ASX ANNOUNCEMENT

Invion Limited
ACN 76 094 730 417

Appendix 4E – Final Report

Financial year ended
30 June 2016

Results for announcement to the market

Current Reporting Period:	30 June 2016
Previous Reporting Period:	30 June 2015

Revenue and Net Profit

	Up/Down	% change	$
Revenue from continuing operations	Down	-33%	142,170
Total income	Down	-0.02%	2,610,991
Loss from ordinary activities after tax	Down/ reduced	-66%	(4,447,709)
Net Loss for the period	Down/ reduced	-66%	(4,447,709)

Dividends
No dividend was proposed or paid. The Company is not yet profitable and therefore there can be no assurance that Invion will become profitable or will pay dividends in the near future. Should any dividends be paid in the future, no assurances can be given as to the level of franking credits attaching to such dividends.

	2014	**2015**	**2016**
Earnings/(Loss) Per Share	(1.27)	(1.55)	(0.41)
Net tangible assets per share	0.02	0.00	0.00
Dividend per share	-	-	-
Share Price	$0.07	$0.019	$0.004

The basic/diluted earnings / (loss) per share for FY2015 has been restated following the Share Purchase Plan that occurred in FY2016.

Brief explanation of income and profit (loss)
Invion is a clinical-stage life sciences (drug development) group. The principal activities during the year were related to the development of the company's three drug assets: INV102 (nadolol) and INV103 (ala-Cpn10) and INV104 (zafirlukast). The decrease in loss for the period primarily reflects reduced expenditure following the completion of major R&D milestones in the period.

Statement of accumulated losses	**2016**	**2015**
Balance at the beginning of the year	(136,487,995)	(123,446,762)
Net loss attributable to members of the parent entity	(4,447,709)	(13,041,233)
Balance at end of the year	(140,935,704)	(136,487,995)

Audit Report
This Appendix 4E (Final Report) is based on the audited financial statements for the year ended 30 June 2016, which are attached.

Invion Limited

Financial report

For the year ended 30 June 2016

INVION

Targeting inflammation

Contents

DIRECTORS' REPORT

Your Directors present their report of the Invion Group for the financial year ended 30 June 2016. The Invion Group ("Group") consists of Invion Limited ("Invion" or the "Company") and its wholly owned subsidiary, Invion Inc. The names and details of the Company's Directors in office during the financial year and until the date of this report are detailed below. Directors were in office for the entire period unless noted otherwise.

Mr Brett Heading	Chairman (retired from the Board 31 January 2016)
Dr Greg Collier	Interim Executive Chair
Dr Mitchell Glass	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 for Mr Warren Brown

Brett Heading BCom LLB (Hons)

Non-executive Chairman

Appointed Non-executive Director, 26 February 2012. Retired from the Board 31 January 2016.

Mr Heading, a senior partner of law firm Jones Day, and formerly a senior partner of law firm McCullough Robertson, brought extensive experience in capital raisings, mergers and acquisitions and board advice gained over the past 27 years as a company director of listed and unlisted companies in the life sciences, property, agribusiness and energy sectors. Mr Heading is a Fellow of the Australian Institute of Company Directors, was a member of the Takeovers Panel from 1997 to 2009, and is a former long-standing member of the Board of Taxation. During the previous three years, Mr Heading was Chairman of ASX listed Unity Pacific Limited (ASX:UPG), ERM Power Limited (ASX:EPW) and a Director of Empire Oil and Gas NL (ASX: EGO).

Greg Collier PhD

Interim Executive Chair

Appointed Managing Director and CEO, 6 May 2013; appointed Interim Executive Chair 1 February 2016

Dr Collier has more than 21 years experience spanning operational, clinical and scientific aspects of pharmaceutical research, development and commercialisation. He has led the planning and execution of multiple commercial transactions including in and out licensing deals and major M&A activities, and he has successfully taken a drug from discovery through to regulatory approval. Notably, Dr Collier steered ChemGenex Pharmaceuticals from a research-based company with a market capitalisation of $10M to a company with completed clinical trials and regulatory dossiers submitted to the FDA and EMA. In 2011, ChemGenex was sold to Cephalon for $230M. Prior to his commercial pharmaceutical career, Dr Collier had an outstanding academic career resulting in over 150 peer reviewed publications, and senior authorship on 33 patents. Dr Collier was the inaugural Alfred Deakin Professor at Deakin University, and also held positions at Melbourne University, Monash University and the University of Toronto. In 2010, Dr Collier was awarded the Roche Award of Excellence for his contribution to the biotechnology industry. During the previous three years, Dr Collier has also served as a director of Gemini Biotechnology, Vitality Devices, Barwon Biotechnology, Fusion Biosciences Pty Ltd and Phosphagenics Limited (ASX:POH).

Mitchell Glass M.D.

Executive Vice President R&D and Chief Medical Officer

Appointed Executive Director, 31 August 2012

Dr Mitchell Glass is a 26 year veteran of the pharmaceutical industry. His experience is broad:- ranging from senior positions in top ten pharmaceutical companies, to investment in and management of start-ups and biotechs. After seven years of research, teaching and patient care at the University of Pennsylvania, Dr Glass joined ICI Pharmaceuticals in 1988 where he established the pulmonary therapeutics group and led the development and submission of the antileukotriene ACCOLATE®. From 1995-6, Dr Glass was Vice

President and Director at SmithKline Beecham where he was responsible for cardiovascular, respiratory, renal and metabolic drug development and commercialisation, including submission of the NDA/MAA for COREG®. From 1998 to 2003, Dr Glass was Chief Medical Officer and VP of Clinical Development and Regulatory Affairs of AtheroGenics Inc. (AGIX), where he led product development from IND to initiation of Phase 3 for AGI1067 and was a member of the IPO team. Dr Glass joined AQUMEN Biopharmaceuticals KK and NA as CEO of AQUMEN NA and a Main Board Director. Since 2008, Dr Glass has been a Director of OrphageniX Inc. (gene editing) and AVATAR Biotechnologies (biosimilars) and a consultant in R&D and fundraising to early stage therapeutics companies. Dr Glass graduated from the University of Chicago and is board certified in internal medicine, pulmonary and critical care medicine.

James Campbell PhD MBA

Non-executive Director

Appointed Non-executive Director, 26 February 2012

Dr James Campbell is a senior biotechnology executive with more than 20 years international experience in scientific research, research management, management consulting and venture capital. Dr Campbell has held research positions at the CNRS and the CSIRO. He is a principal of Gemini Biotechnology, a specialist biotechnology advisory services company advising life science companies on M&A, partnering and corporate strategy. Dr Campbell was an executive at ChemGenex Pharmaceuticals for nine years until the company was acquired in 2011, and has served on the investment committee of UniSeed, a $60 million pre-seed venture fund, and various state and local government advisory committees concerning biotechnology. During the previous three years, Dr Campbell has also served as a director of Gemini Biotechnology, Fusion Biosciences Pty Ltd and Vitality Devices. Dr Campbell is currently a non-executive director of Medibio Limited (ASX:MEB), Prescient Therapeutics Limited (ASX:PTX) and is the CEO/MD of Patrys Limited (ASX:PAB).

Warren Brown B Eng

Non-executive Director

Appointed Non-executive Director, 4 November 2011

Mr Warren Brown has extensive experience in managing large projects and large labour forces. He has strong skills in negotiating contracts and corporate strategy. Mr Brown formed a consulting engineering practice in 1992 that employed 25 people at the time of sale in 2005. Prior to this Mr Brown held a management position at Major Engineering Construction where he was responsible for engineering construction projects throughout Queensland. During the past four years Mr Brown has not served as a Director of another public company.

Gregory Brown (alternate Director for Warren Brown)

Mr Gregory Brown was appointed as Alternate Director on 16 January 2012 to act for Mr Warren Brown at any meetings that Mr Warren Brown could not attend. Mr Brown holds a Bachelor of Business degree from the University of Queensland. He has spent his career in banking and presently is a Business Banking Manager with Westpac Banking Corporation.

DIRECTORS' INTERESTS IN INVION SECURITIES

In accordance with section 300(11) of the Corporations Act 2001, the interests of the Directors in the shares and options of Invion Limited, as at the date of this report were:

	Number of Ordinary Shares	Options
G Collier	18,080,432	10,000,000
M Glass	18,706,932	18,812,500
J Campbell	3,229,794	1,500,000
W Brown	11,069,640	1,000,000

COMPANY SECRETARY

Melanie Farris (AGIA, ACIS) BComn GradDip ACG

Ms Farris is experienced in governance, company and board administration, operations and communications with a strong track record in planning, managing and delivering a range of corporate projects across industries including life sciences, investment, not-for-profit and music industry marketing. Previous roles include with HRH The Prince of Wales's Office, Global Asset Management, Imperial Cancer Research Fund, and The Prince's Foundation. Board and management committee experience includes as member of the management committee and secretary for Sands Queensland, and delegate and Queensland representative to the Sands Australia National Council, and as Committee Member of The Ambassadors Ball for Ambassadors and High Commissioners appointed to the Court of St James . Ms Farris holds a Bachelor of Communication (Public Relations), and a Graduate Diploma in Applied Corporate Governance, and is working to complete a Master of Business Administration. An Associate of the Governance Institute of Australia, and an Associate of the Institute of Chartered Secretaries and Administrators (UK), Ms Farris is also appointed Secretary to the Group's subsidiary, Invion, Inc.

PRINCIPAL ACTIVITIES

Invion is a clinical-stage life sciences (drug development) group. The principal activities during the year were the completion of clinical development programs and targeted business development programs associated with the Group's three drug assets INV102 (nadolol), INV103 (ala-Cpn10) and INV104 (zafirlukast). There was no significant change in the nature of activities during the year.

OPERATING RESULTS AND DIVIDENDS

The loss after tax of the Group for the year ended 30 June 2016 was $4,447,709 (2015: $13,041,233 loss). A proportion of the loss at $2,639,394 (2015: $3,039,716) was non-cash in nature and comprised the expensing of options, depreciation, net foreign exchange differences and borrowing costs. No dividend was proposed or paid.

CORPORATE STRUCTURE

Invion Limited is an entity incorporated and domiciled in Australia. Invion is listed on the Australian Securities Exchange with the code IVX (ASX:IVX).

REVIEW OF OPERATIONS

Invion is a clinical-stage life sciences group focussed on the development of treatments for major opportunities in chronic inflammatory and respiratory disease. Invion Limited is a company limited by shares incorporated in Australia. Invion's shares have been publicly traded on the Australian Securities Exchange since its listing on 15 February 2011 (ASX:IVX). The Group has operations in Brisbane (Australia) and Delaware (USA). At 30 June 2016, the Group had two full-time equivalent employees (2015: 7.5 FTE).

Activities in the year under review have been focused on the completion of major milestones in the development programs of the Group's three drug assets - INV102 (nadolol), INV103 (ala-Cpn10) and INV104 (zafirlukast) – and subsequent business development and partnering activities aimed at realising value from one or all of the assets at their current development stage.

The loss attributable to the owners of the Company for the period ended 30 June 2016 was $4,447,709 (2015: $13,041,233 loss) in line with budget expectations. At 30 June 2016 the Group has net assets of $5,988,964 (2015: $6,860,171), a decrease of $871,207. No dividend was proposed or paid during the period.

Invion's drug assets: at a glance

The Group Invion has three drug assets in development across four development programs:

INV102 (nadolol) is a beta adrenergic biased ligand targeted to treat chronic inflammatory airway diseases via the reversal of mucous metaplasia in the airway epithelium. In Q4 2015, Invion reported that data from a 155 patient phase 2 study of oral INV102 in smoking cessation demonstrated good safety and that treated patients were more likely to stop smoking completely or dramatically reduce the number of cigarettes smoked. Feasibility for an inhaled version of the drug to potentially treat COPD and cystic fibrosis is well-progressed with 3M Drug Delivery Systems, and toxicological studies have commenced. In addition, a phase 2 study of oral INV102 in mild asthma patients funded by the US NIH is fully recruited and completed dosing in 1H 2016, with data anticipated 2H 2016.

INV104 (zafirlukast) is a leukotriene receptor antagonist (LTRA) that reduces inflammation, constriction of the airways, and the build-up of mucus in the lungs. An FDA-approved oral therapy, Invion is, through a joint development and licensing agreement with Hovione Scientia Limited, developing a proprietary dry powder formulation of the drug for the development of INV104 (zafirlukast) as a potential inhaled therapy for asthma.

INV103 (ala-Cpn10) is a modified, naturally occurring human protein which has been proposed as a founding member of the Resolution Associated Molecular Pattern (RAMPs) family hypothesised to maintain and restore immune homeostasis. Invion reported final data from its phase 2 clinical trial in lupus patients in Q3 2015. 30mg and 100mg iv twice weekly showed reduced response to stimulation by LPS after 1 month of dosing. These data, which reflect relevant activity at the target cell type in patients with a target (autoimmune) disease, has formed the foundation of partnering discussions for this program.

