

Notice of Annual General Meeting

Invion Limited ACN 094 730 417

To be held on Thursday, 30 November 2017 at 10:00am
(Brisbane time) at The Brisbane Club, 241 Adelaide Street,
Brisbane, QLD 4000

This Notice of Meeting should be read in its entirety in conjunction with the attached Explanatory Memorandum and Independent Expert's Report. The Independent Expert has concluded that the Proposed Transactions are, as a whole, NOT FAIR but are REASONABLE to non-associated Shareholders.

If Shareholders are in any doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting. Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 7 3295 0500.

Letter from the Chairman

30 October 2017

Dear Shareholders

Annual General Meeting

The annual general meeting for Invion Limited (**Invion** or **Company**) will be held at 10am (Brisbane time) on Thursday, 30 November 2017 at the Edinburgh Room, The Brisbane Club, 241 Adelaide Street, Brisbane, QLD 4000 (**AGM** or **Annual General Meeting**). This is an important meeting and I strongly encourage you to attend, either in person or by proxy.

Business of the Annual General Meeting

The business of the Annual General Meeting will include, in summary:

- Resolution 1 – to adopt the Remuneration Report;
- Resolution 2 – to re-elect Mr Warren Brown as a Director;
- Resolution 3 – ratification and approval of previous allotment and issue of placement Shares under Listing Rule 7.1A;
- Resolution 4 – ratification and approval of previous allotment and issue of placement Shares under Listing Rule 7.1;
- Resolution 5 – to approve the additional 10% placement capacity under Listing Rule 7.1A;
- Resolution 6 – to approve the acquisition of rights to the New Generation Photo Dynamic Therapy (**NGPDT**) technology from RMW Cho Group Limited (**RMWCG**);
- Resolution 7 – to approve the allotment and issue of 2,750,000,000 Shares in aggregate (on a pre-Consolidation basis) to Unlimited Innovation Group Limited (**UIG**) and Polar Ventures Limited (**Polar Ventures**);
- Resolution 8 – to approve The Cho Group Limited (**TCG**) as underwriter and to allot and issue TCG, UIG and Polar Ventures in aggregate up to 12,500,000 shortfall Shares (on a post-Consolidation basis) under the Underwritten Rights Issue; and
- Resolution 9 – to approve the consolidation of Invion's issued capital on the basis that every 100 Shares or Options be consolidated into one Share or Option.

Proposed Transactions

As announced to ASX on 31 August 2017, Invion has entered into agreements with RMWCG and TCG for Invion to:

- (a) be appointed by RMWCG as the exclusive distributor and licensee in Australia and New Zealand for the NGPDT technology for the treatment of cancers, and in return Invion will issue 2,750,000,000 Shares (on a pre-Consolidation basis) to RMWCG (or its nominees) at \$0.002 per Share, for an aggregate licence fee of \$5.5 million. These Shares are proposed to be escrowed for a period of 12 months after issue in accordance with the Listing Rules. RMWCG has nominated for these Shares to be issued to UIG and Polar Ventures, being the subject of resolution 7;
- (b) provide clinical research and development services to RMWCG for the NGPDT technology globally, initially targeting prostate cancer in Australian-run clinical trials. RMWCG will provide non-dilutive funding for the clinical trials. The clinical development program will be designed and managed by a joint steering committee between Invion and RMWCG;
- (c) undertake a consolidation of capital on a 100 for one basis effective from Monday 11 December 2017; and
- (d) undertake a non-renounceable pro rata entitlement offer in the first quarter of 2018 which will be fully underwritten by TCG, to raise up to approximately \$2.5 million (**Underwritten Rights Issue**),

(together, the **Proposed Transactions**). The Proposed Transactions are subject to the satisfaction of a number of conditions, including the Company obtaining approval from Shareholders as to the matters being sought at this Annual General Meeting.

TCG, RMWCG and UIG (together referred to herein as **The Cho Group**) are focused on acquiring, holding and implementing proprietary technologies and exclusive licenses for ground breaking developments in the areas of medicine and other patented and uniquely profitable technologies.

One of these technologies is photodynamic therapy (**PDT**) which The Cho Group researches, manufactures and supplies products for use mainly, but not exclusively, for the diagnosis and treatment of cancer. The Cho Group has acquired extensive know how and has developed proprietary technologies such as PDT agents, equipment, methods, processes, techniques and protocols with respect to PDT, referred to as Next Generation Photo Dynamic Therapy and also known as Next Generation PDT (**NGPDT**) technology.

Further details regarding The Cho Group, Polar Ventures, the NGPDT technology and the effects on the Company in undertaking the Proposed Transactions are set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Shareholders should be aware that there are certain risks associated with the Proposed Transactions. These risks are set out in paragraphs 61 to 74 of the Explanatory Memorandum accompanying this Notice of Meeting.

Independent Expert's Report

The Board has commissioned an Independent Expert's Report prepared by PKF Corporate Finance (NSW) Pty Limited (**Independent Expert**). The Independent Expert has concluded that the Proposed Transactions are, as a whole, **not fair** but are **reasonable** to non-associated Shareholders. Shareholders should carefully consider the Independent Expert's Report, a copy of which is set out in Schedule 2 to the Notice of Meeting and Explanatory Memorandum.

The Board strongly encourages all Shareholders to vote at the AGM, either in person or by proxy. A Proxy Form is enclosed for Shareholders who will not be able to attend the AGM in person.

I ask that you read the Notice of Meeting, Explanatory Memorandum and Independent Expert's Report carefully, and trust you will agree with the Board that this represents an outstanding opportunity for the Company.

On behalf of the Board, thank you for your continued support of the Company.

Yours sincerely



Dr Greg Collier
Interim Executive Chairman

Notice of Annual General Meeting

Invision Limited ACN 094 730 417

Notice is given that the Annual General Meeting of the Company will be held:

Location	The Edinburgh Room, The Brisbane Club, 241 Adelaide Street, Brisbane, QLD 4000
Date	Thursday, 30 November 2017
Time	10:00am (Brisbane time)

Ordinary business

Financial statements and reports

To consider and receive the financial report, the Directors' report and the auditor's report for the year ended 30 June 2017.

Directors' remuneration report

To consider and, if in favour, pass the following resolution in accordance with section 250R(2) of the Corporations Act:

- 1 'That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the financial year ended 30 June 2017 be adopted.'

Note: This resolution will be decided as if it were an ordinary resolution, however under section 250R(2) of the Corporations Act, the vote on this resolution is advisory only and does not bind the Company. Votes must not be cast on this resolution (in any capacity) by or on behalf of key management personnel, details of whose remuneration are included in the Remuneration Report, or their closely related parties. Restrictions also apply to votes cast as proxy unless exceptions apply.

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to this resolution.

Re-election of Mr Warren Brown

To consider and, if in favour, pass the following resolution as an ordinary resolution:

- 2 'That Mr Warren Brown, who retires by rotation in accordance with rule 16.1 of the Constitution, and being eligible, be re-elected as a Director of the Company.'

Note: Information about the candidate appears in the Explanatory Memorandum.

The Directors, with Mr Warren Brown abstaining, unanimously recommend that you vote in favour of this resolution.

Special business

Ratification and approval of previous allotment and issue of placement Shares under Listing Rule 7.1A

To consider, and if in favour, to pass the following resolution as an ordinary resolution:

- 3 'That for the purposes of Listing Rule 7.4 and for all other purposes, approval be given for the previous issue of 33,333,333 Shares at an issue price of \$0.003 per Share, issued under a private placement to TCG, as detailed in the Explanatory Memorandum.'

The Directors unanimously recommend that you vote in favour of this resolution.

Ratification and approval of previous allotment and issue of placement Shares under Listing Rule 7.1

To consider, and if in favour, to pass the following resolution as an ordinary resolution:

- 4 'That for the purposes of Listing Rule 7.4 and for all other purposes, approval be given for the previous issue of 185,560,667 Shares at an issue price of \$0.003 per Share, issued under a private placement to TCG, as detailed in the Explanatory Memorandum.'

The Directors unanimously recommend that you vote in favour of this resolution.

Approval of additional 10% capacity to issue Shares under Listing Rule 7.1A

To consider and, if in favour, to pass the following resolution as a special resolution:

- 5 'That for the purposes of Listing Rule 7.1A and for all other purposes, Shareholders approve the Company having the additional capacity to issue equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, on the terms and conditions set out in the Explanatory Memorandum.'

The Directors unanimously recommend that you vote in favour of this resolution.

Approval to acquire rights to the NGPDT technology from RMWCG

- 6 'That, subject to the passing of resolutions 7, 8 and 9, for the purposes of Listing Rule 10.1 and for all other purposes, approval is given for the Company to acquire rights to the NGPDT technology from RMWCG on the terms and conditions of the Exclusive Distribution and Licence Agreement and as set out in the Explanatory Memorandum'

Note: The Company will disregard any votes cast on resolution 6 by any person who is a party to the transaction, and by any associate of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by PKF Corporate Finance (NSW) Pty Limited for the purposes of shareholder approval required under Listing Rule 10.1 for this resolution 6. The Independent Expert's Report comments on the fairness and reasonableness of the Proposed Transactions as a whole to the non-associated Shareholders of the Company. The Independent Expert has determined that the Proposed Transactions as a whole are not fair but are reasonable to the non-associated Shareholders of the Company.

The Directors unanimously recommend that you vote in favour of this resolution.

Issue of Shares to UIG and Polar Ventures

To consider, and if in favour, to pass the following resolution as an ordinary resolution:

- 7 'That, subject to the passing of resolutions 6, 8 and 9, for the purposes of Listing Rule 7.1, section 611 item 7 of the Corporations Act and for all other purposes, approval is given for:
- (a) the Company to allot and issue 2,750,000,000 Shares in aggregate (on a pre-Consolidation basis) at an issue price of \$0.002 per Share to UIG and Polar Ventures on the terms and conditions of the Exclusive Distribution and Licence Agreement and as set out in the Explanatory Memorandum; and
- (b) the acquisition by TCG, UIG and Polar Ventures of a Relevant Interest in the Shares that are allotted and issued in accordance with paragraph (a).'

Note: The Company will disregard any votes cast on resolution 7 by TCG, UIG, Polar Ventures or any person who might obtain a benefit (except a benefit solely in the capacity of a holder of Shares) if resolution 7 is passed, and by any associate of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by PKF Corporate Finance (NSW) Pty Limited for the purposes of shareholder approval required under section 611 item 7 of the Corporations Act for this resolution 7. The Independent Expert's Report comments on the fairness and reasonableness of the Proposed Transactions as a whole to the non-associated Shareholders of the Company. The Independent Expert has determined that the Proposed Transactions as a whole are not fair but are reasonable to the non-associated Shareholders of the Company.

The Directors unanimously recommend non-associated Shareholders to vote in favour of this resolution.

Approval of the appointment of TCG as underwriter and issue of shortfall Shares

To consider, and if in favour, to pass the following resolution as an ordinary resolution:

- 8 'That, subject to the passing of resolutions 6, 7, and 9, for the purposes of section 611 item 7 of the Corporations Act and for all other purposes, approval is given:
- (a) to appoint TCG as the underwriter to the Underwritten Rights Issue on the terms and conditions set out in the Explanatory Memorandum;
 - (b) for TCG, UIG and Polar Ventures to be allotted and issued up to 12,500,000 shortfall Shares in aggregate (on a post-Consolidation basis) under the Underwritten Rights Issue on the terms and conditions set out in the Explanatory Memorandum; and
 - (c) for the acquisition by TCG, UIG and Polar Ventures of a Relevant Interest in the Shares that are allotted and issued in accordance with paragraph (b) above.'

Note: The Company will disregard any votes cast on resolution 8 by TCG, UIG, Polar Ventures, any person who might obtain a benefit (except a benefit solely in the capacity of a holder of Shares) if resolution 8 is passed, and by any associate of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by PKF Corporate Finance (NSW) Pty Limited for the purposes of shareholder approval required under section 611 item 7 of the Corporations Act for this resolution 8. The Independent Expert's Report comments on the fairness and reasonableness of the Proposed Transactions as a whole to the non-associated Shareholders of the Company. The Independent Expert has determined that the Proposed Transactions as a whole are not fair but are reasonable to the non-associated Shareholders of the Company.

The Directors unanimously recommend non-associated Shareholders to vote in favour of this resolution.

Consolidation of capital

To consider, and if in favour, to pass the following resolution as an ordinary resolution:

- 9 'That, subject to the passing of resolutions 6, 7 and 8, for the purposes of section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated with effect from Monday, 11 December 2017 on the basis that:
- (a) every 100 Shares be consolidated into one Share; and
 - (b) every 100 Options be consolidated into one Option,
- each on the terms set out in the Explanatory Memorandum, and where the consolidation results in a fraction of a Share or Option, the Company be authorised to round that fraction up to the nearest whole Share or Option.'

The Directors unanimously recommend that you vote in favour of this resolution.

Dated 30 October 2017
By order of the Board



Melanie Farris
Company Secretary

Voting exclusion statement

Corporations Act

In accordance with the Corporations Act, the Company will disregard votes cast by:

Resolution 1 – Adoption of the Remuneration Report	A member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or a closely related party of such a member, in contravention of section 250R or 250BD of the Corporations Act. Restrictions also apply to votes cast by such persons as proxy unless the appointment specifies the way the proxy is to vote on the resolution and the vote is not cast on behalf of a person that is prohibited from voting.
Resolution 6 – Approval to acquire rights to the NGPDT technology from RMWCG	A party to the transaction, and by any associate of those persons.
Resolution 7 – Issue of Shares to UIG and Polar Ventures	TCG, UIG, Polar Ventures, and by any of their associates.
Resolution 8 – Approval of TCG as underwriter and issue of shortfall Shares	TCG, UIG, Polar Ventures, and by any of their associates.

Listing Rules

In accordance with Listing Rule 14.11, the Company will disregard votes cast by:

Resolution 3 - Ratification and approval of previous allotment and issue of placement Shares under Listing Rule 7.1A	Any person who participated in the issue of placement Shares described in the Explanatory Memorandum or any of their associates.
Resolution 4 - Ratification and approval of previous allotment and issue of placement Shares under Listing Rule 7.1	Any person who participated in the issue of placement Shares described in the Explanatory Memorandum or any of their associates.
Resolution 5 - Approval of additional capacity to issue Shares under Listing Rule 7.1A	A person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if the resolution is passed, or an associate of such person. N.B. In accordance with Listing Rule 14.11.1 and the relevant Note under that rule concerning Rule 7.1A, as at the date of this Notice of Meeting it is not known who may participate in the proposed issue (if any). On that basis, no Shareholders are currently excluded.
Resolution 7 – Issue of Shares to UIG and Polar Ventures	TCG, UIG, Polar Ventures or any person who might obtain a benefit (except a benefit solely in the capacity of a holder of Shares) if the resolution is passed, and by any associate of those persons.
Resolution 8 – Approval of TCG as underwriter and issue of shortfall Shares	TCG, UIG, Polar Ventures or any person who might obtain a benefit (except a benefit solely in the capacity of a holder of Shares) if the resolution is passed, and by any associate of those persons.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Notes

- (a) Terms used in this Notice of Meeting which are defined in the Explanatory Memorandum have the meaning given to them in the Explanatory Memorandum.
- (b) Subject to the Corporations Act, including sections 250R and 250BD, a Shareholder who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.
- (c) The proxy need not be a Shareholder of the Company. A Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (d) If you wish to appoint a proxy and are entitled to do so, then complete and return the Proxy Form.
- (e) A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.
- (f) The Company has determined under regulation 7.11.37 *Corporations Regulations 2001* (Cth) that for the purpose of voting at the meeting or adjourned meeting, Shares are taken to be held by those persons recorded in the Company's register of Shareholders as at 7.00 pm (Brisbane time) on Tuesday, 28 November 2017.
- (g) If you have any queries on how to cast your votes then call the Company Secretary on +61 7 3295 0500 during business hours.

Explanatory Memorandum

Invin Limited ACN 094 730 417 (Invin or the Company)

This Explanatory Memorandum accompanies the Notice of Meeting for the Annual General Meeting of the Company to be held at The Brisbane Club, 241 Adelaide Street, Brisbane QLD 4000 on Thursday, 30 November 2017 at 10:00am (Brisbane time).

Purpose of Explanatory Memorandum

This Explanatory Memorandum has been prepared to assist Shareholders in determining how to vote on the resolutions set out in the Notice of Meeting and is intended to be read in conjunction with the Notice of Meeting.

This Explanatory Memorandum does not take into account the individual investment objectives, financial situation and needs of individual Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the resolutions and Shareholders should seek their own financial or legal advice.

Notice to persons outside of Australia

This Explanatory Memorandum has been prepared in accordance with the Corporations Act and the Listing Rules, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

Forward looking statements

Certain statements in this Explanatory Memorandum relate to the future. These statements reflect views only as of the date of this Explanatory Memorandum. While Invin believes that the expectations reflected in the forward looking statements are reasonable, neither Invin nor any other person gives any representation, assurance or guarantee that the occurrence of an event expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Proposed Transactions which is not contained in this Explanatory Memorandum. Any information which is not contained in this Explanatory Memorandum may not be relied on as having been authorised by Invin or the Board in connection with the Proposed Transactions.

Responsibility for information

The information contained in this Explanatory Memorandum (except the Independent Expert's Report and the information regarding The Cho Group, Polar Ventures or any of their associated entities and their intentions) has been prepared by Invin and is the responsibility of Invin. Information concerning The Cho Group, Polar Ventures or any of their associated entities and their intentions has been provided by The Cho Group, Polar Ventures, as relevant. None of Invin, its associates or its advisers assumes any responsibility for the accuracy or completeness of that information.

The Independent Expert has prepared the Independent Expert's Report and has consented to the inclusion of that report in this Explanatory Memorandum. The Independent Expert takes responsibility for that report but is not responsible for any other information contained within this Explanatory Memorandum. Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

ASX

A copy of the Notice of Meeting and Explanatory Memorandum has been lodged with ASX pursuant to the Listing Rules. Neither ASX nor any of its officers take any responsibility for the contents of the Notice of Meeting and Explanatory Memorandum.

Definitions

Capitalised terms in this Explanatory Memorandum are defined in section 3 of this Explanatory Memorandum.

Electronic copy

An electronic copy of this Notice of Meeting and accompanying Explanatory Memorandum and Independent Expert's Report is available on the Company's website at www.inviongroup.com.

Enquiries

All enquiries in relation to the contents of the Notice of Meeting or Explanatory Memorandum should be directed to the Company by one of the following methods:

By email: investor@inviongroup.com

By telephone: +61 7 3295 0500 during 9.00am to 5.00pm (Brisbane time) Monday to Friday.

1. Ordinary Business

1.1 Financial statements and reports

- 1 The *Corporations Act 2001* (Cth) (**Corporations Act**) requires that the report of the Directors, the auditor's report and the annual financial report be laid before the Annual General Meeting.
- 2 Apart from the matters involving remuneration which are required to be voted upon, neither the Corporations Act nor the Constitution requires a vote of Shareholders at the Annual General Meeting on the financial statements and reports.
- 3 Shareholders will be given reasonable opportunity at the meeting to raise questions and make comments on these reports.
- 4 In addition to asking questions at the meeting, Shareholders may address written questions to the Chairman about the management of the Company or to the Company's auditor, Ernst & Young, if the question is relevant to:
- (a) the content of the auditor's report; or
 - (b) the conduct of its audit of the annual financial report to be considered at the meeting.
- Note: Under section 250PA(1) of the Corporations Act, a Shareholder must submit the question to the Company no later than the fifth business day before the day on which the Annual General Meeting is held.
- 5 Written questions for the auditor must be delivered by Thursday, 23 November 2017. Please send any written questions for Ernst & Young to:

The Company Secretary
GPO Box 1557
Brisbane, QLD, 4001
or via email to: investor@inviongroup.com

1.2 Resolution 1: Remuneration Report

- 6 The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the year ended 30 June 2017. A copy is available on the Company's website.
- 7 The Corporations Act requires that the Remuneration Report be put to a vote of Shareholders.
- 8 The resolution of Shareholders is advisory only and not binding on the Company. The Board will take the discussion at the meeting into consideration when determining the Company's remuneration policy and appropriately respond to any concerns Shareholders may raise in relation to remuneration issues.
- 9 The Remuneration Report:
- (a) reports and explains the remuneration arrangements in place for non-executive Directors, executive Directors and senior management; and
 - (b) explains Board policies in relation to the nature and value of remuneration paid to non-executive Directors, executive Directors and senior managers within the Company.
- 10 The Chairman will give Shareholders a reasonable opportunity to ask questions about, or to make comments on, the Remuneration Report.

Directors' recommendation

- 11 As the resolution relates to matters including the remuneration of the Directors, the Board, as a matter of corporate governance and in accordance with the spirit of section 250R(4) of the Corporations Act, makes no recommendation regarding this resolution.

1.3 Resolution 2: Re-election of Mr Warren Brown

- 12 Rule 16.1 of the Constitution requires that, at every Annual General Meeting, one-third of the Directors (excluding the Managing Director) must retire from office and stand for re-election.
- 13 The Director(s) to retire under rule 16.1 are those who have been in office the longest since being appointed. The Board has determined that Mr Warren Brown will retire from office under rule 16.1 of the Constitution and stand for re-election.
- 14 Mr Brown retires from office under rule 16.1 of the Constitution and stands for re-election.
- 15 Mr Brown was appointed a non-executive Director of the Company on 4 November 2011 (and was last subject to re-election on 18 November 2015).
- 16 Mr 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.
- 17 Special responsibilities:
- (a) chair of the Audit and Risk Management Committee; and
 - (b) member of the Nomination and Remuneration Committee.

Directors' recommendation

- 18 The Directors, with Mr Warren Brown abstaining, unanimously recommend the re-appointment of Mr Brown to the Board.

2. Special business

2.1 Resolution 3: Ratification and approval of previous allotment and issue of placement Shares under Listing Rule 7.1A

Background

The purpose of resolution 3 is for Shareholders to ratify and approve, pursuant to Listing Rule 7.4, those securities allotted and issued in a private placement to TCG which completed on 21 April 2017, which would otherwise count toward the 10% limit under Listing Rule 7.1A.

Listing Rule 7.1A

- 19 Listing Rule 7.1A enables certain eligible entities to seek Shareholder approval to issue equity securities up to 10% of its issued share capital over a 12 month period after the annual general meeting at which a resolution for the purposes of Listing Rule 7.1A is passed by special resolution. This 10% placement capacity is in addition to the Company's 15% placement capacity under Listing Rule 7.1. The Company obtained approval from Shareholders to issue equity securities under Listing Rule 7.1A at its annual general meeting on 14 November 2016. The Company will be seeking approval from Shareholders to renew the additional placement capacity under Listing Rule 7.1A (being the subject of resolution 5).
- 20 An issue of securities made under Listing Rule 7.1A can be ratified by Shareholders under Listing Rule 7.4. If Shareholders ratify the issue of securities, the Company will retain the flexibility to issue equity securities in the future up to the 10% annual placement capacity set out in Listing Rule 7.1A (subject to the passing of resolution 5) in addition to the placement capacity available under Listing Rule 7.1,

without the requirement to obtain prior Shareholder approval and the Shares the subject of this resolution will also be included for the purposes of variable “A” in the formulae in Listing Rules 7.1 and 7.1A from which the Company’s ongoing placement capacity is calculated.

- 21 In compliance with the information requirements of Listing Rule 7.5, Shareholders are advised of the following particulars:

Information	Disclosure
Date of issue	21 April 2017
Number of Shares issued	33,333,333
Issue price and terms of issue	The issue price was \$0.003 per Share. The Shares were issued as fully paid ordinary shares, ranking equally with all other ordinary shares and having identical rights to existing ordinary shares and are quoted on ASX.
Persons to whom the Shares were issued	The Shares were issued to The Cho Group Limited.
The intended use of funds raised	Funds raised were used for the Company’s general working capital, and specifically applied to costs associated with compliance and the business development and partnering of INV102 (nadolo), INV103 (ala-cpn10) and INV104 (zafirlukast).

Directors’ recommendation

- 22 The Directors unanimously recommend that you vote in favour of this resolution.

2.2 Resolution 4: Ratification and approval of previous allotment and issue of placement Shares under Listing Rule 7.1

Background

- 23 The purpose of this resolution 4 is for Shareholders to ratify and approve, pursuant to Listing Rule 7.4, those securities allotted and issued in a private placement to TCG which completed on 8 June 2017, which would otherwise count toward the 15% limit under Listing Rule 7.1.

Listing Rule 7.1

- 24 Listing Rule 7.1 provides that (subject to certain exceptions) the Company may only issue up to 15% of the number of Shares on issue as at the date 12 months prior to the issue of new Shares without prior approval of Shareholders.
- 25 An issue of securities made under Listing Rule 7.1 can be ratified by Shareholders under Listing Rule 7.4. By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in Listing Rules 7.1, in addition to the placement capacity available under Listing Rule 7.1A (subject to the passing of resolution 5), without the requirement to obtain prior Shareholder approval and the Shares the subject of this resolution will also be included for the purposes of variable “A” in the formulae in Listing Rules 7.1 and 7.1A from which the Company’s ongoing placement capacity is calculated.
- 26 In compliance with the information requirements of Listing Rule 7.5, Shareholders are advised of the following particulars:

Information	Disclosure
Date of issue	8 June 2017
Number of Shares issued	185,560,667
Issue price and terms of issue	The issue price was \$0.003 per Share. The Shares were issued as fully paid ordinary shares, ranking equally with all other ordinary shares and having identical rights to existing ordinary shares and are quoted on ASX.
Persons to whom the Shares were issued	The Shares were issued to The Cho Group Limited.
The intended use of funds raised	Funds raised were used for the Company's general working capital, and specifically applied to costs associated with compliance and the business development and partnering of INV102 (nadolo), INV103 (ala-cpn10) and INV104 (zafirlukast).

Directors' Recommendation

27 The Directors unanimously recommend that you vote in favour of this resolution.

2.3 Resolution 5: Approval of additional 10% capacity to issue equity securities under Listing Rule 7.1A

28 Listing Rule 7.1 allows the Company to issue a maximum of 15% of its capital in any 12 month period without requiring Shareholder approval. In accordance with Listing Rule 7.1A, eligible entities (companies that are outside the S&P/ASX 300 index and that also have a market capitalisation of \$300 million or less) can issue a further 10% of share capital in 12 months on a non-pro rata basis, determined in accordance with the following formula prescribed in Listing Rule 7.1A.2:

$$(A \times D) - E$$

Where:

- A** is the number of fully paid shares on issue 12 months before the date of issue or agreement:
 - (A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
 - (B) plus the number of partly paid shares that became fully paid in the 12 months;
 - (C) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the Company's 15% capacity pursuant to Listing Rule 7.1 without shareholder approval;
 - (D) less the number of fully paid shares cancelled in the 12 months.
- D** is 10%.
- E** is the number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

29 Additional disclosure obligations are imposed when the special resolution is proposed, when securities are issued and when any further approval is sought. For the purposes of Listing Rule 7.3A, the Company provides the following information:

Minimum price at which the equity securities may be issued	<p>The issue price of each equity security must be no less than 75% of the volume weighted average price for the equity securities calculated over the 15 trading days on which trades in that class were recorded immediately before:</p> <ul style="list-style-type: none"> (a) the date on which the price at which the securities are to be issued is agreed; or (b) if the securities are not issued within 5 trading days of the date in paragraph (a), the date on which the securities are issued.
Risk of economic and voting dilution	<p>An issue of equity securities under Listing Rule 7.1A involves the risk of economic and voting dilution for existing Shareholders. The risks include:</p> <ul style="list-style-type: none"> (a) the market price for Shares may be significantly lower on the issue date than on the date of the approval under Listing Rule 7.1A; and (b) the equity securities may be issued at a price that is at a discount to the market price for the Shares on the issue date. <p>In accordance with Listing Rule 7.3A.2, a table describing the notional possible dilution, based upon various assumptions as stated, is set out below.</p>
Date by which the Company may issue the securities	<p>The period commencing on the date of the annual general meeting (to which this Notice of Meeting relates) at which approval is obtained and expiring on the first to occur of the following:</p> <ul style="list-style-type: none"> (a) the date which is 12 months after the date of the annual general meeting at which approval is obtained; and (b) the date of the approval by holders of the Company's ordinary securities of a transaction under Listing Rules 11.1.2 or 11.2. <p>The approval under Listing Rule 7.1A will cease to be valid in the event that holders of the Company's ordinary securities approve a transaction under Listing Rules 11.1.2 or 11.2.</p>
Purposes for which the equity securities may be issued, including whether the Company may issue them for non-cash consideration	<p>It is the Board's current intention that any funds raised pursuant to an issue of equity securities will be applied towards the continued commercialisation of the Company's drug development portfolio. This would principally include:</p> <ul style="list-style-type: none"> (a) development activities; (b) clinical trial costs; (c) regulatory approvals; (d) intellectual property portfolio costs; and (e) overhead expenses including staff and office costs, audit and compliance expenses and ASX fees. <p>The Company reserves the right to issue equity securities for non-cash consideration, including for payment of service or consultancy fees and costs. The Company also reserves the rights to utilise funds or equity securities to acquire complimentary drug assets or intellectual property.</p>
Details of the Company's allocation policy for issues under approval	<p>The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to Listing Rule 7.1A. The identity of the allottees will be determined on a case-by-case basis having regard to the factors including but not limited to the following:</p> <ul style="list-style-type: none"> (a) the methods of raising funds that are available to the Company including, but not limited to, rights issues or other issues in which existing Shareholders can participate; (b) the effect of the issue of equity securities under Listing Rule 7.1A on the control of the Company; (c) the financial situation and solvency of the Company; and

	(d) advice from corporate, financial and broking advisers (if applicable). The allottees under the Listing Rule 7.1A facility have not been determined as at the date of this Notice of Meeting but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company. Further, if the Company is successful in its acquisitive growth strategy as outlined above, it is likely that the allottees under the Listing Rule 7.1A facility will be or include the vendors of the relevant target company or companies.
Previous approvals under Listing Rule 7.1A	The Company first sought approval under Listing Rule 7.1A at the 2012 Annual General Meeting. Shareholders voted in approval at that Meeting. The Company sought further approval at the 2013, 2014, 2015 and 2016 Annual General Meetings. Shareholders voted in approval at those Meetings.

