

Invion Limited
ABN 76 094 730 417

Appendix 4D

Half Year Report
for the six months ended 31 December 2018 (current period)
and the previous corresponding period, the six months to 31 December 2017

Results for announcement to the market

| | | | | <u>\$</u> |
|--|-----------|----------------|----|-------------------------------|
| Revenue from continuing operations | Up | 394379% | to | 1,171,604 |
| Total Income | Up | 2434% | to | 1,172,812 |
| Profit/ (Loss) from ordinary activities after tax attributable to members: | Increased | 14% | to | (1,322,326) |
| Net Profit/ (Loss) for the period attributable to members: | Decreased | 22% | to | (912,214) |
| | | Current period | | Previous corresponding period |
| Net tangible asset backing per ordinary share | | (0.0001) cents | | (0.03) cents |

No dividend is proposed to be paid. This information should be read in conjunction with the most recent Annual Financial Report (30 June 2018). Full financial details of the Company are available in the attached audit reviewed Financial Report for the half-year ended 31 December 2018.

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 2018 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 2018



Company Directory

Directors

Mr Thian Chew, Chairman
Dr Greg Collier, Managing Director and CEO
Dr James Campbell, Non Executive Director
Mr Alan Yamashita, Non Executive Director

Company Secretary

Ms Melanie Farris

Registered Office

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Australian Business Number

76 094 730 417

Securities Exchange Listing

Australian Securities Exchange
ASX Code: IVX

Auditors

Ernst & Young
Brisbane
Australia

Share Registry

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2018.

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, Non Executive Director and Chair

Dr Greg Collier, Managing Director and Chief Executive Officer

Mitchell Glass, M.D., Executive VP R&D and Chief Medical Officer, retired 12 February 2019

Dr James Campbell, Non Executive Director

Mr Alan Yamashita, appointed Non Executive Director on 12 February 2019

Review and Results of operations

The Invion Group consists of Invion Limited and, at 31 December 2018, its wholly owned subsidiaries Invion Inc., Chronic Airway Therapeutics Limited and IVX Cosmetics Pty Ltd. The activity of Invion during the period was directed to the development of the Photosoft™ technology for the treatment of a range of cancers. Invion has been appointed exclusive licensee in Australia and New Zealand of Photosoft™. The appointment has been made by technology licensor, The Cho Group, a Hong Kong based group that has funded and successfully commercialised a number of unique and advanced technologies. Via an R&D services agreement between the two entities, the research and clinical trials of Photosoft™ are funded by The Cho Group.

The loss attributable to the owners of the parent for the period ended 31 December 2018 was \$1,322,326 (2017: \$1,159,010). A proportion of this loss, at \$758,829, related to non-cash items including amortisation and share based payment expense. No dividend was proposed or paid during the period.

RESEARCH, FORMULATION AND DEVELOPMENT OF THE PHOTOSOFT™ TECHNOLOGY

On 5 July 2018, the Company announced that the initial characterisation of its in-licensed Photosoft™ technology asset had been completed in ovarian cancer under Invion's Research & Development Alliance with Hudson Institute of Medical Research. The studies showed that the Photosoft™ technology caused efficient and highly effective cancer cell destruction *in vitro*.

On 10 September 2018, the Company announced that Photosoft™ had received patent protection in the area of cancer treatment until 2033. On 25 September 2018, the Company announced new *in vitro* data that showed IVX-P02, an improved formulation of Photosoft™, was 15 times more effective than Photosoft™ at killing ovarian cancer cells.

On 7 November 2018, Invion announced partnerships with Formulytica and vivoPharm to formulate and test a gel version of IVX-P02 as a photodynamic therapy (PDT) gel targeted to treat skin cancers. The Company further noted that human clinical trials in the skin cancer indication were targeted to commence in 2019.

SPIN-OUT OF RESPIRATORY ASSETS

On 5 September 2018, the Company announced it would spin-off its two respiratory assets, nadolol and zafirlukast, into a new public unlisted company, Chronic Airway Therapeutics Limited (**CAT**), which would develop the products initially in China, with plans to advance towards Phase III clinical trials for nadolol in 2019.

