30 November 2017, the rights issue was fully underwritten by The Cho Group Limited. The proceeds of the offer were to provide funds for general working capital and to fund the repayment of current liabilities, including the loans from directors/ related parties.

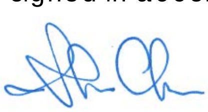
The Rights Issue formed part of the strategic transaction with The Cho Group announced on 31 August 2017 and approved by Invion shareholders at the 2017 AGM. The Rights Issue offer price of $0.002 represents the market price of Invion shares in the 10 trading days prior to the announcement of the transaction.

At the date of this report, it is expected that approximately 1.25 billion new shares will be issued under the Rights Issue, subsequent to the closing of the offer, anticipated for Thursday 8 March 2018.

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.



Thian Chew
Chair
Melbourne, 28 February 2018

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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 2017, 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

Ernst & Young

Jennifer Barker

Jennifer Barker
Partner
Brisbane
28 February 2018

Interim consolidated statement of comprehensive income

	Notes	31 December 2017 $	31 December 2016 $
Grant received		-	-
Interest revenue		297	267
Total revenue		297	267
Other income	4	45,992	172,557
Employee and employee benefits expense		(128,934)	(40,997)
Depreciation and amortisation expenses		(602,841)	(626,037)
Finance costs		(81,567)	(70,210)
Administration & corporate expenses		(340,229)	(310,448)
Rent and occupancy expense		-	(1,214)
Share-based payment expense	13	(12,354)	(36,414)
Research & development costs	5	(5,388)	(21,984)
Patent costs		(20,107)	(74,500)
Business development		(13,879)	(434)
Loss before income tax expense		**(1,159,010)**	**(1,009,414)**
Income tax benefit	6	-	4,029,809
Income / (loss) for the period attributable to owners of the parent		**(1,159,010)**	**3,020,395**
Other comprehensive loss			
Items may be reclassified subsequently to profit or loss:			
Unrealised exchange differences on translation of foreign subsidiary		(3,199)	90,852
Total comprehensive income / (loss) attributable to owners of the parent		(1,162,209)	3,111,247
Earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the parent			
Basic and dilutive earnings (cents)		(0.06)	0.24

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 2017 $	30 June 2017 $
Current assets			
Cash and cash equivalents	7	281,513	917,486
Trade and other receivables	8	132,143	32,338
Other current assets		69,562	57,042
Total current assets		**483,218**	**1,006,866**
Non-Current Assets			
Property, plant and equipment		1,304	2,638
Intangible assets	9	9,674,299	4,802,450
Total Non-Current Assets		9,675,603	4,805,088
Total Assets		**10,158,821**	**5,811,954**
Current Liabilities			
Trade and other payables	10	605,456	492,567
Financial liabilities	11	1,259,607	1,257,101
Short-term provisions		73,454	55,087
Total current liabilities		**1,938,517**	**1,804,755**
Non-Current Liabilities			
Long-term provisions		1,524	-
Total Non-Current Liabilities		1,524	-
Total Liabilities		**1,940,041**	**1,804,755**
Net Assets		**8,218,780**	**4,007,199**
Equity			
Issued Capital	12	129,054,734	123,693,298
Reserves	12	23,458,497	23,449,342
Accumulated losses		(144,294,451)	(143,135,441)
Total Equity		**8,218,780**	**4,007,199**

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 2017		123,693,298	19,417,783	1,544,845	2,486,714	(143,135,441)	4,007,199
Income / (loss) for the period		-	-	-	-	(1,159,010)	(1,159,010)
Other comprehensive income / (loss)		-	-	(3,199)	-	-	(3,199)
Total comprehensive income / (loss)		**-**	**-**	(3,199)	-	(1,159,010)	(1,162,209)
Issue of fully paid shares		5,500,000	-	-	-	-	5,500,000
Share option expense	13	-	12,354	-	-	-	12,354
Transaction costs		(138,564)	-	-	-	-	(138,564)
As at 31 December 2017		129,054,734	19,430,137	1,541,646	2,486,714	(144,294,451)	8,218,780