Information required under Listing Rule 7.3A.6(a)

- 30 The table below shows the total number of equity securities issued in the past 12 months preceding the date of the AGM and the percentages those issues represent of the total number of equity securities on issue at the commencement of the 12 month period.

Equity securities on issue at the date of the 12 month period preceding the AGM	1,296,128,626 *Comprising 1,237,071,273 Shares and an aggregate of 59,057,353 options
Equity securities issued in the 12 months preceding the date of the AGM	218,894,000 Shares
Percentage these issues represent of total number of equity securities on issue at commencement of 12 month period	16.89%

Information required under Listing Rule 7.3A.6(b)

- 31 The tables below set out specific details for each issue of equity securities that has taken place in the 12 month period preceding the date of the AGM.

Overview of issue	Shares issued to TCG pursuant to placement announced to market on 18 April 2017.
Date, number and price of shares issued under placement	<ol style="list-style-type: none"> 21 April 2017: 33,333,333 Shares at an issue price of \$0.003, being 100% of the average of 15 day VWAP (rounded up) as at 18 April 2017. 8 June 2017: 185,560,667 Shares at an issue price of \$0.003, being 100% of the average of 15 day VWAP (rounded up) as at 18 April 2017.
Class of equity securities and summary of terms	Fully paid ordinary shares
Names of persons who received securities or basis on which those persons were determined	The Cho Group Limited

Discount to market price (if any)	No discount to market price.
<i>For cash issues</i>	
Total cash consideration received	\$656,682, being the aggregate of 218,894,000 Shares at \$0.003 per Share.
Amount of cash consideration spent	N/A
Use of cash consideration	General working capital, and specifically applied to costs associated with the business development and partnering of INV102 (nadolol), INV103 (ala-cpn10) and INV104 (zafirlukast)
Intended use for remaining amount of cash (if any)	General working capital as above.
<i>For non-cash issues</i>	
Non-cash consideration paid	Not applicable
Current value of that non-cash consideration	Not applicable

Information required under Listing Rule 7.3A.2

- 32 The table below describes the potential dilution of existing Shareholders on the basis of the current market price of Shares and the current number of Shares for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice of Meeting.
- 33 The table also shows:
- (a) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of Shares the Company has on issue. The number of Shares on issue may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
 - (b) two examples of where the issue price of Shares has decreased by 50% and increased by 100% as against the current market price.

Issued capital	50% decrease in market price (\$0.002)		Current market price (\$0.004)		100% increase in market price (\$0.008)	
	10% voting dilution	Funds raised	10% voting dilution	Funds raised	10% voting dilution	Funds raised
Variable "A" (1,455,965,273 Shares)	145,596,527	\$291,193	145,596,527	\$582,386	145,596,527	\$1,164,772
50% increase in variable "A" (2,183,947,910 Shares)	218,394,791	\$436,790	218,394,791	\$873,579	218,394,791	\$1,747,158
100% increase in variable "A" (2,911,930,546 Shares)	291,193,055	\$582,386	291,193,055	\$1,164,772	291,193,055	\$2,329,544

- 34 The table has been prepared on the following assumptions:

- (a) Variable A refers to the calculation required by Listing Rule 7.1A.2, which equates to the current issued share capital of the Company (as at 26 September 2017).
- (b) Variable A has been calculated on the assumption that resolutions 3 and 4 are approved by Shareholders.
- (c) The table above has been prepared on a pre-Consolidation basis.
- (d) The Company issues the maximum number of Shares available under the 10% Listing Rule 7.1A approval.
- (e) No options are exercised to convert into Shares before the date of the issue of the Shares available under Listing Rule 7.1A.
- (f) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (g) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of share issue under Listing Rule 7.1A, based on that Shareholder's holding at the date of the Annual General Meeting.
- (h) The table shows only the effect of issues of equity securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (i) The issue of equity securities under Listing Rule 7.1A consists only of Shares.
- (j) The current issue price is \$0.004, being the closing price of the Shares trading on ASX on 26 September 2017.
- (k) The table does not include the Shares to be issued under the Proposed Transaction.

Directors' recommendation

- 35 The Directors unanimously recommend that you vote in favour of this resolution.

2.4 Proposed Transactions (resolutions 6, 7, 8 and 9)

Background to the Company

- 36 Invion is a company limited by shares incorporated in Australia whose shares have been publicly traded on the ASX since its listing on 15 February 2011. Invion is a clinical-stage life sciences (drug development) company focused on the development and partnership for commercial gain of treatments for major market opportunities in inflammatory diseases including asthma, chronic bronchitis and lupus.
- 37 Invion has three drug assets in development:
- (a) 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);
 - (b) 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
 - (c) 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.
- 38 The Invion Group consists of Invion and its wholly owned subsidiary Invion, Inc. The Group has operations in Brisbane (Australia) and Delaware (USA).

Background on The Cho Group (RMWCG, TCG and UIG)

- 39 The Cho Group is focused on acquiring, holding and implementing proprietary technologies and exclusive licenses for ground breaking developments in the areas of medicine and other patented and uniquely profitable technologies. Each of RMWCG, TCG and UIG is a company incorporated in Hong Kong and either directly or indirectly controlled by Mr Michael Honsue Cho.
- 40 RMWCG is the intellectual property owner and/or authorised licensor of the NGPDT technology.
- 41 As at the date of this Notice of Meeting, The Cho Group holds 218,894,000 Shares, representing an ownership interest of 15.03%.

Background on Polar Ventures

- 42 Polar Ventures is a private investment and consulting firm that provides capital, strategic and operating solutions, focusing on small to mid-sized enterprises in Asia. Polar Ventures is an entity incorporated in Singapore.
- 43 The Cho Group has entered into a consultancy agreement with Polar Ventures, pursuant to the terms of which Polar Ventures has agreed to provide general advice and support for The Cho Group's interests in its investment in Invion, which will include the controller of Polar Ventures, Mr Thian Chew, taking the proposed role as Chairman of Invion as well as being a member of the steering committee that will oversee the R&D program pursuant to the R&D Services Agreement.
- 44 Subject to the relevant resolutions being passed at the Annual General Meeting, The Cho Group has nominated Polar Ventures as its nominee to be allotted and issued 420,596,527 Shares (on a pre-Consolidation basis) under the Exclusive Distribution and Licence Agreement. The Cho Group also intends appoint Polar Ventures as a subunderwriter under the Underwritten Rights Issue.

Associates

- 45 The Company understands that The Cho Group and Polar Ventures are associates in accordance with section 12(2) of the Corporations Act.

Loans from related parties

- 46 In March 2015, the Company entered into loan agreements with each then current director of Invion, borrowing in aggregate an amount of \$1.2 million for working capital and repayment of liabilities (**Outstanding Loans**). In view of the Proposed Transactions, the lenders have agreed to extend the maturity date for the Outstanding Loans until 28 February 2018. Accordingly, if the Proposed Transactions are approved this would enable the Company to repay the Outstanding Loans and accrued interest, expected to total approximately \$1.6 million by the repayment due date of 28 February 2018. If the Proposed Transactions are not approved, then Invion will need alternate finance facilities or capital raising options.

Background on NGPDT technology

- 47 NGPDT is built on medical research on Photo Dynamic Therapy (PDT) that is targeted to treat a wide variety of cancers non-invasively. Also called PhotoSoft E4, NGPDT is a chlorophyll-based PDT photosensitiser. Specifically, it is a complex of chlorin, chlorophyllin and zinc which activates at three light wave sensitivity ranges - 430 nm, 630-650 nm and the near-infrared wavelength range of 750-850 nm.
- 48 Photodynamic Therapy (PDT) is a treatment application that involves three key components: a drug, called photosensitiser or photosensitizing (PDT) agent, a light source with a particular type of light and

tissue oxygen. The combination of these three components is thought to lead to the chemical destruction of tissues which have either selectively taken up the PDT agent or have been locally exposed to light.

- 49 In addition to targeting cancer cells, PDT is hypothesised to affect tumours in other ways, including potentially damaging blood vessels in the tumour thereby preventing the cancer from receiving necessary nutrients and/ or activating an immune response that attacks tumour cells.
- 50 The Company believes there are number of theoretical advantages to treating cancer with PDT:
- PDT can be targeted very precisely, thereby avoiding the usual side effects of systemic treatment;
 - PDT can be used to de-bulk difficult-to-reach tumours prior to surgery;
 - PDT is minimally invasive, in that the light source used can often be applied externally;
 - PDT is repeatable, unlike many radiation therapies;
 - PDT is low cost;
 - PDT can be performed quickly on an outpatient basis.
- 51 An initial Australian Phase 1 study in prostate cancer was conducted 2013, in which NGPDT was administered to 68 prostate cancer patients. Results for 26 patients that had been treated for >6 months were reported at the Urological Society of Australia and New Zealand meeting in Melbourne in April 2013. It was found that half of the reporting patients had stable to decreasing PSA and half increasing PSA, while prostate size was generally falling on assessment using diagnostic imaging. A second Phase 1 study in prostate cancer was conducted in 2017 in collaboration with Monash University. This study evaluated 36 patients, 23 with localised treatment-naïve prostate cancer and 13 with local relapse, and a paper has been prepared for publication.

Summary of the Proposed Transactions

- 52 The terms of the Proposed Transaction are collectively set out in the Transaction Implementation Deed, Exclusive Distribution and Licence Agreement, R&D Services Agreement and Underwriting Agreement (together, the **Transaction Documents**).
- 53 The key terms of the Transaction Documents are summarised in Schedule 1.
- 54 If the Proposed Transactions are completed, Invion will:
- (a) be appointed by RMWCG as the exclusive distributor and licensee in Australia and New Zealand for the NGPDT technology for the treatment of cancers. In return for the exclusive licence and distribution rights, Invion will issue 2,750,000,000 Shares (on a pre-Consolidation basis) to RMWCG at \$0.002 per Share, for an aggregate licence fee of \$5.5 million. These Shares are proposed to be escrowed for a period of 12 months after issue in accordance with the Listing Rules. RMWCG has nominated for these Shares to be issued to UIG and Polar Ventures, being the subject of resolution 7;
 - (b) provide clinical research and development services to RMWCG for the NGPDT technology globally, initially targeting prostate cancer in Australian-run clinical trials. RMWCG will provide non-dilutive funding for the clinical trials. The clinical development program will be designed and managed by a joint steering committee between Invion and RMWCG;

- (c) undertake a consolidation of capital the basis that every 100 Shares or Options be converted into one Share or Option; and
- (d) undertake a non-renounceable pro rata entitlement offer in the first quarter of 2018 which will be fully underwritten by TCG, to raise up to approximately \$2.5 million to fund working capital and the costs of the Proposed Transactions and to repay the Outstanding Loans and accrued interest (expected to total approximately \$1.6 million by the repayment due date of 28 February 2018).

55 The purpose of the Proposed Transactions is:

- (a) to allow Invion to expand its business and develop its asset pipeline through the identification and in-licensing of NGPDT technology, a photodynamic therapy targeting the treatment of cancers;
- (b) provide Invion with non-dilutive funding to develop the NGPDT technology whilst maintaining the exclusive commercialisation rights to the technology in Australia and New Zealand; and
- (c) provide additional funding for working capital to Invion and to enable Invion to repay the Outstanding Loans and accrued interest (expected to total approximately \$1.6 million by the repayment due date of 28 February 2018) by conducting an underwritten pro rata entitlement offer to Shareholders which will be underwritten by TCG in accordance with the terms of the Underwriting Agreement.

56 Shareholders should be aware that the Proposed Transactions are subject to the satisfaction of a number of conditions precedent set out in the Transaction Implementation Deed, including but not limited to the Company obtaining approval from its shareholders as to the matters being sought at this Annual General Meeting. Shareholders should refer to section 1.1 of Schedule 1 for a summary of the conditions precedent under the Transaction Implementation Deed.

57 The Cho Group and the Company have mutually agreed to waive the condition precedent requiring the Independent Expert opining that the Proposed Transactions are fair and reasonable.

58 As at the date of this Notice of Meeting, the Company is not aware of any circumstances that would cause the conditions precedent set out in the Transaction Implementation Deed to not be satisfied.

Key advantages of the Proposed Transactions

59 The Directors consider that the key advantages to the Company and non-associated Shareholders of completing the Proposed Transactions are as follows:

- (a) the Company will be granted exclusive commercialisation rights to the NGPDT technology in Australia and New Zealand, while RMWCG will provide non-dilutive funding to the Company to conduct research and development of the NGPDT technology;
- (b) the NGPDT technology will expand the Company's portfolio of assets and diversify its business by expanding into the treatment of cancers;
- (c) there is an opportunity to build substantial value for Shareholders if the NGPDT technology is successfully proven and the Company obtains all relevant approvals to commercialise the technology and products in Australia and New Zealand;
- (d) the Underwritten Rights Issue will provide additional funds which will assist the Company to:
 - (i) progress the partnering activities for the onward clinical development of INV102 (nadolol) and INV104 (zafirlukast); and

- (ii) enable the Company to repay its current liabilities (including repayment of the Outstanding Loans and accrued interest in full, expected to total approximately \$1.6 million by the payment due date of 28 February 2018); and
- (e) the potential increase in market capitalisation of the Company following completion of the Proposed Transactions may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity.

Key disadvantages of the Proposed Transactions

60 The Directors consider that the key disadvantages to the Company and non-associated Shareholders of completing the Proposed Transactions are as follows:

- (a) current Shareholders will have their interests in the Company significantly diluted by the Proposed Transactions and Shares currently on issue will be diluted from 100% to 26.69% of issued Shares. Refer to paragraphs 75 to 77 of this Explanatory Memorandum for further information;
- (b) if the Proposed Transactions complete, The Cho Group and Polar Ventures will collectively have a voting power of up to 77.33%, assuming that no existing Shareholders take up any of their entitlements under the Underwritten Rights Issue. If all of the existing Shareholders take up their entitlements, then The Cho Group and Polar Ventures will collectively have a voting power of up to 70.59% on completion of the Proposed Transactions;
- (c) there is no guarantee that the research and development in relation to, or the commercialisation of, the NGPDT technology will be successful or result in a positive outcome for Shareholders. There are a number of risk factors associated with the NGPDT technology and the Proposed Transactions, some of which are outlined in paragraphs 61 to 74 of this Explanatory Memorandum; and
- (d) there may be a potential short term cap on the price of Shares based on the proposed issue price of \$0.002 under the Exclusive Distribution and Licence Agreement and the Underwritten Rights Issue;
- (e) as the Underwritten Rights Issue will not be undertaken until first quarter 2018, this may limit the Company's Share price based on the proposed offer price of \$0.20 per Share (on a post-Consolidation basis, which would equate to \$0.002 per Share on a pre-Consolidation basis).

Key risks if the Proposed Transactions proceed

61 Shareholders should consider the Independent Expert's Report when considering the risks associated with the Proposed Transactions. Based on the information available, a non-exhaustive list of the key risk factors associated with the Proposed Transactions is set out below.

Dilution risk

62 The Company currently has 1,455,965,273 Shares on issue and 59,057,353 unlisted Options on issue. If the Proposed Transactions are approved by Shareholders:

- (a) the Company will issue a further 2,750,000,000 Shares (on a pre-Consolidation basis) to UIG and Polar Ventures as nominees of RMWCG in accordance with the terms and conditions of the Exclusive Distribution and Licence Agreement; and
- (b) the Company will issue a further 12,500,000 Shares (on a post-Consolidation basis) under the Underwritten Rights Issue.

63 The issue of these Shares will dilute the existing Shares from 100% to approximately 29.41% ownership (if existing Shareholders take up 100% of their rights under the Underwritten Rights Issue). In the event that no rights are taken up by existing Shareholders, the existing Shares would be diluted to 22.67% ownership.

64 There is also a risk that the interests of Shareholders may be further diluted if future capital raisings are required in order to fund its activities.

65 Accordingly, the issue of the Shares under the Proposed Transactions will have a significant dilutionary effect on the Company's existing Shareholders. Refer to paragraphs 75 to 77 of this Explanatory Memorandum for further details on the impact of the Proposed Transactions to the Company's capital structure.

Major controlling Shareholder

66 As at the date of this Notice of Meeting, The Cho Group holds a Relevant Interest in 15.03% of Shares.

67 Following completion of the Proposed Transactions, among other things The Cho Group and Polar Ventures will collectively have a voting power of up to 77.33% on completion of the Proposed Transactions (assuming that no existing Shareholders take up any of their rights under the Underwritten Rights Issue). If all of the existing Shareholders take up their rights, then The Cho Group and Polar Ventures will collectively have a voting power of up to 70.59% on completion of the Proposed Transactions.

68 This will enable The Cho Group and Polar Ventures to block compulsory acquisition of the Company, block special resolutions of the Company and control ordinary Shareholder resolutions.

Completion risk

69 The Proposed Transactions are subject to the fulfilment of certain conditions, including each of resolutions 6, 7, 8 and 9 being passed at the Annual General Meeting. Even if the resolutions are approved, the Proposed Transactions will only be implemented if all of the other conditions precedent set out in the Transaction Implementation Deed are satisfied or waived. Refer to section 1.1 of Schedule 1 for further details relating to the Transaction Implementation Deed, and in particular the conditions precedent which must be satisfied for the Proposed Transactions to proceed.

70 If any of conditions precedent set out in the Transaction Implementation Deed are not satisfied or waived by RMWCG, or if any of the Transaction Implementation Deed, Exclusive Distribution and Licence Agreement, R&D Services Agreement or Underwriting Agreement is terminated in accordance with its terms, the Proposed Transactions will not proceed.

71 In addition, the Underwritten Rights Issue is currently planned to occur in the first quarter of 2018. It is possible that, due to the period of time between the Annual General Meeting and the Underwritten Rights Issue, certain events may occur that will materially adversely affect the Company, the industry or the economy in general and give rise to a termination event for TCG. A summary of the key termination events are set out in section 1.4 of Schedule 1.

72 The Company is not currently aware of any information which may cause the conditions precedent to be breached or unfulfilled. However, there is a risk that these conditions precedent will be unfulfilled due to circumstances outside of its control.

Effect on other possible takeover offers

73 Assuming that no existing Shareholders take up any of their rights under the Underwritten Rights Issue, the combined interest of The Cho Group and Polar Ventures may increase to a maximum of 77.33% (refer to paragraph 77 for further information). This may influence a decision by a third party to bid for

the Company because the third party would not be confident that it could acquire at least a 50% interest in the issued capital of the Company.

Large escrowed shareholding

UIG and Polar Ventures have entered into restriction agreements which restrict them from selling, creating a security interest or otherwise dealing with the 2,750,000,000 Shares (on a pre-Consolidation basis) to be issued under the Exclusive Distribution and Licence Agreement the subject of resolution 7 for a period of 12 months from the date of issue. Subject to resolution 7 being approved, the Shares will represent 70.59% of the total issued Shares prior to completion of the Underwritten Rights Issue.

This escrow and the high level of ownership by The Cho Group and Polar Ventures may affect the liquidity of Shares.

Any sale of Shares by The Cho Group or Polar Ventures following the expiry of the escrow period, or the perception that such sale might occur could adversely affect the market price of the Shares. The concentration of ownership could also affect the liquidity of the market for the Shares, which in turn could affect the prospectus of Invion being considered as a target for a control transaction in the short to medium term.

Technology, clinical trial and commercialisation risk

- 74 As a clinical stage pharmaceutical drug development company, the Invion business is subject to risk factors both specific to its business activities and of a general nature. Invion may be unable to secure necessary approvals from regulatory agencies to conduct clinical trials. There is also no assurance that NGPDT will prove to be safe and efficacious in clinical trials, or that the regulatory approval to manufacture and market its products will be received. Further, there can be no guarantee that in the event of successful clinical trials and receipt of regulatory approvals, that the NGPDT technology can be successfully commercialised.

Impact on the Company's capital structure

- 75 The effect of the Proposed Transactions on the capital structure of the Company can be summarised as follows:

	Number of Shares	Percentage of issued capital
Shares on issue at the date of the Notice of Meeting	1,455,965,273	26.69%
Shares to be issued under the Exclusive Distribution and Licence Agreement (resolution 7)	2,750,000,000	50.40%
Shares to be issued under the Underwritten Rights Issue (resolution 8)	1,250,000,000	22.91%
Total Shares upon completion of the Proposed Transactions	5,455,965,273	100%

Table 1 – How the Proposed Transactions will increase the number of Shares in the Company

Notes:

1. Shares are shown in this table on a pre-Consolidation basis.
2. Shares under the Underwritten Rights Issue will be issued after the Consolidation occurs (assuming resolution 6, 7, 8 and 9 are all passed), which equates to 12,500,000 Shares on a post-Consolidation basis. Consolidation will not affect the percentage interest of Shareholders.

- 76 If resolutions 6, 7, 8 and 9 are passed at the Annual General Meeting and the Company successfully issues Shares to UIG and Polar Ventures under the Exclusive Distribution and Licence Agreement, the

overall ownership structure of the Company will be as follows (assuming that the Underwritten Rights Issue has not completed):

Shareholder	Number of Shares	Percentage interest
All existing Shareholders other than The Cho Group	1,237,071,249	29.41%
The Cho Group	2,548,297,497	60.59%
Polar Ventures	420,596,527	10%
TOTAL	4,205,965,273	100%

Table 2 – Interests held by The Cho Group, Polar Ventures and other Shareholders following issue of Shares under the Exclusive Distribution and Licence Agreement

Notes:

1. Shares are shown in this table on a pre-Consolidation basis.
2. The Cho Group (through TCG) currently holds 218,894,000 Shares.
3. RMWCG has nominated for the 2,750,000,000 Shares to be issued to UIG (2,329,403,473 Shares) and to Polar Ventures (420,596,527 Shares).

- 77 If resolutions 6, 7, 8 and 9 are passed at the Annual General Meeting and the Company successfully issues Shares to RMWCG under the Exclusive Distribution and Licence Agreement and completes the Underwritten Rights Issue, the overall ownership structure of the Company will be as follows:

Shareholder	Number of Shares (assuming all rights taken up by Shareholders)	Percentage interest	Number of Shares (assuming no rights taken up by Shareholders)	Percentage interest
All existing Shareholders other than The Cho Group	1,604,725,067	29.41%	1,237,071,273	22.67%
The Cho Group and Polar Ventures	3,851,240,206	70.59%	4,218,894,000	77.33%
TOTAL	5,455,965,273	100%	5,455,965,273	100%

Table 3 – Interests held by The Cho Group and other Shareholders following issue of Shares under the Exclusive Distribution and Licence Agreement and completion of the Underwritten Rights Issue

Notes:

1. Shares are shown in this table on a pre-Consolidation basis.
2. TCG intends to appoint UIG (being part of The Cho Group) and Polar Ventures as subunderwriters pursuant to the terms of the Underwriting Agreement.

Use of funds from the Underwritten Rights Issue

- 78 The Company intends to apply funds raised pursuant to the Underwritten Rights Issue, as follows:

Application of Funds	Amount A\$
Costs of the Proposed Transactions	\$0.2M
Working capital to fund current and forward operations and current liabilities (including repayment of the Outstanding Loans and all accrued interest, expected to total approximately \$1.6 million by the repayment due date of 28 February 2018)	\$2.3M
Total	\$2.5M

Table 4 – Use of funds from Underwritten Rights Issue

Company's intentions if Proposed Transactions are completed

- 79 If all of resolutions 6, 7, 8 and 9 are passed at the Annual General Meeting and all of the Proposed Transactions are completed, the Company will endeavour to do the following:
- (a) identify and establish a medical advisory board for the development of NGPDT;
 - (b) commence planning for the Phase 2 clinical trial of NGPDT in prostate cancer at centres across Australia and New Zealand;
 - (c) continue to seek to partner the Company's respiratory assets, INV102 (nadolol) and INV104 (zafirlukast); and
 - (d) repay the principal amount of the Outstanding Loans plus accrued interest (expected to total approximately \$1.6 million by the repayment due date of 30 June 2017).

Changes to the Board

- 80 As at the date of this Notice of Meeting, the Board comprises:
- (a) Dr Greg Collier;
 - (b) Dr James Campbell;
 - (c) Dr Mitchell Glass; and
 - (d) Mr Warren Brown.
- 81 As announced by the Company on 18 April 2017, it was intended that the Board would be reorganised following completion of the placement (which completed in June 2017) by appointing two representatives of The Cho Group to the Board. This has not yet occurred.
- 82 As soon as practicable after the approval by Shareholders of the Proposed Transactions, the Board intends to appoint Mr Thian Chew as Non-executive Chairman of Invion. The intentions of The Cho Group and Polar Ventures in relation to the Board is set out in further detail in paragraph 141(g).
- 83 The second representative of The Cho Group has not yet been nominated.
- 84 On the appointment of Mr Chew as Non-Executive Chairman, Dr Greg Collier, currently Interim Executive Chair, will return to his position as CEO and Executive Director.
- 85 Pursuant to rule 13.2 of the Constitution, the Board may at any time appoint any person as a Director, either to fill a vacancy or as an addition to the Board provided that the maximum number of Directors allowed under the Constitution is not exceeded. Any Director appointed under rule 13.2 of the Constitution may hold office only under the next annual general meeting of the Company and is then eligible for election at that meeting. Accordingly, Mr Chew and any other director appointed after the Proposed Transactions are approved will be put up for election at the next annual general meeting.

Profile of Mr Thian Chew

- 86 Mr Thian Chew has over 25 years' experience in investing, finance and transforming business operations. He is Managing Partner at Polar Ventures, a private investment and consulting firm that provides capital, strategic and operating solutions, focusing on small to mid-sized enterprises in Asia. Mr Chew was previously an Executive Director at Goldman Sachs (Hong Kong and New York) responsible for the firm's proprietary investments including growth capital, private equity and special situations in both private and public companies.

Prior to this, he was a Consultant Project Manager to Morgan Stanley, New York's Strategic Services Group. Mr Chew also held a number of positions in KPMG across Asia Pacific including Director at KPMG Consulting (Singapore and Sydney) where he led several large scale operational restructuring, post-merger integration, transformation, and business performance improvement programs. As a Senior Manager at KPMG (Taipei and Melbourne), he led several business process re-engineering initiatives, and also performed financial and information technology audit, risk and assurance engagements across multiple industries.

Mr Chew holds an MBA from the Wharton School (Palmer Scholar), MA from the Lauder Institute, University of Pennsylvania, and a Bachelor of Information Systems from Monash University. Mr Chew is an Adjunct Professor at HKUST's MBA program and previously qualified as a chartered accountant

Important dates

An indicative timetable for completion of the Proposed Transactions is outlined below:

Event	Indicative date
Notice of Meeting lodged with ASX and despatched to Shareholders	Monday, 30 October 2017
Date of Annual General Meeting	Thursday, 30 November 2017
Issue of Shares under the Exclusive Distribution and Licence Agreement	Thursday, 7 December 2017
Consolidation to take effect	Monday, 11 December 2017
Announce Underwritten Rights Issue	First quarter 2018

Dates are indicative only. Invion reserves the right to vary these dates subject to the requirements of the Listing Rules.

Independent Expert Report

- 87 Listing Rule 10.10.2 requires that a notice of meeting seeking shareholder approval under Listing Rule 10.1 must contain a report from an independent expert stating whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.
- 88 Further, ASIC Regulatory Guide 74 provides that a notice of meeting that seeks approval under section 611 item 7 of the Corporations Act must include an independent expert's report which states whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.
- 89 Accordingly, for the purposes of resolutions 6, 7 and 8, the Directors have appointed the Independent Expert and commissioned it to prepare a report as to whether or not, in their opinion, the Proposed Transactions are fair and reasonable to non-associated Shareholders.

- 90 What is fair and reasonable must be judged by the Independent Expert in all the circumstances of the proposal. This requires taking into account the likely advantages to non-associated Shareholders if the proposal is approved and comparing them with the disadvantages to them if the proposal is not approved.
- 91 The Independent Expert has concluded that the Proposed Transactions are **not fair** but are **reasonable** to the non-associated Shareholders.
- 92 The Company strongly recommends that you read the Independent Expert's Report in full, a copy of which is attached as Schedule 2.