On 27 September 2018, Invion announced that CAT had selected leading Chinese contract research organisation, R&G Pharma Studies, to support the development in China of nadolol as a treatment for chronic obstructive pulmonary disease.

On completion of the spin-out, which occurred on 12 February 2019, Invion transferred its respiratory assets as well as all of its shares in subsidiary Invion Inc. to CAT. Eligible Invion shareholders were entitled to one CAT share for each Invion share they held as at the record date, while retaining their existing Invion shareholding.

Changes to issued capital

Lapse of unlisted share options: On 19 November 2018, a total of 19,700,000 unlisted share options lapsed unexercised.

Events after the reporting period

On 16 January 2019, the Company announced the appointments of three new members to the Company's Scientific Advisory Board (SAB), which is expected to advance plans for clinical trials.

At the General Meeting held 30 January 2019, Shareholders approved all resolutions relating to the Company's spin-out of respiratory assets. The record date for the spin-out transaction was 4 February 2019, and the spin-out transaction completed on 12 February 2019, at which point each eligible Shareholder in Invion held one share in CAT for each eligible share they held in Invion. The completion of the transaction did not alter the issued capital of Invion.

Shareholders also approved the appointment of Mr Alan Yamashita as a Non Executive Director. Mr Yamashita has over 40 years' experience in investment management, investment banking, and alternative investment. He is Managing Partner at Polar Ventures, a private investment firm that provides capital, strategic and operating solutions, focusing on small-medium sized enterprises in Asia. As Mr Yamashita is a business partner with Invion Chairman Thian Chew in Polar Ventures, the Invion Board considers that Mr Yamashita is not an Independent Director in accordance with the Board's Corporate Governance Policy.

Upon completion of the spin-out and the appointment of Mr Yamashita, Dr Mitchell Glass retired from the Board of Directors to focus on the continued development of the respiratory assets in CAT, where he is appointed Executive Director.

At the General Meeting Shareholders also approved the issue of 208,520,753 Share Options to Directors and \$150,000 worth of Invion Shares to the Managing Director and CEO.

The issue of Invion Shares to the Managing Director and CEO occurred on 12 February 2019. Each share was issued at the market price of \$0.018 resulting in 8,333,333 shares issued.

The issue of Share Options to Directors occurred on 12 February 2019. In addition, 154,459,817 Share Options were issued to employees and consultants to the Company. Share Options issued each have an exercise price of \$0.03, an expiry date of 12 February 2023. 20% of Options vested immediately upon issue, with the remaining options vesting in equal portions over three years commencing 1 December 2019.

The total issued securities of the Company are as follows:

| | At 31 December 2018 | At the date of this Report |
|-----------------|----------------------------|-----------------------------------|
| Ordinary Shares | 5,492,272,967 | 5,500,606,300 |
| Share Options | 1,707,353 | 364,687,923 |

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.



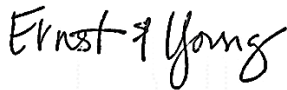
Thian Chew
Chair
Melbourne
26 February 2019

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 2018, 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



Jennifer Barker
Partner
Brisbane
26 February 2019

Interim consolidated statement of comprehensive income

| | Notes | 31 December 2018 \$ | 31 December 2017 \$ |
|--|-------|------------------------------|------------------------------|
| Revenue from contracts with customers | | 1,171,604 | - |
| Interest revenue | | 1,208 | 297 |
| Total revenue | | <u>1,172,812</u> | <u>297</u> |
| Other income / (expense) | 4 | (18,907) | 45,992 |
| Employee and employee benefits expense | | (426,129) | (128,934) |
| Depreciation and amortisation expenses | | (756,879) | (602,841) |
| Finance costs | | - | (81,567) |
| Administration & corporate expenses | | (643,442) | (340,229) |
| Rent and occupancy expense | | (55,690) | - |
| Share-based payment expense | 13 | (1,950) | (12,354) |
| Research & development costs | 5 | (701,360) | (5,388) |
| Patent costs | | (23,807) | (20,107) |
| Business development | | (115,729) | (13,879) |
| Loss before income tax expense | | <u>(1,571,081)</u> | <u>(1,159,010)</u> |
| Income tax benefit | 6 | 248,755 | - |
| Income / (loss) for the period attributable to owners of the parent | | <u>(1,322,326)</u> | <u>(1,159,010)</u> |
| Other comprehensive loss | | | |
| <i>Items may be reclassified subsequently to profit or loss:</i> | | | |
| Unrealised exchange differences on translation of foreign subsidiary | | <u>410,112</u> | <u>(3,199)</u> |
| Total comprehensive income / (loss) attributable to owners of the parent | | <u>(912,214)</u> | <u>(1,162,209)</u> |
| Earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the parent | | | |
| Basic and dilutive earnings (cents) | | (0.02) | (0.06) |