The financial year to 30 June 2016 has been important for the Company on a number of levels.

Activities directed towards further progression along the development pathway for INV102 (nadolol) commenced with Invion's meeting in March with the US FDA to discuss Phase 3 plans for oral nadolol. Shortly thereafter, the Company received a Notice of Allowance for the smoking cessation patent in the People's Republic of China. In May, the Company presented data from the Phase 2 trial of oral INV102 (nadolol) in patients seeking to quit smoking - to the Annual Meeting of the American Thoracic Society.

The Company's position is that while nadolol has historically been used to treat migraine and high blood pressure, data shows that it also blocks the *beta-arrestin pathway*, which is strongly implicated in the phenotype of chronic airway disease. Blocking this pathway and reversing abnormal mucus production offers a promising and novel method of treating an underlying cause of chronic airway diseases including asthma, COPD and cystic fibrosis.

<u>Meeting with the FDA for INV102 (nadolol)</u>

In March 2016, Invion's Dr Mitchell Glass, and Dr Mario Castro, Professor of Medicine and Pediatric at Washington University School of Medicine (St Louis), met with the Division of Anesthesia, Analgesia, and Addiction Products (DAAAP) of the FDA to discuss Phase 3 plans for development of oral nadolol as a treatment for patients with COPD who cannot quit cigarette smoking.

The company and the FDA engaged in a productive dialogue on the design and regulatory target of the Phase 3 plan for oral nadolol, and Invion team members were able to explain to senior FDA officials the role that airway healing can play in enabling these patients to quit, by reducing cough and phlegm. Importantly, Invion was able to place the smoking cessation program into the context of treating COPD.

<u>Notice of Allowance – China patent for smoking cessation</u>

Also in March 2016, the Company was pleased to receive notification of allowance on the patent right for the use of beta-adrenergic inverse agonists for smoking cessation, from the State Intellectual Property Office of the People's Republic of China.

Chronic respiratory diseases are the second leading cause of death in China, with tobacco-smoking, air pollution and biomass fuel use being the major drivers. China has one of the world's highest rates of smoking, with approximately 320 million people or a quarter of the world's smokers. One in six tobacco-related deaths worldwide occur in China.

The use of beta-adrenergic inverse agonists for smoking cessation is the second family of core patents for oral nadolol. Claims in this patent family are directed to the use of beta-adrenergic inverse agonists for the prevention of mucus hyper-secretion.

The United States Patent and Trademark Office (USPTO) acting as Patent Cooperation Treaty (PCT) International Preliminary Examining authority, has previously issued a notice that all claims under this patent application meet PCT requirements for industrial applicability, novelty and inventive step. This patent family provides an important layer of protection for the future development and commercialisation of nadolol within the People's Republic of China where we believe that it has specific application as a novel treatment for smoking cessation and broad potential for use in a range of chronic airway diseases.

Phase 2 data presented to the American Thoracic Society

In May 2016, Invion presented data from its Phase 2 clinical trial of oral nadolol to the Annual Meeting of the American Thoracic Society (ATS). The presentation outlined that in research by collaborators, INV102 (nadolol) has been shown to uniquely and specifically block the beta arrestin pathway of beta 2 receptors on airway epithelial cells; to prevent or treat goblet cell hyperplasia and mucous metaplasia in animal models of obstructive airway disease; to act effectively when delivered to animals by inhaled route at 1/1000 of the oral dose; and to decrease airway hyper-responsiveness in mild persistent asthma in Phase 2 clinical trials.

The key points of the presentation were that nadolol was safe and well-tolerated in the treated population of patients who trying to quit smoking (having been previously unable to quit); that 62/ 69 patients achieved full dose of 100mg/day of nadolol; that, positively, there was no differentiation in the safety profile of patients treated with nadolol versus placebo; and that, critically, data showed a statistically significant improvement in mucus protein MUC5AC v placebo, which rebounded after drug cessation. Further, Drs Glass and Castro discussed with delegates that the study had shown a trend towards reduction in daily cigarette use that would translate from a pack per day to less than 2 packs per week over 8 weeks, and that the study supports a next study either in smoking cessation or the treatment of the broader population of patients with chronic bronchitis.

The Company was pleased to have the abstract accepted and to have been able to present to the ATS - there are very few medications that help smokers quit, and the Company believes that nadolol represents a potential major advance for them.

INV102 (nadolol) in mild asthma

In a separate study funded by the United States National Institutes of Health (NIH), Invion is examining the effect of nadolol in patients with mild asthma. As targeted, this Phase 2 investigation of 66 patients enrolled across three sites in the US completed dosing in 1H 2016, and data from the study is anticipated in coming months.

The clinical, biomarker and biopsy data from this study, taken with the data from the Phase 2 smoking cessation study, should present a much clearer picture of the impact of nadolol on airway diseases.

INV104 (zafirlukast)

Invion's collaboration with Hovione is designed to bring the first inhaled, dry powder version of zafirlukast to market using Hovione's proprietary inhalation hardware technology, and the Company expects that delivery of this non-steroidal drug in this way will provide superior benefit and bypass any problems currently associated with systemic delivery. Hovione's critical work on formulation and manufacturing has meant that the Company has continued to make good progress along the development path to become toxicology and Phase 1 ready.

INV103 (ala-Cpn10)

The Company continues partnering discussions for our third asset, INV103, the naturally occurring human protein was most recently the focus of a Phase 2 study in patients with the autoimmune disease, lupus.

Operations

In late 2015, the Company completed all projected R&D activities on its three drug assets across four development programs, and subsequently appointed Ferghana Partners Group for a period of six months to increase our reach and progress various potential commercial opportunities. Management is continuing to actively pursue a number of these introductions and discussions.

In 2Q 2016, following the meeting with the US FDA regarding the smoking cessation program for nadolol, and reflecting the reduced R&D and operational activity while business development activities continue, the Company reduced headcount to further reduce burn and preserve capital during this interim phase. The strategy continues to be the realisation of value for one or all of the company's assets, via a commercial transaction or partnership.

Financial results

These Financial Statements are prepared on a going concern basis. As a clinical-stage drug development company, and as in prior years, Invion has recorded an operating loss for the period.

Similar to other companies in the biotechnology sector, the Company's operations are subject to risks and uncertainty due primarily to the nature of drug development and commercialisation, and the independent audit report is written with an emphasis of matter. In order for the Company to execute its near term and long term plans, the Board may be required to raise capital sufficient enough to meet operational and program development needs.

The primary expense areas for the Group over the period have been in R&D and corporate costs. R&D expenses consist primarily of salaries and related employee benefits for R&D staff, costs associated with clinical trials, non-clinical activities such as toxicology testing, regulatory and medical activities, the manufacture of material for clinical trials and research-related overhead expenses. The most significant costs in the period were for the operation of clinical trials, feasibility studies for inhaled INV102 (nadolol), and patent costs.

Corporate expenses consisted primarily of salaries and related employee expenses for corporate staff, professional service fees including legal and accounting, compliance-related costs, as well as general overhead including rent and occupancy.

Changes to issued capital (in chronological order)

1) September 2015 Placement: On 1 September 2015 the Company announced an agreement to issue securities to an institutional investor in the United States in a private placement for gross proceeds of $1,001,000. 71,500,000 fully-paid ordinary shares were issued at an issue price of $0.014 per share. In addition 51,500,000 share options were issued with an exercise price of $0.014 and an expiry date of 3 September 2016. On 17 December 2015, following shareholder resolution at the AGM held 18 November, 5,005,000 share options with an exercise price of $0.0175 and an expiry date of 18 November 2020 were issued to the placement agent as part of their fee for this placement.

2) December 2015 Share Purchase Plan and Placement: On 10 December 2015, the Company announced the completion and issue and allotment of fully paid ordinary shares under a Share Purchase Plan (SPP) and private placement to sophisticated and professional investors. The issue price per share for both the SPP and Placement was $0.0073. $1,606,293 was raised under the SPP, and 220,039,961 shares were issued to existing shareholders. $522,200 was raised under the private placement and 71,534,244 shares were issued to sophisticated and professional investors, who were existing shareholders. The issue price under both the SPP and Placement was $0.0073 per share.

3) Shares issued on conversion of convertible Security on issue to Australian Special Opportunity Fund: On 17 December 2015, the Company issued 12,500,000 fully paid ordinary shares at a deemed issue price of $0.006 following the receipt of a conversion notice (value $75,000) in relation to the $250,000 convertible security on issue to the Australian Special Opportunity Fund (ASOF).

4) Lapse of unlisted share options: On 17 December 2015, a total of 1,826,177 share options issued under the Employee Share Option Plan (ESOP) lapsed unexercised.

5) Shares issued on conversion of convertible Security on issue to Australian Special Opportunity Fund: On 7 January 2016, the Company issued 20,000,000 fully paid ordinary shares at a deemed issue price of $0.005 following the receipt of a conversion notice (value $100,000) in relation to the convertible security on issue to ASOF. On 27 January 2016, the Company issued 18,750,000 fully paid ordinary shares at a deemed issue price of $0.004 following the receipt of a conversion notice (value $75,000). Having fully converted the convertible security, at the date of this report, the face value of the convertible security on issue to ASOF is zero ($0.00).

6) Lapse of unlisted share options: On 15 June 2016, a total of 7,636,105 share options issued under the Employee Share Option Plan (ESOP) lapsed unexercised.

During the year ended 30 June 2016, no ordinary shares of Invion Limited were issued on the exercise of share options granted. The total issued securities of the Company are as follows:

	At 30 June 2016	At the date of this Report
Ordinary shares	1,237,071,273	1,237,071,273
Share Options	110,557,353	110,557,353
Convertible Note	1 (face value $0.00)	1 (face value $0.00)

Other funding arrangements

1) Loans from Directors: In March 2015, the Company entered in agreements with each Invion Director whereby a total loan amount of $1,200,000 unsecured (non-equity related) debt funding was provided by Invion directors for working capital and for the repayment of outstanding liabilities. Further details are recorded in Note 22 – Related Party Transactions.

2) R&D Tax Offset Funding: In March 2015, the Company entered into an agreement with Metamor Capital Partners to access capital ahead of the anticipated receipt of its R&D tax incentive rebate. This funding facility provided Invion with a valuable capital management tool as it progressed R&D activities during the year. This non-dilutive (non-equity related) interest-bearing secured facility has a limit of A$1.56M and is due to expire by 1 November 2016. In October 2015, the Company repaid the initial advance amount of $1,042,008 and has not drawn against this facility further in the period under review. The current liability under this facility is zero ($0.00).

Forward strategy

Forward strategy is focussed on the partnering or sale of one or more of the Group's drug development programs for oral INV102 (nadolol), inhaled INV102 (nadolol), INV103 (ala-Cpn10), and INV104 (zafirlukast). Business development activities continue to be geared towards maximising the potential commercial opportunities arising from the value of the Group's assets.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No significant events occurred after the Balance Date and prior to the date of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity is recorded at the Balance Date at $5,988,964 (2015: $6,860,171) a decrease of $871,207. The movement is largely the result of a reduction in net assets in the form of cash and cash equivalents.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The likely developments in the operations of the Group and the expected results from those operations in future financial years will be affected by the success of management in securing one or more commercial transactions for one or more of the Group's drug assets.

The Group has identified material risks that may impact success in the above plans, which are considered common to companies in the life sciences/ drug development sector. These material risks and the strategies in place to seek to manage each of these risks are detailed below.

1 - Clinical development risk: Although all published clinical trial related milestones are complete, the general clinical and regulatory environment, and the availability of regulatory approvals for Invion's drug assets, is still a relevant risk factor for Invion's business. The Group seeks to mitigate clinical and regulatory risk by maintaining an awareness of current clinical and regulatory issues and trends, and through the use of expertise in the development of onward clinical development plans, including draft clinical trial protocols for future activities.

2 - Competition: one or more competitor product candidates may be sufficiently safe and effective so as to minimise the real or perceived value of Invion product candidates, thereby negatively affecting the value placed upon our products for licensing or partnering. The Company aims to manage competition risk through ongoing market monitoring and analysis of the development pipelines and the competitor landscape.

3 - Funding risk: The Company has a structured business development program, however to the extent the Company does not find an appropriate partner for its programs, it may need to raise further funds, which may not be available when required or only available on unfavourable terms.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. Nonetheless, the Company aims to ensure high standards of environmental care. To help to ensure continued compliance, the Board and management maintain an awareness of relevant environmental legislation.

UNISSUED SHARES: SHARE OPTIONS

At the date of this report there were 110,557,353 (2015: 63,514,635) unissued ordinary shares under options. During the year ended 30 June 2016, no ordinary shares of Invion Limited were issued on the exercise of share options granted.