Conditionality of resolutions 6, 7, 8 and 9

- 93 Each of resolutions 6, 7, 8 and 9 are conditional upon the other resolutions being approved. That is, each of resolutions 6, 7, 8 and 9 will only be passed if all four resolutions are passed at the Annual General Meeting. In the event that one or more of resolutions 6, 7, 8 and 9 are not approved, then:
- (a) the Proposed Transactions will not proceed;
 - (b) the Transaction Documents will be terminated as the condition precedent for Shareholder approval has not been satisfied;
 - (c) the Company will not be able to commercialise the NGPDT technology;
 - (d) the Company will need to seek an alternate source of funds or another party to underwrite a pro rata entitlement offer, which may be at less favourable terms and have additional completion risks;
 - (e) the Company will need to seek alternate finance or capital raising options to repayment the Outstanding Loans and there is a risk that the Company will not be able to repay current loans plus accrued interest, expected to reach a total of approximately \$1.6 million by the repayment due date of 28 February 2018; and
 - (f) it is likely that Invion's share price will fall. Prior to announcement of the Proposed Transactions, the price of Shares traded at \$0.002. Whilst it is not possible to predict the prices at which the Shares might trade in the future, it is likely that if the Proposed Transactions are not approved by Shareholders, there will be downward pressure on the trading price of Shares.

Directors' recommendations in relation to Proposed Transactions

- 94 The Directors do not have any material interest in the outcome of the voting on 6, 7, 8 and 9 at the Annual General Meeting other than as a result of their interest arising solely in the capacity of Shareholders of the Company.
- 95 The Directors have unanimously approved the proposal to put the resolutions to Shareholders.
- 96 Based on the information available (including, as described in this Explanatory Memorandum) and in the absence of a superior proposal, each of the Directors consider that the Proposed Transactions are in the best interest of the Company and unanimously recommend that Shareholders vote in favour of resolutions 6, 7, 8 and 9 at the Annual General Meeting.

2.5 Resolution 6: Approval to acquire rights to the NGPDT technology from RMWCG

Listing Rule 10.1

- 97 Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a “substantial asset” from, or dispose of a substantial asset to, any of the following persons without the approval of the entity’s security holders:
- (a) a related party;
 - (b) a subsidiary;
 - (c) a “substantial holder”, if the person and the person’s associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities;
 - (d) an associate of a person referred to in (a) to (c) above; or
 - (e) a person whose relationship to the entity is such that, in ASX’s opinion, the transaction should be approved by security holders.
- 98 Under Listing Rule 10.2, an asset is “substantial” if its value, or the value of the consideration for it is, or in ASX’s opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules.
- 99 The acquisition of rights by Invion from RMWCG in relation to the NGPDT technology is considered as an acquisition of a “substantial asset” as the value of the consideration will be more than 5% of the equity interests of Invion.
- 100 Approval under Listing Rule 10.1 is required because RMWCG is an associate of TCG, being who holds a relevant interest in more than 10% (namely 15.03%) of issued Shares.
- 101 Listing Rule 10.10.2 requires the Company to include in this Notice of Meeting a report on the Proposed Transactions from an independent expert stating the expert’s opinion as to whether the Proposed Transaction is fair and reasonable to non-associated Shareholders. The Company has commissioned the Independent Expert’s Report for the purposes of Listing Rule 10.10.2. The Independent Expert has concluded that the Proposed Transactions are **not fair** but are **reasonable** to the non-associated Shareholders.
- 102 Shareholders should consider the Independent Expert’s Report in detail and if in doubt seek advice from a professional adviser.

Conditionality of resolutions

- 103 The passing of resolution 6 is subject to resolutions 7, 8 and 9 also being passed at the Annual General Meeting.

Directors’ recommendation

- 104 Based on the information available (including that contained in this Explanatory Memorandum) and in the absence of a superior proposal, each of the Directors consider that resolution 6 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of resolution 6.
- 105 Each of the Directors who hold Shares in the Company intend to vote the Shares they control in favour of resolution 6, in the absence of a superior proposal.
- 106 The Directors do not have any material personal interest in the outcome of resolution 6, other than their interests arising solely in their capacity as Shareholders.

2.6 Resolution 7: Issue of Shares to UIG and Polar Ventures

Background

- 107 Subject to the conditions precedent in the Transaction Implementation Deed being met, Invion has agreed to allot and issue 2,750,000,000 Shares to RMWCG or its nominees pursuant to the terms of the Exclusive Distribution and Licence Agreement. In return, RMWCG has agreed to grant to Invion, amongst other things, the right to commercialise the NGPDT technology in Australia and New Zealand.
- 108 RMWCG has nominated for:
- (a) UIG to be allotted and issued 2,329,403,473 Shares (on a pre-Consolidation basis); and
 - (b) Polar Ventures to be allotted and issued 420,596,527 Shares (on a pre-Consolidation basis),
- on the terms set out in the Exclusive Distribution and Licence Agreement.
- 109 The purpose of resolution 7 is to seek Shareholder approval for the issue of Shares to UIG and Polar Ventures (as nominees or RMWCG), as well as the acquisition of a Relevant Interest by each of TCG, UIG and Polar Ventures in the Shares being issued, pursuant to Listing Rule 7.1 and section 611 item 7 of the Corporations Act.
- 110 Shareholders should refer to paragraphs 47 to 51 of this Explanatory Memorandum for a summary on the background of NGPDT technology.

Impact on shareholding

- 111 As at the date of this Notice of Meeting, TCG (an associate of UIG and Polar Ventures) holds a 15.03% Relevant Interest in Shares.
- 112 Shareholders should refer to paragraph 76 of this Explanatory Memorandum for details of the impact on issued capital if resolution 7 is approved.

Listing Rule 7.1

- 113 Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of the shareholders of a company is required for an issue of equity securities if the securities will, when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.
- 114 One circumstance where an issue is not taken into account in the calculation of the 15% threshold is where the issue has the prior approval of shareholders in general meeting. The effect of resolution 7 will be to allow, amongst other things, Invion to issue the Shares to UIG and Polar Ventures during the period of 3 months after the Annual General Meeting (or a longer period if allowed by ASX) without using the Company's placement capacity under Listing Rule 7.1.

Technical information required by Listing Rule 7.1

- 115 Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Shares the subject of resolution 7:
- (a) the maximum number of Shares to be issued pursuant to resolution 7 is 2,750,000,000 Shares (on a pre-Consolidation basis);

- (b) the Shares will be issued in consideration of the rights being granted by RMWCG to the Company under the Exclusive Distribution and Licence Agreement, which include amongst other things the right to commercialise the NGPDT technology in Australia and New Zealand;
- (c) the Shares will be issued at \$0.002 per Share in consideration of the aggregate \$5,500,000 fee payable to RMWCG under the Exclusive Distribution and Licence Agreement, accordingly no funds will be raised from the issue of Shares;
- (d) RMWCG has nominated:
 - (i) UIG to be allotted and issued 2,329,403,473 Shares (on a pre-Consolidation basis); and
 - (ii) Polar Ventures allotted and issued 420,596,527 Shares (on a pre-Consolidation basis),
 on the terms set out in the Exclusive Distribution and Licence Agreement;
- (e) the securities being issued are fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares;
- (f) as at the date of this Notice of Meeting, the Company intends to allot and issue the Shares to UIG and Polar Ventures five Business Days after satisfaction (or waiver) of all conditions precedent set out in the Transaction Implementation Deed, and in any event not later than three months after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules); and
- (g) the Company will disregard any votes cast on resolution 7 by TCG, UIG, Polar Ventures or any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary Shares) if resolution 7 is passed, and by any associate of those persons. However, the Company need not disregard a vote if:
 - (i) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
 - (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Section 611 item 7 of the Corporations Act

- 116 Under section 606 of the Corporations Act, subject to limited specified exemptions, a person must not acquire a "Relevant Interest" in issued voting shares in a public company, if as a result of the acquisition any person's voting power in the company would increase:
- (a) from 20% or below to more than 20%; or
 - (b) from a starting point that is above 20% and below 90%.
- 117 In broad terms, a person has a "Relevant Interest" in shares if that person holds shares or has the power to control the right to vote or dispose of shares. A person's voting power in a company is the number of voting shares in which the person (and its associates) has a Relevant Interest compared with the total number of voting shares in a company.
- 118 Under section 12(2) of the Corporations Act, a person (second person) will be an associate of the other person (first person) if:
- (a) the first person is a body corporate and the second person is:
 - (i) a body corporate the first person controls;
 - (ii) a body corporate that control the first person; or
 - (iii) a body corporate that is controlled by an entity that controls the first person;

- (b) the second person has entered or proposed to enter in a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and
- (c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs.

119 Section 611 item 7 of the Corporations Act provides an exemption to the prohibition stated above. Section 611 item 7 of the Corporations Act allows a person (and its associates) to acquire a Relevant Interest in shares that would otherwise be prohibited under section 606(2) of the Corporations Act, if the proposed acquisition is approved in advance by a resolution passed at a general meeting of the Company, and:

- (a) no votes are cast in favour of resolution 7 by the proposed acquirers or their associates; and
- (b) there is full disclosure of all information that is known to the proposed acquirer and its associates or known to the Company that is material to a decision on how to vote on resolution 7, including:
 - (i) the identity of the person proposed to make the acquisition and their associates;
 - (ii) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition;
 - (iii) the voting power that person would have as a result of the acquisition;
 - (iv) the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and
 - (v) the voting power that each of that person's associates would have as a result of the acquisition.

120 Accordingly, Shareholder approval is being sought in respect of the issue of Shares which will result in The Cho Group and Polar Ventures increasing their respective voting power in the Company to more than 20%.

Specific information required for the purposes of approval under section 611 item 7 of the Corporations Act

121 The following information is provided in compliance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 (in respect of acquisitions to be approved by Shareholders in accordance with item 7 of section 611):

(a) **The identity of the persons proposing to make the acquisition and their associates**

UIG and Polar Ventures are the proposed acquirers of, and will acquire a Relevant Interest in, the Shares the subject of resolution 7. TCG (who currently holds a 15.03% interest in Shares) will also acquire a Relevant Interest in the Shares issued to UIG and Polar Ventures.

Each of RMWCG, TCG and UIG is either directly or indirectly controlled by Mr Michael Honsue Cho.

Background information on The Cho Group and Polar Ventures is provided in paragraphs 39 to 44 of this Explanatory Memorandum.

(b) **The voting power of the persons and its associates would have as a result of the acquisition and the maximum extent of the increase in their voting power**

As at the date of this Notice of Meeting, The Cho Group holds a Relevant Interest of 15.03% in Shares.

If resolution 6, 7, 8 and 9 are passed, the voting power of The Cho Group and Polar Ventures will be increased to 77.33%, assuming that no existing Shareholders take up any of their entitlements under the Underwritten Rights Issue. If all of the existing Shareholders take up their entitlements under the Underwritten Rights Issue, then The Cho Group and Polar Ventures will have a voting power of up to 70.59% on completion of the Proposed Transactions. This assumes that other than the Shares to be issued under the Proposed Transactions, the capital structure of the Company will remain the same.

Paragraphs 75 to 77 of this Explanatory Memorandum sets out the impact of the Proposed Transactions on the shareholding of The Cho Group and Polar Ventures as a result of resolutions 6, 7, 8 and 9 being approved.

(c) **An explanation of the reasons for the proposed allotment**

The Shares are being issued to UIG and Polar Ventures in consideration of the \$5,500,000 fee payable by Invion to RMWCG under the Exclusive Distribution and Licence Agreement. In return, RMWCG has agreed to grant to the Company, amongst other things, the right to commercialise the NGPDT technology in Australia and New Zealand.

The key advantages and disadvantages of the Proposed Transactions are set out in paragraphs 59 and 60, respectively.

(d) **When the allotment is to be completed**

Under the Exclusive Distribution and Licence Agreement, the Shares the subject of resolution 7 will be issued five Business Days after the satisfaction (or waiver) of all conditions precedent set out in the Transaction Implementation Deed.

(e) **Material terms of the proposed allotment**

The Shares proposed to be allotted and issued to UIG and Polar Ventures will have the same rights and liabilities attached as all other Shares on issue. The issue will otherwise be on the terms of the Exclusive Distribution and Licensing Agreement, a summary of the material terms of which is set out in section 1.2 of Schedule 1.

(f) **Particulars of any other contract or proposed contract between the acquirers or any of their associates and the Company or any of its associates which is conditional upon, or directly or indirectly dependent on, Shareholders' agreement to the allotment**

The Transaction Implementation Deed, R&D Services Agreement, Exclusive Distribution and Licence Agreement and Underwriting Agreement are each conditional upon, amongst other things, resolutions 6, 7, 8 and 9 being passed at the Annual General Meeting. If any of resolution 6, 7, 8 and 9 is not approved, the Proposed Transactions will not proceed.

As described in paragraph 42, The Cho Group has entered into a consultancy agreement with Polar Ventures, pursuant to the terms of which Polar Ventures has agreed to provide general advice and support for the Cho Group's interests in its investment in Invion, which will include the controller of Polar Ventures, Mr Thian Chew, taking the proposed role as Chairman of Invion as well as being a member of the steering committee that will oversee the R&D program pursuant to the R&D Services Agreement.

Other than the above, there are no contracts or proposed contracts between TCG, UIG, Polar Ventures or any of its associates and the Company or any of its associates which are conditional on, or directly or indirectly dependent on Shareholders approving the allotment of the Shares the subject of resolution 7.

(g) **Intentions of the acquirers regarding the future of the Company if Shareholders agree to the allotment**

The Cho Group and Polar Ventures have given the following information to the Company to assist it to meet its responsibilities under ASIC Regulatory Guide 74. The Company takes no responsibility for any omission from, or any error or false or misleading statement in this paragraph 124(g). The Cho Group and Polar Ventures make no statement or representation in relation to the Company, or their intentions in respect of the Company, which may change if it becomes aware of information that is not currently available to it, except as set out below.

This section sets out the present intentions of The Cho Group and Polar Ventures in relation to the continuation of the business of the Invion group, corporate structure and employees.

It is intended that Invion will continue to conduct its current core business in substantially the same manner as it currently operates the business. The Cho Group and Polar Ventures expect to make use of the existing capabilities (e.g. development and clinical research services) of Invion but there may be a change to the business of Invion to the extent necessary or desirable to undertake the Proposed Transactions, including to research, develop and commercialise the NGPDT technology. The Cho Group and Polar Ventures will also use their expertise to improve and further develop the Invion group and to drive further performance and sustainable growth. The Cho Group and Polar Ventures do not currently intend to make any major changes to the business or the deployment of fixed assets of the Invion group, or to transfer assets between Invion and the Cho Group or Polar Ventures, except as noted above in relation to developing the NGPDT technology.

Other than the Underwritten Rights Issue, The Cho Group and Polar Ventures have no current intentions to raise further capital in Invion.

After completion of the Proposed Transactions (if approved), The Cho Group and Polar Ventures may conduct a review of the Invion group in order to:

- (i) evaluate Invion group's performance and prospects;
- (ii) identify areas where The Cho Group or Polar Ventures can add value to the Invion group through its technical expertise and financial resources and its experience in relevant assets; and
- (iii) review the Invion group's assets and companies to determine the optimal allocation of assets.

The Cho Group and Polar Ventures also intend to conduct a detailed review of the head office and other functions of Invion in order to optimise those functions. This review will include a review of Board composition and human resource requirements. At this stage the Cho Group and Polar Ventures intend to exercise all rights available to it under the constitution after completion of the Proposed Transactions to appoint Mr Thian Chew as Non-executive Chairman of the Invion Board (Mr Chew's biography is set out in paragraph 86 of this Explanatory Memorandum). Other directors may be appointed or removed following conclusion of the review. At present, the Cho Group and Polar Ventures are unable to formulate a firm view in relation to the other Board candidates or the employees of the Invion group.

The Cho Group and Polar Ventures intend to keep the present employees of Invion after completion of the Proposed Transactions and is considering potential changes to the executive team to the extent required to develop the NGPDT technology. The Cho Group

and Polar Ventures will work with the management and employees of Invion to conduct its review and implement any changes to the business.

The Cho Group and Polar Ventures do not currently intend to significantly change the financial or dividend policies of Invion after completion of the Proposed Transactions given that the Company will be at the start of an exploitation process of a new technology. However, the Cho Group, Polar Ventures and Invion may reconsider the dividend policy once it moves into the commercialisation phase and is able to generate earnings.

The statements set out in this section are statements of present intention only. As noted above the Cho Group and Polar Ventures intend to conduct a review of Invion's business and operations and the final decision of The Cho Group and Polar Ventures on these matters will only be reached in light of all material facts and circumstances at the relevant time and after having had the opportunity to complete the review. In addition, the Cho Group and Polar Ventures will only make a final decision on these matters following receipt of appropriate legal, taxation and financial advice. Accordingly, statements set out in this section may change as new information becomes available or as circumstances change, and the statements in this section should be read in that context.

(h) **Recommendation of the Directors**

Dr Greg Collier recommends non-associated Shareholders vote in favour of resolution 87. Dr Collier considers that, in the absence of a superior proposal, the advantages of undertaking the Proposed Transactions set out in paragraph 59 outweigh the disadvantages set out in paragraph 60 and approval of resolution 7 is in the best interests of Shareholders.

Dr Mitchell Glass recommends non-associated Shareholders vote in favour of resolution 7. Dr Glass considers that, in the absence of a superior proposal, the advantages of undertaking the Proposed Transactions set out in paragraph 59 outweigh the disadvantages set out in paragraph 60 and approval of resolution 7 is in the best interests of Shareholders.

Dr James Campbell recommends non-associated Shareholders vote in favour of resolution 7. Dr Campbell considers that, in the absence of a superior proposal, the advantages of undertaking the Proposed Transactions set out in paragraph 59 outweigh the disadvantages set out in paragraph 60 and approval of resolution 7 is in the best interests of Shareholders.

Mr Warren Brown recommends non-associated Shareholders vote in favour of resolution 7. Mr Brown considers that, in the absence of a superior proposal, the advantages of undertaking the Proposed Transactions set out in paragraph 59 outweigh the disadvantages set out in paragraph 60 and approval of resolution 7 is in the best interests of Shareholders.

Each of the Directors who hold Shares in the Company intend to vote the Shares they control in favour of resolution 7, in the absence of a superior proposal.

The Directors do not have any material personal interest in the outcome of resolution 7, other than their interests arising solely in their capacity as Shareholders.

(i) **Analysis of whether the Proposed Transactions are fair and reasonable when considered in the context of the interests of Shareholders not associated with the proposed issue of the Shares the subject of resolution 7**

The Company appointed the Independent Expert to prepare the Independent Expert's Report, the purpose of which was to state whether or not, in their opinion, the Proposed Transactions as a whole (including the proposals set out in resolution 7) are 'fair' and 'reasonable' to non-associated Shareholders.

The Independent Expert has provided an opinion that it believes the Proposed Transactions are **not fair** but are **reasonable** to the non-associated Shareholders.

A complete copy of the Independent Expert's Report is provided in Schedule 2.

Neither the Company nor the Directors are aware of any additional information not set out in this Explanatory Memorandum that would be relevant to Shareholders in deciding how to vote on resolution 7.

Escrow of Shares

- 122 The Company considers that the NGPDT technology being acquired by licence under the Exclusive Distribution and Licence Agreement will be a 'classified asset' for the purposes of the Listing Rules. Accordingly, if resolution 7 is passed, the Shares issued to UIG and Polar Ventures will be escrowed for 12 months under Listing Rules 10.7 and 9.1.3. The Company has entered into an escrow agreement with each of UIG and Polar Ventures to apply the escrow restrictions in accordance with the Listing Rules.

Conditionality of resolutions

- 123 The passing of resolution 7 is subject to resolutions 6, 8 and 9 also being passed at the Annual General Meeting.

Directors' recommendation

- 124 Based on the information available (including that contained in this Explanatory Memorandum) and in the absence of a superior proposal, each of the Directors consider that resolution 7 is in the best interests of the Company and unanimously recommend non-associated Shareholders to vote in favour of resolution 7.
- 125 Each of the Directors who hold Shares in the Company intend to vote the Shares they control in favour of resolution 7, in the absence of a superior proposal.
- 126 The Directors do not have any material personal interest in the outcome of resolution 7, other than their interests arising solely in their capacity as Shareholders.

2.7 Resolution 8: Approval of TCG as underwriter and issue of shortfall Shares

Background

- 127 In accordance with the terms and conditions of the Underwriting Agreement, the Company is proposing to conduct a pro rata renounceable rights issue of Shares at \$0.20 per Share (on a post-Consolidation basis) to raise approximately \$2.5 million (before costs and expenses). TCG has agreed to fully underwrite the Underwritten Rights Issue, which will be made to registered holders of Shares at the record date who are resident in Australia, New Zealand or any other jurisdiction agreed jointly between the Company and TCG. No fees will be payable by Invion to TCG in respect of the underwriting. The key terms of the Underwriting Agreement are summarised in section 1.4 of Schedule 1.
- 128 TCG intends to appoint UIG and Polar Ventures as subunderwriters under the Underwriting Agreement, which would mean that shortfall Shares, if any, may be issued to TCG, UIG and/or Polar Ventures.

- 129 The purpose of resolution 8 is to obtain Shareholder approval pursuant to section 611 item 7 of the Corporations Act:
- (a) to appoint TCG as the underwriter to the Underwritten Rights Issue on the terms and conditions set out in the Explanatory Memorandum;
 - (b) for TCG, UIG and Polar Ventures to be allotted and issued up to 12,500,000 shortfall Shares in aggregate (on a post-Consolidation basis) under the Underwritten Rights Issue on the terms and conditions set out in the Explanatory Memorandum; and
 - (c) for the acquisition by TCG, UIG and Polar Ventures of a Relevant Interest in the Shares that are allotted and issued in accordance with paragraph (b) above.

Impact on shareholding

- 130 As at the date of this Notice of Meeting, TCG (an associate of UIG and Polar Ventures) holds a 15.03% Relevant Interest in Shares.
- 131 Shareholders should refer to paragraph 76 of this Explanatory Memorandum for details of the impact on issued capital if resolution 8 is approved.

Section 611 item 10 of the Corporations Act

- 132 Section 611 item 10 of the Corporations Act allows a person (and its associates) to acquire a Relevant Interest in shares that would otherwise be prohibited under section 606(2) of the Corporations Act, if the proposed acquisition is by a person as underwriter to a pro rata rights issue and the acquisition also meets the conditions specified under section 611 item 10 of the Corporations Act.
- 133 The Board has resolved to seek Shareholder approval under section 611 item 7 of the Corporations Act instead of relying on the section 611 item 10 exception.
- 134 As Invion will not be relying on section 611 item 10, Invion will not be required to appoint a nominee under section 615 of the Corporations Act to sell securities that would have been issued to Shareholders that are ineligible to participate in the Underwritten Rights Issue.

Section 611 item 7 of the Corporations Act

- 135 Under section 606 of the Corporations Act, subject to limited specified exemptions, a person must not acquire a "Relevant Interest" in issued voting shares in a public company, if as a result of the acquisition, any person's voting power in the company would increase:
- (a) from 20% or below to more than 20%; or
 - (b) from a starting point that is above 20% and below 90%.
- 136 Shareholders should refer to the explanation in paragraphs 120 to 122 regarding section 611 item 7 which is also relevant to this resolution 8.
- 137 Shareholder approval is being sought by Invion in respect of the issue of up to 12,500,000 shortfall Shares in aggregate (on a post-Consolidation basis) to TCG, UIG and Polar Ventures which will result in an increase in their respective voting power in the Company from a starting point that is above 20% and below 90%.

Specific information required for the purposes of approval under section 611 item 7 of the Corporations Act

- 138 The following information is provided in compliance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 (in respect of acquisitions to be approved by Shareholders in accordance with item 7 of section 611):

(a) **The identity of the persons proposing to make the acquisition and their associates**

TCG, UIG and Polar Ventures are the proposed acquirers of, and will acquire a Relevant Interest in, the Shares the subject of resolution 8.

Each of RMWCG, TCG and UIG is either directly or indirectly controlled by Mr Michael Honsue Cho.

Background information on The Cho Group and Polar Ventures is provided in paragraph 39 to 41 of this Explanatory Memorandum.

(b) **The voting power of the persons and its associates would have as a result of the acquisition and the maximum extent of the increase in their voting power**

As at the date of this Notice of Meeting, The Cho Group (through TCG) holds a Relevant Interest of 15.03% in Shares.

If resolutions 6, 7, 8 and 9 are passed, the voting power of The Cho Group and Polar Ventures will be increased to 77.33%, assuming that no existing Shareholders take up any of their entitlements under the Underwritten Rights Issue. If all of the existing Shareholders take up their entitlements under the Underwritten Rights Issue, then The Cho Group and Polar Ventures will have a voting power of up to 70.59% on completion of the Proposed Transactions. This assumes that other than the Shares to be issued under the Proposed Transactions, the capital structure of the Company will remain the same.

Paragraphs 75 to 77 of this Explanatory Memorandum sets out the impact of the Proposed Transactions on the shareholding of The Cho Group and Polar Ventures as a result of resolutions 6, 7, 8 and 9 being approved.

(c) **An explanation of the reasons for the proposed allotment**

TCG has agreed to underwrite the Underwritten Rights Issue subject to Shareholders approving the Proposed Transactions. TCG intends to appoint UIG and Polar Ventures as subunderwriters.

Invision may issue Up to 12,500,000 shortfall Shares (on a post-Consolidation basis) to TCG, UIG or Polar Ventures if no Shareholders take up their entitlements. If all Shareholders take up their entitlements, then no shortfall Shares will be issued to TCG, UIG or Polar Ventures, although such parties may still participate in the Underwritten Rights Issues in their capacity as Shareholders. Any Shares that are not able to be offered to ineligible Shareholders will be allotted and issued to TCG, UIG or Polar Ventures as part of the shortfall Shares.

The key advantages and disadvantages of the Proposed Transactions are set out in paragraphs 59 and 60, respectively.

(d) **When the allotment is to be completed**

The Company anticipates that the Underwritten Rights Issue will be conducted in the first quarter of 2018.

(e) **Material terms of the proposed allotment**

Any shortfall Shares that are allotted and issued will have the same rights and liabilities attached as all other Shares on issue and TCG, UIG and Polar Ventures will subscribe for such Shares at the same price offered to Shareholders, anticipated to be \$0.20 per Share (on a post-Consolidation basis).

The issue will otherwise be on the terms of the Underwriting Agreement, a summary of the material terms of which is set out in section 1.4 of Schedule 1.

(f) **Particulars of any other contract or proposed contract between the acquirers or any of their associates and the Company or any of its associates which is conditional upon, or directly or indirectly dependent on, Shareholders' agreement to the allotment**

The Transaction Implementation Deed, R&D Services Agreement, Exclusive Distribution and Licence Agreement and Underwriting Agreement are each conditional upon, amongst other things, resolutions 6, 7, 8 and 9 being passed at the Annual General Meeting. If resolution 8 is not approved, the Proposed Transactions will not proceed.

As described in paragraph 42, The Cho Group has entered into a consultancy agreement with Polar Ventures, pursuant to the terms of which Polar Ventures has agreed to provide general advice and support for the Cho Group's interests in its investment in Invion, which will include the controller of Polar Ventures, Thian Chew, taking the proposed role as Chairman of Invion as well as being a member of the steering committee that will oversee the R&D program pursuant to the R&D Services Agreement.

Other than the above, there are no contracts or proposed contracts between TCG, UIG, Polar Ventures or any of its associates and the Company or any of its associates which are conditional on, or directly or indirectly dependent on Shareholders approving the allotment of the Shares the subject of resolution 78.

(g) **Intentions of the acquirers regarding the future of the Company if Shareholders agree to the allotment**

The Cho Group and Polar Ventures have given the following information to the Company to assist it to meet its responsibilities under ASIC Regulatory Guide 74. The Company takes no responsibility for any omission from, or any error or false or misleading statement in this paragraph 94(g). The Cho Group and Polar Ventures make no statement or representation in relation to the Company, or their intentions in respect of the Company, which may change if it becomes aware of information that is not currently available to it, except as set out below.

This section sets out the present intentions of The Cho Group and Polar Ventures in relation to the continuation of the business of the Invion group, corporate structure and employees.

It is intended that Invion will continue to conduct its current core business in substantially the same manner as it currently operates the business. The Cho Group and Polar Ventures expect to make use of the existing capabilities (e.g. development and clinical research services) of Invion but there may be a change to the business of Invion to the extent necessary or desirable to undertake the Proposed Transactions, including to research, develop and commercialise the NGPDT technology. The Cho Group and Polar Ventures will also use their expertise to improve and further develop the Invion group and to drive further performance and sustainable growth. The Cho Group and Polar Ventures do not currently intend to make any major changes to the business or the deployment of fixed assets of the Invion group, or to transfer assets between Invion and the Cho Group or Polar Ventures, except as noted above in relation to developing the NGPDT technology.

Other than the Underwritten Rights Issue, The Cho Group and Polar Ventures have no current intentions to raise further capital in Invion.

After completion of the Proposed Transactions (if approved), The Cho Group and Polar Ventures may conduct a review of the Invion group in order to:

- (i) evaluate Invion group's performance and prospects;
- (ii) identify areas where The Cho Group or Polar Ventures can add value to the Invion group through its technical expertise and financial resources and its experience in relevant assets; and
- (iii) review the Invion group's assets and companies to determine the optimal allocation of assets.

