

9 May 2016

Andia Petropoulos
Adviser, Listings Compliance
ASX Compliance
20 Bridge St
SYDNEY NSW 2000

Dear Andia

RESPONSE TO APPENDIX 4C QUERY

I refer to your letter dated 5 May 2016, regarding Invion Limited's Appendix 4C for the quarter ending 31 March 2016, and respond to your queries as follows:

1. It is possible to conclude on the basis of the information provided in the Appendix 4C that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may not have sufficient cash to continue funding its operations. Does the Company expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

The Company does not believe that the operating cashflows for the March 2016 quarter are indicative of expected levels of operating cashflows for the June or September 2016 quarters. The period to March 2016 saw outflows of \$1.2 million, this was heavily reduced from the previous quarters of \$2 million (December 2015); \$2.7 million (September 2015); and \$4.479 million (June 2015).

As R&D has accounted for the main operating cash outflow for the Company, operating outflows continue to be reduced from earlier periods reflecting reduced activity following the completion of major R&D program activity and all R&D milestones, including the March 2016 meeting with the US Food & Drug Administration (FDA) regarding the smoking cessation program for INV102 (nadolo) following the successful completion of the phase II clinical trial in late 2015.

The Company is now focussed on business development, and the partnering (via sale or out-licence) of one or all of its assets. As such, and as noted in the March Appendix 4C, the company has reduced headcount to align resourcing with the requirements of forward activities, and to further significantly reduce burn rate in the coming quarters.

2. Has the Company taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

The Company does not have plans to raise further cash at this time. Subsequent to lodging the March Appendix 4C, the Company received a refund from the Australian Tax Office on taxes previously paid. Further, the Company will lodge and expects to receive an R&D tax cash rebate during the September quarter against local and overseas R&D activities conducted in the 2016 financial year. The Company believes that these cash inflows, combined with cash on hand and reduced operating cash outflows, will see the Company continue operations for more than two quarters without the need to raise further capital. Further, the Company is now focused on the realisation of value of its assets via a commercial transaction following the successful completion of its major R&D milestones.

3. Does the Company expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, on the basis on the information provided above.

4. Can the Company confirm that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that rule that has not already been released to the market?

The Company confirms that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that rule that has not already been released to the market.

The Company does not consider there is any further information that may be relevant to ASX forming an opinion on whether the Company is in compliance with Listing Rule 12.2.

For and on behalf of the Board of Invion Limited,

Yours sincerely

MELANIE FARRIS
Company Secretary

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5 May 2016

Ms Melanie Farris
Company Secretary and Head of Operations
Invion Limited
Unit 2, 120 Bluestone Circuit
Seven Mile Rocks QLD 4073

By Email

Dear Ms Farris,

Invion Limited (the "Entity"): ASX Appendix 4C Query

I refer to the Entity's quarterly report in the form of Appendix 4C for the period ended 31 March 2016 lodged with ASX Market Announcements Platform and released on Friday, 29 April 2016 (the "Appendix 4C").

ASX notes that the Entity has reported:

- negative net operating cash flows for the quarter of \$1,273,000; and
- cash at the end of the quarter of \$852,000.

It is possible to conclude on the basis of the information provided in the Appendix 4C that if the Entity were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Entity may not have sufficient cash to continue funding its operations. In view of that, please respond to each of the following questions:

1. Does the Entity expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has the Entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does the Entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Can the Entity confirm that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market?

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Please also provide any other information that the Entity considers may be relevant to ASX forming an opinion on whether the Entity is in compliance with Listing Rule 12.2.

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9:30am AEST on Tuesday, 10 May 2016. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail or by facsimile to (02) 9227 7620. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;



- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[sent electronically without signature]

Andia Petropoulos

Adviser, Listings Compliance (Sydney)

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