	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

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 2017 $	31 December 2016 $
Cash flows from (used in) operating activities			
Payments to suppliers and employees		(497,971)	(554,923)
Cash received in the course of operations		-	53
R&D Tax Rebate		-	609,719
Interest received		297	267
Net cash provided by (used in) operating activities		(497,674)	55,116
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
Cost of capital raising		(138,564)	-
Proceeds from borrowings		67,293	-
Repayment of borrowings		(64,517)	-
Net cash provided by in financing activities		(135,788)	4,000
Net increase (decrease) in cash held		(633,462)	112,981
Net foreign exchange differences		(2,511)	(3,243)
Cash and cash equivalents at beginning of period		917,486	437,399
Cash and cash equivalents at end of period	7	281,513	547,137

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 respiratory diseases, autoimmune diseases, and cancers. Invion has four therapeutic candidates: Photosoft™ - a new generation photosensitiser derived from chlorophyll which is hypothesised to identify and selectively accumulate within solid cancerous tumour tissues; 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 2017 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 2017 and to announcements issued to the ASX.

2a. Going concern

This financial report for the six months ended 31 December 2017 has been prepared on a going concern basis. The Group incurred an operating loss after income tax of $1,159,010 (2016: $3,020,395 profit) for the half-year. At 31 December 2017 the Company had net assets of $8,218,780 (30 June 2017: $4,007,199) and a net current asset position of $1,455,299 (30 June 2017: ($797,889)). 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. To address current funding issues, on 12 February 2018, the Company announced a fully underwritten pro rata entitlement offer to Invion Shareholders, to raise up to approximately $2.5M. Further, following approval by Invion shareholders at the AGM held 30 November 2017, in accordance with strategy, forward activity will primarily be directed to the clinical development of Photosoft™, the fully burdened costs of which will be funded non-dilutively via Invion's R&D services agreement with The Cho Group.

Nonetheless, 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 2017. New standards and amendments to standards mandatory for the first time for the financial year beginning 1 July 2017 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. 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 2017** **$**	**31 December 2016** **$**
Balance at 1 July	-	100,000
Loss on fair value adjustment (i)	-	(100,000)
Less conversion in period	-	-
Balance at 31 December	-	-

(i) The Convertible Security was on issue to the Australian Special Opportunities Funds (ASOF). The Convertible Security expired on 24 March 2017.

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 2017 $	31 December 2016 $
Other income		
Unrealised foreign exchange gain (loss)	(25,586)	72,505
R&D tax rebate	71,578	-
Revaluation of financial liability (i)	-	100,000
Other income	-	52
	45,992	172,557

(i) As recorded in prior periods, a Convertible Security was on issue to the Australian Special Opportunities Funds (ASOF). The Convertible Security expired on 24 March 2017.

5. Research and Development costs

	31 December 2017 $	31 December 2016 $
R&D costs		
Clinical trial costs	-	4,060
Drug production and supply	5,388	17,924
	5,388	21,984

6. Income tax benefit

The Company has recorded a tax benefit of $nil for the period ended 31 December 2017 (2016: $4,029,809).

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 2017 $	30 June 2017 $
Cash at bank and in hand	281,513	917,486
Petty cash advance	-	-
Total cash and cash equivalents	281,513	917,486

8. Trade and other receivables

	31 December 2017 $	30 June 2017 $
Trade and other receivables		
Current (i)		
Trade debtors	-	7,671
R&D tax incentive rebate	81,068	-
Goods and services tax refundable	51,075	4,327
Unpaid share issue consideration	-	10,000
Litigation payments owing	1,070,075	1,070,075
Less: impairment of receivables	(1,070,075)	(1,070,075)
Other receivables	-	10,340
Total trade and other receivables	132,143	32,338

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

9. Intangible assets

	31 December 2017 $	30 June 2017 $
Intangible Assets		
Intellectual property (at cost)	24,479,708	19,181,256
Less: impairment	(8,525,000)	(8,525,000)
Less: accumulated amortisation	(6,280,409)	(5,853,806)
Net carrying value	**9,674,299**	**4,802,450**

Reconciliation of intellectual property		
Opening balance	4,802,450	10,755,631
Impairment	-	(4,400,000)
In-licence rights: Photosoft™	5,500,000	-
Foreign currency translation gain (loss)	(26,608)	(311,171)
Amortisation charge	(601,543)	(1,242,010)
Closing balance	9,674,299	4,802,450