The Cho Group and Polar Ventures also intend to conduct a detailed review of the head office and other functions of Invion in order to optimise those functions. This review will include a review of Board composition and human resource requirements. At this stage the Cho Group and Polar Ventures intend to exercise all rights available to it under the constitution after completion of the Proposed Transactions to appoint Mr Thian Chew as Non-executive Chairman of the Invion Board (Mr Chew's biography is set out in paragraph 86 of this Explanatory Memorandum). Other directors may be appointed or removed following conclusion of the review. At present, the Cho Group and Polar Ventures are unable to formulate a firm view in relation to the other Board candidates or the employees of the Invion group.

The Cho Group and Polar Ventures intend to keep the present employees of Invion after completion of the Proposed Transactions and is considering potential changes to the executive team to the extent required to develop the NGPDT technology. The Cho Group and Polar Ventures will work with the management and employees of Invion to conduct its review and implement any changes to the business.

The Cho Group and Polar Ventures do not currently intend to significantly change the financial or dividend policies of Invion after completion of the Proposed Transactions given that the Company will be at the start of an exploitation process of a new technology. However, the Cho Group, Polar Ventures and Invion may reconsider the dividend policy once it moves into the commercialisation phase and is able to generate earnings.

The statements set out in this section are statements of present intention only. As noted above the Cho Group and Polar Ventures intend to conduct a review of Invion's business and operations and the final decision of The Cho Group and Polar Ventures on these matters will only be reached in light of all material facts and circumstances at the relevant time and after having had the opportunity to complete the review. In addition, the Cho Group and Polar Ventures will only make a final decision on these matters following receipt of appropriate legal, taxation and financial advice. Accordingly, statements set out in this section may change as new information becomes available or as circumstances change, and the statements in this section should be read in that context.

(h) **Recommendation of the Directors**

Dr Greg Collier recommends non-associated Shareholders vote in favour of resolution 8. Dr Collier considers that, in the absence of a superior proposal, the advantages of undertaking the Proposed Transactions set out in paragraph 59 outweigh the disadvantages set out in paragraph 60 and approval of resolution 8 is in the best interests of Shareholders.

Dr Mitchell Glass recommends non-associated Shareholders vote in favour of resolution 8. Dr Glass considers that, in the absence of a superior proposal, the advantages of undertaking the Proposed Transactions set out in paragraph 59 outweigh the disadvantages set out in paragraph 60 and approval of resolution 8 is in the best interests of Shareholders.

Dr James Campbell recommends non-associated Shareholders vote in favour of resolution 8. Dr Campbell considers that, in the absence of a superior proposal, the advantages of undertaking the Proposed Transactions set out in paragraph 59 outweigh the disadvantages set out in paragraph 60 and approval of resolution 8 is in the best interests of Shareholders.

Mr Warren Brown recommends non-associated Shareholders vote in favour of resolution 8. Mr Brown considers that, in the absence of a superior proposal, the advantages of undertaking the Proposed Transactions set out in paragraph 59 outweigh the disadvantages set out in paragraph 60 and approval of resolution 8 is in the best interests of Shareholders.

Each of the Directors who hold Shares in the Company intend to vote the Shares they control in favour of resolution 8, in the absence of a superior proposal.

The Directors do not have any material personal interest in the outcome of resolution 8, other than their interests arising solely in their capacity as Shareholders.

(i) **Analysis of whether the Proposed Transactions are fair and reasonable when considered in the context of the interests of Shareholders not associated with the proposed issue of the Shares the subject of resolution 8**

The Company appointed the Independent Expert to prepare the Independent Expert's Report, the purpose of which was to state whether or not, in their opinion, the Proposed Transactions as a whole (including the proposals set out in resolution 87) are 'fair' and 'reasonable' to non-associated Shareholders.

The Independent Expert has provided an opinion that it believes the Proposed Transactions are **not fair** but are **reasonable** to the non-associated Shareholders.

A complete copy of the Independent Expert's Report is provided in Schedule 2.

Neither the Company nor the Directors are aware of any additional information not set out in this Explanatory Memorandum that would be relevant to Shareholders in deciding how to vote on resolution 8.

Conditionality of resolution

139 The passing of this resolution 8 is subject to resolutions 6, 7 and 9 also being passed at the Annual General Meeting.

Directors' recommendation

140 Based on the information available (including that contained in this Explanatory Memorandum) and in the absence of a superior proposal, each of the Directors consider that resolution 8 is in the best interests of the Company and unanimously recommend non-associated Shareholders to vote in favour of resolution 8.

141 Each of the Directors who hold Shares in the Company intend to vote the Shares they control in favour of resolution 8, in the absence of a superior proposal.

142 The Directors do not have any material personal interest in the outcome of resolution 8, other than their interests arising solely in their capacity as Shareholders.

2.8 Consolidation of capital

Background

- 143 Section 254H of the Corporations Act provides that a company may convert any or all of its shares into a smaller or larger number of shares by an ordinary resolution at a general meeting.
- 144 Taking into account the number of Shares on issue and the most recent market price of the Shares, the Company considers it prudent to undertake a consolidation of the Shares on the basis that every 100 Shares will be consolidated into one Share.
- 145 In accordance with Listing Rule 7.22, Options on issue will also be consolidated on a one for 100 basis, with the exercise price amended in inverse proportion to that ratio (i.e. the exercise price will be increased by 100 times per Option).
- 146 It is anticipated that the Consolidation will take effect from Monday, 11 December 2017 after the issue of Shares under the Exclusive Distribution and Licence Agreement.

Capital structure

- 147 If the Consolidation is approved by Shareholders, the Company's issued capital will be as set out in the below table:

	Shares	Options
Current issued capital (pre-Consolidation)	1,455,965,273	59,057,353
Issue of Shares under Exclusive Distribution and Licence Agreement (pre-Consolidation)	2,750,000,000	Not applicable
Total Shares on issue after issue of Shares under Exclusive Distribution and Licence Agreement (pre-Consolidation)	4,205,965,273	59,057,353
Post-Consolidation	42,059,653	590,574

Holding statements and fractions

- 148 Following the Consolidation, all holding statements will cease to have effect, other than as evidence of a Shareholder's entitlement to a particular Share parcel prior to the Consolidation. Once the Consolidation has been implemented, the Company will arrange for new holding statements to be issued to Shareholders. It is the responsibility of each Shareholder to confirm the number of Shares that they hold prior to their disposal.
- 149 Where a parcel of Shares or Options cannot be divided evenly by 100, fractions of a Share or Option will be rounded up to the nearest whole Share or Option.

Taxation implications

- 150 The Company does not anticipate there to be any taxation implications for Shareholders arising from the Consolidation. However, Shareholders are strongly advised to seek their own independent advice on the taxation effects of the Consolidation (if any), as individual circumstances may vary. In particular, the cost base of a holding of Shares may be affected by the Consolidation. Neither the

Company nor any of its officers, employees or advisers assume any liability or responsibility for advising shareholders about the tax consequences (if any) of the Consolidation.

- 151 Please note that if the Company forms the view that a Shareholder has been party to a shareholding splitting or division in an attempt to obtain an advantage from the rounding of fractional entitlements, the Company will take appropriate action, which may include disregarding the splitting or division for the purposes of dealing with fractions.

Conditionality of resolution

- 152 The passing of this resolution 9 is subject to resolutions 6, 7 and 8 also being passed at the Annual General Meeting.

Directors' Recommendation

- 153 The Directors unanimously recommend that you vote in favour of this resolution.

3. Glossary

Annual General Meeting or AGM	means the Company's annual general meeting the subject of this Notice of Meeting.
ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited ABN 98 008 624 691 or the securities market which it operates, as the context requires.
Board	means the board of directors of the Company.
Business Day	has the meaning given in Chapter 19 of the Listing Rules.
Company or Invion	means Invion Limited ACN 094 730 417.
Consolidation	means a consolidation of the issued capital of the Company on the basis that every 100 Shares or Options held be consolidated into one Share or Option, being the subject of resolution 9.
Constitution	means the constitution of the Company.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Director	means a director of the Company.
Exclusive Distribution and Licence Agreement	means the document entitled "Exclusive Distribution and Licence Agreement" dated 31 August 2017 entered into between Invion and RMWCG.
Explanatory Memorandum	means the explanatory memorandum attached to the Notice of Meeting.
Independent Expert	means PKF Corporate Finance (NSW) Pty Limited.
Independent Expert's Report	means the report of the Independent Expert dated 25 October 2017 set out in Schedule 2.
Key Management Personnel	means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).
Listing Rules	means the listing rules of ASX.
Notice of Meeting	means the notice of meeting and includes the Explanatory Memorandum.
Options	means options that have been issued by Invion as at the date of this Notice of Meeting to subscribe for Shares.
Outstanding Loans	means the loans from current and prior directors of Invion described in paragraph of the Explanatory Memorandum.
PDT	means photodynamic therapy.
Polar Ventures	means Polar Ventures Limited, a company incorporated under the laws of Hong Kong (registration no. 2589328).
Proposed Transactions	has the meaning given to that term in the Letter to the Chairman accompanying the Notice of Meeting.

Proxy Form	means the proxy form accompanying this Notice of Meeting.
R&D Services Agreement	means the document entitled “R&D Services Agreement” dated 31 August 2017 entered into between Invion and RMWCG.
Relevant Interest	has the meaning given to that term in section 608 and 609 of the Corporations Act.
Remuneration Report	means the section of the Directors’ report for the year ended 30 June 2016 that is included under section 300A(1) of the Corporations Act.
RMWCG	means RMW Cho Group Limited (registration no. 1802642).
Shares	means fully paid ordinary shares issued in the capital of the Company.
Shareholder	means a person who is the registered holder of Shares.
TCG	means The Cho Group Limited (registration no. 1299173).
The Cho Group	means RMWCG, TCG and UIG.
Transaction Documents	means each of the Transaction Implementation Deed, R&D Services Agreement, Exclusive Distribution and Licence Agreement and Underwriting Agreement.
Transaction Implementation Deed	means the document entitled “Transaction Implementation Deed” dated 31 August 2017 entered into between Invion and RMWCG.
UIG	means Unlimited Innovation Group Limited, a company incorporated under the laws of Hong Kong (registration no. 2585488).
Underwriting Agreement	means the document entitled “Underwriting Agreement” dated 31 August 2017 entered into between Invion and TCG.
Underwritten Rights Issue	means a pro rata entitlement offer underwritten by TCG on the terms of the Underwriting Agreement to raise up to \$2.5 million at \$0.20 per Share.
VWAP	means volume weighted average price.

Schedule 1 Key terms of the Transaction Documents

1.1 Key terms of the Transaction Implementation Deed

The key terms of the Transaction Implementation Deed are summarised below:

- (a) **(Board recommendation)** in the absence of a superior proposal, the Board must recommend that Shareholders vote in favour of resolutions 6, 7, 8 and 9 and procure that the votes that a Director controls are voted in favour of the resolutions.
- (b) **(Exclusivity)** during the period beginning from the date of this deed and ending on the first Business Day following the day on which Shareholders pass all of resolutions 6, 7, 8 and 9 by the requisite majorities, the Company must not:
 - (i) solicit or encourage any discussions or negotiations with any person that could reasonably be expected to lead to a competing proposal;
 - (ii) subject to a customary fiduciary carve-out, participate in any discussions or negotiations with any person that could reasonably be expected to lead to a competing proposal; and
 - (iii) subject to a customary fiduciary carve-out, allow any person to receive non-public information in connection with formulating, develop or finalising a competing proposal.
- (c) **(Matching right)** if any Director proposes to change his or her recommendation to vote in favour of resolutions 6, 7, 8 and 9 to recommend a superior proposal, the Company must first give notice to RMWCG, and such parties will then have 5 business days to provide a counter proposal which would be more favourable to Shareholders than the superior proposal.
- (d) **(Conditions precedent)** completion of the Proposed Transactions are conditional upon satisfaction or waiver of the following conditions precedent:
 - (i) **(Shareholder approvals):** the Shareholders approve, by the requisite majorities, each of resolutions 6, 7, 8 and 9;
 - (ii) **(expert's report):** the Company obtaining an independent expert's report that contains an opinion that the Proposed Transactions are fair and reasonable to the Shareholders, and such determination by the independent expert is not withdrawn prior to the date of the general meeting of Shareholders to consider, and if thought fit, approve resolutions 6, 7, 8 and 9;
 - (iii) **(Company regulatory approvals):** all approvals or consents that are required by law, or by ASIC or ASX, as are necessary to implement the Proposed Transactions are granted, given, made or obtained on an unconditional basis (or on terms acceptable to the parties), remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same;
 - (iv) **(RMWCG regulatory approvals):** RMWCG having received all necessary authorisations from any government agency in relation to the Proposed Transactions either without conditions or requirements, or with conditions and requirements that are acceptable to RMWCG (acting reasonably);
 - (v) **(legal impediments):** there is not:

- (A) any temporary restraining order, preliminary or permanent injunction, decision, decree or other order issued by any court of competent jurisdiction or by any Government Agency; or
 - (B) any other legal restriction or prohibition and no action or investigation is announced or commenced by any Government Agency,
- in effect which restrains, prohibits or otherwise materially adversely impedes or impacts upon (or could reasonably be expected to restrain, prohibit or otherwise adversely impede or impact upon) completion of all or any part of the Proposed Transaction;
- (e) **(Board recommendation)** the Board must recommend to Shareholders, in the absence of a superior proposal, to vote in favour of resolutions 6, 7, 8 and 9.
 - (f) **(Warranties)** the Company has provided warranties to RMWCG that are customary for transactions of this nature.
 - (g) **(Termination)** any party may terminate the Transaction Implementation Deed at any time by notice in writing to the other party if:
 - (i) a party commits a breach of its obligations under the Transaction Implementation Deed and that breach is not remedied within 5 business days of receiving written notice from the other party specifying the breach and stating an intention to terminate the Transaction Implementation Deed;
 - (ii) a party is affected by an insolvency event; or
 - (iii) any of the Exclusive Distribution and Licence Agreement, R&D Services Agreement or Underwriting Agreement is terminated in accordance with its terms.

1.2 Key terms of the Exclusive Distribution and Licence Agreement

The key terms of the Exclusive Distribution and Licence Agreement are summarised below:

- (a) **(Conditions precedent)** the performance of the Exclusive Distribution and Licence Agreement is conditional on the conditions precedent set out in the Transaction Implementation Deed.
- (b) **(Licence and appointment)** RMWCG:
 - (i) appoints the Company as its exclusive distributor of the NGPDT products and procedures in Australia and New Zealand; and
 - (ii) grants to the Company an exclusive licence to use the NGPDT intellectual property (including any improvements to the NGPDT intellectual property and any inventions) in Australia and New Zealand.
- (c) **(Licence fee)** the Company will issued RMWCG (or its nominees) 2,750,000,000 Shares (on a pre-Consolidation basis) at an issue price of \$0.002 per Share, being an aggregate value of \$5,500,000.
- (d) **(Sub-licences)** the Company has the right to negotiate with third parties and grant sub-licences within Australian and New Zealand on the conditions set out in the agreement.
- (e) **(Licensee and licensor obligations)** the Company and RMWCG have obligations under the agreement that are customary for transactions of this nature.
- (f) **(Termination)** any party may terminate the agreement at any time by notice in writing to the other party if:

- (i) a party breaches any material term of the agreement and that breach is not capable of remedy;
- (ii) a party commits a breach of its obligations under the agreement and that breach is not remedied within 30 business days of receiving written notice from the other party specifying the breach and requiring it to be remedied;
- (iii) a party is affected by an insolvency event; or
- (iv) the Transaction Implementation Deed is terminated in accordance with its terms.

1.3 Key terms of the R&D Services Agreement

The key terms of the R&D Services Agreement are summarised below:

- (a) **(Conditions precedent)** the performance of the R&D Services Agreement is conditional on the conditions precedent set out in the Transaction Implementation Deed.
- (b) **(Services and obligations)** Invion will undertake clinical development, clinical trials and oversight services relating to NGPDT in accordance with the work program to be agreed by the steering committee and keep RMWCG informed.
- (c) **(Steering committee)** the steering committee will consist of two representatives from each of Invion and RMWCG, and be responsible for ensuring the services are carried out in accordance with the work program.
- (d) **(Grant of licence)** RMWCG grants to Invion a non-exclusive, royalty free licence to use the NGPDT intellectual property for the purposes of providing the services.
- (e) **(Payment)** RMWCG will pay to Invion all direct costs and expenses and an allocated proportion of reasonable indirect costs of the services each quarter as approved in the work program in advance on the first day of the relevant quarter.
- (f) **(Ownership)** the NGPDT intellectual property is, and will remain at all times, the property of RMWCG.
- (g) **(Termination)** any party may terminate the R&D Services Agreement at any time by notice in writing to the other party if:
 - (i) a party commits a breach of its obligations under the R&D Services Agreement and that breach is not remedied within 20 business days of receiving written notice from the other party specifying the breach and requiring it to be remedied;
 - (ii) a party is affected by an insolvency event; or
 - (iii) the Transaction Implementation Deed is terminated in accordance with its terms.
- (h) **(Liability)** the parties indemnify each other from and against all Loss arising out of or resulting from the other party's negligence or intentional misconduct in connection with the R&D Services Agreement, provided that the indemnified party must notify the other party in writing within 20 business days of becoming aware of the matter giving rise to loss.

1.4 Key terms of the Underwriting Agreement

The key terms of the Underwriting Agreement are summarised below:

- (a) **(Underwriting)** The Company appoints TCG as underwriter in relation to the 12,500,000 Shares at \$0.20 per Share (on a post-Consolidation basis) proposed to be offered under the Company's pro rata rights issue to raise up to \$2.5 million on the terms and conditions of the

Underwriting Agreement. No underwriting fee will be payable by the Company in respect of the underwriting.

- (b) **(Sub-underwriting)** TCG may appoint sub-underwriters provided that it bears all costs relating to the sub-underwriting and the sub-underwriters are institutional investors.
- (c) **(Mutual termination)** either the Company or TCG may terminate the Underwriting Agreement at any time before completion under the Underwriting Agreement by notice in writing to the other party if:
 - (i) the Transaction Implementation Deed is terminated in accordance with its terms; or
 - (ii) the settlement date has not occurred on or before 31 March 2018 in respect of the Underwritten Rights Issue.
- (d) **(Indemnity)** as is customary in underwriting agreements, Invion has agreed, subject to certain exclusions, to indemnify TCG, their affiliates and related bodies corporate, and each of their respective directors, officers, employees, agents and advisors against all loss, damage or liability of any kind related directly or indirectly to the Underwritten Rights Issue;
- (e) **(Representations and warranties)** Invion has given certain customary representations, warranties and undertakings in connection with (among other things) the Underwritten Rights Issue;
- (f) **(Underwriter termination events)** the Underwriter may at any time by notice given to the Company immediately, without cost or liability to itself, terminate the Underwriting Agreement so that it is relieved of all its obligations under the agreement if any of the following events occurs before completion of the Underwriting Agreement on the occurrence of certain events, including (but not limited to) where:
 - (i) **(index fall)** the S&P/ASX 200 Index published by ASX is at any time at a level that is 10% or more below its level as at 5.00pm on the ASX trading day immediately preceding the date of this agreement;
 - (ii) **(withdrawal)** the Company withdraws the offer or the offer fails to proceed;
 - (iii) **(suspension)** trading in Shares on the financial market operated by ASX is suspended (other than with the prior written consent of the Underwriter), or the Shares cease to be officially quoted;
 - (iv) **(change in management)** a Director or any member of senior management resigns from office or position;
 - (v) **(new circumstance)** in the reasonable opinion of the Underwriter, at any time on or after the lodgement date a new circumstance arises which is a matter materially adverse to investors in Shares and which would have been required by the Corporations Act to be included in the offer documents had the new circumstance arisen before the offer documents were lodged with ASX;
 - (vi) **(offer documents)** either:
 - (A) an offer document contains a statement which is untrue, inaccurate, misleading or deceptive or likely to mislead or deceive (whether by inclusion or omission); or
 - (B) an offer document does not contain all information required to comply with all applicable laws;

- (vii) **(insolvency)** the Company or subsidiary becomes insolvent, or an act occurs or an omission is made which may result in the Company or a subsidiary becoming insolvent;
- (viii) **(material breach)** the Company fails to comply with any of its material obligations under the Underwriting Agreement, or any representation or warranty by the Company in the agreement is or becomes incorrect;
- (ix) **(material adverse change in financial markets)** any of the following occurs:
 - (A) any material adverse change or material disruption to the political conditions or financial markets of Australia, Japan, the United Kingdom, the United States of America or the international financial markets or any change or development involving a prospective change in national or international political, financial or economic conditions;
 - (B) a general moratorium on commercial banking activities in Australia, the United States of America, Japan or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
 - (C) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for more than two consecutive business days on which that exchange is open for trading; or
- (x) **(hostilities)** in respect of any one or more of Australia, the United States of America, any member state of the European Union, Japan, the Peoples Republic of China or North Korea:
 - (A) hostilities not presently existing commence (whether or not war has been declared);
 - (B) a major escalation in existing hostilities occurs (whether or not war has been declared);
 - (C) a declaration is made of a national emergency or war; or
 - (D) a significant act of terrorism is perpetrated anywhere in the world.

Schedule 2 Independent Expert's Report

25 October 2017

The Directors
Invision Limited
Suite 4, 924 Gympie Road
CHERMSIDE QLD 4032

Dear Directors,

INVION LIMITED - INDEPENDENT EXPERT'S REPORT

Introduction

On or around 31 August 2017, Invision Limited ("**Invision**" or the "**Company**") entered into a number of agreements with RMW Cho Group Limited ("**RMWCG**") (or its related parties) (collectively "**The Cho Group**") relating to the New Generation Photo Dynamic Therapy ("**NGPDT**") technology owned by The Cho Group for the treatment of cancers including:

- an exclusive distribution and licensing agreement covering Australia and New Zealand in exchange for 2,750,000,000 new shares in the Company ("**Distribution Agreement**");
- a research and development services agreement for the NGPDT technology globally, initially targeting prostate cancer in Australian-run clinics ("**R&D Services Agreement**"); and
- an underwriting agreement ("**Underwriting Agreement**") under which The Cho Group has agreed to fully underwrite a rights issue to be undertaken by the Company under which the Company will raise \$2.5 million (before costs) ("**Rights Issue**").

In addition, the Company intends to undertake a consolidation of its share capital on a 1:100 basis ("**Consolidation**"). We note that it is the intention of the Company to undertake the Consolidation prior to completing the Rights Issue.

Together, the Distribution Agreement, R&D Services Agreement, Rights Issue and Consolidation are herein referred to as the "**Proposed Transactions**".

The Cho Group currently holds approximately 15% of the issued shares in the Company. Upon completion of the Proposed Transactions, it is expected that The Cho Group will hold between 70.6% and 77.3% of the issued shares in the Company, depending on the level of participation by Invision shareholders in the Rights Issue.

Further information on the Proposed Transaction and other precedent conditions is set out in **Section 1** of this report ("**Report**") and the Notice of Meeting and Explanatory Statement this Report accompanies.

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PKF Corporate Finance (NSW) Pty Limited is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

For our office locations visit www.pkf.com.au

Requirement for an Independent Expert's Report

This Report has been prepared by PKF Corporate Finance (NSW) Pty Limited ("PKFCF") to assist the directors of Invion in making their recommendation to the shareholders of Invion and to assist the non-associated shareholders of Invion ("**Non-Associated Shareholders**") in their consideration of whether or not to vote to approve the Proposed Transactions.

Whilst there are no specific requirements for an Independent Expert's Report to be prepared for the purposes of Corporations Act or ASX Listing Rules the directors of the Company have elected to commission an Independent Expert Report in order to assist with satisfying their disclosure requirements.

Further details of the above regulatory requirements can be found in **Section 1.3** of this Report.

Summary of Conclusions

In our opinion the Proposed Transactions are "**not fair**" but are "**reasonable**" to the Non-Associated Shareholders of Invion.

Set out below is a summary of how we have reached our conclusions.

Fairness

In our opinion, the Proposed Transactions are "**not fair**".

Our fairness assessment has been undertaken on the basis that the Proposed Transaction is a "control transaction" for the purpose of Regulatory Guide 111 *Content of Expert Reports* issued by the Australian Securities & Investments Commission ("**ASIC**") ("**RG 111**").

Our assessment as to whether or not the Proposed Transactions are "fair" under RG 111 has been undertaken by comparing:

- the current fair value of an Invion share on a controlling basis (as required by RG 111) before completion of the Proposed Transactions (i.e. the price that a bidder would have to pay to acquire full control of Invion); with
- the fair value of an Invion share after completion of the Proposed Transactions on a minority interest basis (as required by RG 111).

Our assessment has been undertaken as at 30 September 2017 ("**Valuation Date**").

A summary of our assessment is set out in the following table:

Table 1: Fairness Assessment

AUD'000	Note / Report Ref	As at 30 September 2017		
		Low	Mid	High
Fair Value of a Invion Share (Before Completion of the Proposed Transactions, Control Basis)	7.3.1 (a)	\$ 0.0025	\$ 0.0038	\$ 0.0052
Fair Value of a Invion Share (After Completion of the Proposed Transactions, Minority Basis)	7.4.1 (b)	\$ 0.0012	\$ 0.0016	\$ 0.0021
Variance (\$)	(b) - (a) = (c)	(\$ 0.0013)	(\$ 0.0022)	(\$ 0.0031)
Variance (%)	(c) / (a)	(52.61%)	(58.11%)	(59.73%)
Is the Proposed Transaction Fair or Unfair?		Unfair	Unfair	Unfair

Source: PKFCF analysis

Reasonableness

In order to assess whether the Proposed Transactions are “reasonable”, we have considered whether it is “fair” and if it is not, whether we believe that there are sufficient reasons for the Non-Associated Shareholders of Invion to accept the Proposed Transactions.

The following table sets out a summary of the advantages and disadvantages which we have considered as part of our analysis. Detailed commentary of the advantages and disadvantages listed below are set out in **Section 7.6** of this Report.

Table 2: Advantages & Disadvantages of the Proposed Transaction

Advantages	Disadvantages
<ul style="list-style-type: none"> Expansion and Diversification Assuming completion of the Proposed Transactions, Invion will be appointed as the exclusive distributor and licensee in Australia and New Zealand for the NGPDT technology for treatment of cancers. This may give Invion the opportunity to expand its business and asset portfolio. Ability to Continue as a Going Concern The fully underwritten Rights Issue and R&D Services Agreement will provide Invion an immediate cash injection of \$2.5 million. Clinical Trials Non-Dilutive Funding Under the R&D Services Agreement, Invion will be reimbursed for 100% of the costs that the Company incurs in relation to the global development of the NGPDT technology, in addition to being reimbursed for a significant majority of Invion's corporate running costs. Given that these reimbursements will not take the form of equity or debt, it is non-dilutive to the Non-Associated Shareholders of Invion. Potential Increase in Liquidity of Invion's Shares Upon completion of the Proposed Transactions, the liquidity of the Company's shares should be at least equal to or greater than that which the Company currently experiences. This will however depend on the level of acceptance of the Rights Issue by Non-Associated Shareholders of Invion. Should nil acceptances be received, The Cho Group, under the Underwriting Agreement, will be the sole subscriber for all of the new shares offered under the Rights Issue and liquidity of the Company's shares could remain unchanged. 	<ul style="list-style-type: none"> Dilution of Ownership Should the Proposed Transactions be approved, the Non-Associated Shareholders of Invion will be diluted from a current holding of 85.0% (collectively) to between 22.7% and 29.4% (depending on the level of acceptance of the Rights Issue). Majority Controlling Shareholder Should the Proposed Transactions be approved, The Cho Group will be the majority shareholder which will enable The Cho Group to block any takeover offers for the Company, control the outcome of general resolutions and may also (depending on the level of participation by Non-Associated Shareholder in the Rights Issue) be able to control the outcome of special resolutions. This level of shareholding will also allow The Cho Group to control the board of directors, change financial and operating policies of the Company and influence any future dividend policies of the Company. Repayment of Loans from Directors The Directors' intention is to use approximately \$1.6 million of funds raised from the Rights Issue to repay loans payable to current and former Directors, reducing the amount of funds from the Rights Issue that would otherwise be available for asset development and working capital. We note that this cash outgoing represents approximately 65% of the gross proceeds of the Rights Issue and is substantial. Commercial Uncertainty There is also no guarantee that the research and development in relation to, or the commercialisation of, the NGPDT technology will be successful or result in long-term value appreciation for Non-Associated Shareholders. Remaining Funding Uncertainty Whilst the R&D Services Agreement and Underwriting Agreement should provide significant funding to the Company, we note that neither Invion or PKFCF have been provided with any financial information relating to The Cho Group. Accordingly, it is difficult to assess the ability of The Cho Group to fund its obligations under the R&D Services Agreement and Underwriting Agreement. On this basis, it is our opinion that the Company remains exposed to a level of funding risk.

Advantages	Disadvantages
	<ul style="list-style-type: none"> Potential Short-Term Cap on Invion's Share Price Given that the Rights Issue will not be completed until the first quarter of the 2018 calendar year, the proposed Rights Issue price of \$0.002 (pre-Consolidation) may place a cap on the price at which Invion's shares trade until after completion of the Rights Issue. Limited Ability to Receive Dividends in the Short-to-Medium Term The Proposed Transactions are unlikely to provide the Company with the ability to pay dividends at least in the short-to-medium term.