DIRECTORS' MEETINGS

The number of meetings of Directors and committees of Directors held in the year to 30 June 2016, and the number of meetings attended by each Director, is as follows:

	Board of Directors Meetings		**Audit & Risk Management Committee Meetings**		**Nomination and Remuneration Committee Meetings**	
	Eligible to attend	**Meetings attended**	**Eligible to attend**	**Meetings attended**	**Eligible to attend**	**Meetings attended**
G Collier	23	23	-	-	-	-
M Glass	23	23	-	-	-	-
J Campbell	23	21	2	2	-	-
W Brown (i)	23	23	2	2	-	-
B Heading	18	18	1	1	-	-

(i) On 16 January 2012, with the approval of the Board, Mr Warren Brown appointed Mr Gregory Thomas Brown to act as an alternate Director at any Board Meeting which Mr Warren Brown is unable to attend. As at the date of this report, Mr Gregory Thomas Brown has not attended any meetings of the Board.

COMMITTEE MEMBERSHIP

At the date of this report the Company has the following Committees of the Board in place:

- Audit and Risk Management Committee, the members of which are independent Non-executive Directors Mr Warren Brown (chair) and Dr James Campbell.
- Nomination and Remuneration Committee, the members of which are independent Non-executive Directors Dr James Campbell (chair) and Mr Warren Brown.

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2016 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its regulations. This information has been audited as required by section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director, whether executive or otherwise.

For the purposes of this report, the term "Director" refers to Non-executive Directors (NEDs) only. "KMP" refers to Executive Directors and other key management personnel.

The names and details of the Directors and KMPs of the Group in office during the financial year and until the date of this report are detailed below. Unless otherwise noted, Directors and KMPs listed are in office at the date of the report. There were no changes to KMP after the Balance Date and before the date this financial report was authorised for issue.

(i) Non-executive Directors

Mr Brett Heading	Chairman *
Dr James Campbell	Director
Mr Warren Brown	Director
Mr Gregory Brown	*Alternate Director *****

(ii) Executive Directors

Dr Greg Collier	Interim Executive Chair
Dr Mitchell Glass	Executive Vice President R&D and Chief Medical Officer

(iii) Other key management

Ms Melanie Farris	Head of Operations and Company Secretary***
Mr Tom Coogan	Consultant ****

* Mr Brett Heading retired from the Board of Invion on 31 January 2016

** Mr Gregory Brown was appointed as an alternate Director on 16 January 2012. Mr Brown has not attended any meetings of the Board.

*** Commencing 1 May 2016, M Farris provides company secretary and head of operations services to the Company on a consulting basis.
**** Mr Tom Coogan, of Coogans Pty Limited, provides the Company with accounting services. Ms Farris and Mr Coogan together provide the chief financial officer declaration to Directors required under Section 295A of the Corporations Act.

Principles used to determine the nature and amount of remuneration

Remuneration philosophy

The key principle of Invion's remuneration policy is to ensure that remuneration is set at levels that will attract, motivate, reward and retain personnel to improve business results and thereby maximise stakeholder benefit. Remuneration is assessed by reference to employment market conditions, including benchmarking, as well as the relative size and nature of the Group's operations. The financial and non-financial objectives of the Company are also considered when assessing the remuneration of Directors and other key management personnel. The Board has established a Nomination and Remuneration Committee which is responsible for, amongst other things, determining and reviewing compensation arrangements for key management personnel. The expected outcomes of the remuneration structure are:

- attraction of high quality management to the Group;
- retention and motivation of key personnel; and
- performance incentives that allow executives to share in the success of the group.

Given the company is a clinical-stage life sciences group, and hence is not generating revenues or profits, remuneration is not currently linked to traditional financial measures. Rather remuneration incentives are discretionary, based on an individual's performance against the agreed operational targets and business outcomes in the year.

Nomination and Remuneration Committee

The objective of the Nomination and Remuneration Committee is to assist the Board of Invion Limited in fulfilling its duties and responsibilities by reviewing, advising and making recommendations to the Board on:

(a) Nomination

- making recommendations to the Board in relation to Board composition, taking into account diversity objectives and the required mix of skills and experience;
- recommending to the Board a process for succession planning;
- recommending to the Board an induction process for new Directors;
- recommending and implementing a process for evaluating the performance of the Board, taking into account diversity objectives and the required mix of skills and experience;
- evaluating the performance of the CEO and other Key Management Personnel; and
- monitoring the implementation by management of the strategic objectives and policies listed above.

(b) Remuneration

- reviewing and implementing policies for the purposes of using remuneration to foster long-term growth and success;
- monitoring the implementation by management of the Board's strategic objectives and policies;
- recommending to the Board remuneration for Non-executive Directors;
- recommending to the Board remuneration arrangements for the CEO and other Key management Personnel; and
- overseeing the implementation of any Company share plan or other incentive scheme (including the vesting and conversion to ordinary shares).

Directors' fees and Non-executive Director remuneration

In accordance with the Constitution of the Company and ASX Listing Rules, the aggregate remuneration of Non-executive Directors is determined from time to time by General Meeting. The last determination for Invion Limited was made at the General Meeting of Shareholders held on 15 July 2011. At that Meeting, Shareholders approved an aggregate annual remuneration pool for Non-executive Directors of $750,000. The total Non-executive Director remuneration of Invion Limited for the year ended 30 June 2016 utilised $148,738 of this authorised amount. The Board will not seek an increase at the 2016 Annual General Meeting.

Fees to Non-executive Directors reflect the obligations, responsibilities and demands which are made on Directors. Non-executive Directors' fees are reviewed periodically by the Board. In conducting these reviews the Board considers market information to seek to ensure that fees are in line with the market, as well as the financial position of the Company. Although the Chairman of the Board receives a higher fee, the remuneration of Non-executive Directors consists only of Directors fees, NEDs do not receive committee fees or retirement benefits. Non-executive Directors are however able to participate in incentive plans, if any, under which share Options and/or Performance Rights may be issued. In consideration of market norms and managing the Company's financial position, the Directors resolved to reduce previous levels of Directors' fees by approximately 30% effective 1 May 2013.

Executive Directors and other key management personnel remuneration

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

– reward KMPs for Group and individual performance;
– align the interest of KMPs with those of shareholders; and
– ensure total remuneration is competitive by market standards.

KMP remuneration is fixed, with any bonuses being paid on an assessment by the Nomination and Remuneration Committee and approval by the Board. The Group has implemented a bonus scheme consisting of both a quantitative element based on the Group's financial position and results; and a qualitative element based on an assessment of individual performance and contribution during the year.

Current KMP remuneration packages consist of the following key elements:

(i) Fixed remuneration – base salary, superannuation and non-monetary benefits;
(ii) Variable remuneration – short term incentives (STI) and long term incentives (LTI).

The proportion of fixed and variable remuneration for each KMP is set out in the remuneration tables below.

Fixed remuneration

Currently, all KMP fixed remuneration is by salary package only, with an election to apportion this between salary and superannuation in the form of salary sacrifice. It is intended that the structure be optimal for the recipient without undue cost for the Group. There are no guaranteed base salary increases fixed in the contract of any KMP.

Variable remuneration: short-term incentive (STI)

The Group operates an annual STI program and awards a discretionary cash bonus subject to a combination of Group-based financial and non-financial measures and demonstrated individual performance. Individual performance targets are set to represent the key drivers for Group success and are relevant to an individual's role in the Group. They include the cash position of the Group, achievement against published milestone targets, and general performance. The total potential STI available is set at a level so as to provide sufficient incentive to achieve operational targets but also to ensure that the cost to the Group is reasonable in the circumstances. The STI program is solely discretionary and is considered on an annual basis by the Nomination and Remuneration Committee.

Following a recommendation of the Nomination and Remuneration Committee to the Board based on the current climate and the company's financial position, bonus payments were not made to any KMP or employee.

Variable remuneration: long-term incentive (LTI)

The objectives of the LTI plan are to reward KMPs and other employees in a manner that aligns remuneration with the creation of shareholder wealth, and rewards staff for continued loyalty. Share options are issued under the company's executive and employee share option plan (ESOP). Grants of share options to executives and staff are decided by the Nomination and Remuneration Committee. Options are typically granted to vest in equal portions over five years at a specific exercise price, the first vesting period occurring generally up to 12 months after the grant date. The terms of the options, and what happens to options in the event of cessation of employment, are at the discretion of the Board. However generally, if an option holder ceases employment prior to options vesting, the options are generally forfeited. If the options are vested at the time of cessation of employment, the option holder generally has 30 days after the last date of employment to exercise the options, unless the cessation of employment is due to death or disability. The conditions of the company's ESOP provide that a recipient may not transfer, encumber or otherwise deal in the options.

At the date of this report there were 47,052,353 Options on issue under the ESOP. The exercise price, vesting conditions and expiry dates of Options under ESOP are variable. A summary of the numbers of Options issued under ESOP with these various terms is as detailed below:

Exercise price	Vesting conditions	Expiry date	Number of options vested
- 15,125,000 Options have an exercise price of $0.09 - 10,525,000 Options have an exercise price of $0.10 - 19,700,000 Options have an exercise price of $0.12 - 1,702,353 Options have an exercise price of $0.04	- 29,052,353 Options vest in equal portions over five years (20% per year) - 18,000,000 Options vest in accordance with pre-determined clinical development milestones	- 25,350,000 Options have an expiry date of 9 November 2017 - 11,375,000 Options have an expiry date of 9 November 2018 - 8,625,000 Options have an expiry date which is 10 years after the clinical development milestone vesting event - 1,702,353 Options have an expiry date of 9 November 2019	- 10,615,000 Options were vested at 30 June 2016 - 36,437,353 Options were unvested at 30 June 2016
Total Options on issue under ESOP = 47,052,353	Total Options on issue under ESOP = 47,052,353	Total Options on issue under ESOP = 47,052,353	Total Options on issue under ESOP = 47,052,353

Company performance and the link to short term and long term incentives

- Short term incentive: rewards are issued based on an individual's achievement of financial and non-financial measures and are specific to an individual's contribution to the company.
- Long term incentive: the exercise price of share options is set to be not less than 150% of the ordinary share price on the day the options are issued, thereby linking the exercise of share options to the performance of the company. As at the date of this report, none of the options issued under the ESOP have been exercised.

Employment contracts

All Executive Directors and KMPs have rolling contracts, not limited by term. Details of current Executive Director contracts are as follows:

Executive	Remuneration	Notice period	STI and treatment of STI on termination	LTI and treatment of LTI on termination
Dr Greg Collier	Base salary of $330,000 subject to annual review. Exclusive of superannuation paid at government-determined levels (currently 9.50%).	Resignation: six months' notice. Termination: accrued legal entitlements plus severance of up to 12 months base salary (subject to any limitations under the Corporations Act). Termination for cause: accrued legal entitlements.	Eligible to receive an annual bonus of up to 30% of base salary. Payout of any performance bonus is at the discretion of the Board. The treatment of STIs on termination is at Board discretion.	Eligible to participate in the company's Employee Share Option Plan (ESOP). Any issue of shares or options is subject to shareholder approval. The treatment of LTIs on termination is at Board discretion.
Dr Mitchell Glass	Base salary of $371,945 (USD$277,200) subject to annual review. Employee benefits in the form of a health-insurance plan reimbursement of up to $32,203 (USD$24,000) per annum.	Resignation: six months' notice. Termination: accrued legal entitlements plus severance of up to 12 months base salary (subject to any limitations under the Corporations Act). Termination for cause: accrued legal entitlements.	Eligible to receive an annual bonus of up to 20% of base salary. Payout of any performance bonus is at the discretion of the Board. The treatment of STIs on termination is at Board discretion.	Eligible to participate in the company's Employee Share Option Plan (ESOP). Any issue of shares or options is subject to shareholder approval. The treatment of LTIs on termination is at Board discretion.

Standard non-executive KMP termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of any STI on termination	Treatment of any LTI on termination
Resignation	In accordance with statutory provisions	In accordance with statutory provisions	Unvested awards forfeited	At the discretion of the Board, however generally, any unvested awards are forfeited.
Termination for cause	None	None	Unvested awards forfeited	Unvested awards forfeited
Termination in cases of death, disablement, redundancy or notice without cause	In accordance with statutory provisions	In accordance with statutory provisions	Board discretion	Board discretion

Details of remuneration

Details of the remuneration of the Directors and other key management personnel of Invion Limited are set out below. Directors and other key management personnel were in office for the full period unless otherwise stated. Performance conditions associated with the remuneration disclosed in the table below is as noted.