Note on carry value of intangible assets: Following the acquisition via business combination of INV102 (nadolol) in 2012, its value was recorded on initial recognition at cost – being its fair value at the date of acquisition. The Board considered that at 30 June 2017, indicators of impairment did exist for the respiratory asset INV102 (nadolol). The Board remains confident in the science surrounding INV102 (nadolol) and the quality of its clinical development and clinical trial results. The Board determined the value of the INV102 (nadolol) asset had decreased in the past year in line with the decrease in the market capitalisation of the Company. The Financial Statements accompanying this Directors' Report therefore record an impairment value of $4,400,000. The Board noted that whilst no agreement has yet been completed the directors are satisfied the carrying value at 31 December 2017 is recoverable.

10. Trade and other payables

	31 December 2017 $	30 June 2017 $
Trade and other payables		
Current (i)		
Trade creditors	181,780	117,355
Accrued expenses	40,000	71,035
Director related accruals (ii)	383,676	304,177
	605,456	492,567

(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 2017 $	30 June 2017 $
Financial liabilities		
Current		
Promissory notes payable (from acquisition) (i)	19,231	19,501
Loans from directors and related parties (ii)	1,200,000	1,200,000
Other secured loan (insurance funding)	40,376	37,600
	1,259,607	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 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 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. 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. The interest rate is 10% per annum, with interest accruing daily and payable at termination. The Termination Date has been revised by agreement to be the date which is 5 Business Days after the Company closes its underwritten non-renounceable Rights Issue entitlement offer which was announced on 12 February 2018.

12. Issued Capital

	Number	$
Issued Capital		
Ordinary shares issued and fully paid	4,205,965,273	129,054,734
Movements in ordinary shares on issue		
Ordinary shares on issue at 1 July	1,455,965,273	123,052,032
Shares issued	2,750,000,000	5,500,000
Ordinary shares on issue at 31 December	4,205,965,273	129,054,734

	31 December 2017	31 December 2016
Movements in reserves		
Balance at 1 July	23,449,342	23,872,636
Share option expense	12,354	36,414
Other comprehensive income (translation of subsidiary)	(3,199)	90,852
Balance at 31 December	23,458,497	23,999,902

13. Share-based payment

For the six months ended 31 December 2017, the Group has recognised $12,354 of share-based payment transactions expense in the interim consolidated statement of comprehensive income (31 December 2016: $36,414).

14. Commitments and contingencies

Corporate commitments
As lease agreements for office premises, telephones and related office expenses expired in previous 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 2017: $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. 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. The interest rate is 10% per annum, with interest accruing daily and payable at termination. The Termination Date has been revised by agreement to be the date which is 5 Business Days after the Company closes its underwritten non-renounceable Rights Issue entitlement offer which was announced on 12 February 2018.

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 2017**	**30 June 2017**
Invion Inc.	USA	**100%**	**100%**

16. Events after the reporting period

On 12 February 2018, Invion announced a fully underwritten non-renounceable Rights Issue to raise approximately $2.5 million before costs.

As approved by shareholders at Invion's Annual General Meeting held on 30 November 2017, the rights issue was fully underwritten by The Cho Group Limited. The proceeds of the offer were to provide funds for general working capital and to fund the repayment of current liabilities, including the loans from directors/ related parties.

The Rights Issue formed part of the strategic transaction with The Cho Group announced on 31 August 2017 and approved by Invion shareholders at the 2017 AGM. The Rights Issue offer price of $0.002 represents the market price of Invion shares in the 10 trading days prior to the announcement of the transaction.

At the date of this report, it is expected that approximately 1.25 billion new shares will be issued under the Rights Issue, subsequent to the closing of the offer, anticipated for Thursday 8 March 2018.

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 2017 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

Thian Chew
Chair
28 February 2018

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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 2017, 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 2017 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.

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 2017 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter - Material Uncertainty Regarding Continuation as a Going Concern

We draw attention to Note 2a in the financial report which indicates that the consolidated entity incurred a loss from continuing operations after income tax of $1,159,010 in the half-year ended 31 December 2017 (31 December 2016: $3,020,395 profit) 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 it's 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. Our conclusion is not modified in respect of this matter.

Ernst & Young

Ernst & Young

Jennifer Barker
Partner
Brisbane
28 February 2018