Source: PKFCF analysis

Implications for Non-Associated Shareholder of Rejecting the Proposed Transaction

In our opinion, based on information made available to us as at the date of this Report and other representations from management of Invion, in the event that the Proposed Transactions were rejected, Non-Associated Shareholders of Invion would be subject to the following issues:

- in our opinion, the Non-Associated Shareholders will face material uncertainty in relation to the future of Invion. In reaching this conclusion, we have considered the following factors:
 - as at 30 June 2017, Invion had approximately \$917,000 in cash. We note that as at the date of this Report, cash has reduced to approximately \$613,000;
 - during the years ended 30 June 2016 and 2017, Invion had operating cash outflows of \$3.8 million and \$247,000. We note however that the Company also received significant R&D tax rebates during these years which will not continue in the future should the Company cease developing its current key assets comprising INV102 (Nadolol), INV103 (ala-Cpn10) and INV104 (Zafirlukast) ("**Invion Assets**"). Excluding these R&D tax rebates, the Company had operating cash outflows of \$6.2 million and \$857,000 during the years ended 30 June 2016 and 2017 respectively, suggesting that in the absence of the Proposed Transactions completing, the Company will run out of cash in the short-term;
 - recently, the Company has been funded by The Cho Group via two (2) private placements in April and June 2017, which raised \$657,000 (before costs) for the Company. Should the Proposed Transactions be rejected, The Cho Group may be reluctant to provide further funding to the Company;
 - over the last few years, Invion has been unsuccessful garnering the support of partners in relation to the further development of the Invion Assets;
 - PKFCF are not aware of any alternatives that are available to Invion, which would result in any potential shareholder return; and
 - the Directors have indicated to us that in the absence of any alternatives, Non-Associated Shareholder may be faced with a winding-up of the Company. In our view, were a winding-up to occur, the Company may receive significantly less consideration for its assets (in particular the Invion Assets) than their fair value as indicated in **Section 7.3** of this Report,
- Non-Associated Shareholders of Invion will not get access to the NGPDT technology nor will they get access to funding which will become available to the Company under the R&D Services Agreement; and
- The Cho Group currently holds a 15.0% shareholding in Invion. This shareholding represents a material parcel of voting and equity interests which could influence the passage of general and special resolutions. If the Proposed Transactions are rejected, The Cho Group could impact the ability of Invion's board to implement alternative transactions, if The Cho Group was opposed.

Conclusion as to Reasonableness

Given that we have assessed the Proposed Transactions as “**not fair**”, the Proposed Transactions will not automatically also be “**reasonable**”.

Nevertheless, for the reasons stated above and in **Section 7.6** of this Report, it is our opinion that the advantages of the Proposed Transactions outweigh the disadvantages and therefore it is “**reasonable**” to the Non-Associated Shareholders of Invion as a whole.

Other Matters

Summary

This section sets out a summary of our Report and its conclusions. You should read our complete Report, which sets out in full the purpose, scope, sources of information, basis of evaluation, limitations, analysis and our findings.

Scope, Limitations & Use of this Report

Full details of the scope, limitations and other qualifications to this Report are set out in **Section 2**.

The scope of the procedures undertaken in preparing this Report does not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards.

The Report was prepared in accordance with APES 225 *Valuation Services* issued by the Accounting Professional and Ethical Standards Board Limited.

The Report has been prepared at the request, and for the benefit, of the Independent Directors of Invion and for the benefit of the Non-Associated Shareholders. The Report was not prepared for any purpose or for the benefit of any other party, other than that stated in this Report.

Investors’ Individual Circumstances

Our analysis has been undertaken, and our conclusions are expressed, at an aggregate level. PKFCF has not considered the effect of the proposals on the particular circumstances of individual Invion shareholders.

Some individual Invion shareholders may place a different emphasis on various aspects of the proposals from that adopted in this Report. Accordingly, individual Invion shareholders may reach different conclusions as to whether or not the Proposed Transaction is “fair” and “reasonable” in their individual circumstances. As the decision of individual Invion shareholders in relation to the Proposed Transaction may be influenced by their particular circumstances, Invion are advised to seek their own independent advice.

Financial Services Guide

A financial services guide is attached to this Report.

Yours faithfully



Andrew Jones
Director



Nick Navarra
Principal

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1. The Proposed Transaction

1.1. Background

On or around 31 August 2017, Invion Limited (“**Invion**” or the “**Company**”) entered into a number of agreements with RMW Cho Group Limited (“**RMWCG**”) (or its related parties) (collectively “**The Cho Group**”) relating to the New Generation Photo Dynamic Therapy (“**NGPDT**”) technology owned by The Cho Group for the treatment of cancers including:

- an exclusive distribution and licensing agreement covering Australia and New Zealand in exchange for 2,750,000,000 new shares in the Company (“**Distribution Agreement**”);
- a research and development services agreement for the NGPDT technology globally, initially targeting prostate cancer in Australian-run clinics (“**R&D Services Agreement**”); and
- an underwriting agreement (“**Underwriting Agreement**”) under which The Cho Group has agreed to fully underwrite a rights issue to be undertaken by the Company under which the Company will raise \$2.5 million (before costs) (“**Rights Issue**”).

In addition, the Company intends to undertake a consolidation of its share capital on a 1:100 basis (“**Consolidation**”). We note that it is the intention of the Company to undertake the Consolidation prior to completing the Rights Issue.

Together, the Distribution Agreement, R&D Services Agreement, Rights Issue and Consolidation are herein referred to as the “**Proposed Transactions**”.

We understand that The Cho Group is a Hong Kong based company that funds and has successfully commercialised a number of unique and advanced technologies, and currently holds approximately 15.0% of the issued shares in the Company. Upon completion of the Proposed Transactions, it is expected that The Cho Group will hold between 70.6% and 77.3% (depending on the level of participation by the Non-Associated Shareholders of Invion in the Rights Issue) of the issue shares in the Company as set out in **Section 1.2** below.

The Proposed Transactions are conditional upon, but not limited to, the following:

- Invion obtaining all necessary shareholder approvals pursuant to the Corporations Act and ASX Listing Rules or any other relevant law; and
- Invion obtaining all necessary third-party approvals, consents and regulatory approvals.

Further details can be found in the Notice of Annual General Meeting and Explanatory Statement issued by Invion which this Report accompanies (together referred to as the “**Notice of Meeting**”).

1.2. Impact on Capital Structure of Invion

The following tables set out the change in capital structure of Invion assuming completion of the Proposed Transactions assuming:

- 100% acceptance of the Rights Issue by existing Invion shareholders; and
- nil acceptance of the Rights Issue by existing Invion shareholders in which case The Cho Group will be issued with the full allotment of shares offered under the Rights Issue,

on a pre-Consolidation basis:

Table 3: Capital Structure of Invion (Assuming 100% Acceptance of the Rights Issue)

Shareholder Group	Pre-Proposed Transactions		Impact of the Proposed Transactions (Assuming 100% Acceptance of the Rights Issue)		
	Number of Shares Held	%	Number of New Shares Issued	Post-Proposed Transactions (Pre-Consolidation)	
				Number of Shares Held	%
Non-Associated Shareholders of Invion	1,237,071,273	85.0%	367,653,794	1,604,725,067	29.4%
The Cho Group	218,894,000	15.0%	3,632,346,206	3,851,240,206	70.6%
Total	1,455,965,273	100.0%	4,000,000,000	5,455,965,273	100.0%

Source: ASX announcements issued by Invion; Notice of Meeting; PKFCF analysis

Table 4: Capital Structure of Invion (Assuming Nil Acceptance of the Rights Issue)

Shareholder Group	Pre-Proposed Transactions		Impact of the Proposed Transactions (Assuming NIL Acceptance of the Rights Issue)		
	Number of Shares Held	%	Number of New Shares Issued	Post-Proposed Transactions (Pre-Consolidation)	
				Number of Shares Held	%
Non-Associated Shareholders of Invion	1,237,071,273	85.0%	-	1,237,071,273	22.7%
The Cho Group	218,894,000	15.0%	4,000,000,000	4,218,894,000	77.3%
Total	1,455,965,273	100.0%	4,000,000,000	5,455,965,273	100.0%

Source: ASX announcements issued by Invion; Notice of Meeting; PKFCF analysis

1.3. Regulatory Requirements

Our analysis of the various regulatory requirements possibly applicable to the Proposed Transaction is set out below. The following sections provide an overview of Chapter 6 and Chapter 2E of the Corporations Act and ASX Listing Rules 7.1 and 10 as they have been assessed in the case of the Proposed Transactions.

1.3.1. Corporations Act Requirements

Chapter 6 – Takeover Provisions

Section 606 under Chapter 6 of the Corporations Act, prohibits a person or entity acquiring a relevant interest in the voting securities of a listed entity if the acquisition would increase their voting power in the entity:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

In the present case, The Cho Group will be issued shares in the Company will see their voting interests in Invion increase from approximately 15.0% to between 70.6% and 77.3%.

Section 611(7) allows for such a transaction to proceed if it is approved by a resolution passed at a general meeting of the Company.

Whilst an Independent Expert's Report is not required in relation to a vote under Section 611(7), the Directors of the Company have elected to commission an Independent Expert's Report in order to discharge the requirement to disclose all material information on how to vote on the resolution.

Chapter 2E – Related Party Transactions

Section 208 of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company, without the prior approval of members.

In the present case, we note that the The Cho Group will be issued shares in the Company which will see their voting interests in Invion increase from approximately 15.0% to between 70.6% and 77.3%. Further, we understand that two (2) representatives of The Cho Group will become directors of Invion upon completion of the Proposed Transactions.

We have been advised by the Invion Board that they consider the Proposed Transactions fall within the exemption under Section 210 of the Corporations Act as an arm's length transaction, and accordingly, approval is not being sought under Chapter 2E of the Corporations Act.

1.3.2. ASX Listing Rule Requirements

ASX Listing Rule 7.1

ASX Listing Rule 7.1 prohibits an entity from issuing shares where the number of shares to be issued during any 12 month period exceeds 15% of the number of shares on issue at the start of the 12 month period.

We understand that the issue of the consideration shares to the The Cho Group will require shareholder approval under ASX Listing Rule 7.1.

There are no specific requirements for an Independent Expert's Report to be prepared for the purposes of ASX Listing Rules 7.1 however the directors of the Company have elected to commission an Independent Expert's Report in order to assist with satisfying their disclosure requirements.

ASX Listing Rule 10.1

ASX Listing Rule 10.1 prohibits an entity from acquiring or disposing of a substantial asset from/to a related party without the prior approval of shareholders noting that:

- under Listing Rule 10.1.3, a related party includes an entity (including their associates) who have a relevant interest in at least 10% of the shares of a company; and
- under ASX Listing Rule 10.2, an asset is substantial if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity.

In the present case:

- The Cho Group currently hold approximately 15% of the issued shares of the Company which will increase to between 70.6% and 77.3% upon completion of the Proposed Transactions; and
- by implication of the number of shares to be issued to the The Cho Group, the value of consideration will exceed 5% of the value of the equity interests of the entity.

ASX Listing Rule 10.10.2 requires that a notice of meeting under ASX Listing Rule 10.1 must include a report on the Proposed Transactions from an Independent Expert which states the experts' opinion as to whether the Proposed Transactions are "fair" and "reasonable" to the Non-Associated Shareholders.

2. Purpose, Scope & Reliance on Information

2.1. Purpose

This Report has been prepared at the request of, and for the benefit of, the independent Directors of Invion to:

- satisfy ASX Listing Rule 10.10.2 regulatory requirement that a Notice of Meeting under Listing Rule 10.1 must include a report on the Proposed Transactions from an Independent Expert which states the experts' opinion as to whether the proposed transaction is "fair" and "reasonable" to the Non-Associated Shareholders;
- assist the independent directors in fulfilling their obligation to provide Non-Associated Shareholders with full and proper disclosure to enable them to assess the merits of the Proposed Transactions; and
- to decide whether to recommend to Non-Associated Shareholders to approve or reject the Proposed Transactions.

This Report has also been prepared for the benefit of the Non-Associated Shareholders of Invion and will accompany the Notice of Meeting to be provided to Invion shareholders.

This Report was not prepared for any other purpose or for use by any other person. PKFCF does not accept any responsibility to any person other than the independent directors and Invion shareholders or for the use of the Report outside the stated purpose without the written consent of PKFCF. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

PKFCF has provided its consent for this Report to accompany the Notice of Meeting. Apart from this Report, PKFCF is not responsible for the contents of the Notice of Meeting, or any other document or announcement associated with the Proposed Transactions. PKFCF acknowledges that this Report may be lodged with regulatory bodies.

Acceptance or rejection of the Proposed Transactions is a matter for individual Invion shareholders based on their expectations as to various factors including the value and future prospects of Invion, the terms of the Proposed Transactions, market conditions and their particular circumstances, including risk profile, liquidity preference, portfolio strategy, tax position and any other factor(s) which may be material to individual shareholders. Invion shareholders should carefully consider the Notice of Meeting and this Report. Invion shareholders who are in doubt as to the action they should take in relation to the Proposed Transactions should consult their professional adviser.

2.2. Scope

The scope of the procedures we undertook in forming our opinions was limited to those procedures we believe are required in order to form our opinion.

2.2.1. Sources of Information

Appendix 2 identifies the information referred to, and relied upon, by PKFCF during the course of preparing this Report and forming our opinion.

2.2.2. Reliance on Information

The statements and opinions contained in this Report are given in good faith and are based upon PKFCF's consideration and assessment of information provided by Invion. PKFCF believes the information provided to be reliable, complete and not misleading, and we have no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, inquiry and review for the purpose of forming our opinion. The procedures adopted by PKFCF in forming our opinion may have involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards and consequently does not enable us to become aware of all significant matters that might be identified in an audit or review. Accordingly, we do not express an audit or review opinion.

It was not PKFCF's role to undertake, and PKFCF has not undertaken, any commercial, technical, financial, legal, taxation or other due diligence, or other similar investigative activities in respect of the Proposed Transactions. PKFCF understands that the directors of Invion have been advised by legal, accounting and other appropriate advisors in relation to such matters, as necessary.

PKFCF does not provide any warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the directors of Invion and/or their advisors.

An opinion as to whether a corporate transaction is "fair and reasonable", "not fair but reasonable" or "not fair and not reasonable" is in the nature of an overall opinion, rather than an audit or detailed investigation and it is in this context that PKFCF advises that it is not in a position, nor is it practical for PKFCF, to undertake a detailed investigation or extensive verification exercise.

It is understood that, except where noted, the accounting information provided to PKFCF was prepared in accordance with generally accepted accounting principles (including adoption of Australian Equivalents to International Financial Reporting Standards) and prepared in a manner consistent with the method of accounting used by Invion in previous accounting periods.

In accordance with normal practice, prior to finalising the Report, we confirmed facts with Invion. This was undertaken by means of providing Invion with a draft report. PKFCF obtained a representation letter from Invion confirming that, to the best knowledge of Invion, the information provided to, and relied upon by, PKFCF was complete and accurate, and that no significant information essential to the Report was withheld.

Invion agreed to indemnify PKFCF and PKF and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided to PKFCF by Invion, which is false and misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

2.2.3. Valuation Date

The opinions expressed in this Report are made as at 30 September 2017 ("**Valuation Date**").

2.2.4. Valuation

Fair market value

The assessment of whether the Proposed Transactions are "fair" and "reasonable" necessarily involves determining the "fair market value" of various securities, assets and interests.

For the purposes of our opinion, the term "fair market value" is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser, and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

By its very nature, the formulation of a valuation assessment necessarily contains significant uncertainties and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement. Therefore, there is no indisputable value and we normally express our valuation opinion as falling within a likely range.

Special value

We have not considered special value in forming our opinion as to whether the Proposed Transactions are “fair”. Special value is the amount that a potential acquirer may be prepared to pay for an asset in excess of the fair market value. This premium represents the value to the particular potential acquirer of various factors that may include potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

2.2.5. Current Market Conditions

Our opinions are based on economic, market and other conditions prevailing at the Valuation Date. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any valuation or other opinion becoming quickly out dated and in need of revision. PKFCF reserves the right to revise any valuation or other opinion in the light of material information existing at the Valuation Date that subsequently becomes known to PKFCF.

2.2.6. Prospective Financial Information

In preparing this Report, PKFCF had regard to certain prospective financial information in relation to Invion, the Distribution Agreement and the R&D Services Agreement post completion of the Proposed Transactions (“**Prospective Financial Information**”).

For the purposes of the Report, PKFCF understands and has assumed that the Prospective Financial Information:

- has been prepared fairly and honestly, on a reasonable basis and is based on the best information available to the management and directors of Invion and within the practical constraints and limitations of such information; and
- does not reflect any material bias either positive or negative.

We understand that the Prospective Financial Information has been based on assumptions concerning future events and market conditions and while prepared with due care and attention and the relevant directors consider the assumptions to be reasonable, future events and conditions are not accurately predictable and the assumptions and outcomes are subject to significant uncertainties. Actual results are likely to vary from the Prospective Financial Information and any variation may be materially positive or negative.

Accordingly, neither the directors of Invion nor PKFCF guarantee that the Prospective Financial Information or any other prospective statement contained in the Report or otherwise relied upon will be achieved.

For present purposes, PKFCF has not been engaged to undertake an independent review of the Prospective Financial Information in accordance with Australian Auditing or Assurance standards, and has not undertaken such a review. However, in order to disclose and to rely on the Prospective Financial Information in the Report, PKFCF is required to satisfy itself that the Prospective Financial Information has been prepared on a reasonable basis.

In order to ascertain the above, the scope of PKFCF’s work in this regard has comprised the following:

- obtain details of the Prospective Financial Information and the process by which this information was prepared;
- discussed with directors of Invion and an independent industry expert regarding the basis on which the Prospective Financial Information was formulated and where possible on a “desktop” level, undertaking evaluation of such information, by reference to past trading performance, available evidence and/or other documentation provided;
- reviewed any assumed growth over historical earnings, determining the source of growth;

- enquired if the Prospective Financial Information is adopted by the directors of Invion;
- investigated previous forecasting history and experience;
- reviewed the most recently available monthly management accounts; and
- considered the relevant industry trends and the position of Invion within its respective industry.

2.2.7. Assumptions

In forming our opinions, we made certain assumptions, including the following:

- other than as publicly disclosed, all relevant parties have complied, and will continue to comply, with all applicable laws and regulations and existing contracts are in good standing, and will remain so and there is no alleged or actual material breach of the same or dispute in relation thereto (including, but not limited to, legal proceedings), and that there has been no formal or informal indication that any relevant party wishes to terminate or materially renegotiate any aspect of any existing contract, agreement or material understanding;
- that matters such as retention of key personnel and ownership of assets are in good standing, and will remain so;
- any public information used in relation to Invion and any other publicly available information relied on by us, is accurate and not misleading and up to date;
- information in relation to the Proposed Transactions that is distributed to Invion shareholders, or any information issued by a statutory body is complete, accurate and fairly presented in all material respects;
- the legal mechanisms proposed to implement the Proposed Transactions are valid and effective; and
- if the Proposed Transactions are accepted, it will be implemented in accordance with the Notice of Meeting issued by Invion which this Report accompanies.

3. Basis of Assessment

3.1. Approach

In preparing this Report, we have considered the Regulatory Guides issued by ASIC and in particular, Regulatory Guide 111 *Content of Expert Reports* (“**RG 111**”) and Regulatory Guide 76 *Related Party Transactions* (“**RG 76**”).

RG 111 indicates that, in the context of approval under Section 611(7), where the effect on a company’s shareholding is comparable to a takeover bid (i.e. a “control transaction”), an expert should analyse the proposal as if it were a takeover bid. In such case, the words “fair” and “reasonable” establish two distinct criteria:

- is the Proposed Transactions “fair”; and
- is it “reasonable”.

Fair

The Proposed Transactions will be “fair” if:

- the current fair market value of an Invion share on a controlling basis (as required by RG 111) before the completion of the Proposed Transactions (i.e. the price that a bidder would have to pay to acquire full control of Invion) is *less than*;
- the fair market value of an Invion share after completion of the Proposed Transactions on a minority interest basis (as required by RG 111).

Reasonable

Under RG 111.12, the Proposed Transactions will be “reasonable” if it is “fair”. If the Proposed Transactions are “not fair”, they may still be “reasonable”, if the expert believes that there are sufficient reasons for Invion shareholders to approve the Proposed Transactions.

Having regard to the factors listed by ASIC in RG 111.13, we have considered the following factors in assessing the reasonableness of the Proposed Transactions:

- any other alternative proposals put forward to Invion and/or Invion’s shareholders. This may also include an analysis of the potential wind up of Invion;
- the funding support to be provided by The Cho Group via the R&D Services Agreement and the Underwriting Agreement;
- the liquidity of the market in the Invion’s securities;
- any special value of the target to the bidder;
- the likely market price if the offer is unsuccessful; and
- the value to an alternative bidder and likelihood of an alternative offer being made.

4. Profile of Invion Limited

4.1. Background

Invion is a life sciences company focussed on the development of treatments for major opportunities in respiratory and autoimmune disease. Invion is an ASX listed company with ticker ASX:IVX, with operations in Brisbane, Australia and Delaware, USA.

Recently, the majority of Invion's activities have been directed towards the research and development ("R&D") maintenance and commercial development of the Company's key assets ("Invion Assets") which comprise the following:

Table 5: Invion Assets

Asset	Description
INV102 (Nadolol)	<p>INV102 is a <i>beta adrenergic biased ligand</i> (beta blocker) targeted to reverse the cycle of airway inflammation.</p> <p>Pre-clinical studies demonstrated that treatment with INV102 resulted in healing of the airway epithelium. Two proof-of-concept phase IIa clinical trials demonstrated that 9-10 weeks of treatment produced a dose dependant decrease in airway hyper-responsiveness that achieved clinically significant improvements and led the US National Institutes of Health ("NIH") to fund a phase IIb study in patients with mild asthma which initiated in January 2013 and completed dosing in the first half of the 2016 calendar year. Data released on this trial showed good safety and no increased need for rescue medication.</p> <p>In October 2015, Invion released data from its Phase 2 randomised, double blinded, placebo controlled study of INV102 in smoking cessation which showed:</p> <ul style="list-style-type: none"> • INV102 was safe and well tolerated, and Invion's proprietary titration scheme enabled patients to reach efficacious doses; • trial subjects treated with INV102 were more likely to achieve abstinence at the conclusion of dosing (12/62, 19.3%) compared to those administered placebo (7/59, 11%); • more patients treated with INV102 achieved a >70% reduction in cigarettes smoked compared with placebo treated patients (38/62 on INV102 and 21/59 on placebo); and • two key markers of the beta arresting pathway – ERK1 and MUC5AC – which are necessary for the activation of mucous metaplasia in the airway, showed the most robust changes. MUC5AC levels were reduced by 82% in INV102 treated patients, compared to 54% in placebo subjects. ERK1 levels were reduced by 47% for INV102 compared with 27% for placebo. <p>Future Development Requirements</p> <p>We have been advised by management of Invion that, in their opinion, INV102 currently represents the Company's strongest asset and is a good candidate for further development.</p> <p>However, INV102 (Nadolol) currently remains contraindicated in all respiratory disease and commercial success will require a paradigm shift in opinion.</p> <p>Management have advised that the most likely opportunity for INV102 to reach commercialisation is via development as an inhaled drug.</p> <p>Noting that all clinical studies undertaken to date in relation to INV102 have related to its oral application, management of Invion have estimated costs to develop INV102 as an inhaled drug to approval stage at US\$53.2 million, broken up as follows:</p> <ul style="list-style-type: none"> • Completion of toxicology and Phase I studies in the treatment of Chronic Obstructive Pulmonary Disease ("COPD"), asthma and cystic fibrosis: US\$3.2 million; • Completion of Phase II clinical trials: US\$5.0 million; • Phase III clinical trials: US\$31.0 million; • Phase IV clinical trials: US\$12.0 million; and • Regulatory and marketing: US\$2.0 million.

Asset	Description
	<p>We understand that Invion is seeking a partner to further develop INV102. Having completed all the published milestones (P2 clinical trials and development of toxicity and clinical supplies of the inhaled product at 3M), we have been advised by management of Invion that it is not anticipated that the Company will conduct further development, particularly without a funding partner.</p> <p>We note that during FY2017, Invion impaired the value of INV102 to \$4.49 million.</p>
INV103 (ala-Cpn10)	<p>INV103 is a minimally modified version of the naturally occurring chaperonin 10 (which is thought to function as a natural regulator of the innate immune system, and is released locally by activated or damaged cells in response to “danger” signals, and down regulates inflammatory immune responses).</p> <p>In clinical trials conducted to date, INV103 has been demonstrated to also have an immunomodulatory function by down-regulating, rather than ablating excessive inflammatory responses, showing the potential to restore a balanced immune response.</p> <p>On 17 August 2016, the Company announced that it had completed its phase II clinical trial which showed:</p> <ul style="list-style-type: none"> increasing the dose 10-fold over levels used previously in the development of the drug asset could be achieved safely; and serum biomarkers of vascular inflammation were too variable in all cohorts to draw absolute conclusions about biological effect. <p>Future Development Requirements</p> <p>Overall, we have been advised by management of Invion that, in their opinion, clinical trial results have not been promising enough to warrant further development. This is supported by the fact that despite several attempts by the Company over the last several years, Invion has been unable to source a development partner for INV103. The INV103 asset has been fully impaired on the Company’s balance sheet since its acquisition in 2001 due to uncertainties around the assets’ development.</p> <p>As a result of the above, we have been advised by management of Invion that the Company will cease the maintenance program on INV103 related patents until all patents eventually lapse. The primary patent, being the ‘composition of matter’ patent, expires in 2026 in the US and in 2023 in other jurisdictions.</p> <p>Nevertheless, management of Invion have advised that if development of INV103 was to be pursued, estimated costs to get to approval stage would fall within the range of US\$35.0 to US\$50.0 million.</p>
INV104 (Zafirlukast)	<p>INV104 is an <i>anti-leukotriene</i> which works by blocking the action of leukotrienes, which are chemicals release by the body as part of the inflammation response. In the lungs, leukotrienes cause the muscles lining the airways to contract, thereby making the airways narrower. Leukotrienes also cause inflammation of the lining of the airways, which results in increased mucus production and further narrowing of the airway. As a result, Zafirlukast also helps prevent asthma attacks from occurring.</p> <p>Zafirlukast is currently used as a regular oral treatment (i.e. tablet form) to prevent asthma attacks, rather than to treat them. The oral version of this drug is a first-in-class anti-leukotriene which has shown in seven clinical trials an attractive safety and efficacy profile when delivered by inhalation at <1% of the oral dose.</p> <p>Future Development Requirements</p> <p>Invion’s development program of INV104 is centred on developing Zafirlukast as a novel non-steroidal, anti-inflammatory treatment for asthma, via an inhaled route which the Company believes will provide superior benefits to patients and bypass problems currently associated with its systemic delivery. The development program is currently in pre-clinical stage, meaning the inhaled formulation has not yet commenced human clinical trials.</p> <p>Management of Invion have estimated costs to develop INV104 as an inhaled drug to approval stage at US\$52.5 million, as follows:</p> <ul style="list-style-type: none"> Completion of toxicology and Phase I studies: US\$2.5 million; Completion of Phase II clinical trials: US\$5.0 million;

Asset	Description
	<ul style="list-style-type: none"> Phase III clinical trials: US\$31.0 million; Phase IV clinical trials: US\$12.0 million; and Regulatory and marketing: US\$2.0 million. <p>Invin previously collaborated on this project with Hovione Scientia Limited, who provided critical work on formulation and manufacturing. This completed work has enabled the Company to seek to partner this program so as to progress the drug into human clinical trials.</p> <p>We note that as at 30 June 2017, INV104 had a book value of \$0.32 million.</p>

Source: Invin management

4.2. Directors

As at the date of this Report Invin had four directors, as follows:

Table 6: Invin Directors

Director	Position	Detail
Dr Greg Collier, PhD	Interim Executive Chair and Managing Director	<p>Dr Greg Collier has more than 20 years experience spanning operational, clinical and scientific aspects of pharmaceutical research, development and commercialisation.</p> <p>Dr Collier academic career entails 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.</p> <p>In 2010, Dr Collier was awarded the Roche Award of Excellence for his contribution to the biotechnology industry.</p>
Dr Mitchell Glass, M.D	Executive Vice President R&D and Chief Medical Officer	<p>Dr Mitchell Glass has over 25 years' experience in the pharmaceutical industry. His experience includes senior positions in top tier pharmaceutical companies, investment and management of start-ups and bio-techs.</p> <p>Previously, in date order Dr Glass has been employed as Vice President and Director at SmithKline Beecham, Chief Medical Officer and Vice President of Clinical Development and Regulatory Affairs at AtheroGenics Inc. and CEO and Director at AQUMEN NA.</p> <p>Dr Glass graduated from the University of Chicago and is board certified in internal medicine, pulmonary and critical care medicine.</p>
Dr James Campbell, PHD, MBA	Non-Executive Director	<p>Dr. Campbell has more than 20 years of international biotechnology research, management and leadership experience and has been involved in the creation and/or transformation of multiple Australian and international biotechnology companies.</p> <p>Dr. Campbell is the CEO and Managing Director of Patrys, a biotechnology company developing novel antibody therapeutics for various types of cancer and is a Non-Executive Director of Prescient Therapeutics. Previously Dr Campbell was the CFO and COO of ChemGenex Pharmaceuticals and a foundation executive of Evolve Biosystems.</p>
Mr Warren Brown, B. Eng.	Non-Executive Director	<p>Mr Warren Brown has experience in managing large projects and large labour forces. Mr Brown formed an engineering practice in 1992 that employed 25 people at the time of sale in 2005.</p> <p>Prior to this Mr Brown held a management position at Major Engineering Construction.</p>

Source: Invin management

4.3. Historical Income Statements

The historical consolidated audited income statements of Invion for the years ended 30 June 2015, 2016 and 2017 are summarised in the table below:

Table 7: Invion Historical Consolidated Audited Income Statements

AUD'000	Note	Year Ended 30 June		
		2015 (Audited)	2016 (Audited)	2017 (Audited)
Continuing Operations				
Grant Received		185	139	-
Interest Received		26	3	0
Total Revenue		211	142	0
Other Income	1	2,400	2,469	174
Employee Benefits Expense	2	(1,630)	(1,450)	(82)
Depreciation & Amortisation	3	(1,343)	(1,320)	(1,245)
Impairment of Assets	4	-	(1,070)	(4,400)
Finance Costs		(1,106)	(200)	(144)
Administration & Corporate Expense		(2,009)	(1,573)	(561)
Rent & Occupancy Expense		(65)	(61)	(1)
Share Based Payment Expense		(714)	(249)	(61)
Research & Development Costs	5	(8,689)	(1,302)	(31)
Patent Costs		(333)	(210)	(103)
Business Development		(239)	(123)	(0)
Total Expenses		(16,129)	(7,558)	(6,630)
Loss before Income Tax from Continuing Operations		(13,517)	(4,947)	(6)
Income Tax Benefit / (Expense)		476	499	4,256
Loss from Continuing Operations after Income Tax		(13,041)	(4,448)	4,249
Other comprehensive income		1,957	160	(484)
Total Comprehensive Loss		(11,084)	(4,287)	3,765

Source: Audited annual financial statements of Invion for the years ended 30 June 2016 and 2017; PKFCF analysis

In relation to the above we note the following:

Note 1: Other Income

Other income predominantly comprises R&D tax rebate of approximately \$2.4 million and \$1.1 million in the year ended 30 June 2015 and 2016 respectively.