Remuneration for the year ended 30 June 2016

				STI	**LTI**	**Total**	**Bonus and Option**	**Bonus and Option**
	Salary & Fees	Superann-uation	Other	Discretion-ary Bonus	Share-based payment (Options)			
	$	$	$	$	$	$	$	%
Non-executive Directors (i)								
J Campbell (ii)	41,667	3,958	-	-	4,995	50,620	4,955	10%
B Heading (ii)	57,488	-	-	-	3,304	60,792	3,304	5%
W Brown (ii)	41,667	3,958	-	-	3,304	48,929	3,304	7%
G Brown	-	-	-	-	-	-	-	-
	140,822	7,916	-	-	11,603	160,341	11,563	
Executive Directors (i)								
G Collier	280,500	26,648	-	-	44,573	351,721	44,573	13%
M Glass (iii)	324,078	-	22,267	-	64,650	410,995	64,650	16%
	604,578	26,648	22,267	-	109,223	762,716	109,223	
Other KMPs								
M Farris (iv)	126,000	10,896	69,527	24,000	(68,799)	161,624	(44,799)	(28)%
T Coogan	62,200	-	-	-	-	62,200	-	-
	188,200	10,895	69,527	24,000	(68,799)	233,824	(44,799)	

(i) In consideration of managing the Company's financial position, the Directors resolved to reduce previous levels of Directors' fees.

(ii) Dr James Campbell, Mr Brett Heading and Mr Warren Brown deferred the payment of fees and superannuation for the six months from April to September 2015, these deferred amounts were recorded in the financial report for year ended 30 June 2015 and were paid in October 2015. The amounts shown above reflect fees and superannuation accrued for the full financial year to 30 June 2016.

(iii) The amount under "other" reflects health insurance employee benefit.

(iv) The amount under "other" reflects gross redundancy, eligible termination and long service leave payments, effected 30 April 2016. Commencing 1 May 2016, M Farris provides company secretary and head of operations services on a consulting basis. Fees for these services until 30 June 2016 are included above under "salary and fees". The amount under "discretionary bonus" was approved in principle by the Board in January 2015 for calendar year 2014, however due to the financial position of the company at that time was not approved for payment until January 2016. Previous expense recognised under AASB 2 (share-based payment) has been reversed.

Remuneration for the year ended 30 June 2015

	Salary & Fees	Superann-uation	Other	STI Discretion-ary Bonus	LTI Share-based payment (Options)	Total	Bonus and Option	Bonus and Option
	$	$	$	$	$	$	$	%
Non-executive Directors								
R Craven (i)	75,000	7,125	-	-	8,224	90,349	8,224	9%
J Campbell (ii)	50,000	4,750	-	-	8,224	62,974	8,224	13%
B Heading (ii)	62,175	-	-	-	5,482	67,657	5,482	8%
W Brown (ii)	50,000	4,750	-	-	5,482	60,232	5,482	9%
G Brown	-	-	-	-	-	-	-	-
	237,175	16,625	-	-	27,412	281,212	27,412	
Executive Directors								
G Collier	330,000	31,350	-	-	77,100	438,450	77,100	18%
M Glass (iii)	318,804	-	23,494	-	73,233	415,531	73,233	18%
	648,804	31,350	23,494	-	150,333	853,981	150,333	
Other KMPs								
M Farris	123,000	11,685	-	-	22,986	157,671	22,986	15%
T Coogan	75,180	-	-	-	-	75,180	-	-
	198,180	11,685	-	-	22,986	232,851	22,986	

(i) Dr Ralph Craven retired from the Board on 29 April 2015. Dr Craven deferred the payment of fees and superannuation for the month of April 2015. The amounts shown above reflect fees and superannuation accrued for the full financial year to 30 June 2015. Deferred fees are reflected in the Consolidated Statement of Financial Position under 'Trade and Other Payables.'

(ii) Dr James Campbell, Mr Brett Heading and Mr Warren Brown deferred the payment of fees and superannuation for the six months from April to September 2015. The amounts shown above reflect fees and superannuation accrued for the full financial year to 30 June 2015. Deferred fees are reflected in the Consolidated Statement of Financial Position under 'Trade and Other Payables.

(iii) The amount under "other" reflects health insurance employee benefit.

Equity instruments

The number of options awarded, vested, exercised, lapsed and expired during the year is as follows:

	Award date	Awarded	Fair value per option	Vesting date	Number	Exercise price	Expiry date	Vested during the year	Lapsed during the year	Exercised during the year	Eligible to exercise at 30 June
J Campbell	9/11/2012	1,500,000	2.95c	9/10/2013	300,000	9c	9/11/2017	-	-	-	-
				9/10/2014	300,000			-	-	-	-
				9/10/2015	300,000			300,000	-	-	900,000
				9/10/2016	300,000			-	-	-	-
				9/10/2017	300,000			-	-	-	-
B Heading (i)	9/11/2012	1,000,000	2.95c	9/11/2013	200,000	9c	9/11/2017	-	-	-	-
				9/11/2014	200,000			-	-	-	-
				9/11/2015	200,000			200,000	-	-	600,000
				9/11/2016	200,000			-	-	-	-
				9/11/2017	200,000			-	-	-	-
W Brown	9/11/2012	1,000,000	2.95c	9/10/2013	200,000	9c	9/11/2017	-	-	-	-
				9/10/2014	200,000			-	-	-	-
				9/10/2015	200,000			200,000	-	-	600,000
				9/10/2016	200,000			-	-	-	-
				9/10/2017	200,000			-	-	-	-
G Collier	14/08/2013	10,000,000	2.98c	9/10/2013	2,000,000	10c	9/11/2017	-	-	-	-
				9/10/2014	2,000,000			-			-
				9/10/2015	2,000,000			2,000,000	-	-	6,000,000
				9/10/2016	2,000,000			-	-	-	-
				9/10/2017	2,000,000			-	-	-	-
M Glass	9/11/2012	10,000,000	2.95c	9/10/2013	2,000,000	9c	9/11/2017	-	-	-	-
				9/10/2014	2,000,000			-	-	-	-
				9/10/2015	2,000,000			2,000,000	-	-	6,000,000
				9/10/2016	2,000,000			-	-	-	-
				9/10/2017	2,000,000			-	-	-	-
	24/11/2014	8,812,500	1c	in accordance with clinical development milestones	8,812,500	12c	9/11/2018	-	-	-	-
M Farris	9/11/2012	1,000,000	2.95c	9/10/2013	200,000	9c	9/11/2017	-	1,000,000	-	-
				9/10/2014	200,000			-	-	-	-
				9/10/2015	200,000			-	-	-	-
				9/10/2016	200,000			-	-	-	-
				9/10/2017	200,000			-	-	-	-
	10/03/2014	1,000,000	4.06c	9/10/2014	200,000	12c	9/11/2018	-	1,000,000	-	-
				9/10/2015	200,000			-	-	-	-
				9/10/2016	200,000			-	-	-	-
				9/10/2017	200,000			-	-	-	-
				9/10/2018	200,000			-	-	-	-
	28/05/2015	1,702,353	1.06c	9/10/2015	340,473	4c	9/11/2019	-	1,702,353	-	-
				9/10/2016	340,470			-	-	-	-
				9/10/2017	340,470			-	-	-	-
				9/10/2018	340,470			-	-	-	-
				9/10/2019	340,470			-	-	-	-
T Coogan		-						-	-	-	-

(i) Mr Brett Headig retired from the Board of Invion on 31 Janaury 2016

Shareholdings of Directors, Executives and Key Management Personnel for the year ended 30 June 2016

	Balance 1 July	Shares issued from Options exercised	Net Acquired/ (Disposed) (ii)	Balance 30 June
G Collier	16,025,638	-	2,054,794	18,080,432
M Glass	16,652,138	-	2,054,794	18,706,932
J Campbell	1,175,000	-	2,054,794	3,229,794
B Heading (i)	263,455	-	2,054,794	2,318,249
W Brown	11,069,640	-	-	11,069,640
M Farris	108,000	-	-	108,000
T Coogan	280,000	-	-	280,000
	45,573,871	**-**	**8,219,176**	**53,793,047**

(i) Mr Brett Heading retired from the Board of Invion on 31 January 2016

(ii) Shares acquired under the Share Placement Plan entitlement offer completed 10 December 2015.

Option holdings of Directors, Executives and Key Management Personnel for year ended 30 June 2016 (i)

	Balance 1 July	Remuneration Options granted	Lapsed	Exercised	Balance 30 June	Vested 30 June	Exercisable 30 June	Unexercisable 30 June
G Collier	10,000,000	-	-	-	10,000,000	6,000,000	6,000,000	4,000,000
M Glass	18,812,500	-	-	-	18,812,500	6,000,000	6,000,000	12,812,500
J Campbell	1,500,000	-	-	-	1,500,000	900,000	900,000	600,000
B Heading	1,000,000	-	-	-	1,000,000	600,000	600,000	400,000
W Brown	1,000,000	-	-	-	1,000,000	600,000	600,000	400,000
M Farris	3,702,353	-	3,702,353	-	-	-	-	-
T Coogan	-	-	-	-	-	-	-	-
	36,014,853	-	3,702,353	-	32,312,500	14,100,000	14,100,000	18,212,500

(i) Note: opening balance reflects FY2015 closing balance less options for Dr Craven who retired from the Board in April 2015.

(ii) Mr Brett Heading retired from the Board of Invion on 31 January 2016

The disclosure of shares and options held by Key Management Personnel (KMP) are determined in accordance with the requirements of AASB 124, which requires that KMP holdings also include the holdings of 'close family members'. Disclosure of 'close family member' holdings is not required by the Corporations Act 2001 and therefore the figures shown above may differ from those holdings reported in at Note 19 to the Consolidated Financial Statements.

Director Loans

In March 2015, the Company entered into loan agreements with each Invion Director subsequent to which unsecured (non-equity related) debt funding was provided by Invion directors to the Company for working capital and for the repayment of outstanding liabilities. The key terms of the loan:

- Advance: Each 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

In July 2015, each Director/ related party agreed to extend the termination date of the loan to 14 July 2016. Prior to 30 June 2016, each Director/ related party agreed to a variation of the original loan agreement on the following terms:

(a) including a new definition of 'Corporate Transaction' which means any one of the following:
  (i) 'the completion of a material transaction in respect of the corporate structure of the company, including the issue of new shares in the company'; or
  (ii) 'the completion of a material transaction in respect of one or more of the company's drug assets.'

(b) deleting the current definition of 'Termination Date' and replacing it with the following:

'means the earlier of:
  (i) 14 July 2017;
  (ii) the date which is 5 Business Days after the Company completes a Corporate Transaction; or
  (iii) the date on which the Lender demands payment of the Money Owing following the occurrence of an Event of Default.'

Invion Limited Performance and Shareholder Wealth

Relative movements in Basic Earnings per share, Net tangible assets per share and Dividend per share (cents per share) for the last four years are as follows. Period end share price has been included as one measure of shareholder wealth:

	2012	2013	2014	2015	2016
Earnings/(Loss) Per Share	(2.59)	(0.96)	(1.27)	(1.55)	(0.41)
Net tangible assets per share	0.02	0.02	0.02	0.00	0.00
Dividend per share	-	-	-	-	-
Share Price	$0.06	$0.03	$0.07	$0.019	$0.004

INDEMNITY

Subject to the Corporations Act and rule 26.2 of the Constitution of Invion Limited, the Company must indemnify each Director, Secretary and Executive Officer to the maximum extent permitted by law against any liability incurred by them by virtue of their holding office as, and acting in the capacity of, Director, Secretary or Executive Officer of the Company, other than:

a) a liability owed to the Company or a related body corporate of the Company;

b) a liability for a pecuniary penalty order under section 1317G Corporation Act or a compensation order under section 1317H Corporations Act;

c) a liability owed to a person other than the Company that did not arise out of conduct in good faith.

The Company has paid premiums in respect of a contract insuring its Directors, the Company Secretary and Executive Officers for the financial year ended 30 June 2016. Under the Company's Directors and Officers Liability Insurance Policy, the Company cannot release the nature of the liabilities insured by the policy or the amount of the premium.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

PROCEEDINGS ON BEHALF OF THE COMPANY

Litigation

On 4 November 2015, the Company advised that the High Court of Australia process instituted by the appellants in the litigation matter had been dismissed without the need for a hearing.

On 2 July 2014, the Company advised that the defendants (appellants) had lodged a notice of appeal against the decision of former Chief Justice de Jersey, delivered in the Supreme Court of Queensland on 4 June 2014, for Invion Limited (formerly CBio Limited) in its case against former officers of the Company. The appeal was heard by the Queensland Court of Appeal on 23 February 2015, and was dismissed with costs on 12 June 2015.

The proceedings related to the resignations in October 2011 of the Company's then executive chairman, chief executive officer and chief financial officer; and payments made to these officers. Invion sought orders requiring the repayment of termination payments that were made to the defendants. Invion alleged that the termination payments were in breach of the defendant's fiduciary duties to the Company, and contravened the statutory duties imposed on them by sections 180, 181 and 182 of the Corporations Act 2001 (Cth).

The Supreme Court of Queensland determined that the defendants be required to repay the sum of $1,070,075. The Court also dismissed the counterclaim by the defendants in which they sought damages from Invion for allegedly breaching an agreement pursuant to which bonus payments should have been paid after their resignations.