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 2018 \$ | 30 June 2018 \$ |
|--------------------------------------|-------|---------------------------|-----------------------|
| Current Assets | | | |
| Cash and cash equivalents | 7 | 642,232 | 2,891,371 |
| Trade and other receivables | 8 | 842,705 | 91,770 |
| Other current assets | | 117,649 | 77,617 |
| Total Current Assets | | 1,602,586 | 3,060,758 |
| Non-Current Assets | | | |
| Property, plant and equipment | | 3,927 | - |
| Intangible assets | 9 | 7,001,573 | 7,288,272 |
| Total Non-Current Assets | | 7,005,500 | 7,288,272 |
| Total Assets | | 8,608,086 | 10,349,030 |
| Current Liabilities | | | |
| Trade and other payables | 10 | 632,468 | 782,070 |
| Contract liability | | 353,124 | 886,264 |
| Financial liabilities | 11 | 21,252 | 20,295 |
| Short-term provisions | | 118,197 | 93,024 |
| Total Current Liabilities | | 1,125,041 | 1,781,653 |
| Non-Current Liabilities | | | |
| Deferred tax liabilities | | 470,391 | 652,494 |
| Long-term provisions | | 16,573 | 8,538 |
| Total Non-Current Liabilities | | 486,964 | 661,032 |
| Total Liabilities | | 1,612,005 | 2,442,685 |
| Net Assets | | 6,996,081 | 7,906,345 |
| Equity | | | |
| Issued Capital | 12 | 132,140,700 | 132,140,700 |
| Reserves | 12 | 24,183,281 | 23,771,219 |
| Accumulated losses | | (149,327,900) | (148,005,574) |
| Total Equity | | 6,996,081 | 7,906,345 |

*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 2018 | 132,140,700 | 19,432,957 | 1,851,548 | 2,486,714 | (148,005,574) | 7,906,345 |
| Income / (loss) for the period | - | - | - | - | (1,322,326) | (1,322,326) |
| Other comprehensive income / (loss) | - | - | 410,112 | - | - | 410,112 |
| Total comprehensive income / (loss) | - | - | 410,112 | - | (1,322,326) | (912,214) |
| Share option expense | - | 1,950 | - | - | - | 1,950 |
| As at 31 December 2018 | 132,140,700 | 19,434,907 | 2,261,660 | 2,486,714 | (149,327,900) | 6,996,081 |

| 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 | - | 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 |

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

| | 31 December 2018 \$ | 31 December 2017 \$ |
|--|---------------------------|---------------------------|
| Cash flows from (used in) operating activities | | |
| Payments to suppliers and employees | (2,248,714) | (497,971) |
| Interest received | 1,208 | 297 |
| Net cash provided by (used in) operating activities | (2,247,506) | (497,674) |
| Cash flows from (used in) investing activities | | |
| Payment for Property, Plant and Equipment | (3,927) | - |
| Net cash provided by (used in) investing activities | (3,927) | - |
| Cash flows from (used in) financing activities | | |
| 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) |
| Net increase (decrease) in cash held | (2,251,433) | (633,462) |
| Net foreign exchange differences | 2,293 | (2,511) |
| Cash and cash equivalents at beginning of period | 2,891,372 | 917,486 |
| Cash and cash equivalents at end of period | 642,232 | 281,513 |

*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 is a clinical-stage life-sciences company that is leading the global clinical development of the Photosoft™ technology for the treatment of cancers. Invion has been appointed exclusive licensee in Australia and New Zealand of Photosoft™. The appointment has been made by technology licensor, The Cho Group, a Hong Kong based group that has funded and successfully commercialised a number of unique and advanced technologies. Via an R&D services agreement between the two entities, the research and clinical trials of Photosoft™ are funded by The Cho Group.

2. BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

The interim consolidated financial statements for the six months ended 31 December 2018 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 2018 and to announcements issued to the ASX.

2a. Going concern

This financial report for the six months ended 31 December 2018 has been prepared on a going concern basis. The Group incurred an operating loss after income tax of \$1,322,326 (2017: \$1,159,010) for the half-year. At 31 December 2018 the Company had net assets of \$6,996,081 (30 June 2018: \$7,906,345) and a net current asset position of \$477,545 (30 June 2018: \$1,279,105). 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.

The ability of the Group to continue as a going concern and meet its strategic objectives is principally dependent upon funds continuing to be available for research and development expenditure and other principal activities. The Directors have identified funding risk as an area of uncertainty and material risk impacting the Group due to the dependency on the R&D Services Agreement with the Cho Group, and as similar to other companies in the biotechnology sector, recognise that further capital may be required to fund the Group's activities.

The Directors are satisfied that notwithstanding the uncertainty, on the basis the Cho Group funding continues to be made available, there is a reasonable basis to conclude that adequate cash is available to meet the liabilities and commitments of the Group for a period of at least twelve months from the date of this report, and on that basis, are satisfied that the going concern basis of preparation is appropriate. No adjustment has been made to recorded assets and liability amounts and classifications should the group not continue as a going concern.

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

(i) New and amended standards adopted

Apart from the policies listed below, 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 2018. New standards and amendments to standards mandatory for the first time for the financial year beginning 1 July 2018 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.

- **AASB 15 - Revenue from contracts with customers**

The Group is in the business of performing research under contract. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services, net of Goods and Services Tax (GST). The Group has concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Services: Revenue from services is recognised at the point in time when control of the service is transferred to the customer, generally when the relevant research expenditure is incurred. The normal credit term is 30 days. If the Group receives revenue in advance of incurring the relevant expenditure, it is treated as a contract liability as the Group does not control the revenue until the relevant expenditure has been incurred. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties, delivery). In determining the transaction price for the services, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Contract balances - Trade receivables: A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under Financial instruments – initial recognition and subsequent measurement.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

- **AASB 9 - Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement: Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income

(OCI), and fair value through profit or loss. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement: All financial instruments held by the Group are recorded at fair value and any changes in value are reflected in the profit or loss.

(ii) New standards and interpretations not yet adopted

The Group has elected not 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. A list of these new standards is set out below:

- **AASB 16 Leases**

The Group is in the process of assessing the potential impact, if any, of the above-mentioned accounting standards and interpretations. Initial indications are that AASB 16 will result in the recognition of a "right of use asset" and a "financial liability". The financial impact will be quantified in the 30 June 2019 year-end consolidated financial report.

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. 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.

3. SEGMENT INFORMATION

The Invion Group operates as a clinical-stage life sciences (drug development) group. At 31 December 2018 the Group had operations in Australia and the United States with its wholly owned subsidiaries Invion Inc., Chronic Airway Therapeutics Limited⁽ⁱ⁾ and IVX Cosmetics Pty Ltd⁽ⁱⁱ⁾. The Group does not consider that the risks and returns of the Group have been or are affected by differences in either the products or services it provides, nor the geographical areas in which the Group operates and has operated. 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.

- (i) The Company completed the spin-out of its interests in Invion Inc. and Chronic Airway Therapeutics Limited on 12 February 2019.
- (ii) IVX Cosmetics Pty Ltd has been established as an entity for the Group to explore the potential use of its assets in a cosmetics setting. There was no activity in the entity during the half year or up until the date of this report.

4. OTHER INCOME

| | 31 December 2018 \$ | 31 December 2017 \$ |
|---|------------------------------|------------------------------|
| Other income | | |
| Unrealised foreign exchange gain (loss) | (18,907) | (25,586) |
| R&D tax rebate | - | 71,578 |
| | <u>(18,907)</u> | <u>45,992</u> |

5. RESEARCH AND DEVELOPMENT COSTS

| | 31 December 2018 \$ | 31 December 2017 \$ |
|---|------------------------------|------------------------------|
| R&D costs | | |
| Clinical Development and Regulatory costs trial | 443,775 | - |
| Drug manufacturing, production and supply | 81,422 | 5,388 |
| Feasibility studies | 10,928 | - |
| Other R&D | 165,235 | - |
| | <u>701,360</u> | <u>5,388</u> |

6. INCOME TAX BENEFITS

The Company has recorded a tax benefit of \$248,755 for the period ended 31 December 2018 (2017: \$nil).