Note 2: Employee Benefits Expense

Wages (including on-costs) declined to approximately \$82,000 during the year ended 30 June 2017 as the total number of full time employees declined from seven and a half (7.5) as at 30 June 2015 to one (1) as at 30 June 2017.

Note 3: Depreciation and Amortisation

Depreciation and amortisation expenses relates predominantly to the amortisation of the Invion Assets accounting for approximately \$1.1 million, \$1.2 million and \$1.2 million during the year ended 30 June 2015, 2016 and 2017 respectively.

Note 4: Impairment of Assets

The net carrying value of Invion's intangible assets at 30 June 2017 was approximately \$4.8 million, comprising the assets INV102 (Nadolol) and INV104 (Zafirlukast). The directors of Invion have assessed the intangible assets for any indication of impairment as at each reporting date above.

During the year ended 30 June 2017 Invion remained unsuccessful in attaining a partnership to assist with the development and prospective distribution of the Company's intangible assets. Accordingly, as at 30 June 2017 the directors of Invion determined the value of the INV102 (nadolol) asset to have declined in line with the decrease in market capitalisation of the Company during the year ended 30 June 2017. Accordingly, a \$4.4 million impairment expense was recognised.

Note 5: Research and Development Costs

R&D costs relate to clinical trial costs, drug production and supply and feasibility studies. We note R&D costs declined significantly in the year ended 30 June 2016 and 2017 as the Company focused on partnership opportunities to continue the development of the Company's intangible assets prior to incurring any additional R&D costs.

4.4. Historical Statements of Financial Position

The historical consolidated audited statements of financial position of Invion as at 30 June 2015, 2016 and 2017 are summarised in the table below:

Table 8: Invion Historical Consolidated Audited Statements of Financial Position

AUD'000	Note	As at		
		30 June 2015 (Audited)	30 June 2016 (Audited)	30 June 2017 (Audited)
Current Assets				
Cash & Cash Equivalents	1	2,285	437	917
Trade & Other Receivables		1,918	648	32
Other Current Assets		134	82	57
Total Current Assets		4,337	1,167	1,007
Non-Current Assets				
Trade & Other Receivables		52	54	-
Property, Plant & Equipment		27	6	3
Intangible Assets	2	11,684	10,756	4,802
Total Non-Current Assets		11,763	10,815	4,805
Total Assets		16,099	11,982	5,812
Current Liabilities				
Trade & Other Payables		2,054	467	493
Financial liabilities	3	2,579	120	1,257
Short-Term Provisions		81	51	55
Total Current Liabilities		4,714	638	1,805
Non-Current Liabilities				
Deferred Tax Liabilities		4,507	4,155	-
Financial Liabilities	3	-	1,200	-
Long-Term Provisions		18	-	-
Total Non-Current Liabilities		4,525	5,355	-
Total Liabilities		9,239	5,993	1,805
Net Assets		6,860	5,989	4,007
Equity				
Issued Capital	4	119,885	123,052	123,693
Reserves		23,463	23,873	23,449
Accumulated Losses		(136,488)	(140,936)	(143,135)
Total Equity		6,860	5,989	4,007

Source: Audited annual financial statements of Invion for the years ended 30 June 2016 and 2017; PKFCF analysis

In relation to the above, we make the following notes over the page.

Note 1: Cash and Cash Equivalents

As at 30 June 2017 cash and cash equivalents was comprised entirely of cash at bank.

Despite operating cash outflows during the year ended 30 June 2017, cash and cash equivalents increased to approximately \$917,000 at 30 June 2017 from approximately \$547,000 at 30 June 2016, as a result of funding raised from The Cho Group via two (2) private placements in April and June 2017, which raised \$657,000 (before costs) for the Company.

We note that as at the Valuation Date (i.e. 30 September 2017), cash and cash equivalents has reduced by approximately \$219,000 to \$698,000, predominately due to operating expenses incurred by the Company during the three (3) months to 30 September 2017.

Note 2: Intangible Assets

The net carrying value of Invion's intangible assets at 30 June 2017 was approximately \$4.8 million, comprising INV102 (Nadolol) and INV104 (Zafirlukast). We note at 30 June 2017 the asset INV103 (apa-Cpn10) continues to be written down to nil.

During the year ended 30 June 2017 Invion remained unsuccessful in attaining a partnership to assist with the development and prospective distribution of the Company's intangible assets. Accordingly, as at 30 June 2017 the directors of Invion determined the value of the INV102 (nadolol) asset to have declined in line with the decrease in market capitalisation of the Company during the year ended 30 June 2017. Accordingly, a \$4.4 million impairment expense was recognised.

Note 3: Financial Liabilities

Current financial liabilities as at 30 June 2017 predominantly comprised loans from current and former directors and related parties totalling approximately \$1.2 million. We note that as at 30 June 2016, these loans were classified as non-current liabilities.

Further to the above, we note that accrued interest relating to these loans amounting to approximately \$304,000 is included in "Trade & Other Payables" as at 30 June 2017. Together, the balance of these loans and accrued interest totalled approximately \$1.5 million as at 30 June 2017.

We note that upon completion of the Rights Issue, the combined balance of these loans and accrued interest is expected to increase to approximately \$1.6 million due to additional interest to be accrued. We have been advised by the Company that it is the Directors' intention to use funds raised from the Rights Issue to repay these loans in full.

Note 4: Issued Capital

Issued capital increased during the year ended 30 June 2017 as a result of funding raised from The Cho Group via two (2) private placements in April and June 2017, which raised \$657,000 (before costs) for the Company.

4.5. Historical Statements of Cash Flows

The historical consolidated audited statements of cash flows of Invion as at 30 June 2015, 2016 and 2017 are summarised in the table below:

Table 9: Invion Historical Consolidated Audited Statements of Cash Flows

AUD'000	Note	Year Ended 30 June		
		2015 (Audited)	2016 (Audited)	2017 (Audited)
Cash Flows from Operating Activities				
Payments to Suppliers	1	(11,555)	(6,613)	(857)
Operations	1	216	369	0
R&D Tax Rebate	1	1,174	2,408	610
Interest Received	1	34	3	0
Net Cash used in Operating Activities	1	(10,131)	(3,832)	(247)
Cash Flows from Investing Activities				
Purchase of Plant & Equipment		(8)	0	-
Proceeds from Bank Guarantee		-	25	54
Intellectual Property In-License		(238)	-	-
Net Cash provided by / (used in) Investing Activities		(246)	25	54
Cash Flows from Financing Activities				
Proceeds from Borrowings		3,692	-	38
Repayments of Borrowings		(420)	(974)	-
Security		1,000	-	-
Repayment of Convertible Security		(1,210)	-	-
Proceeds from Issue of Shares	2	6,287	3,080	657
Borrowing Costs Paid		(68)	-	-
Costs of Capital Raising		(623)	(212)	(15)
Net Cash Provided by Financing Activities		8,659	1,894	679
Net Increase/Decrease in Cash Held		(1,718)	(1,913)	486
Net Foreign Exchange Differences		50	66	(6)
Cash & Equivalents at the Beginning of the Period		3,953	2,285	437
Cash & Equivalents at the End of the Period		2,285	437	917

Source: Audited annual financial statements of Invion for the years ended 30 June 2016 and 2017; PKFCF analysis

In relation to the above we note the following:

Note 1: Operating Cash Flows

During the years ended 30 June 2016 and 2017, Invion had operating cash outflows of \$3.8 million and \$247,000. However, we note that the Company also received significant R&D tax rebates during these years which will not continue in the future should the Company cease developing the Invion Assets. Excluding these R&D tax rebates, the Company had operating cash outflows of \$6.2 million and \$857,000 during the years ended 30 June 2016 and 2017 respectively, suggesting that in the absence of the Proposed Transactions completing, the Company will run out of cash in the short-term.

Note 2: Proceeds from Issue of Shares

Recently, the Company has been funded by The Cho Group via two (2) private placements in April and June 2017, which raised \$657,000 (before costs) for the Company.

4.6. Ownership and Trading History

4.6.1. Overview

As at the date of this Report, Invion had 1,455,965,273 shares on issue. Set out below are the top twenty (20) shareholders of Invion as at 4 October 2017:

Table 10: Top Twenty (20) Shareholders of Invion as at 4 October 2017

Rank	Shareholder	Held at 4 October 2017	
		#	%
1	MR HONSUE CHO	218,894,000	15.0%
2	HIMSTEDT SUPERANNUATION PTY LTD	42,729,941	2.9%
3	BNP PARIBAS NOMINEES PTY LTD	25,820,199	1.8%
4	MR WARWICK JOHN SPILLER & MRS CAROL ANN SPILLER	24,111,853	1.7%
5	CITI CORP NOMINEES PTY LIMITED	20,010,829	1.4%
6	HIMSTEDT & CO PTY LTD	19,542,935	1.3%
7	DR CHOON- JOO KHO	16,100,000	1.1%
8	ACE PROPERTY HOLDINGS PTY LTD	15,000,000	1.0%
9	BARWON BIOTECHNOLOGY PTY LTD	14,711,352	1.0%
10	DR MITCHELL GLASS	13,677,032	0.9%
11	CARLOS ADOLFO MUNOZ	13,157,895	0.9%
11	JEAN-LUC TETARD	13,157,895	0.9%
12	RETIREWLL COMMERCIAL SERVICES PTY LTD	12,663,404	0.9%
13	MR ANIL BHASKAR UTTURKAR & MRS REKHA ANIL UTTURKAR	10,636,328	0.7%
14	MR PETER ANDREW WATSON & MRS SUSAN LYN WATSON	9,766,327	0.7%
15	BASILDENE PTY LTD	9,458,597	0.6%
16	M P A M M PTY LTD	8,752,074	0.6%
17	ELMAR SCHENEE	8,500,000	0.6%
18	LEOCHRIS PTY LTD	8,294,520	0.6%
19	MR WEI MING ZHANG	8,000,000	0.5%
20	MRS SHARON LEWIS	7,849,315	0.5%
	Total Top 20 Shareholders	520,834,496	35.8%
	Other Shareholders	935,130,777	64.2%
	Total Shareholders	1,455,965,273	100.0%

Source: Registry report as at 4 October 2017; PKFCF analysis

In relation to the above we note the following:

- Invion's largest shareholder, Mr Honsue Cho ("**Mr Cho**") acquired his stock when The Cho Group entered into a strategic alliance with Invion;
- apart from Mr Cho, we have been advised that there are no other shareholders of Invion who may be considered related parties of The Cho Group; and
- apart from Mr Cho, there are no other shareholders who hold a significant voting interest in Invion (i.e. 5% or more);

In addition, we note as at the date of this Report, Invion had 59,057,353 options on issue. Set out below is a summary options on issue as at the date of this Report:

Table 11: Options on Issue

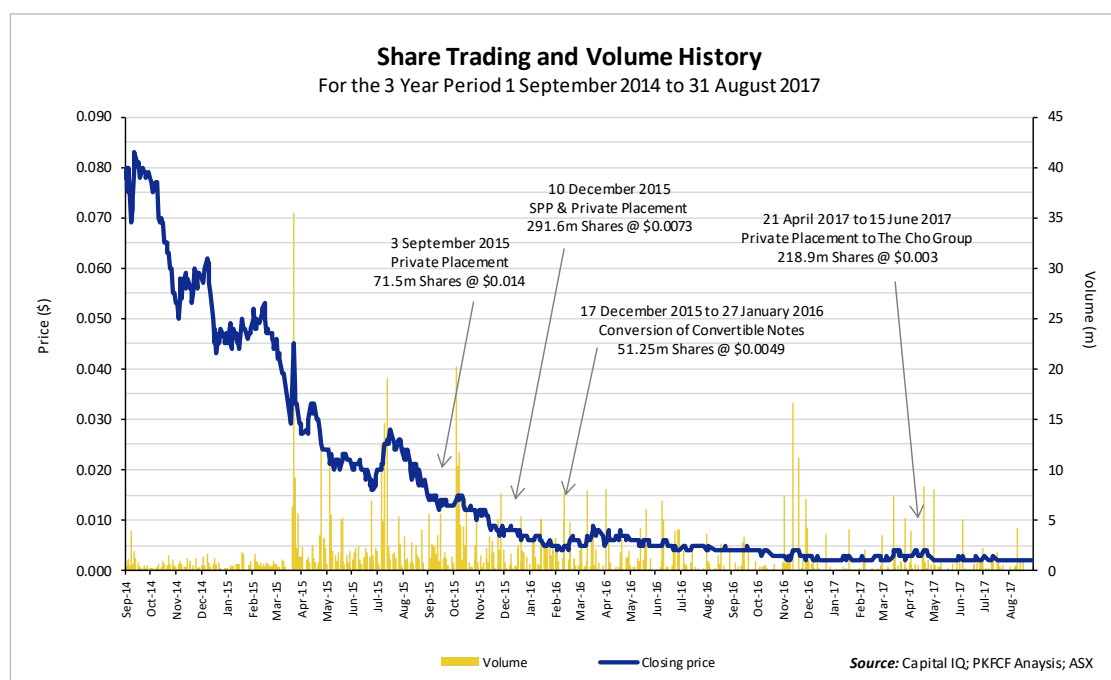
Option Name	As at 30 June 2017		
	Expiry Date	Exercise Price	Total Options Issued
IVXAI	9 Nov 17	\$ 0.090	15,125,000
IVXAK	9 Nov 17	\$ 0.100	10,525,000
IVXAM	9 Nov 18	\$ 0.120	19,700,000
IVXAN	11 Nov 17	\$ 0.072	3,500,000
IVXAO	22 Nov 17	\$ 0.072	3,500,000
IVXAQ	9 Nov 19	\$ 0.040	1,702,353
n/a	18 Nov 20	\$ 0.018	5,005,000
Total Options on Issue			59,057,353

Source: Annual Report of Invion for the year ended 30 June 2017; PKFCF

4.6.2. Share Trading Analysis

Set out below is a chart setting out movements in the share price and trading volumes pertaining to the shares of Invion for the two (2) year period to 31 August 2017 (i.e. the date of Invion's announcement of the Proposed Transactions):

Figure 1: Invion Share Price and Trading Volumes up to 31 August 2017



Set out below is a summary of Invion's share volume weighted average price ("VWAP") and liquidity for the 12-month period to 31 August 2017:

Table 12: Invion Share VWAP and Liquidity

Period	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative Value \$m	Cumulative Volume m	Share Turnover %
1 week	0.0020	0.0020	0.0020	0.00	0.50	0.0%
1 month	0.0020	0.0030	0.0020	0.02	8.15	0.6%
3 months	0.0020	0.0030	0.0022	0.07	31.29	2.2%
6 months	0.0020	0.0040	0.0028	0.22	81.14	6.2%
12 months	0.0020	0.0050	0.0030	0.53	176.78	13.9%

Source: S&P Capital IQ

In relation to the above, we note the following:

- Invion's shares have experienced minimal trading activity, a low degree of liquidity, during the 12 months to 31 August 2017 with only 13.9% of shares turning over during this period;
- shares have traded within a band of approximately \$0.002 and \$0.005 during the twelve (12) month period to 31 August 2017; and
- the Company has undertaken several capital raisings over the last two (2) years, including issues to sophisticated, professional and institutional investors. We note that in each case, issue prices have broadly been consistent with the trading prices of Invion's shares. Further details regarding recent capital raisings is set out in **Section 4.6.3** below.

Set out below is a chart setting out movements in the share price and trading volumes pertaining to the shares of Invion subsequent to 31 August 2017 (i.e. post Invion's announcement of the Proposed Transactions):

Figure 2: Invion Share Price and Trading Volumes post 31 August 2017



In relation to the above we note the following:

- on 1 September 2017, the Company was placed in a trading halt at the request of the Company in respect of the Proposed Transactions announced on 31 August 2017. This trading halt was released on 5 September 2017;
- Invion's shares experienced above average trading volumes for the month of September 2017 following the Proposed Transactions announcement on 31 August 2017 with 6.0% of shares turning over during this period; and
- share price increase from \$0.002 to \$0.005 on 22 September 2017 is addressed in an ASX announcement on the same date. This announcement confirms, aside from information that is in the public domain, including the announced Proposed Transactions and trading halt release on 31 August 2017 and 5 September 2017 respectively, the Company does not have any other explanation for the recent trading activity.

4.6.3. Other Share Transactions

The following table provides a summary of capital raisings completed by Invion since July 2015:

Table 13: Recent Capital Raising Completed by Invion

Date	Details	Note	Issue Price	Shares Issued	Total Issue Price	Balance of Shares on Issue	Post Issue %
1/07/2015	Opening Balance					822,747,068	
3/09/2015	Private Placement	1	\$ 0.0140	71,500,000	\$ 1,001,000	894,247,068	8.0%
10/12/2015	Private Placement	2	\$ 0.0073	71,534,244	\$ 522,200	965,781,312	7.4%
10/12/2015	Share Purchase Plan	2	\$ 0.0073	220,039,961	\$ 1,606,292	1,185,821,273	18.6%
17/12/2015	Conversion of Convertible Notes	3	\$ 0.0060	12,500,000	\$ 75,000	1,198,321,273	1.0%
7/01/2016	Conversion of Convertible Notes	3	\$ 0.0050	20,000,000	\$ 100,000	1,218,321,273	1.6%
27/01/2016	Conversion of Convertible Notes	3	\$ 0.0040	18,750,000	\$ 75,000	1,237,071,273	1.5%
21/04/2017	Private Placement	4	\$ 0.0030	33,333,333	\$ 100,000	1,270,404,606	
15/06/2017	Private Placement	4	\$ 0.0030	185,560,667	\$ 556,682	1,455,965,273	15.0%

Source: ASX announcements issued by Invion; PKFCF analysis

In relation to the above we note the following:

Note 1: Private Placement (3 September 2015)

Private placement to an institutional investor based in the United States, raising \$1,001,000 through the issue of 71,500,000 shares. The placement also included options for no additional cash considerations.

Note 2: Private Placement & Share Purchase Plan (10 December 2015)

Private placement and Share purchase plan ("SPP") to sophisticated and professional investors. Under the private placement, \$522,200 was raised from the Company's existing sophisticated and professional investors via the issue of 71,534,244 shares. Under the SPP, \$1.6 million was raised by the Company through the issue of 220,039,961 shares. Both the private placement and SPP were undertaken at an issue price of \$0.0073.

Note 3: Conversion of Convertible Notes (December 2015 / January 2016)

Convertible notes were exchanged for fully paid ordinary shares as follows:

- on the 17 December 2015, Invion issued 12,500,000 shares at the issue price of \$0.006 (90% of the average of 3 daily VWAP's) following the conversion receipt of \$75,000 in relation to the \$250,000 convertible note issued to the Australian Special Opportunity Fund ("ASOF");
- on the 7 January 2016, Invion issued 20,000,000 shares at the issue price of \$0.005 (90% of the average of 3 daily VWAP's) following the conversion receipt of \$100,000 in relation to the convertible bill on issue to ASOF; and
- on 27 January 2016, Invion issued 18,750,000 shares at the issue price of \$0.004 (90% of the average of 3 daily VWAP's) following the conversion receipt of \$75,000 in relation to the convertible bill on issue to ASOF.

Note 4: Private Placement (April 2017 / June 2017)

In April 2017, Invion entered into a strategic alliance with The Cho Group.

As part of this strategic alliance, The Cho Group contributed approximately \$657,000 in new equity to the Company via the issue of 218,894,024 shares at an issue price of \$0.003.

5. The Distribution & R&D Services Agreement

5.1. The Distribution Agreement

The following table provides an overview of the key terms of the Distribution Agreement:

Table 14: Overview of the Distribution Agreement

Term	Details
Licensor	RMW Cho Group Ltd (“ RMWCG ”)
Licensee	Invion Limited
Licensed Assets	<ul style="list-style-type: none"> • NGPDT IP being any intellectual property rights in or relation to NGPDT owned by the Licensor on, before or after the date upon which the Distribution Agreement becomes effective including: <ul style="list-style-type: none"> ○ trademarks; ○ any copyright subsisting in the Procedures or other information relating to the NGPDT, for example, databases; ○ any know-how relating the NGPDT; and ○ other relevant confidential information; • Procedures meaning procedures, instructions and protocols both verbally and in writing supplied by the Licensor to the Licensee including but not limiting procedures relating to the Products, NGPDT Agents, light devices for NGPDT agent activation, Photodynamic Diagnostic Systems and all other equipment supplied by the Licensor including any manuals, notes, and information to be used by the Licensee pursuant to the NGPDT diagnosis and treatments; and • Products means all the Licensor’s products as supplied from time to time including, but not limited to, the following: <ul style="list-style-type: none"> ○ NGPDT; ○ the NGPDT Agent Photosoft®; ○ NGPDT CRM-system; ○ PDT agent administration systems; ○ light devices for NGPDT agent activation; ○ complete Photodynamic Diagnostic Systems; ○ all their parts, components, fittings, accessories, alterations or enhancements; and ○ all other equipment supplied by the Licensor pursuant to the NGPDT treatment; <p>where “NGPDT” means Next Generation Photo Dynamic Therapy that is also known as Next generation PDT Technology, including all operations in conjunction with the Products and Procedures.</p>
Licence Rights	Exclusive distributor for, and use of, the NGPDT IP, Procedures and Products in Australia and New Zealand including the exclusive licence to set up and operate NGPDT cancer treatment centres and purchase the Products from the Licensor for use or resale.
Term	Unlimited
Licence Fee	2,750,000,000 shares at an issue price of \$0.002 per share (pre-Consolidation), being an aggregate value of \$5,500,000.

Source: Distribution Agreement; PKFCF analysis

Further details regarding the NGPDT technology are set out in **Section 5.3** below.

5.2. The R&D Services Agreement

The following table provides an overview of the key terms of the R&D Services Agreement:

Table 15: Overview of the R&D Services Agreement

Term	Details
Licensor	RMW Cho Group Ltd (“RMWCG”)
Licensee	Invion Limited
Services	<p>Invion has agreed to provide the Services to RMWCG on the terms of this R&D Services Agreement.</p> <ul style="list-style-type: none"> • Services: means the clinical development, clinical trials and oversight services relating to NGPDT to be provided by Invion in Australia only in accordance with the Work Program; and • Work Program: means a program as agreed by the Steering Committee (consisting of two representatives from each of Invion and RMWCG) from time to time setting out the details of the Services to be provided by Invion for the relevant Year, including but not limited to: <ul style="list-style-type: none"> ○ strategy; ○ budget for costs; ○ clinical site selection; ○ personnel; ○ communication; and ○ data publication.
Grant of Licence / Ownership	<p>RMWCG grants to Invion a non-exclusive, royalty free licence to use the NGPDT IP for the purposes of providing the Services.</p> <p>Ownership of NGPDT IP is, and will remain at all times, the property of RMWCG.</p>
Provision of Technology, Products and Knowhow	<p>RMWCG will provide at its cost all products, technology and knowhow in connection with NGPDT to Invion to enable it to perform the Services.</p>
Payment	<p>RMWCG must pay to Invion the forecast (on a quarterly basis) direct costs and expenses incurred by Invion in performing the Services (as defined above), plus an allocated portion of the relevant indirect costs incurred by Invion in performing such Services, provided that any allocation of indirect costs by Invion is:</p> <ul style="list-style-type: none"> (a) made on a reasonable basis; and (b) conforms to general accepted accounting principles. <p><i>The Directors of Invion have represented to PKFCF that this will include all other overhead costs incurred by Invion including, but not limited to, directors’ (of Invion) fees, other employee related remuneration and expenses, premises costs, travel costs, compliance and regulatory costs including ASX listing fees, share registry fees, accounting fees, audit fees and legal fees, and all other administrative and corporate overhead costs associated with the running of Invion (together, the Overhead Costs), provided however that if Invion undertakes any additional business activities other than the performance of the Services, then The Cho Group will only be responsible for the Overhead Costs to the extent it is reasonably allocated to Invion’s provision of the Services.</i></p>

Source: R&D Services Agreement; PKFCF analysis

5.3. NGPDT

5.3.1. Overview

The Cho Group began the development of NGPDT over ten (10) years ago using a chlorophyll-based photosensitiser. The chemistry of this biologically-derived photosensitiser shows that it is water soluble and that the proven tissue bioavailability after sublingual / oral ingestion provides an additional alternative to intravenous administration. For further information regarding photodynamic therapy refer to **Section 6.3.2** below.

NGPDT is based on the patented photodynamic agent Photosoft (“**Photosoft**”). Photosoft is a new generation photosensitiser that is thought to hold a number of advantages over traditional photodynamic therapy photosensitisers including:

- NGPDT is a non-toxic therapeutic strategy that may be used to target areas in the whole body;
- NGPDT uses a highly specific photosensitiser which concentrates only in abnormal / cancerous cells, after a known time lapse from dosing, thus avoiding harm to healthy cells in the surrounding tissue structures;
- NGPDT utilises its highly effective photosensitiser agent to maximally create singlet oxygen. This enables NGPDT to be utilised in treatment of small to large tumours;
- the photosensitiser has a fast body clearance time from the cells, is not concentrated in skin and demonstrates no sun-sensitivity reactions. This clearance time allows safe re-administration of the agent for follow-up treatment; and
- proprietary LED and laser light delivery devices enable NGPDT to perform a number of cancer treatments, such as for circulating cancer cells, deeply seated tumour sites and bone tumours.

The technology is currently being utilised by The Cho Group to treat selected stage four cancer patients at a clinic in Guangzhou, China. We note as at the date of this Report we have not been made aware of any clinical trials that have been performed in China in relation to NGPDT as a treatment for cancer patients. However, The Cho Group has reported several cases and Australian clinical studies of NGPDT in various cancer treatments as detailed below.

Further details regarding photodynamic therapy is discussed in **Section 6.3.2** below.

5.3.2. Clinical Trials

Based on discussions with Invion management we understand, to date, the following clinical trials have been performed in Australia:

Phase 1 (Prostate Cancer), 2013

In 2013, Geelong urologist Dr Donald Murphy and collaborators administered NGPDT to 68 prostate cancer patients. Results for 26 patients that had been treated for at least 6 months were reported at the Urological Society of Australia and New Zealand meeting in Melbourne in April 2013.

Results found that half of these patients had stable to decreasing prostate-specific antigen (“PSA”) and the other half increasing PSA, whilst the prostate size was generally shown to be smaller on clinical assessment using diagnostic imaging.

Phase 1 (Prostate Cancer), 2017

Dr Murphy completed a second Phase 1 collaboration with Monash University in 2017. This study evaluated 36 patients, 23 with biopsy proven (less than Gleason 7, PCa and low PSA) localised treatment-naïve prostate cancer, and 13 with relapse after prior intent to cure therapies of surgery, irradiation or both. In the study, Dr Murphy evaluated three agents including a photosensitiser called Radachlorin and a sono-sensitiser called SF1, alongside NGPDT. Specifically, out of the 36 patients, 22 patients were treated with NGPDT.