A subsequent judgment was delivered on 20 June 2014 in relation to interest and costs, pursuant to which the Company is to receive $1,306,283, in aggregate, for the original judgment and accumulated interest (to that date), plus costs of the action on an indemnity basis.

The Company intends to use all avenues available to it to recover the judgment debt, and a Trustee in bankruptcy has been appointed and has commenced proceedings. A financial asset in relation to the judgement in the litigation has been recorded, less amounts recovered, but fully impaired to zero.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

A statement of independence has been provided by the Company's auditor, Ernst & Young, and is included in the attached financial report.

NON-AUDIT SERVICES

No non-audit services were conducted by the Company's auditor in the financial year ended 30 June 2016.

Signed in accordance with a resolution of Directors

Dr Greg Collier

Interim Executive Chair

30 August 2016

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2016

	Note	2016 $	2015 $
Continuing Operations			
Grant received		**139,100**	**185,355**
Interest received		**3,070**	**26,188**
Total revenue		**142,170**	**211,543**
Other income	6a	**2,468,821**	**2,399,980**
Employee benefits expense	6d	**(1,449,709)**	**(1,630,402)**
Depreciation, amortisation	6c	**(1,320,434)**	**(1,343,209)**
Impairment of assets	6g	**(1,070,075)**	**-**
Finance costs	6f	**(199,606)**	**(1,105,997)**
Administration & corporate expense	6b	**(1,573,012)**	**(2,008,614)**
Rent and occupancy expense		**(61,355)**	**(65,057)**
Share based payment expense	20a	**(248,885)**	**(714,183)**
Research and development costs	6e	**(1,301,992)**	**(8,689,294)**
Patent costs		**(210,459)**	**(332,869)**
Business development		**(122,666)**	**(238,951)**
Loss before income tax from continuing operations		**(4,947,202)**	**(13,517,053)**
Income tax benefit	7	**499,493**	**475,820**
Loss from continuing operations after income tax		**(4,447,709)**	**(13,041,233)**
Other comprehensive income			
Items may be reclassified subsequently to profit or loss:			
Unrealised exchange differences on translation of foreign subsidiary	16	**160,437**	**1,957,234**
Total comprehensive loss for the year		**(4,287,272)**	**(11,083,999)**
Basic/diluted earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the parent			
Earnings / (loss) per share (cents)	17	**(0.41)**	**(1.55)**

The basic/diluted earnings / (loss) per share for FY2015 has been restated following the Share Purchase Plan that occurred in FY2016.

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements.

Consolidated Statement of Financial Position

as at 30 June 2016

	Notes	2016 $	2015 $
Current Assets			
Cash and cash equivalents	18a	437,399	2,284,513
Trade and other receivables	8a	647,528	1,918,212
Other current assets	9	81,761	133,819
Total Current Assets		1,166,688	4,336,544
Non-Current Assets			
Trade and other receivables	8b	53,865	52,083
Property, plant and equipment	10	5,782	26,723
Intangible assets	11	10,755,631	11,683,939
Total Non-Current Assets		10,815,278	11,762,745
Total Assets		11,981,966	16,099,289
Current Liabilities			
Trade and other payables	12	466,576	2,054,258
Financial liabilities	12	120,199	2,578,744
Short-term provisions	13	50,792	81,260
Total Current Liabilities		637,567	4,714,262
Non-Current Liabilities			
Deferred tax liabilities	7b	4,155,435	4,506,761
Financial liabilities	12	1,200,000	-
Long-term provisions	13	-	18,095
Total Non-Current Liabilities		5,355,435	4,524,856
Total Liabilities		5,993,002	9,239,118
Net Assets		5,988,964	6,860,171
Equity			
Issued Capital	14	123,052,032	119,884,852
Reserves	16	23,872,636	23,463,314
Accumulated Losses		(140,935,704)	(136,487,995)
Total Equity		5,988,964	6,860,171

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

	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	(136,487,995)	6,860,171
Loss for the period		-	-	-	-	(4,447,709)	(4,447,709)
Other comprehensive income		-	-	160,437	-	-	160,437
Total comprehensive income		**-**	**-**	**160,437**	**-**	**(4,447,709)**	**(4,287,272)**
Shares issued to directors and related parties		-	-	-	-	-	-
Issue of share capital	14	3,379,493	-	-	-	-	3,379,493
Transaction costs	14	(212,313)	-	-	-	-	(212,313)
Share based payment		-	248,885	-	-	-	248,885
As at 30 June 2016		123,052,032	19,356,769	2,029,153	2,486,714	(140,935,704)	5,988,964

	Issued capital $	Options reserve $	Foreign currency translation reserve $	Convertible Note Reserve $	Accumulated losses $	Total equity $
As at 1 July 2014	112,941,342	18,266,301	(88,518)	2,486,714	(123,446,762)	10,159,077
Loss for the period	-	-	-	-	(13,041,233)	(13,041,233,)
Other comprehensive income	-	-	1,957,234	-	-	1,957,234
Total comprehensive income	**-**	**-**	**1,957,234**	**-**	**(13,041,233)**	**(11,083,999)**
Shares issued to directors and related parties	-	-	-	-	-	-
Issue of share capital	7,566,321	-	-	-	-	7,566,321
Transaction costs	(622,811)	-	-	-	-	(622,811)
Share based payment	-	841,583	-	-	-	841,583
As at 30 June 2015	119,884,852	19,107,884	1,868,716	2,486,714	(136,487,995)	6,860,171

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements.

Consolidated Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from/(used in) operating activities			
Payments to suppliers and employees		(6,612,839)	(11,554,517)
Cash received in the course of operations		369,439	215,834
R&D tax rebate		2,408,166	1,173,561
Interest received		3,070	33,921
Net cash used in operating activities	18b	(3,832,164)	(10,131,201)
Cash flows from/(used in) investing activities			
Purchase of plant & equipment		136	(8,325)
Proceeds from bank guarantee		24,936	-
Intellectual property in-licence		-	(237,504)
Net cash provided by/ (used in) investing activities		25,072	(245,829)
Cash flows from/(used in) financing activities			
Proceeds from borrowings		-	2,242,008
Repayment of borrowings		(974,213)	-
Proceeds from borrowings under SPCSA		-	1,450,000
Repayment of borrowings under SPCSA		-	(420,000)
Proceeds from issue of Convertible Security		-	1,000,000
Repayment of Convertible Security		-	(1,210,000)
Proceeds from issue of shares		3,080,493	6,287,499
Borrowing costs paid		-	(67,795)
Costs of capital raising		(212,313)	(622,811)
Net cash provided by financing activities		1,893,967	8,658,901
Net (decrease)/ increase in cash held		(1,913,125)	(1,718,129)
Net foreign exchange differences		66,011	50,104
Cash and equivalents at beginning of the financial period		2,284,513	3,952,538
Cash and equivalents at the end of the financial period	18a	437,399	2,284,513

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements.

1. CORPORATE INFORMATION

Invion Limited is a for profit 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 and partnership for commercial gain of treatments for major market opportunities in inflammatory diseases including asthma, chronic bronchitis and lupus. Invion has three drug assets in development: INV102 (nadolol), a beta blocker (beta adrenergic biased ligand) currently used to treat high blood pressure and migraine, is being repurposed to treat chronic inflammatory airway diseases, including asthma and chronic obstructive pulmonary disease (COPD); INV104 (zafirlukast) is a leukotriene receptor antagonist (LTRA) that reduces inflammation, constriction of the airways and the build-up of mucus in the lungs; and INV103 (ala-Cpn10) is a modified, naturally occurring human protein which has been proposed as a founding member of the Resolution Associated Molecular Pattern (RAMPs) family hypothesised to maintain and restore immune homeostasis.

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).

This consolidated financial report of Invion Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 30 August 2016.

2. SEGMENT REPORTING

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards as issued by the Australian Accounting Standards Board and International Accounting Standards Board. The financial report is presented in Australian dollars.

New accounting standards and interpretations

Changes in Accounting Policy

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2015, none of which had a material impact on the financial position or performance of the Group:

a. AASB 2013-9 Amendments to Australian Accounting Standards Conceptual Framework, Materiality and Financial Instruments
b. AASB 2015-3 Amendments to Australian Accounting Standards Materiality

The following standards and interpretations have been issued by the AASB but were not yet effective for the period ended 30 June 2016:

a. AASB 9 Financial Instruments
b. 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)
c. AASB 15 Revenue from Contracts with Customers

d. AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2015 Cycle
e. AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
f. AASB 16 Leases
g. IFRS 2 (Amendments) Classification and Measurement of Share-based transactions

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.

3.2. Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis. New accounting standards and interpretations, including those issued but not yet effective, are detailed in Note 3.1. The effect of adopting new standards and interpretations effective this year are also disclosed at Note 3.1.

3.3. Going concern

The report has been prepared on a going concern basis. The Group incurred an operating loss after income tax of $4,447,709 (2015: $13,041,233 loss) for the year ended 30 June 2016. At 30 June 2016 the Group has net assets of $5,988,964 (2015: net assets of $6,860,171) and net current assets of $529,121 (2015: net current liabilities of $377,718). 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 raise capital sufficient enough to meet operational and program development needs. These conditions of uncertainty and the need to raise 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.

3.4. Basis of consolidation

The consolidated financial statements comprise the financial statements of Invion Limited and its wholly-owned subsidiary Invion Inc., as at 30 June 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Specifically, the Group controls a subsidiary if and only if the Group has:

- Power over the subsidiary (i.e. existing rights that give it the current ability to direct the relevant activities of the subsidiary);
- Exposure, or rights, to variable returns from its involvement with the subsidiary, and
- The ability to use its power over the subsidiary to affect its returns.

The Group re-assesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.5. Convertible Notes

Convertible notes are recognised initially at fair value in the statement of financial position as financial liabilities, net of transaction costs. Subsequent to initial recognition convertible notes are measured at fair value through the profit and loss. The conversion option within the convertible note represents an embedded derivative. Embedded derivatives are only separated from the host contract if the criteria in AASB 139 are satisfied. Where interest is charged on convertible notes, the liability is increased over the term of the liability using the effect interest rate implicit in the note.

3.6. Property, plant and equipment (PPE)

Plant and equipment is stated at cost less depreciation and impairment in value. Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

	2016	2015
Plant and equipment	10%-50%	10%-50%
Computer equipment	20%-50%	20%-50%
Furniture and fittings	10%-20%	10%-20%

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

3.7. Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. Any gains or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amounts of the item) is included in the statement of comprehensive income in the period the item is derecognised.

3.8. Acquisition of assets

All assets acquired including property, plant and equipment (PPE) and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market prices at the date of acquisition are used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value.

3.9. Recoverable amount of assets

At each Balance Date, the Group assesses whether there is any indication that an intangible asset or PPE may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell, and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

3.10. Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. Terms of receivables are between 30 and 45 days. Interest is taken up as income on an accrual basis.

3.11. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit and loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Comprehensive Income when the asset is derecognised.

Funding right

The Funding Right was acquired by the Group on the purchase of the subsidiary and relates to the US NIH grant (USD$4.4 million) which funded the Group's phase II clinical trial in asthma patients. The grant was amortised over two years, which was the period over which the benefit was received.

Patents – Intellectual Property

The Group made upfront payments to purchase patents. The patents have been granted for periods of up to 20 years by the relevant authority, often with the option of renewal at the end of this period.

Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;

- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of the expected future benefit. Amortisation is recorded in the Consolidated Statement of Comprehensive Income. During the development, the asset is tested for impairment annually.

A summary of the policies applied to the Group's intangible assets is as follows:

	Funding Right	**Patents**	**Development Costs**
Useful lives	Finite	Finite	Finite
Amortisation method used	Amortised on a straight-line basis over the period of the grant	Amortised on a straight-line basis over the period of the patent	Amortised on a straight-line basis over the expected period of available use
Internally generated or acquired	Acquired	Acquired	Internally generated

3.12. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability; or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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.

At each reporting date, the Group reviews and analyses any movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.13. Research and development expenditure

Amounts incurred on research and development activities are expensed as incurred, except to the extent that such development costs are expected beyond any reasonable doubt to be recoverable.

3.14. Income taxes

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probably that the temporary differences will not reverse in the foreseeable future

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward or unused tax assets an unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Balance Date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax asset and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the Balance Date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the Consolidated Statement of Comprehensive Income.

3.15. Other taxes

Revenues, expenses and assets and liabilities are recognised net of the amount of goods and services tax (GST) except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense as applicable; or
- Where receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

3.16. Cash and short term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. Bank overdrafts are carried at the principal amount. Interest is charged as an expense on an accrual basis.