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 2018 \$ | 30 June 2018 \$ |
|--|------------------------------|--------------------------|
| Cash at bank and in hand | 642,232 | 2,891,371 |
| Total cash and cash equivalents | <u>642,232</u> | <u>2,891,371</u> |

8. TRADE AND OTHER RECEIVABLES

| | 31 December 2018 \$ | 30 June 2018 \$ |
|--|--|------------------------------------|
| Trade and other receivables | | |
| Current ⁽ⁱ⁾ | | |
| Trade debtors | 702,310 | - |
| R&D tax incentive rebate | 91,770 | 91,770 |
| GST refundable | 48,625 | - |
| Total trade and other receivables | 842,705 | 91,770 |

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

9. INTANGIBLE ASSETS

| | 31 December 2018 \$ | 30 June 2018 \$ |
|---------------------------------|--|------------------------------------|
| Intangible Assets | | |
| Intellectual property (at cost) | 25,990,787 | 25,275,976 |
| Less: impairment | (10,525,000) | (10,525,000) |
| Less: accumulated amortisation | (8,464,214) | (7,462,704) |
| Net carrying value | 7,001,573 | 7,288,272 |

Reconciliation of intellectual property

| | | |
|--|------------------|------------------|
| Opening balance | 7,288,272 | 4,802,450 |
| Acquisitions | - | 5,500,000 |
| Impairment | - | (2,000,000) |
| Foreign currency translation gain (loss) | 470,180 | 308,285 |
| Amortisation charge | (756,879) | (1,322,463) |
| Closing balance | 7,001,573 | 7,288,272 |

Note on carry value of intangible assets: Invion is developing Photosoft™ technology as an improved next generation Photodynamic Therapy. The Photosoft™ commercialisation licence is reflected as an intangible asset and is being amortised over a 20 year period. The Photosoft™ commercialisation licence is being carried at the value of the licence and distribution agreement less accumulated amortisation. The Directors are of the view that there have been no indicators of impairment to this carrying value due to both the short period since the transaction when an independent expert valued the licence, and the progress in the R&D development asset since that time.

10. TRADE & OTHER PAYABLES

| | 31 December 2018 \$ | 30 June 2018 \$ |
|---------------------------------|--|------------------------------------|
| Trade and other payables | | |
| Current ⁽ⁱ⁾ | | |
| Trade creditors | 599,331 | 567,838 |
| Accrued expenses | 33,137 | 159,830 |
| GST payable | - | 54,402 |
| | 632,468 | 782,070 |

- (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.

11. FINANCIAL LIABILITIES

| | 31 December 2018 \$ | 30 June 2018 \$ |
|--|--|------------------------------------|
| Financial liabilities | | |
| Current | | |
| Promissory notes payable (from acquisition) ⁽ⁱ⁾ | 21,252 | 20,295 |
| | 21,252 | 20,295 |

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

12. ISSUED CAPITAL

| | Number | \$ |
|--|----------------------|--------------------|
| Issued Capital | | |
| Ordinary shares issued and fully paid | 5,492,272,967 | 132,140,700 |
| Movements in ordinary shares on issue | | |
| Ordinary shares on issue at 1 July | 5,492,272,967 | 132,140,700 |
| Shares issued | - | - |
| Ordinary shares on issue at 31 December | 5,492,272,967 | 132,140,700 |

| | 31 December 2018 | 31 December 2017 |
|--|-----------------------------|-----------------------------|
| Movements in reserves | | |
| Balance at 1 July | 23,771,219 | 23,449,342 |
| Share option expense | 1,950 | 12,354 |
| Other comprehensive income (translation of subsidiary) | 410,112 | (3,199) |
| Balance at 31 December | <u>24,183,281</u> | <u>23,458,497</u> |

13. SHARE-BASED PAYMENTS

For the six months ended 31 December 2018, the Group has recognised \$1,950 of share-based payment transactions expense in the interim consolidated statement of comprehensive income (31 December 2017: \$12,354).