Results of the study showed NGPDT to be safe and well-tolerated and met the criteria for a phase 1 study. Two encouraging aspects of the study included:

- **reduced prostate size:** global reduction in prostatic size was noted across the primary treatment group; and
- **apparent anti-cancer immune response:** protein samples found in the urine of the patients were tested by scientists from Monash's Hudson Institute of Medical Research led by Dr Andrew Stephens.

Results found various immune-related biomarkers up-regulated in the urine, with a high statistical significance.

As for efficacy, patients had their sensitising agent activated by both light and sound. For the light-only NGPDT patients, PSA levels at three (3) months post-treatment were registering stable levels in four (4) out of seven (7) first line patients and none of three (3) relapse patients. This suggests the potential for efficacy in a first-line setting.

Based on the NGPDT case studies and clinical studies performed, based on discussions with Invion management, we understand Invion is of the view that sufficient safety work has occurred to warrant planning for Phase 2 clinical trials of NGPDT.

5.3.3. Approach to Bring NGPDT to Market

Based on discussions with Invion management we understand Invion's approach to bring NGPDT to market includes the following:

- a Phase 2 single arm study with low-risk treatment, newly diagnosed localised prostate cancer patients. This study would likely require 50 to 100 patients. These patients will be treated only with light-activated NGPDT;
- a Phase 3 randomised study controlled against active surveillance. This study would likely involve around 400 prostate cancer patients; and
- a proof-of-concept study of approximately a dozen patients evaluating the potential of NGPDT to debulk tumours prior to surgery or radiotherapy.

Following the successful testing on prostate cancer patients we understand Invion intends to widen the scope of cancer treatments. Invion's initial focus will be to position NGPDT as a non-invasive alternative for cancer patients to consider prior to surgery.

5.3.4. Patent Portfolio

Set out below is a summary of the patent portfolio held by RMWCG in relation to photodynamic therapy as at the date of this Report:

Table 16: RMWCG Patent Portfolio

Country	Official No.	Case Status	Priority Date 1	Priority Date 2	Filing Date	Publication Date
Australia	2013357030	Pending (Examination report received)	14-Dec-12	23-May-13	13-Dec-14	
Canada	2,894,968	Pending (Application filed)	14-Dec-12	23-May-13	13-Dec-14	
P.R. China	CN105008372A	Pending (Response to Exam Report filed)	14-Dec-12	23-May-13	13-Dec-14	28-Oct-15
European Patent Office	2931728	Pending (Extension of time requested)	14-Dec-12	23-May-13	13-Dec-14	21-Oct-15
United Kingdom [1]	1222544.7	Lapsed by inaction (priority application only)			14-Dec-12	
United Kingdom [1]	1309337.2	Lapsed by inaction (priority application only)			23-May-13	26-Nov-14
Hong Kong	1216534A	Pending (Application filed)	14-Dec-12	23-May-13	13-Dec-14	18-Nov-16
Indonesia	2017/02605	Pending (Exam requested)	14-Dec-12	23-May-13	13-Dec-14	13-Mar-17
Israel	239347	Pending (Examination report received)	14-Dec-12	23-May-13	13-Dec-14	30-Jul-15
India	5326/DELNP/2015	Pending (Exam requested)	14-Dec-12	23-May-13	13-Dec-14	8-Jan-16
Japan	2016-502999	Pending (Exam requested)	14-Dec-12	23-May-13	13-Dec-14	1-Feb-16
Republic of Korea	10-2015-0096432	Pending (Application filed)	14-Dec-12	23-May-13	13-Dec-14	24-Aug-15
Malaysia	PI 2015001526	Pending (Application filed)	14-Dec-12	23-May-13	13-Dec-14	
New Zealand	708946	Pending (Application filed)	14-Dec-12	23-May-13	13-Dec-14	
Patent Cooperation Treaty	WO2014/091241	EXPIRED AT END OF LIFE	14-Dec-12	23-May-13	13-Dec-14	19-Jun-14
Philippines	1-2015-501341	Pending (Exam requested)	14-Dec-12	23-May-13	13-Dec-14	7-Sep-15
Singapore	11201504595U	Pending (Examination report received)	14-Dec-12	23-May-13	13-Dec-14	
Thailand	1501003313	Pending (Response to Exam Report filed)	14-Dec-12	23-May-13	13-Dec-14	
United States of America	US-2015-0315202-A1	Pending (Response to Exam Report filed)	14-Dec-12	23-May-13	13-Dec-14	5-Nov-15

Source: RMW Cho Group Limited; Venner Shipley LLP (Patent Attorney)

Note [1]:

Dr Allie Elend, Patent Attorney of Venner Shipley LLP notes it is entirely normal to allow the priority applications to lapse. These application just need to be filed to serve their purpose of securing a filing date. RMW Cho Group Limited still has patent protection pending in the UK (and about 30 other countries) via the European patent application.

6. Industry Overview

6.1. Introduction

Historically, Invion has been involved in the development of therapies targeting the treatment of inflammatory and respiratory diseases including chronic obstructive pulmonary disease, asthma, cystic fibrosis, lupus and improvements in rates of smoking cessation. Having achieved published milestones and completed clinical and pre-clinical development targets to date, Invion's current focus involves partnering of INV102 (Nadlolol) (inhaled) and INV104 (Zafirlukast), which are targeted towards treatment for COPD, cystic fibrosis and smoking cessation (for INV102) and asthma (for INV104). We note, broadly these treatments are comprised within the pharmaceuticals industry.

Prospectively, upon completion of the Proposed Transactions, Invion will become focused on the development the NGPDT oncology technology. The NGPDT system utilises light therapy via a photo sensitizer agent which is capable of targeting cancer cells. Specifically, Invion intends to target prostate cancer patients.

6.2. Pharmaceutical Manufacturing

Australian pharmaceutical manufacturing is a knowledge based, technology intensive industry that is placed to develop and commercialise the outcomes of Australia's long-term investments in medical research. Over the past five (5) years, the industry has contended with several challenges. Echoing trends on the global pharmaceutical stage, these challenges have included:

- changing regulatory and risk environment and ongoing reforms to the Pharmaceutical Benefits Scheme ("**PBS**"). PBS is a government initiative which ensures Australians have affordable and reliable access to a wide range of necessary medicines by providing subsidises on prescription drugs;
- increased price competition of industry participants due to enforcement of mandatory price disclosures;
- product pipelines have declined as the market becomes increasingly saturated; and
- increasing competition from generic and biosimilar drugs have and are projected to continue to restrain industry revenue growth, particularly prescription pharmaceuticals.

Despite these challenges the Australian pharmaceutical product manufacturing industry is expected to grow modestly over the next five years, as the industry continues to adapt to new operating conditions such as those identified above.

IBISWorld Pty Ltd ("**IBISWorld**")¹ note that in real terms² industry revenue:

- increased from \$9.8 billion dollars for the year ended 30 June 2016 to \$9.9 billion for the year ending 30 June 2017;
- on an annualised basis has grown 0.5% through the five (5) years to 30 June 2017; and
- is expected to increase to \$10.8 billion for the year ending 30 June 2021.

The industry is characterised by a high degree of globalisation, and international trade is a key industry driver. Furthermore, the industry environment is highly competitive with moderate concentration levels. Both imports and exports play a significant role, with imports satisfying just under two-thirds of Australian domestic demand, and exports generating roughly one-third of industry revenue. Ongoing innovation and the development of new products in various therapeutic fields, such as oncology, are expected to also fuel industry revenue growth.

IBISWorld note the key drivers to industry performance are as follows:

- Australia has an ageing population and one of the world's highest average life expectancies at 82.4 years of age. As the baby boomers age this will place added demand on pharmaceutical products;
- greater health consciousness, awareness of disease prevention and growing beliefs about the safety and effectiveness of preventative products, treatments and vitamins; and

¹ IBISWorld Industry Report C1841, 'Pharmaceutical Product Manufacturing in Australia', February 2017

² That is, excluding the impact of inflation.

- the globalised nature of pharmaceutical manufacturing along with international trade. The industry is susceptible to movements in the exchange rate.

We note the above drivers of industry performance are generally reflective of the global pharmaceuticals industry. According to the International Trade Administration pharmaceutical sales worldwide is projected to grow from approximately \$1.0 trillion in 2015 to approximately \$1.3 trillion by 2020, representing an annual growth rate of 4.9%³. In the United States, a key market in which the Invion Assets would operate, pharmaceutical sales accounted for \$333 billion, or 33% of worldwide sales, of which patented sales accounted for \$244 billion, or 70% of total United States sales³.

As detailed in **Section 4.1**, Invion specifically targets therapies for the treatment of chronic respiratory conditions within the pharmaceutical industry. Further details regarding these industry segments are disclosed below.

6.2.1. Asthma Treatment

Asthma is a respiratory condition affecting the airways of the lungs, causing episodes of wheezing, breathlessness and chest tightness. The development of INV104 is being performed with the aim of providing a safer, more effective treatment for patients with exercised induced asthma.

Asthma affects approximately 2.4 million Australians according to Asthma Australia Inc. ("**Asthma Australia**") with direct and indirect costs of asthma to the Australian economy estimated to be approximately \$28 billion per annum as disclosed in Asthma Australia 2015/2016 Annual Report⁴. The Australian Institute of Health and Welfare ("**AIHW**") reports that 6 in 10 Australians with asthma have at least one other chronic condition.

In the United States approximately 25 million people were known to have asthma with approximately 7 million of these people were children according to the U.S Department of Health and Human Services ("**U.S.DHHS**").

The prevalence of asthma patients has increased over the years with Australian Bureau of Statistics' ("**ABS**") estimated 2.0 million Australians reporting asthma as a current condition in 2004/2005.

6.2.2. Smoking Cessation

Tobacco smoking is associated with an increased risk of a wide array of health conditions including diabetes, heart disease, stroke, renal disease, cancer, eye disease and respiratory conditions such as asthma, emphysema and bronchitis. Smoking cessation is the process of discontinuing tobacco smoking.

Tobacco was responsible for 7.8% of total burden of disease and injury in Australia in 2003, equivalent to around 15,000 deaths per year, and was estimated to cost Australia \$31.5 billion in social (including health) and economic costs in 2004-05 according to ABS⁶.

Australia has been successful in reducing smoking prevalence over many years as a result of industry regulation and changes in social behaviour such as:

- public education campaigns;
- increasingly spread of smoke free regulations;
- industry taxes;
- graphic anti-smoking advertising; and
- cultural shifts, where the social acceptability and desirability has declined.

Accordingly, an AIHW report⁵ notes the following improvement in smoking cessation:

- historically the proportion of people aged 14 and over smoking daily has declined from 24% to 13% from 1991 to 2013 respectively;

³ U.S. Department of Commerce: International Trade Administration (2016), '2016 Top Markets Report: Pharmaceuticals', May 2016

⁴ Asthma Australia Inc., 'Asthma Australia Inc. 2015/2016 Annual Report', 2016

⁵ Australian Institute of Health and Welfare (2016), 'Australia's health 2016', series no. 15, Cat. no. AUS 199, Canberra

- the proportion of Australian's who reported never smoking rose from 58% in 2010 to 60% in 2013; and
- the proportions of secondary school students aged 12–17 smoking in their lifetime, in the past 4 weeks, past week or on 3 days of the last 7, were significantly lower than in 2008 and 2011.

Similarly, ABS notes smoking rates for young adults (18 to 44 years) have decreased to 16.3% in 2014-15 from 28.2% in 2001⁶.

In the United States, from 2010 to 2014, the number of deaths caused by smoking and exposure to second-hand smoke was estimated to be around 480,000 deaths according to a U.S.DHHS report⁷. In 2015, approximately 15.1% of adults over the age of eighteen (18) currently⁸ smoked cigarettes a decline from 20.9% in 2005⁹.

Despite these improvements in smoking cessation smoking remains one of the largest preventable causes of disease and death in Australia and the United States.

6.3. Oncology Treatment

Oncology is an area of medicine dedicated to the investigation, diagnosis and treatment of people with cancer or suspected cancer. Oncology treatment within Australia is dominated by chemotherapy, radiotherapy, surgery, immunotherapy, hormone therapy and alternative therapies. This is representative of the industry in which Invion will operate following utilisation of the NGPDT Distribution Agreement.

According to an AIHW report¹⁰, cancer presents the highest disease related burden on Australian society accounting for 19% of the total disease burden. Through 2017 it is estimated that 134,174 new cases of cancer will be diagnosed in Australia an increase from the 124,465 cases diagnosed in 2013 According to an AIHW report¹¹.

An AIHW report¹¹ estimates that prostate cancer will be the most commonly diagnosed cancer in males and the third most common cause of death by cancer in 2017.

6.3.1. Prostate Cancer

Prostate cancer develops when abnormal cells in the prostate gland grow more quickly than in a normal prostate forming a malignant tumour. In 2013, 19,233 new cases of prostate cancer were diagnosed in Australia and in 2014, there were 3,102 deaths caused by prostate cancer, accounting for 7.0% of all cancer deaths in Australian according to an AIHW report¹¹. According to the same AIHW report¹¹ it is estimated one (1) in seven (7) men are at risk of being diagnosed with prostate cancer before the age of 85.

According to the Prostate Cancer Foundation of New Zealand ("PCF") in New Zealand prostate cancer is also the most common cancer within men. In 2009, 3,082 new cases of prostate cancer were diagnosed in New Zealand with 602 deaths reported according to PCF.

⁶ Australian Bureau of Statistics, 4364.0.055.011 – National Health Survey: First Results, 2014-15; December 2015

⁷ U.S. Department of Health and Human Services, 'The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General. Atlanta: U.S. Department of Health and Human Services', Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014

⁸ Persons who reported smoking at least 100 cigarettes during their lifetime and who, at the time of interview, reported smoking every day or some days

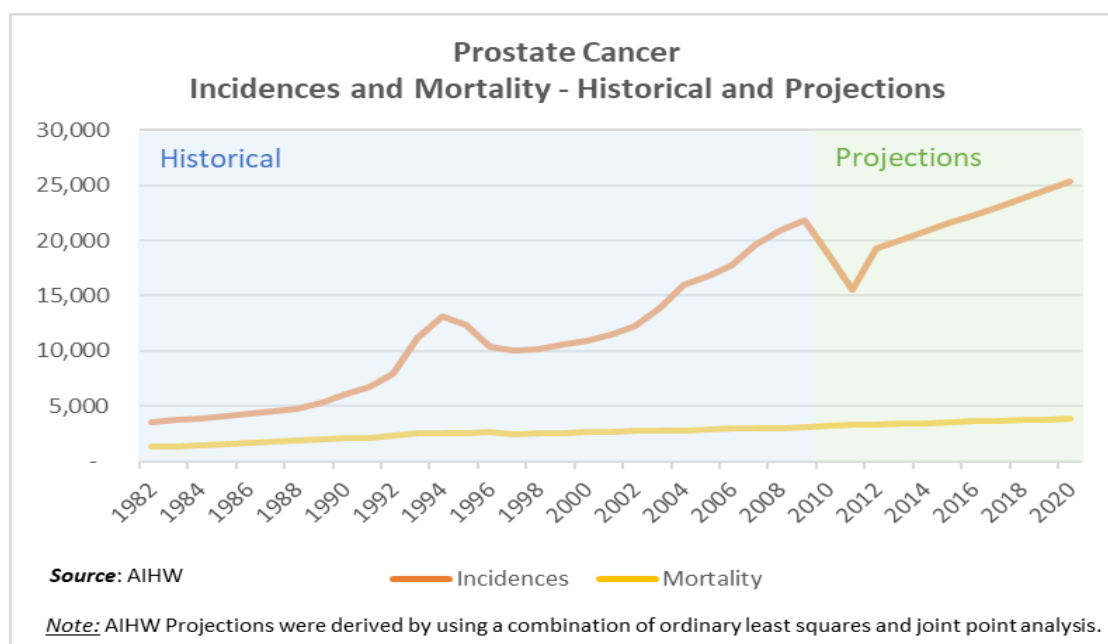
⁹ Jamal A, King BA, Neff LJ, Whitmill J, Babb SD, Graffunder CM. Current Cigarette Smoking Among Adults — United States, 2005–2015. MMWR Morb Mortal Wkly Rep 2016;65:1205–1211. DOI <<http://dx.doi.org/10.15585/mmwr.mm6544a2>>

¹⁰ Australian Institute of Health and Welfare (2011), 'Burden of cancer in Australia: Australian Burden of Disease Study 2011', series no. 12, Cat. no. BOD 13, Canberra

¹¹ Australian Institute of Health and Welfare (2017), 'Cancer in Australia 2017', series no 90, Cat. No. CAN 88, Canberra

Set out below is a chart depicting the growth in prostate cancer cases in the Australia from 1991 through to 2010 and projections for 2011 through to 2020:

Figure 3: New Prostate Cancer Cases in Australia



The treatment for prostate cancer is dependent on the extent of the cancer. When prostate cancer is diagnosed at the local stage treatment can include surgery, radiotherapy, chemotherapy and hormone therapy or active surveillance. Side effects associated these treatments include urinary, bowel and erectile dysfunction, loss of fertility and other side effects of chemotherapy and hormone therapy.

Patient dissatisfaction with these treatments provides an opportunity for low cost and non-invasive photodynamic therapy treatments, such as NGPDT, as discussed below.

6.3.2. Photodynamic Therapy

Photodynamic therapy utilises light to treat and destroy cancerous and other abnormal tissue from the patient. In photodynamic therapy for cancer treatment, a drug called a photosensitising agent is administered to the patient which then accumulates in the abnormal tissues. A light of specific wavelength and matching that of the photosensitiser, usually within visible ranges, is then delivered to the target tissues. The light activates the agent to release singlet oxygen and reactive oxygen species that are harmful to the host cancer cell, damaging its cellular structure resulting in destruction of the abnormal tissue.

The science behind photodynamic therapy has been evolving for over a century and was initially used in treatment for skin diseases. Since the late 1970s researchers have had clinical evidence of photodynamic therapy's potential effectiveness in the treatment of cancer. US federal agency, Food and Drug Administration ("FDA") first granted regulatory approval in the industry with the introduction of Photofrin, a first-generation blood derived biological photosensitiser. Since Photofrin photosensitisers have been improved through the development process. However, draw backs with the technology have hindered photodynamic therapy's induction as a mainstream method of cancer treatment.

The advantages of photodynamic therapy compared to alternative methods of cancer treatment such as surgery, chemotherapy or radiotherapy include the following:

- effective treatment for small superficial tumours;
- treatment is non-invasive resulting in little to no scarring in addition to no long-term side effects;
- photodynamic therapy procedures can be repeated without cumulative toxicity; and
- treatment can be targeted without destruction of critical tissues outside the treated area.

Despite the above advantages, there are number of limitations with traditional photodynamic therapies including the following:

- traditional photosensitisers are typically slow to clear from the body. This causes patients to experience severe skin and eye sunlight hypersensitivity for approximately six (6) weeks post treatment;
- only used to treat surface and small tumours due to low light penetration utilised in traditional photosensitisers;
- only used to treat localised tumours and not cancers which have spread to other sites in the body by metastasis;
- photosensitisers have low efficiency resulting from low release of single oxygen and thus low levels of tumour damage; and
- photosensitisers have low specificity to cancer cells. This means the photosensitiser may also accumulate on surrounding healthy tissues resulting in burns, swelling, pain and scarring of the nearby healthy tissue.

As discussed above in **Section 5.3** above, The Cho Group's NGPDT technology is based on a patented photodynamic therapy agent called Photosoft and aims to address the above limitations of traditional photodynamic therapies.

7. Assessment of the Proposed Transactions

7.1. Approach

7.1.1. Fair

The Proposed Transactions will be “fair” if:

- the current fair market value of an Invion share on a controlling basis (as required by RG 111) before completion of the Proposed Transactions (i.e. the price that a bidder would have to pay to acquire full control of Invion) is *less than*;
- the fair market value of an Invion share after completion of the Proposed Transactions on a minority interest basis (as required by RG 111).

7.1.2. Reasonable

In order to assess whether the Proposed Transactions are “reasonable”, we have considered whether it is “fair” and if it is not, whether we believe that there are sufficient reasons for Invion shareholders to accept the Proposed Transactions.

This assessment has largely been undertaken by considering whether in our opinion, the advantages of approving the Proposed Transactions sufficiently outweigh the disadvantages for the Non-Associated shareholders of Invion as a whole.

7.2. Selection of Valuation Methodology

7.2.1. Overview

In selecting an appropriate methodology to estimate the fair market value of the equity interests in Invion before and after completion of the Proposed Transactions, we have considered common market practice and the widely accepted valuation methodologies which are summarised in **Appendix 3**.

We are of the view that the sum-of-parts valuation method is the most appropriate methodology to apply in the case of Invion (both before and after completion of the Proposed Transactions) for the following reasons:

- Invion is a life sciences company focused on the development of early stage drug assets, does not generate any operating revenues and has been incurring operational losses during recent history. Accordingly, any valuation based on a multiple of revenue, earnings or other similar benchmark, is not appropriate;
- Invion’s share have historically traded with a low degree of liquidity. During the 12 months to 31 August 2017, only 13.9% of Invion’s shares turned over (refer to **Section 4.6.2** for details). Where the liquidity of a Company’s shares is low, there is a strong possibility that the trading prices of its shares do not reflect fair value. Accordingly, a valuation based on the trading prices of Invion’s shares is not appropriate;
- whilst Invion has undertaken two (2) placements over the last twelve (12) months representing 15.0% of the issued shares of the Company, the subscriber under these placements was The Cho Group (i.e. the counter-party to the Distribution Agreement, R&D Services Agreement and Underwriting Agreement) as a precursor to the Proposed Transactions. Accordingly, we consider that these placements are not a reliable indicator of the fair value of Invion’s shares;
- cash flow projections have been provided in relation to the Invion Assets, the Distribution Agreement and the R&D Services Agreement to enable a discounted cash flow valuation to be prepared in relation to these assets;
- Invion has provided sufficient information to ascertain a reliable estimate of the fair value of other assets held / to be held by Invion before and after completion of the Proposed Transactions.

7.3. Valuation of Invion before Completion of the Proposed Transactions

7.3.1. Summary

Based on the following analysis, we have assessed the fair value of each Invion share on a control basis before completion of the Proposed Transactions to fall within the range of \$0.0025 to \$0.0052 per share, calculated as follows:

Table 17: Fair Value of an Invion Share as at 30 September 2017 (Before Completion of the Proposed Transactions) – Control Basis

AUD'000	Note / Report Ref	As at 30 September 2017		
		Low	Mid	High
Invion Net Assets (Fair Value)	7.3.2	4,168	6,068	7,968
Corporate Costs	7.3.5	(600)	(500)	(400)
Sub-Total		3,568	5,568	7,568
Control Premium	7.3.6	0.00%	0.00%	0.00%
Fair Value of Invion (Control Basis)		3,568	5,568	7,568
Number of Shares on Issue (#'000)	1.2	1,455,965	1,455,965	1,455,965
Fair Value of Invion (Per Share, Control Basis)		\$ 0.0025	\$ 0.0038	\$ 0.0052

Source: PKFCF analysis

7.3.2. Net Assets of Invion

Set out below is the audited balance sheet of Invion as at 30 June 2017 along with adjustments which have been made to reflect the fair value of net assets as at the Valuation Date:

Table 18: Net Assets of Invion as at the Valuation Date

	Note / Report Ref	As at 30 June 2017 (Audited)	PKFCF Adjustments			Fair Value as at 30 September 2017		
			Low	Mid	High	Low	Mid	High
Current Assets								
Cash & Cash Equivalents	7.3.4	917	(219)	(219)	(219)	698	698	698
Trade & Other Receivables		32	-	-	-	32	32	32
Other Current Assets		57	-	-	-	57	57	57
Total Current Assets		1,007	(219)	(219)	(219)	787	787	787
Non-Current Assets								
Property, Plant & Equipment		3	-	-	-	3	3	3
Intangible Assets	7.3.3	4,802	398	2,298	4,198	5,200	7,100	9,000
Total Non-Current Assets		4,805	398	2,298	4,198	5,203	7,103	9,003
Total Assets		5,812	178	2,078	3,978	5,990	7,890	9,790
Current Liabilities								
Trade & Other Payables	7.3.4	493	41	41	41	533	533	533
Financial liabilities	7.3.4	1,257	(24)	(24)	(24)	1,233	1,233	1,233
Short-Term Provisions		55	-	-	-	55	55	55
Total Current Liabilities		1,804	17	17	17	1,822	1,822	1,822
Non-Current Liabilities								
-		-	-	-	-	-	-	-
Total Non-Current Liabilities		-	-	-	-	-	-	-
Total Liabilities		1,804	17	17	17	1,822	1,822	1,822
Net Assets		4,008	161	2,061	3,961	4,168	6,068	7,968

Source: Annual Report of Invion for the year ended 30 June 2017; Invion management; PKFCF analysis

7.3.3. Fair Value of Intangible Assets

As at 30 September 2017, intangible assets solely comprised of the Invion Assets as described in **Section 4.1** of this Report.

The Invion Assets are still in their early stages of their development. There is no assurance that any of the Invion Assets will prove to be safe and efficacious in clinical trials, or that the regulatory approval to manufacture and market these products will be received. Further, there can be no guarantee that in the event of successful clinical trials and receipt of regulatory approvals, that the Invion Assets can be successfully commercialised.

In order to estimate the fair value of the Invion Assets as at the Valuation Date, PKFCF has adopted a probability-weighted discounted cash flow (“**DCF**”) approach. This approach is commonly used in the valuation of early-stage life science assets and recognises the fact that the commercial exploitation by Invion of the Invion Assets is subject to the successful development and approval of the assets.

Cash Flow Projections

Cash flow projection assumptions have been provided by Invion management with the assistance of external specialist consultants. PKFCF has reviewed these assumptions for reasonableness.

The following table provides a summary of the key cash flow projection assumptions adopted in the preparation of the probability weighted DCF:

Table 19: Summary of Cash Flow Projection Assumptions

Assumption	INV102 (Nadolol)	INV103 (ala-Cpn10)	INV104 (Zafirlukast)
Business Model	<p>Partnership business model whereby the Invion Assets will be further developed by the current owner up to a stage after which a larger industry participant with adequate financial resources will be partnered to complete their development.</p> <p>Under this model, it is assumed that upfront licence fees payable to the current owner upon entering into the partnership arrangement, with subsequent milestone payments paid upon reach significant development milestones. Subsequent to approval, a royalty fees is assumed to be paid by the development partner to the existing owner.</p>		
Probability of Clinical Success	21%		
Licence Date	1 January 2022	1 January 2023	1 January 2022
Approval Date	1 January 2025	1 January 2029	1 January 2027
Upfront Licence Fee	US\$10 million	US\$3 million	US\$5 million
Milestone Payments	US\$50 million	US\$10 million	US\$25 million
Pre-Partnership CAPEX	AU\$3 million		
Exclusivity Period	15 Years		
Peak Sales – Last Year of Exclusivity Period (USD)	US\$600 million	US\$150 million	US\$300 million
Sales (as a % of Peak Sales) at the End of the Exclusivity Period	10.0%		
Royalty Rate	10.0%	7.0%	7.0%
Tax Rate	30.0%		

Source: Management of Invion; PKFCF analysis

Discount Rate

The discount rate is used to reflect the riskiness of expected cash flows that is used to discount future cash flows back to their net present value (“NPV”). Given the time value of money, a dollar is worth more today than it would be worth tomorrow. Discounting is a primary component of the NPV method in establishing the value of future cash flows.

Common market practice is to use the weighted average cost of capital (“WACC”) for the purpose of discounting future cash flows. WACC represents the cost of acquiring new capital from both equity and debt holders.

For the purposes of estimating the fair value of the Invion Assets, we have adopted the following WACC ranges:

Table 20: WACC Ranges

Asset	Low	Mid	High
INV102 (Nadolol)	25.4%	28.9%	32.4%
INV103 (ala-Cpn10)	27.9%	31.4%	34.9%
INV104 (Zafirlukast)	25.4%	28.9%	32.4%

Source: PKFCF analysis

Details regarding our assumptions adopted in calculation of the WACC are set out in **Appendix 5** of this Report.

Terminal Value

In undertaking a DCF approach, it is common practice to take into account a terminal value where an asset is expected to generate earnings indefinitely or into the foreseeable future.

The terminal value represents the value of the asset at that time.

In order to determine calculate the terminal value in the case of the Invion Assets, we have applied the “constant growth rate into perpetuity” formula using the following assumptions:

- final year cash flows (i.e. the year after the end of the exclusivity periods detailed in **Table 19** above) based on revenues which represent 10% of peak sales; and
- a growth rate into perpetuity of 3.0%.

Fair Value of the Invion Assets

Based on the analysis set out above, the fair value of the Invion Assets has been determined as follows:

Table 21: Fair Value of Invion Assets

AUD'000	As at 30 September 2017		
	Low	Mid	High
INV102 (Nadolol)	4,400	5,850	7,300
INV103 (ala-Cpn10)	-	-	-
INV104 (Zafirlukast)	800	1,250	1,700
Total	5,200	7,100	9,000

Source: Invion management; PKFCF analysis

In relation to INV103, the resulting net present value of the cash flow projections resulted in a value of less than zero, and have therefore adopted a fair value of zero for this asset. We consider this conclusion reasonable after considering the following:

- in the opinion of Invion's management, clinical trial results for INV103 have not been promising enough to warrant further development. This is supported by the fact that despite several attempts by the Company over the last several years, Invion has been unable to source a development partner for INV103;
- the INV103 asset has been fully impaired on the Company's balance sheet since its acquisition in 2001 due to uncertainties around the assets' development; and
- management of Invion have advised that the Company will cease the maintenance program on INV103 related patents until all patents eventually lapse. The primary patent, being the 'composition of matter' patent, expires in 2026 in the US and in 2023 in other jurisdictions.