3.17. Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

- Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.
- Fee income derived from research & development contracts which is dependent on the satisfaction of certain contractual conditions will be treated as unearned income and be recorded as a liability until any conditions are met, at which time the income will be recognised.
- Contract research income is recognised as and when the relevant research expenditure is incurred. If the Company receives income in advance of incurring the relevant expenditure, it is treated as deferred income as the Company does not control the income until the relevant expenditure has been incurred.
- R&D tax rebate income is accrued following management's determination of anticipated R&D tax rebate income, and is based on an assessment of R&D expenditure in the period and advice received from R&D tax advisors.

3.18. Foreign currency
The Group's consolidated financial statements are presented in Australian Dollars, which is also the Parent's functional currency. For each entity the Group determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency.

– Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit and loss with the exception of monetary items that are designed as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit and loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

– Group companies

On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit and loss.

3.19. Trade and other payables
Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services, whether or not billed to the consolidated entity. Payables to related parties are carried at amortised loss. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

3.20. Issued capital
Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

3.21. Leased assets
Leases under which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases. Payments made under operating leases are expensed on a straight line basis over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

3.22. Superannuation
Contributions are made to approved employee superannuation funds at the rate as directed by the Superannuation Guarantee Legislation. For the period ending 30 June 2016, this was 9.50% of employees' gross salaries. Contributions are recognised as an expense against income as they are made.

3.23. Employee provisions
Provisions are recognised when Invion has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When Invion expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Balance Date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such an applicable corporate bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Wages, Salaries and Annual Leave
Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to Balance Date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at Balance Date, including related on-costs, such as workers compensation insurance and payroll tax.

Long Service Leave
The amount provided for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made in connection with employees' services provided up to Balance Date. The provision is calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at Balance Date, including related on-costs, such as workers compensation insurance and payroll tax.

3.24. Government grants
Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

3.25. Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognised in the statement of comprehensive income when the liabilities are de-recognised and as well as through the amortisation process.

3.26. Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement for borrowings, finance charges in respect of finance leases and foreign exchange differences. Interest payments in respect of financial instruments classified as liabilities are included in borrowing costs. Ancillary costs incurred in connection with the arrangement of borrowings are netted against the relevant borrowings and amortised over their life. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which necessarily take a substantial period of time to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for acquisition, construction or production of a qualifying asset, the capitalised amount of the borrowing costs include costs incurred in relation to that borrowing net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

3.27. Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing the net profit / (loss) attributable to members for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company outstanding during the year. Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares outstanding during the year. As the Company incurred a loss for the current and previous year, potential ordinary shares, being options to acquire ordinary shares, are considered non-dilutive and therefore not included in the diluted earnings per share calculation.

3.28. Share-Based Payment Transactions

The Group provides benefits to employees, including Directors, of the Group and to selected contractors in the form of share based payment transactions, whereby participants render services in exchange for shares or rights over shares (equity-settled transactions). The Group also provided benefits to an institutional investor as part as compensation for a funding agreement. The costs of the equity settled transactions with participants are measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes option-pricing model. In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Invion Limited. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each Balance Date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company will ultimately vest. This opinion is based on the best available information at Balance Date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest. Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. : Where an equity settled award is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vesting on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award is treated as if it were a modification of the original award, as described in this paragraph.

3.29. Significant accounting judgements, estimates and assumptions

Management bases its judgements and estimates on historical experience and on other factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Impairment
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If any such indication exists, the Group will estimate the recoverable amount of the asset. In assessing whether there is any indication that an asset may be impaired, the Group considers external and internal sources of information including market forces, the Group's market capitalisation, evidence of obsolescence, significant changes with an adverse effect on the Group or its assets, and any financial projections.

Taxes
Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with using a Black Scholes standard model, with the assumptions detailed in Note 20(b). The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

R&D Tax rebate income
R&D tax rebate income is accrued following management's determination of anticipated R&D tax rebate income, and is based on an assessment of R&D expenditure in the period and advice received from R&D tax advisors.

4. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, cash, short-term deposits, loans and borrowings. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and making assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through the development of future rolling cash flow forecasts. Apart from loans for current and former directors, financial assets and liabilities have contractual maturities of less than twelve months.

4.1. Interest rate risk

The Group's exposure to market interest rates relates primarily to its cash holdings. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to a mix of fixed and variable interest arrangements. The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at Balance Date. This sensitivity analysis demonstrates the effect on the current year results which could result from a change in these risks. As at 30 June 2016, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows. The table below shows the impact on cash to exposure to variable interest rates:

Change in profit/(loss) and equity	2016 $	2015 $
Increase in interest rate by 2%	**28,490**	**63,766**
Decrease in interest rate by 2%	**(28,490)**	**(63,766)**

4.2. Foreign currency risk

The major foreign currency exposure is in US Dollars (USD). This is as a result of cash funds held and both receivable and payable contracts entered into in this currency. The Group maintains foreign currency bank accounts denominated in USD in order to minimise foreign currency risk exposure. The Group had a deficit of foreign currency receivables over payables of $(222,104) at 30 June 2016 (2015: $1,818,723 deficit). Cash held in USD and the investment in the US subsidiary, Invion, Inc., are the only assets exposed to foreign currency risk at the Balance Date. Trade creditors are the only liability exposed to foreign currency risk at the Balance Date. As at 30 June 2016, the effect on profit and equity as a result of changes in the value of the Australian Dollar to USD, with all other variables remaining constant, would be as follows:

Change in profit/(loss) and equity	2016 $	2015 $
Improvement in AUD by 15%	**126**	**16,505**
Decline in AUD by 15%	**(168)**	**(22,327)**

4.3. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to standardised financial assets, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to and forming part of the financial report. The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments.

4.4. Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources will be available as and when required, as well as ensuring capital raising initiatives are conducted in a timely manner as required.

2016	1-6 months $	6-12 months $	1-5 years $	>5 years $	Total $
Financial Liabilities					
Trade and other payables	466,576	-	-	-	466,576
Loans from Directors (i)	-	-	1,361,696	-	1,361,696
Notes payable (ii)	-	20,199	-	-	20,199
Convertible note (iii)	100,000	-	-	-	100,000
Total Financial Liabilities	566,576	20,199	1,361,696	-	1,948,471

(i) Unsecured (non-equity related) debt funding was provided by Invion directors/ related parties for working capital and for the repayment of outstanding liabilities. Further details are recorded in Note 22 – Related Party Transactions.

(ii) Note Payable liabilities assumed on acquisition of Inverseon, Inc.

(iii) In the prior year, the company had equity risk relating to the Convertible Note on issue to the Australian Special Opportunity Fund. A liability was recorded for $385,000, being $250,000 face value, $35,000 premium and $100,000 increase to the face value of the note upon occurrence of events, including certain capital raisings, as set out in the agreement. During the year ended 30 June 2016, the face value of the convertible note of $250,000 was fully settled, and the $35,000 written back to the profit and loss. The agreement terminates in March 2017, so cannot be triggered after that time.

2015	1-6 months $	6-12 months $	1-5 years $	>5 years $	Total $
Financial Liabilities					
Trade and other payables	2,054,258	-	-	-	2,054,258
Convertible Note (i)	385,000	-	-	-	385,000
Loans from Directors (ii)	1,200,000	-	-	-	1,200,000
Other secured loans (iii)	974,213	-	-	-	974,213
Notes payable (iv)	-	19,531	-	-	19,531
Total Financial Liabilities	4,613,471	19,531	-	-	4,633,002

(i) As compensation for the conclusion of the Share Purchase and Convertible Security Agreement, the Australian Special Opportunity Fund received a convertible note to the face value of $250,000. The Settlement Deed also provides for an increase to the face value of the note to $350,000 upon occurrence of certain events, including certain capital raisings as set out in the agreement. This Note cannot be converted until after 15 December 2015, with some minor exceptions (e.g. change of control, share price >5c). The convertible note is measured at fair value, refer to note 5.

(ii) Unsecured (non-equity related) debt funding was provided by Invion directors for working capital and for the repayment of outstanding liabilities. Further details are recorded in Note 22 – Related Party Transactions.

(iii) The Company entered into an agreement with Metamor Capital Partners to access capital ahead of the anticipated receipt of its R&D tax incentive rebate. This funding facility provides Invion with a valuable capital management tool as it progresses current R&D activities and continues partnering discussions. This non-dilutive (non-equity related) interest-bearing secured facility has a limit of A$1.56M which is due to expire by 1 November 2016. The advanced amount under the loan of $1,042,008 is due for full repayment by 30 October 2015, which payment will be met from the R&D tax incentive rebate.

(iv) Note Payable liabilities assumed on acquisition of Inverseon, Inc

4.5. Equity risk

In the prior year, the company had equity risk relating to the Convertible Note on issue to the Australian Special Opportunity Fund. At 30 June 2016, the face value of the convertible note was zero ($0), however the Settlement Deed also 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. In the prior year the Company also had a share purchase agreement in place with Numoda Capital Innovations, which no longer exists.

4.6. Net fair values

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. The following methods and assumptions were used to estimate the fair values: cash and short-term deposits, receivables and other assets, trade and other current liabilities, convertible notes, loans from directors, and other unsecured loans approximate their carrying value largely due to the short-term maturities of these instruments. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of Consolidated Statement of Financial Position and in the notes to and forming part of the financial report.

5. FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Group's liabilities which are measured at fair value after initial recognition.

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level one)	Significant observable inputs (Level two)	Significant unobservable inputs (Level three)
Financial liabilities measured at fair value					
Convertible Note	30 June 2016	(100,000)	-	-	(100,000)
		(100,000)	-	**-**	**(100,000)**

2015

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level one)	Significant observable inputs (Level two)	Significant unobservable inputs (Level three)
Financial liabilities measured at fair value					
Convertible Note	30 June 2015	(385,000)	-	-	(385,000)
		(385,000)	-	**-**	**(385,000)**

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	**30 June 2016**	**30 June 2015**
	$	**$**
Opening balance	385,000	-
Reductions (i)	(285,000)	-
Additions	-	385,000
Closing balance	100,000	385,000

(i) In the prior year, the company had equity risk relating to the Convertible Note on issue to the Australian Special Opportunity Fund. At 30 June 2016, the face value of the convertible note was zero ($0), however the Settlement Deed also 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.

6. INCOME & EXPENSES

	2016 $	2015 $
(a) Other Income		
Unrealised/realised foreign exchange gain/ (loss)	21,446	(47,554)
Other income (i)	1,300,000	20,459
R&D tax rebate	1,147,375	2,427,075
	2,468,821	2,399,980
(b) Administration & corporate expenses:		
Legal fees	72,412	203,508
Compliance costs	181,752	259,366
Consulting fees incl. accounting, business development	899,976	885,189
Insurance	169,702	162,255
Other administration and corporate expenses	249,170	498,296
	1,573,012	2,008,614
(c) Depreciation & amortisation		
Amortisation:		
- Funding right	-	197,456
- Intellectual property	1,248,723	1,080,268
- Licence fee	50,000	50,000
Depreciation of non-current assets:		
- Plant and equipment	12,629	15,485
- Loss on scrapping of non current assets	9,082	-
	1,320,434	1,343,209
(d) Employee benefits expense		
Salaries, wages & fees	1,134,675	1,361,296
Superannuation	50,291	66,158
Payroll tax	-	12,034
Employee entitlements	85,957	97,226
Redundancy and eligible termination payments to non-executive employees	88,932	-
Other staff costs	89,854	93,688
	1,449,709	1,630,402

	2016 $	2015 $
(e) Research and development		
Clinical trial costs	**683,285**	**5,291,715**
Drug production and supply	**272,343**	**939,680**
Feasibility studies (inhaled programs)	**346,364**	**2,457,864**
Other research and development costs	**-**	**35**
	1,301,992	**8,689,294**
(f) Finance costs		
Interest expense on loans from Directors	**128,820**	**32,548**
Interest expense on other secured loans	**37,991**	**31,728**
Expenses paid pursuant to SPSCA	**(35,000)**	**1,022,471**
Other fees and fees to advisors	**67,795**	**19,250**
	199,606	**1,105,997**
(g) Impairment of assets		
Balance of income recognised in relation to litigation related judgement debt payable to the company	**1,070,075**	**-**
	1,070,075	**-**

(i) Income recognised in the year ended 30 June 2016 based on a litigation judgement in the Company's case against former directors. Amounts that have not yet been received ($1,070,075) have subsequently been impaired.