14. COMMITMENTS AND CONTINGENCIES

Corporate commitments

The Company rents premises at East Kew in Victoria on a month-to-month basis. The agreement has no terms nor is there a make-good requirement upon termination of the agreement. The Company does not have lease agreements for telephone, copier or similar corporate overhead items. No corporate commitment is therefore recognised.

R&D commitments

At the Balance Date, the Company had contractual commitments to the value of \$1.75 million relating to R&D development activities (30 June 2018: \$nil).

15. RELATED PARTY TRANSACTIONS

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.

| Name | Country of incorporation | % equity interest | |
|--|--------------------------|-------------------|--------------|
| | | 31 Dec 2018 | 30 June 2018 |
| Invion Inc. ⁽ⁱ⁾ | USA | 100% | 100% |
| Chronic Airway Therapeutics Limited ⁽ⁱ⁾ | Australia | 100% | - |
| IVX Cosmetics Pty Ltd ⁽ⁱ⁾ | Australia | 100% | - |

- (i) The Company completed the spin-out of its interests in Invion Inc. and Chronic Airway Therapeutics Limited on 12 February 2019.
- (ii) IVX Cosmetics Pty Ltd has been established as an entity for the Group to explore the potential use of its assets in a cosmetics setting. There was no activity in the entity during the half year or up until the date of this report.

16. EVENTS AFTER THE REPORTING PERIOD

On 16 January 2019, the Company announced the appointments of three new members to the Company's Scientific Advisory Board (SAB), which is expected to advance plans for clinical trials.

At the General Meeting held 30 January 2019, Shareholders approved all resolutions relating to the Company's spin-out of its respiratory assets. The net carrying value of the respiratory assets as at 31 December 2018 was \$1,721,573. The record date for the spin-out transaction was 4 February 2019, and the spin-out transaction completed on 12 February 2019, at which point each eligible Shareholder in Invion held one share in CAT for each eligible share they held in Invion. The completion of the transaction did not alter the issued capital of Invion.

Shareholders also approved the appointment of Mr Alan Yamashita as a Non Executive Director. Mr Yamashita has over 40 years' experience in investment management, investment banking, and alternative investment. He is Managing Partner at Polar Ventures, a private investment firm that provides capital, strategic and operating solutions, focusing on small-medium sized enterprises in Asia. As Mr Yamashita is a business partner with Invion Chairman Thian Chew in Polar Ventures, the Invion Board considers that Mr Yamashita is not an Independent Director in accordance with the Board's Corporate Governance Policy.

Upon completion of the spin-out and the appointment of Mr Yamashita, Dr Mitchell Glass retired from the Board of Directors to focus on the continued development of the respiratory assets in CAT, where he is appointed Executive Director.

At the General Meeting Shareholders also approved the issue of 208,520,753 Share Options to Directors and \$150,000 worth of Invion Shares to the Managing Director and CEO.

The issue of Invion Shares to the Managing Director and CEO occurred on 12 February 2019. Each share was issued at the market price of \$0.018 resulting in 8,333,333 shares issued.

The issue of Share Options to Directors occurred on 12 February 2019. In addition, 154,459,817 Share Options were issued to employees and consultants to the Company. Share Options issued each have an exercise price of \$0.03, an expiry date of 12 February 2023. 20% of Options vested immediately upon issue, with the remaining options vesting in equal portions over three years commencing 1 December 2019.

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 2018 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
26 February 2019

Independent review report to the members of Invion Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Invion Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 causes 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 2018 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter - 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 \$1,322,326 in the half-year ended 31 December 2018 (31 December 2017: \$1,159,010) and is dependent on the continued funding from its research and development financier to continue to fund its operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial 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.

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.

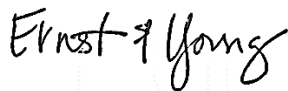
Auditor's Responsibility

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 2018 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 Invision 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*.



Ernst & Young



Jennifer Barker
Partner
Brisbane
26 February 2019