7. INCOME TAX

	2016 $	2015 $
(a) Statement of comprehensive income		
Current income tax		
Current income tax benefit	1,400,317	2,402,857
Deferred income tax		
Future income tax benefit arising from the reversal of the deferred tax liability recognised on acquisition of the subsidiary	499,493	475,820
Reversal of temporary difference	(442,753)	-
Income tax losses not recognised as a deferred tax asset	(957,564)	(2,402,857)
Income tax benefit reported on the statement of comprehensive income	499,493	475,820

(b) A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

	2016 $	2015 $
Accounting Loss before income tax	(4,947,202)	(13,517,053)
At the Company's statutory income tax rate of 28.5% (2015:30%):	(1,409,953)	(4,055,116)
Non tax deductible items – permanent differences	463,195	2,108,410
Non assessable items – permanent differences	(327,002)	-
Movement in temporary differences not recorded	442,753	-
Tax benefit arising on amortisation of deferred tax liability acquired on acquisition	499,493	475,820
Effect of higher tax rate in US	(126,557)	(456,151)
Income tax assets (losses) not recognised	957,564	2,402,857
	499,493	475,820

	2016 $	2015 $
Tax assets at 28.5% (2015:30%)		
Domestic tax losses	32,730,808	35,049,999
Temporary differences – including balances in equity	919,388	1,010,548
Subsidiary foreign tax losses (at 40%)	3,592,205	2,740,610
Total unrecorded tax assets	37,242,401	38,801,157

Deferred tax liability	2016 $	2015 $
Recognised on acquisition of subsidiary	5,152,600	5,152,600
Effect of amortisation of intellectual property	(2,198,340)	(1,698,847)
Effect of amortisation of funding right	(841,047)	(841,047)
Effect of foreign currency translation	2,042,222	1,894,055
	4,155,435	4,506,761

The Company's tax rate is recorded as 28.5% (2015:30%) as a result of the small business tax concession which became effective for the Company 1 July 2015.

At 30 June 2016 Invion had significant estimated, unconfirmed and un-recouped losses as disclosed above. No future income tax benefit for the tax losses incurred by the Group has been recognised as an asset. Due to the complexity of Invion's changing shareholder base and operations, combined with income tax legislation, the amount of the Company's available tax losses as at 30 June 2016 which are available for carry forward use cannot be determined with a sufficient degree of probability. Management will undertake a detailed review of the ability to carry forward and use these losses on a needs basis. As a result of this the losses disclosed as available may not be available in full.

The Deferred Tax Liability represents the notional tax payable on the value of the Intellectual Property and Funding Right at the time of acquisition of the subsidiary at the US tax rate of 40%. This liability reduces as the intellectual property and funding right are amortised.

	2016 $	2015 $
(c) Temporary differences (not recognised)		
Capital raising costs	217,208	348,814
Patent costs	109,932	218,691
Research licence	171,000	225,000
Other expenses	358,551	155,760
Unrealised foreign exchange loss /(gain)	(13,317)	2,977
Provisions and accruals	76,015	59,306
	919,389	1,010,548

The losses disclosed as at 30 June 2016 will only be obtained in future periods if future assessable income of a nature and of an amount sufficient to enable the benefit to be realised; the conditions for deductibility imposed by tax legislation continue to be complied with; and, no changes in tax legislation adversely affect Invion in realising the benefit.

8. TRADE & OTHER RECEIVABLES

	2016 $	2015 $
(a) Current		
Other debtors	7,671	8,085
Bank guarantee deposit(i)	-	24,936
R&D tax rebate	619,209	1,880,000
Unpaid share issue consideration	14,000	-
Litigation payments owing (judgement debt)	1,070,075	-
Less: impairment of receivable	(1,070,075)	-
Other – unsecured	881	852
GST refundable	5,767	4,339
	647,528	1,918,212

Terms and conditions
All receivables are non-interest bearing and are usually settled on terms of between 30 and 45 days. Credit risk is assessed as low on all receivables.

(i) Guarantee deposit lodged with Invion's bank as support for the lease of premises which was tenanted by the Company in May 2015.

	2016 $	2015 $
(b) Non-current		
Bank Guarantee Deposit	53,865	52,083
	53,865	52,083

9. OTHER ASSETS

	2016 $	2015 $
Current – Prepayments	81,761	133,819
	81,761	133,819

10. PROPERTY, PLANT & EQUIPMENT

	2016 $	2015 $
Total property, plant and equipment		
- At Cost	19,574	83,824
- Accumulated Depreciation and Amortisation	(13,792)	(57,101)
Total written down value	5,782	26,723

11. INTANGIBLE ASSETS	2016 $	2015 $
Intellectual property	19,666,204	19,204,000
Less: impairment (i)	(4,125,000)	(4,125,000)
Less: Accumulated amortisation	(4,785,573)	(3,395,061)
Net carrying value	10,755,631	11,683,939
Funding Right	2,784,203	2,698,647
Less: Accumulated amortisation	(2,784,203)	(2,698,647)
Net carrying value	-	-
	10,755,631	11,683,939
Reconciliation of intellectual property (at cost)		
Balance at beginning of year	11,683,939	9,723,286
Foreign currency translation gain/(loss)	370,415	3,090,921
Amortisation charge	(1,298,723)	(1,130,268)
Closing carrying value at 30 June 2016	10,755,631	11,683,939
Reconciliation of funding right (at cost)		
Balance at beginning of year	-	154,400
Foreign currency translation gain/(loss)	-	43,056
Amortisation charge	-	(197,456)
Closing carrying value at 30 June 2016	-	-
	10,755,631	11,683,939

Description of intangible assets

The Group owns intellectual property on three drug assets INV102 (acquired in merger with Inverseon, Inc in August 2012), INV103 (purchased in prior years), and INV014. The INV102 patents owned by Invion are being amortised over the life of the patent, which is 13 years from acquisition. The Funding Right relates to the US NIH grant (USD$4.4 million) funded the Group's phase II clinical trial in asthma patients. The grant was amortised over two years, which is the period over which the benefit was received. On 28 October 2013, the Company announced the execution of an exclusive, worldwide licence agreement with US-based Accolade Pharma LLC, for intellectual property to develop inhaled formulations of INV104 (zafirlukast) for the treatment of asthma and other respiratory conditions. The in-licenced intellectual property is reflected as an intangible asset and is being amortised over the term of the licence agreement, to 1 January 2024.

(i) Consideration of impairment

The Directors do not consider there have been any indicators of impairment of the acquired intangible asset (INV102) or the in-licensed intangible asset (INV014) during the year and up until the date of this report.

The Directors continue to fully impair the INV103 intellectual property given the risks and uncertainties associated with the continued research and development and ultimate commercialisation of this asset.

	2016 $	2015 $
12. TRADE & OTHER PAYABLES		
Trade creditors	204,717	1,705,068
Accrued expenses	100,491	245,888
Director related payables	-	70,754
Director related accruals	161,368	32,548
	466,576	2,054,258

12.1 Financial liabilities		
Notes payable	20,199	19,531
Convertible Note	100,000	385,000
Loans from Directors and related parties	-	1,200,000
Other secured loan (R&D tax offset funding)	-	974,213
	120,199	2,578,744

Non-current liabilities		
Loans from Directors and related parties	1,200,000	-
	1,200,000	-

Director related accruals reflect accrued interest on Director loans (see Note 22, Related Party Transactions).

The carrying amounts of the loans from Directors and related parties are a reasonable approximation of fair value.

Trade creditors are non-interest bearing and are normally settled on 30-day terms. Details of payments made to Directors are set out in the Directors' Report. Details of payments made to related parties are set out in Note 22 - Related Party Transactions.

Notes Payable related to Notes assumed in the acquisition on Inverseon Inc.

	2016 $	2015 $
13. PROVISIONS		
Current		
- Short-term employment provisions	50,792	81,260
Non-current		
- Long-term employment provisions	-	18,095
	50,792	99,355

	2016 Number	2016 $	2015 Number	2015 $
14. ISSUED CAPITAL				
Ordinary shares fully paid	**1,237,071,273**	**123,052,032**	**822,747,068**	**119,884,852**
Movements in shares on issue				
As at 1 July	**822,747,068**	**119,884,852**	**541,225,440**	**112,941,342**
Shares issued pursuant to SPCSA with ASOF	**-**	**-**	**30,021,420**	**1,278,822**
Shares issued in Placement (i)	**71,500,000**	**1,001,000**	**88,284,940**	**2,207,123**
Shares issued in Placement (ii)	**71,534,244**	**522,200**	**-**	**-**
Shares issued in entitlement offer (ii)	**220,039,961**	**1,606,293**	**163,215,268**	**4,080,376**
Shares issued on conversion of convertible note (iii)	**51,250,000**	**250,000**	**-**	**-**
Transaction costs	**-**	**(212,313)**	**-**	**(622,811)**
As at 30 June	**1,237,071,273**	**123,052,032**	**822,747,068**	**119,884,852**

(i) <u>September 2015 Placement:</u> On 1 September 2015 the Company announced an agreement to issue securities to an institutional investor in the United States in a private placement for gross proceeds of $1,001,000. 71,500,000 fully-paid ordinary shares were issued at an issue price of $0.014 per share. In addition 51,500,000 share options were issued with an exercise price of $0.014 and an expiry date of 3 September 2016. On 17 December 2015, following shareholder resolution at the AGM held 18 November, 5,005,000 share options with an exercise price of $0.0175 and an expiry date of 18 November 2020 were issued to the placement agent as part of their fee for this placement.

(ii) <u>December Share Purchase Plan and Placement</u>: On 10 December 2015, the Company announced the completion and issue and allotment of fully paid ordinary shares under a Share Purchase Plan (SPP) and private placement to sophisticated and professional investors. The issue price per share for both the SPP and Placement was $0.0073. $1,606,293 was raised under the SPP, and 220,039,961 shares were issued to existing shareholders. $522,200 was raised under the private placement and 71,534,244 shares were issued to sophisticated and professional investors, who were existing shareholders. The issue price under both the SPP and Placement was $0.0073 per share.

(iii) <u>Convertible Security on issue to Australian Special Opportunity Fund</u>: On 17 December 2015, the Company issued 12,500,000 fully paid ordinary shares at a deemed issue price of $0.006 following the receipt of a conversion notice (value $75,000) in relation to the $250,000 convertible security on issue to the Australian Special Opportunity Fund (ASOF). On 7 January 2016, the Company issued 20,000,000 fully paid ordinary shares at a deemed issue price of $0.005 following the receipt of a conversion notice (value $100,000) in relation to the convertible security on issue to ASOF. On 27 January 2016, the Company issued 18,750,000 fully paid ordinary shares at a deemed issue price of $0.004 following the receipt of a conversion notice (value $75,000). Having fully converted, at the date of this report, the face value of the convertible security on issue to ASOF is zero ($0.00). The Settlement Deed also 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.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holders to one vote per share, either in person or by proxy, at a meeting of the Company.

Share Purchase Agreement with Numoda Capital Innovations
In December 2014, the Group engaged the services of Numoda Corporation for the provision of clinical trial management services for the INV102 and INV103 phase II clinical trials. At the same time, the Group entered into a Share Purchase Agreement (SPA) with Numoda Capital Innovations (NCI). At the date of this report, NCI has invested approximately $40,000 via open market purchase, and $65,000 via private placement for a total investment of approximately $105,000. The Company does not anticipate any further investment by NCI under the SPA.

15. CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the Parent. The primary objectives of the Group's capital management are to ensure adequate capital is maintained to support the continuance of the Group as a going concern, and to maintain optimal returns to shareholders and benefits to other stakeholders. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders (if any), return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2016 and 2015. The gearing ratios for the year ended 30 June 2016 and 30 June 2015 are as follows:

	2016 $	2015 $
Total borrowings (at face value)	**1,320,199**	**2,578,744**
Less: cash and cash equivalents	**(437,399)**	**(2,284,513)**
Net debt / (cash)	**882,800**	**294,231**
Total equity (including liabilities at face value)	**5,988,964**	**6,860,171**
Total net debt plus equity	**6,871,764**	**7,154,402**
Gearing ratio	**13%**	**4%**

16. RESERVES

	2016 $	2015 $
Balance at 1 July	**23,463,314**	**20,664,497**
Share based payment	**419,928**	**714,183**
Share based payment (reversal of lapsed options)	**(171,043)**	**-**
Options issued under SPSCA	**-**	**127,400**
Translation of subsidiary	**160,437**	**1,957,234**
Balance at 30 June	**23,872,636**	**23,463,314**

Nature and purpose of reserves
The equity reserve records:
(i) Option reserve: Items recognised as an expense with respect to share-based consideration;
(ii) Foreign currency translation reserve: Translation of foreign subsidiary
(iii) Convertible note reserve: The equity component of convertible notes.

	2016 $	2015 $
17. EARNINGS PER SHARE		
Basic (loss) per share from continuing operations (cents per share) (i)	(0.41)	(1.55)
Note: The basic/diluted earnings / (loss) per share for FY2015 has been restated following the Share Purchase Plan that occurred in FY2016.		
Income and share data used in the calculation of basic & diluted earnings per share:		
Loss from continuing operations after income tax expense	(4,447,709)	(13,041,233)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic & diluted EPS	1,076,303,012	838,686,705
Effect of dilutive securities:		
- Share options (ii)	-	-
Adjusted weighted average number of ordinary shares outstanding during the year used in calculation of basic & diluted EPS	1,076,303,012	838,686,705

(i) As the Company incurred a loss for the current year, potential ordinary shares - being options to acquire ordinary shares - are considered non-dilutive.

18. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2016 $	2015 $
Cash at bank	437,399	2,281,909
Petty cash	-	2,604
	437,399	2,284,513
(b) Reconciliation of net cash flows from operating activities to operating loss after income tax		
Operating loss after taxation	(4,447,709)	(13,041,233)
Non cash items		
Depreciation, Amortisation	1,320,434	1,343,209
Equity based compensation	248,885	714,183
Impairment of receivable	1,070,075	-

Non cash Financing costs	67,905	972,400
Net foreign exchange	(78,413)	9,924
Income Tax Benefit	(499,492)	(475,820)
Change in assets and liabilities		
(Increase)/decrease in receivables and prepayments	(243,188)	(1,227,806)
Increase/(decrease) in payables	1,708,474	1,597,198
(Decrease)/ increase in provisions	(48,563)	(23,256)
Net cash flows used in operating activities	**(3,832,164)**	**(10,131,201)**

19. KEY MANAGEMENT PERSONNEL

(a) Compensation for key management personnel	2016 $	2015 $
Short-term employee benefits	979,867	1,107,653
Post-employment benefits	117,362	59,660
Share based payments	51,986	200,731
	1,149,215	1,368,044

20. SHARE-BASED PAYMENTS

(a) Recognised share-based payment expense

	2016 $	2015 $
Expenses arising from equity-settled share-based payment transactions	419,928	714,183
Reversal of expense arising from forfeiture of equity-settled share-based payment transactions’	(171,043)	-
	248,885	714,183

During the year, a total of 9,462,282 share options issued under the ESOP lapsed unexercised as the result of the redundancies.

(b) Types of share-based payment plans

Executive and Employee Share Option Plan (ESOP)

During the year ended 30 June 2016, no options were issued under the executive and employee share option plan, and no ordinary shares of Invion Limited were issued on the exercise of share options granted.

“Other” options

During the year ended 30 June 2016, no ordinary shares of Invion Limited were issued on the exercise of share options granted. The fair value of options granted during the 12 months ended 30 June 2016 was estimated on the date of grant using the Black-Scholes option pricing model applying the following assumptions:

Options issued 3 September 2015	
Dividend yield (%)	0.00
Expected volatility (%)	80
Average risk-free interest rate over life (%)	2.555
Expected life (months)	6
Weighted average share price ($)	$0.014

Options issued 17 December 2015	
Dividend yield (%)	0.00
Expected volatility (%)	80
Average risk-free interest rate over life (%)	2.6
Expected life (months)	30
Weighted average share price ($)	$0.008

Options have no voting or dividend rights, and there are no cash settlement alternatives.

Share Based Transactions

(c) Summary of options granted and lapsed during the year ending 30 June 2016

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options issued during the year:

	Number 2016	WAEP 2016	Number 2015	WAEP 2015
Outstanding at the beginning of year	**63,514,635**	**$0.1182**	**44,837,500**	**$0.1182**
Options issued during the year	**56,505,000**	**$0.289**	**22,127,135**	**$0.0820**
Options lapsed during the year (i)	**(9,462,282)**	**$0.000**	**(3,450,000)**	**$0.3091**
Options exercised during year	-	**-**	-	**-**
Outstanding at the end of the year	**110,557353**	**$0.0827**	**63,514,635**	**$0.0955**

During the year, a total of 9,462,282 share options issued under the ESOP lapsed unexercised as the result of the redundancies.

A total of 14,100,000 Share Options were vested and exercisable at 30 June 2016. The weighted average exercise price for these options is $0.10

The following average inputs were applied to the option pricing model:

Weighted average exercise price	$0.03
Weighted average life of the option	60 months
Underlying share price	$0.01
Expected share price volatility	80%
Risk free interest rate	2.56%
Range of exercise price	$0.014 – $0.0175

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

21. COMMITMENTS AND CONTINGENCIES

Corporate commitments
Lease agreements for office premises, telephones and related office expenses expired in the period under review, therefore 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 2015: $0.73 million).

On 30 March 2001, the Company entered into a Royalty Agreement with CSL Limited (CSL). 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.

22. 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 and for the repayment of outstanding liabilities under the SPCSA. 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

In July 2015, each Director/ former director/ related party agreed to extend the termination date of the loan to 14 July 2016. Prior to 30 June 2016, each Director/ related party agreed to a variation of the original loan agreement on the following terms:

(a) including a new definition of 'Corporate Transaction' which means any one of the following:
  (i) 'the completion of a material transaction in respect of the corporate structure of the company, including the issue of new shares in the company'; or
  (ii) 'the completion of a material transaction in respect of one or more of the company's drug assets.'

(b) deleting the current definition of 'Termination Date' and replacing it with the following:

'means the earlier of:
  (i) 14 July 2017;
  (ii) the date which is 5 Business Days after the Company completes a Corporate Transaction; or
  (iii) 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 have been eliminated on consolidation.

		% equity interest	
Name	**Country of incorporation**	**2016**	**2015**
Invion Inc.	USA	**100%**	**100%**

23. PARENT NOTE

Information relating to Invion Limited (the Parent)

	2016 $	2015 $
Current assets	1,148,176	4,111,665
Total assets	7,634,722	10,498,919
Current liabilities	445,758	3,620,653
Total liabilities	1,645,758	3,638,748
Issued capital	123,052,032	119,884,852
Retained earnings / (losses)	(138,906,551)	(134,619,279)
Reserves	21,843,483	21,594,598
Profit / (loss) of the Parent entity	(4,287,944)	(14,410,042)
Total comprehensive profit / (loss) of the Parent entity	(4,287,944)	(14,410,042)

24. SUBSEQUENT EVENTS

There were no reportable events after the reporting date.

25. AUDITOR'S REMUNERATION

	2016 $	2015 $
Amounts received or due and receivable by the auditors of the Company for:		
- an audit of the financial report	85,000	79,600
- accounting review of the Share Purchase and Convertible Security Agreement with the Australian Special Opportunities Fund	-	20,000
- an independent accountant's report for the 2016 Rights Issue	-	7,931
	85,000	107,351

In the opinion of the Directors:

- the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

    i. giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

    ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

- the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 3.1; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

- This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2016.

Signed in Brisbane on 30 August 2016
On behalf of the Board

Dr Greg Collier
Interim Executive Chair

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Building a better working world

Auditor's Independence Declaration to the Directors of Invion Limited

As lead auditor for the audit of Invion Limited for the financial year ended 30 June 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 audit; and

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

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

Ernst & Young

Ernst & Young

R J Roach

Ric Roach
Partner
30 August 2016

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Independent audit report to members of Invion Limited

Report on the financial report

We have audited the accompanying financial report of Invion Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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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Opinion

In our opinion:

a. the financial report of Invion Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 3.

Report on the remuneration report

We have audited the Remuneration Report included in pages 11 to 20 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Invion Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 3.3 in the financial report which indicates that the consolidated entity is dependent on the completion of a commercial transaction regarding one or all of its drug assets or to complete a capital raising transaction. 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 assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. 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.

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
30 August 2016

Invion Limited ACN 094 730 417

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Share Registry
Shareholder information in relation to shareholding or share transfer can be obtained by contacting the Company's share registry:
Link Market Services, Locked Bag A14,
Sydney South, NSW, 1235
Tel: 1300 554 474
Fax: (02) 9287 0303
Email: registrars@linkmarketservices.com.au
www.linkmarketservices.com.au

For all correspondence to the share registry, please provide your Security-holder Reference Number (SRN) or Holder Identification Number (HIN).

Change of address
Changes to your address can be updated online at www.linkmarketservices.com.au or by obtaining a Change of Address Form from the Company's share registry. CHESS sponsored investors must change their address details via their broker.

Annual General Meeting
The Annual General Meeting will be held in Brisbane at 10.00am, on Monday 14 November 2016 (location to be confirmed).

Annual report mailing list
All shareholders are entitled to receive the Annual Report. In addition, shareholders may nominate not to receive an annual report by advising the share registry in writing, by fax, or by email, quoting their SRN/HIN.

Securities exchange listing
Invion's shares are listed on the Australian Securities Exchange and trade under the ASX code IVX. The securities of the Company are traded on the ASX under CHESS (Clearing House Electronic Sub-register System)

ASX Shareholder Disclosures
The following additional information is required by the Australian Securities Exchange in respect of listed public companies. The information is current as at 1 August 2016.

1. *Total securities on issue*

ASX code	Description	Expiry	Listed	Unlisted
IVX	Ordinary shares	-	1,237,071,273	-
IVXAI	Options ($0.09) Directors & Staff	09.11.17		15,125,000
IVXAK	Options ($0.10) Consultants	09.11.17		225,000
IVXAK	Options ($0.10) Director & consultant	09.11.17		10,300,000
IVXAM	Options ($0.12) Staff & consultants	09.11.18		19,700,000
IVXAN	Options ($0.0721) ASOF	11.11.17		3,500,000
IVXAO	Options ($0.0721) ASOF	22.11.17		3,500,000
IVXAQ	Options ($0.04) Staff and consultant	9.11.18		1,702,353
IVXAR	Options (0.014) to Sabby	03.09.16		51,500,000
IVXAS	Options (0.0175) to HCW	18.11.20		5,005,000
IVXAP	$0 Convertible Security	24.3.2017		-
			1,237,071,273	**110,557,353**
		TOTAL FULLY DILUTED	**1,347,628,626**	

Distribution of equity securities – ordinary shares

The number of security investors holding less than a marketable parcel at 1 August 2016 was 2,992 and they held 95,419,298 securities.

	Number of holders	Number of shares	% Issued Capital
100,000 and over	1,301	1,156,005,379	31.24
50,001 to 100,000	571	45,215,609	13.71
10,001 to 50,000	1,176	31,268,467	28.24
5,001 to 10,000	398	3,189,675	9.56
1,001 to 5,000	410	1,285,835	9.84
1 to 1,000	309	106,308	7.42
	4,165	**1,237,071,273**	**100**

2. *Voting rights*

Shareholders in Invion Limited have a right to attend and vote at general meetings. At a general meeting, individual shareholder may vote in person or by proxy. All quoted and unquoted share options, and convertible notes, have no voting rights.

3. *Substantial shareholders*

The Company has not received notice from any shareholder as being a substantial holder in the Company.

4. *Share buy-back*

There is no current or planned buy-back of the Company's shares.

5. *Statement in accordance with ASX Listing Rule 4.10.19*

The Company confirms that is has used the cash and assets in a form readily convertible to cash at the time of admission in a way consistent with its business objectives.

6. *Twenty largest shareholders - ordinary shares*

Rank	Name	30 Jun 2016
1	HIMSTEDT SUPERANNUATION PTY LTD	42,729,941
2	DR WILLIAM GARNER	24,878,304
3	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	24,438,491
4	MR WARWICK JOHN SPILLER & MRS CAROL ANN SPILLER	24,111,853
5	CITICORP NOMINEES PTY LIMITED	20,020,829
6	HIMSTEDT & CO PTY LTD	19,542,935
7	DR CHOON-JOO KHO	16,070,000
8	BARWON BIOTECHNOLOGY PTY LTD	14,711,352
9	DR MITCHELL GLASS	13,677,032
10	JEAN-LUC TETARD	13,157,895
10	CARLOS ADOLFO MUNOZ	13,157,895
11	RETIREWELL COMMERCIAL SERVICES PTY LTD	12,663,404
12	ACE PROPERTY HOLDINGS PTY LTD	12,000,000
13	MR ANIL BHASKAR UTTURKAR & MRS REKHA ANIL UTTURKAR	10,636,328
14	BASILDENE PTY LTD	9,458,597
15	M P A M M PTY LTD	8,752,074
16	ELMAR SCHNEE	8,500,000
17	LEOCHRIS PTY LTD	8,294,520
18	MR PETER ANDREW WATSON & MRS SUSAN LYN WATSON	7,932,417
19	DR AMIE FRANKLIN	6,943,623
20	KTEC HOLDINGS	6,627,348
	Total	**318,304,838**
	Balance of register	**918,766,435**
	Grand total	**1,237,071,273**

7. *Twenty largest shareholders - quoted share options*
No options are quoted.

8. *Holders of greater than 20% unquoted securities*

The following shareholders hold greater than 20% or more of the following unquoted equity securities (by class) of the Company:

Class of unquoted equity security	Holders with >20% of the equities securities in each class	Number of equity securities held
Share options exercisable at $0.10 each on or before 9 November 2017	Dr Greg Collier	10,000,000
Share options exercisable at $0.09 each on or before 9 November 2017	Dr Mitchell Glass	10,000,000
Share options exercisable at $0.12 each that vest and expire in accordance with clinical development milestones	Dr Mitchell Glass	8,812,500

Corporate Directory

Directors
Dr Greg Collier, Interim Executive Chair
Dr Mitchell Glass, Executive VP R&D and CMO
Dr James Campbell, 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

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