7.3.4. Other Fair Value Adjustments

Fair value adjustments have been made to reflect material movements in other assets and liabilities of Invion between 30 June 2017 and the Valuation Date (i.e. 30 September 2017) including:

- movements in cash and cash equivalents predominately due to operating expenses incurred by the Company during the three (3) months to 30 September 2017 (reduction in current assets of approximately \$219,000);
- movements in accrued interest payable with respect to loans from current and former directors and related parties (increase in current liabilities of approximately \$41,000). As at 30 September 2017, the combined value of these loans and accrued interest was approximately \$1.54 million – refer to **Section 4.4** of this Report for further information regarding these loans; and
- movements in other financial liabilities (decrease in current liabilities of approximately \$24,000).

7.3.5. Corporate Costs

We have determined the fair value of Invion before completion of the Proposed Transactions as the sum-of-parts on a going concern basis. This basis estimates the fair value of net assets but does not take into account any ongoing and recurring corporate costs that Invion will continue to incur should the Proposed Transactions not be accepted.

Based on discussions with management, we have determined that in the case that the Proposed Transactions are not accepted and where an alternative transaction cannot be achieved, the likely outcome for the Company will be that operations will be significantly scaled back and the Company wound-up (refer to **Section 7.6.3** for further details).

In assessing the fair value of Invion before completion of the Proposed Transactions, it is therefore appropriate to take into account future expenses which will be required in order to complete a winding up of Invion. In this regard, we have estimated such expense will fall within the range of \$400,000 to \$600,000. In reaching this estimate, we have considered the following costs:

- liquidator's costs for the Australian and US entity;
- legal costs;
- other break costs the Company will be liable for;
- general working capital requirements; and
- costs of the Proposed Transactions amounting to \$200,000 as these will be payable by Invion regardless of whether or not the Proposed Transactions are approved (refer to **Section 7.4.5** for further details).

7.3.6. Control Premium

No additional premium for control has been taken into consideration for the purposes of arriving at a fair value of Invion before completion of the Proposed Transactions, on the basis that it is our view that the sum-of-parts valuation methodology already takes into account any such control premium.

7.4. Valuation of Invion after Completion of the Proposed Transactions

7.4.1. Summary

Based on the following analysis, we have assessed the fair value of each Invion share on a minority basis after completion of the Proposed Transactions to fall within the range of \$0.0012 to \$0.0021 per share, calculated as follows:

Table 22: Fair Value of an Invion Share as at 30 September 2017 (After Completion of the Proposed Transactions) – Minority Basis

AUD'000	Note / Report Ref	As at 30 September 2017		
		Low	Mid	High
Fair Value of Invion Net Assets	7.3.2	4,168	6,068	7,968
Fair Value of the Distribution Agreement	7.4.2	4,000	4,750	5,500
Fair Value of the R&D Services Agreement	7.4.3	-	-	-
Gross Proceeds from the Rights Issue	7.4.4	2,500	2,500	2,500
Costs of the Proposed Transactions	7.4.5	(200)	(200)	(200)
Corporate Costs	7.4.6	(720)	(630)	(540)
Fair Value of Invion (Control Basis)		9,748	12,488	15,228
Minority Discount	7.4.7	(35.00%)	(30.00%)	(25.00%)
Fair Value of Invion (Minority Basis)		6,336	8,742	11,421
Number of Shares on Issue (#'000)	1.2	5,455,965	5,455,965	5,455,965
Fair Value of Invion (Per Share, Minority Basis)		\$ 0.0012	\$ 0.0016	\$ 0.0021

Source: PKFCF analysis

7.4.2. Fair Value of the Distribution Agreement

In order to estimate the fair value of the Distribution Agreement, PKFCF has adopted a probability-weighted DCF approach. This approach is commonly used in the valuation of early-stage life science assets and recognises the fact that the commercial exploitation by Invion of the Distribution Agreement is subject to the successful development and approval of the NGPDT technology.

Cash Flow Projections

Cash flow projection assumptions have been provided by Invion management with the assistance of external specialist consultants. PKFCF has reviewed these assumptions for reasonableness.

Cash flow projections for two scenarios have been provided, representing two likely business models which may be adopted by Invion should the NGPDT technology achieve final approval, as described below:

- Invion exercising its rights under the Distribution Agreement by selling the NGPDT technology via third-party sales channels, likely to be non-Invion run clinics ("**Scenario 1**"); and
- Invion exercising its rights under the Distribution Agreement by establishing and running its own clinic(s) and selling the NGPDT technology directly to end-patients ("**Scenario 2**").

The following table provides a summary of the key cash flow projection assumptions adopted in the preparation of the probability weighted DCF for the Distribution Agreement:

Table 23: Summary of Cash Flow Projection Assumptions

Assumption	Scenario 1 – Distributor Model	Scenario 2 – Clinic Model
Probability of Clinical Success	21.1%	
Approval Date	1 January 2022	
Exclusivity Period	15 Years	
Total Market	22,300 patients per annum in 2022 increasing by 0.8% per annum (new prostate cancer patients in Australia and New Zealand only)	
Addressable Market	95% of total market.	
Peak Market Share	40.0% of addressable market.	
Max Patients Per Clinic	1,000	1,000
Gross Profit Margins	66.7%	86.0%
EBITDA Margins (Stable Period)	41.7%	40.0%
Tax Rate	30.0%	30.0%
Working Capital Investment	12.0% of Revenue	3.0% of Revenue
Initial CAPEX	\$250,000	n/a
Growth CAPEX	6.0% pa of Revenue	\$1,500,000 Per New Clinic (2017 Dollars)
Maintenance CAPEX	1.0% pa of Revenue	1.0% pa of Revenue

Source: Management of Invion; PKFCF analysis

Discount Rate

The discount rate is used to reflect the riskiness of expected cash flows that is used to discount future cash flows back to their NPV. Given the time value of money, a dollar is worth more today than it would be worth tomorrow. Discounting is a primary component of the NPV method in establishing the value of future cash flows.

Common market practice is to use the WACC for the purpose of discounting future cash flows. WACC represents the cost of acquiring new capital from both equity and debt holders.

For the purposes of estimating the fair value of the Distribution Agreement, we have adopted a WACC range of between 20.4% and 23.4%. Details regarding our assumptions adopted in calculation of the WACC are set out in **Appendix 5**.

Terminal Value

In undertaking a DCF approach, it is common practice to take into account a terminal value where an asset is expected to generate earnings indefinitely or into the foreseeable future.

The terminal value represents the value of the asset at that time.

In order to determine calculate the terminal value in the case of the Distribution Agreement, we have applied the “constant growth rate into perpetuity” formula using the following assumptions:

- final year cash flows (i.e. the year after the end of the exclusivity periods detailed in Table 23 above) based on significantly lower EBITDA margins of 20%, reflective of the increased competition which is expected subsequent to the end of the exclusivity period; and
- a growth rate into perpetuity of 3.0%.

Fair Value of the Distribution Agreement

Based on the analysis set out above, the fair value of the Distribution Agreement has been determined by taking the average present values determined under Scenario 1 and Scenario 2, calculates as follows:

Table 24: Fair Value of the Distribution Agreement

	As at 30 September 2017		
	Low	Mid	High
Scenario 1 - Distributor Model	2,237,106	2,663,236	3,089,367
Scenario 2 - Clinic Model	5,743,989	6,788,961	7,833,934
Average	3,990,548	4,726,099	5,461,650
Rounded	4,000,000	4,750,000	5,500,000

Source: Management of Invion; PKFCF analysis

7.4.3. Fair Value of the R&D Services Agreement

As set out in **Section 5.2**, the R&D Services Agreement requires RMWCG to pay Invion's forecast direct development costs and a majority of operating costs for each upcoming quarter. These costs include, but are not limited to:

- direct costs associated with development of NGPDT;
- all other overhead costs incurred by Invion including, but not limited to, directors' (of Invion) fees, other employee related remuneration and expenses, premises costs, travel costs, compliance and regulatory costs including ASX listing fees, share registry fees, accounting fees, audit fees and legal fees, and all other administrative and corporate overhead costs associated with the running of Invion (together, the "**Overhead Costs**"), provided however that if Invion undertakes any additional business activities other than the performance of the Services, then The Cho Group will only be responsible for the Overhead Costs to the extent it is reasonably allocated to Invion's provision of the Services,

but excluding costs associated with Invion's United States subsidiary company.

Given the above, it is our view that the R&D Services Agreement provides no separate value to Invion, but rather, any value is implicitly incorporated within the fair value of the Distribution Agreement.

7.4.4. Gross Proceeds from the Rights Issue

Gross proceeds from the Rights Issue have been added in calculating the fair value of Invion upon completion of the Proposed Transactions, noting that the Rights Issue is fully underwritten by The Cho Group.

7.4.5. Costs of the Proposed Transactions

Costs relating to the Proposed Transactions have been estimated by Invion to amount to \$200,000. These costs have been deducted in calculating the fair value of Invion upon completion of the Proposed Transactions on the basis that they represent an actual cash outgoing.

7.4.6. Corporate Costs

We have determined the fair value of Invion upon completion of the Proposed Transactions as the sum-of-parts on a going concern basis. This basis estimates the fair value of net assets but does not take into account any ongoing and recurring corporate costs that Invion will incur subsequent to completion of the Proposed Transactions.

Based on discussions with management we have determined this approach appropriate, notwithstanding continued operating losses, negative cash flows, and no ongoing revenue streams, due to the following:

- management is confident that Invion will have sufficient cash and liquid assets, or otherwise, has sufficient access to cash to continue operations in the short to medium term, subsequent to completion of the Proposed Transactions;
- Invion's ability to raise additional share capital as a listed entity on the ASX; and
- potential ability to defer related party repayments.

In assessing the fair value of Invion upon completion of the Proposed Transactions, an appropriate capitalised allowance for future corporate expenses is required in order to recognise ongoing costs of a going concern.

We have been advised by management of Invion that upon completion of the Proposed Transactions, ongoing corporate expenses are expected to be approximately \$180,000 per annum (pre-tax), representing costs associated with the operation of Invion's United States subsidiary company which are not reimbursable under the R&D Services Agreement.

The appropriate capitalisation rate is usually assessed by collecting market evidence with respect to the earnings multiples of companies that operate in the same or similar industries. However, we note that in the case of Invion, comparable companies are also engaged in the early stage development of assets, and as such, do not have, or have minimal, reported revenues and tend to have negative earnings. Accordingly, a capitalisation rate derived from comparable earnings multiples is not possible.

Having regard for the industry in which Invion will operate upon completion of the Proposed Transactions, we are of the view that an appropriate capitalisation rate to apply to the expected ongoing corporate costs of Invion is between 3 and 4 times.

7.4.7. Minority Discount

In order to determine the fair value of an Invion share upon completion of the Proposed Transactions on a minority interest basis, we need to consider what minority discounts are appropriate to apply in the case of Invion post completion of the Proposed Transactions.

The application of a minority discount reflects the fact that a holder of a minority parcel of securities in an entity will not be able to (on his own) control the entity including in relation to operational and financial matters.

The level of discount will depend on the circumstances. In the case of Invion, we have considered the following factors in determining an appropriate minority discount to apply:

- upon completion of the Proposed Transactions, The Cho Group will hold a majority voting interest in the Company of between 70.6% and 77.3%. We note that this level of voting interest will provide The Cho Group with almost total control of the Company including the ability to control the board of directors, change financial and operating policies of the Company and influence any future dividend policies of the Company.

In particular, should The Cho Group's voting interests equal or exceed 75%, The Cho Group will have the ability to approve special resolutions without any other Invion shareholders voting in favour of such resolutions;

- no other shareholders will hold any significant voting interest in Invion upon completion of the Proposed Transactions;
- control premiums (being the opposite of a minority discount) have been found to typically range between 20% and 40%.

Having regard to the above factors, in our opinion, we have determined an appropriate minority discount in the range of 25.0% to 35.0% to apply in the case of Invion assuming completion of the Proposed Transactions.

7.5. Fairness of the Proposed Transaction

Based on the analysis set out above, set out below is our assessment as to whether or not the Proposed Transactions are “fair” to the Non-Associated Shareholders of Invion:

Table 25: Fairness Assessment

AUD'000	Note / Report Ref	As at 30 September 2017		
		Low	Mid	High
Fair Value of a Invion Share (Before Completion of the Proposed Transactions, Control Basis)	7.3.1 (a)	\$ 0.0025	\$ 0.0038	\$ 0.0052
Fair Value of a Invion Share (After Completion of the Proposed Transactions, Minority Basis)	7.4.1 (b)	\$ 0.0012	\$ 0.0016	\$ 0.0021
Variance (\$)	(b) - (a) = (c)	(\$ 0.0013)	(\$ 0.0022)	(\$ 0.0031)
Variance (%)	(c) / (a)	(52.61%)	(58.11%)	(59.73%)
Is the Proposed Transaction Fair or Unfair?		Unfair	Unfair	Unfair

Source: PKFCF analysis

Based on the above, we have determined that the Proposed Transactions are “**not fair**” to the Non-Associated Shareholders of Invion.

7.6. Reasonableness of the Proposed Transaction

We have considered the advantages and disadvantages of the Proposed Transactions to the Non-Associated Shareholders of Invion and these are set out below.

Based on this assessment, we have formed the view that the advantages of the Proposed Transactions to the Non-Associated Shareholders of Invion, as a whole, outweigh the disadvantages.

7.6.1. Advantages of the Proposed Transactions

Expansion and Diversification

Currently, Invion is focused on the development and partnership for commercial gain of inflammatory disease treatments including asthma, chronic bronchitis and lupus.

Assuming completion of the Proposed Transaction, Invion will be appointed by The Cho Group as the exclusive distributor and licensee in Australia and New Zealand for the NGPDT technology for treatment of cancers.

The Proposed Transactions may give Invion the opportunity to expand its business and develop its asset pipeline through adopting this photodynamic therapy technology.

There are a number of potential advantages to treating cancer with NGPDT over traditional methods such as surgery or radiotherapy including:

- the ability to target areas of interest to a higher degree of precision;
- the ability to de-bulk difficult-to-reach tumours prior to surgery;
- being minimally invasive (i.e. light source used can often be applied externally);
- being repeatable, unlike radiotherapy;
- low-cost form of treatment; and
- relatively quick procedure.

Ability to Continue as a Going Concern

The fully underwritten Rights Issue and R&D Services Agreement will provide Invion with an immediate cash injection of \$2.5 million (before costs of the Proposed Transactions) plus additional funding which is expected to cover a substantial portion of Invion's expected development and administration costs.

Together, this funding will enable Invion to continue as a going concern in the short-to-medium term.

In addition, this funding will provide further time and opportunity for Invion to realise value from the Invion Assets which would not otherwise be the case given the Company's current cash position.

Finally, this funding will also enable the Company to repay a substantial portion of its current liabilities including trade creditors and loans from current and former Directors and other related parties. We have been advised by the Company that it is the Directors' intention to use approximately \$1.6 million of these funds to repay loans payable to Directors.

Clinical Trials Non-Dilutive Funding

Under the R&D Services Agreement, Invion will provide clinical research and development services to The Cho Group for the global development of the NGPDT technology, initially targeting prostate cancer in Australian-run clinical trials.

Under the R&D Services Agreement, Invion will be reimbursed for 100% of the costs that the Company incurs in relation to the R&D services, in addition to being reimbursed for a significant majority of Invion's corporate running costs.

Given that these reimbursements will not take the form of equity or debt, it is non-dilutive to the Non-Associated Shareholders of Invion.

Potential Increase in Liquidity of Invion's Shares

As set out in **Section 4.6.2** of this Report, the liquidity of the Company's securities has been low in recent years. Upon completion of the Proposed Transactions, the liquidity of the Company's shares should be at least equal to or greater than that which the Company currently experiences.

We note however, that any changes in the liquidity of the Company's securities will ultimately depend on the level of acceptance of the Rights Issue by Non-Associated Shareholders of Invion. Should nil acceptances be received, The Cho Group, under the Underwriting Agreement, will be the sole subscriber for all of the new shares offered under the Rights Issue and liquidity of the Company's shares could remain unchanged.

7.6.2. Disadvantages of the Proposed Transactions

Dilution of Ownership

As set out in **Section 1.2** of this Report, should the Proposed Transactions be approved, the voting interests of current Company shareholders will be diluted from a current 85.0% (collectively) to between 29.4% (assuming 100% acceptance of the Rights Issue) or 22.7% (assuming nil acceptance of the Rights Issue).

Majority Controlling Shareholder

As set out in **Section 1.2** of this Report, should the Proposed Transactions be approved, the voting interests of The Cho Group will increase from 15.0% to between 70.6% (assuming 100% acceptance of the Rights Issue) or 77.3% (assuming Nil acceptance of the Rights Issue).

This will enable The Cho Group to block any takeover offers for the Company, control the outcome of general resolutions and may also (depending on the level of participation by Non-Associated Shareholder in the Rights Issue) be able to control the outcome of special resolutions. This level of shareholding will also allow The Cho Group to control the board of directors, change financial and operating policies of the Company and influence any future dividend policies of the Company.

Repayment of Loans from Directors

We have been advised by the Company that it is the Directors' intention to use approximately \$1.6 million of funds raised from the Rights Issue to repay loans payable to current and former Directors and other related parties. We note that this represents approximately 65% of the gross proceeds of the Rights Issue and is substantial.

The repayment of these Directors' loans redirects funds that would otherwise be available to the Company to fund the further development of the Invion Assets and other general working capital needs of the Company.

Commercial Uncertainty

The commercial exploitation of the Distribution Agreement is subject to the successful development and approval of the NGPDT technology.

There is also no assurance that NGPDT will prove to be safe and efficacious in clinical trials, or that the regulatory approval to manufacture and market its products will be received. Further, there can be no guarantee that in the event of successful clinical trials and receipt of regulatory approvals, that the NGPDT technology can be successfully commercialised.

There are a number of risks associated with the Proposed Transactions, in particular the development of the NGPDT technology, and ultimately, the Proposed Transactions may not provide the Non-Associated Shareholders of Invion with any value appreciation in the long term.

Remaining Funding Uncertainty

Whilst the R&D Services Agreement and Underwriting Agreement should provide significant funding to the Company, we note that neither Invion or PKFCF have been provided with any financial information relating to The Cho Group.

Accordingly, it is difficult to assess the ability of The Cho Group to fund its obligations under the R&D Services Agreement and Underwriting Agreement.

On this basis, it is our opinion that the Company remains exposed to a level of funding risk.

Potential Short-Term Cap on Invion's Share Price

Given that the Rights Issue will not be completed until the first quarter of the 2018 calendar year, the proposed Rights Issue price of \$0.002 (pre-Consolidation) may place a cap on the price at which Invion's shares trade until after completion of the Rights Issue.

Limited Ability to Receive Dividends in the Short-to-Medium Term

The Proposed Transactions are unlikely to provide the Company with the ability to pay dividends at least in the short-to-medium term.

We note however, that this position is the same to the current position of the Company.

7.6.3. Implications for Invion shareholders of Rejecting the Proposed Transaction

In our opinion, based on information made available to us as at the date of this Report and other representations from management of Invion, in the event that the Proposed Transactions were rejected, Non-Associated Shareholders of Invion would be subject to the following issues:

- in our opinion, the Non-Associated Shareholders will face material uncertainty in relation to the future of Invion. In reaching this conclusion, we have considered the following factors:
 - as at 30 June 2017, Invion had approximately \$917,000 in cash. We note that as at the date of this Report, cash has reduced to approximately \$613,000;
 - during the years ended 30 June 2016 and 2017, Invion had operating cash outflows of \$3.8 million and \$247,000. We note however that the Company also received significant R&D tax rebates during these years which will not continue in the future should the Company cease developing the Invion Assets. Excluding these R&D tax rebates, the Company had operating cash outflows of \$6.2 million and \$857,000 during the years ended 30 June 2016 and 2017 respectively, suggesting that in the absence of the Proposed Transactions completing, the Company will run out of cash in the short-term;

- recently, the Company has been funded by The Cho Group via two (2) private placements in April and June 2017, which raised \$657,000 (before costs) for the Company. Should the Proposed Transactions be rejected, The Cho Group may be reluctant to provide further funding to the Company;
- over the last few years, Invion has been unsuccessful garnering the support of partners in relation to the further development of the Invion Assets;
- PKFCF are not aware of any alternatives that are available to Invion, which would result in any potential shareholder return; and
- the Directors have indicated to us that in the absence of any alternatives, Non-Associated Shareholder may be faced with a winding-up of the Company. In our view, where a winding-up were to occur, the Company may receive significantly less consideration for its assets (in particular the Invion Assets) than their fair value as indicated in **Section 7.3** of this Report;
- Non-Associated Shareholders of Invion will not get access to the NGPDT technology nor will they get access to funding which will become available to the Company under the R&D Services Agreement;
- The Cho Group currently holds a 15.0% shareholding in Invion. This shareholding represents a material parcel of voting and equity interests which could influence the passage of general and special resolutions. If the Proposed Transactions are rejected, The Cho Group could impact the ability of Invion's board to implement alternative transactions, if The Cho Group was opposed.

7.6.4. Overall Reasonableness Conclusion

For the reasons stated above, it is our opinion that the advantages of the Proposed Transactions outweigh the disadvantages and therefore it is “**reasonable**” to the Non-Associated Shareholders of Invion as a whole.

8. Qualifications, Independence and Disclaimer

8.1. Qualifications

PKFCF is the licensed corporate advisory arm of PKF International Limited (“**PKF**”). PKFCF provides advice in relation to all aspects of valuations and its personnel have extensive experience in the valuation of corporate entities.

Mr Andrew Jones B.EC, CA, is a Director of PKFCF. Mr Jones has been the project manager responsible for the delivery of this Report.

Mr Jones has over 25 years’ experience in accounting, audit and corporate advisory activities including business, company and intangible asset valuations, due diligence reviews, capital raisings and the provision of advice in relation to merger, acquisition and divestment transactions.

Mr Nick Navarra B.Bus, CA is a Principal of PKFCF. Mr Navarra was actively involved in the preparation of this Report.

Mr Navarra has over 16 years’ experience in accounting, audit and corporate advisory activities including business, company and intangible asset valuations, the preparation of independent expert’s reports, due diligence reviews, litigation support activities, capital raisings and the provision of advice in relation to merger, acquisition and divestment transactions.

Based on their experience, Messrs Jones and Navarra are considered to have the appropriate experience and professional qualifications to provide the advice offered.

8.2. Independence

PKFCF is not aware of any matter or circumstance that would preclude it from preparing this Report on the grounds of independence, either under regulatory or professional requirements. In particular, we had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

PKFCF does not have any shareholding in, or other relationships with Invion and/or The Cho Group (including any of their related parties or associates) that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transactions.

PKFCF considers itself to be independent in terms of ASIC Regulatory Guide 112 *Independence of Experts* (“**RG 112**”), issued by ASIC.

PKFCF will receive a fee based on the time spent in the preparation of this Report. PKFCF will not receive any fee contingent upon the outcome of the Proposed Transactions.

Drafts of this Report were provided to the directors of Invion for review of factual accuracy. Certain changes were made to the Report as a result of the circulation of the drafts of the Report. However, our approach, valuation method and overall conclusions were not affected by the circulation of the draft reports.

Appendix 1 Glossary of terms

Set out below is a glossary of terms used in this Report.

Table 26: Glossary

Term	Definition
ABS	Australian Bureau of Statistics
AFSL	Australian Financial Services Licence
AIHW	Australian Institute of Health and Welfare
ASIC	Australian Securities & Investments Commission
Asthma Australia	Asthma Australia Inc.
ASOF	Australian Special Opportunity Fund
ASX	Australian Securities Exchange
CAPM	Capital asset pricing model
Chapter 2E	Chapter 2E of the <i>Corporations Act 2001</i>
Client	Invin Limited ACN 094 730 417
Company	Invin Limited ACN 094 730 417
Consolidation	Consolidation of Invin share capital on a 1:100 basis
COPD	Chronic obstructive pulmonary disease
Corporations Act	The <i>Corporations Act 2001</i> .
DCF	Discounted cash flow method
Distribution Agreement	Distribution agreement relating to an oncology drug to be acquired as part of the Proposed Transaction
FDA	Food and Drug Administration, a US federal agency
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
GFC	Global financial crisis
IBISWorld	IBISWorld Pty Ltd
Invin	Invin Limited ACN 094 730 417
Invin Assets	The key assets of the Company that the majority of recent activities, R&D maintenance and commercial development have been directed toward comprising INV102 (Nadolol), INV103 (ala-Cpn10) and INV104 (Zafirlukast)
Meeting	The general meeting of Invin shareholders to be held on or around 30 November 2017
Mr Cho	Mr Honsue Cho, the largest shareholder of Invin as at the date of this Report
NAV	Net asset value.
NGPDT	New Generation Photo Dynamic Therapy
NIH	National Institutes of Health
NOM	The Notice of Meeting this Report accompanies
Non-Associated Shareholders	Invin's shareholders who are not associated with the Proposed Transactions
NPV	Net present value
NTA	Net tangible asset backing per share (post-tax).

Term	Definition
PCF	Prostate Cancer Foundation of New Zealand
Photosoft	The patented photodynamic therapy agent associated with NGPDT
PKF	PKF International Limited
PKFCF, us, we or our	PKF Corporate Finance (NSW) Pty Limited ACN 097 893 957 AFSL 295872
Proposed Transactions	Collectively, the Distribution Agreement, R&D Services Agreement, Rights Issue and Consolidation
Prospective Financial Information	Prospective financial information in relation to Invion, the Distribution and the R&D Services Agreement post completion of the Proposed Transactions
PBS	Pharmaceutical Benefits Scheme
PSA	Prostate-specific antigen
R&D	Research and development
R&D Services Agreement	The research and development services agreement for the NGPDT technology globally, between Invion and RMWCG, initially targeting prostate cancer in Australia-run clinics
RBA	Reserve Bank of Australia
Report	This report dated 4 October 2017.
Rights Issue	The Cho Group has agreed to fully underwrite a rights issue to be undertaken by the Company under which the Company will raise \$2.5 million (before costs)
RG 76	ASIC Regulatory Guide 76 <i>Related Party Transactions</i> .
RG 111	ASIC Regulatory Guide 111 <i>Content of Expert Reports</i> .
RG 112	ASIC Regulatory Guide 112 <i>Independence of Experts</i> .
RMWCG	RMW Cho Group Limited ACN 607 213 641
Scenario 1	Cash flow projection model, distributor model
Scenario 2	Cash flow projection model, clinic model
SPP	Share purchase plan
The Cho Group	RMW Cho Group Limited and its related entities including, but not limited to: <ul style="list-style-type: none"> • The Cho Group Limited; • Unlimited Innovation Group Limited; and • Polar Ventures Pte Ltd.
Underwriting Agreement	The underwriting agreement in which The Cho Group has agreed to fully underwrite a rights issue to be undertaken by the Company under which the Company will raise \$2.5 million (before costs)
U.S.DHHS	U.S Department of Health and Human Services
Valuation Date	Being 30 September 2017.
VWAP	Volume weighted average price.
WACC	Weighted average cost of capital

Appendix 2 Sources of Information

In preparing this Report we have had access to and relied upon the following principal sources of information:

- Audited Annual Reports of Invion for the years ended 30 June 2015, 2016 and 2017;
- Reviewed Half Year Report of Invion for the six (6) months ended 31 December 2016;
- Management Accounts of Invion for the three (3) months ended 30 September 2017;
- Invion Limited, Draft Notice of Annual General Meeting, October 2017
- Other information published by Invion on the Australian Securities Exchange including various notices and announcements regarding the Proposed Transaction;
- Other information published by Invion on its website;
- Australian Bureau of Statistics, '4819.0.55.001 - Asthma in Australia: A Snapshot', 2004-05, October 2006;
- Australian Bureau of Statistics, '4364.0.055.011 – National Health Survey: First Results', 2014-15; December 2015;
- Australian Institute of Health and Welfare, accessed 3 October 2017, <<https://www.aihw.gov.au/reports-statistics/health-conditions-disability-deaths/asthma-other-chronic-respiratory-conditions/overview>>;
- Australian Institute of Health and Welfare (2017), 'Cancer in Australia 2017', series no 101, Cat. no. CAN 100, Canberra;
- Australian Institute of Health and Welfare (2016), 'Australia's health 2016', series no. 15, Cat. no. AUS 199, Canberra;
- Australian Institute of Health and Welfare (2011), 'Burden of cancer in Australia: Australian Burden of Disease Study 2011', series no. 12, Cat. no. BOD 13, Canberra;
- Asthma Australia Inc., 'Asthma Australia Inc. 2015/2016 Annual Report', 2016;
- IBISWorld Industry Report C1841, 'Pharmaceutical Product Manufacturing in Australia', February 2017;
- Jamal A, King BA, Neff LJ, Whitmill J, Babb SD, Graffunder CM. Current Cigarette Smoking Among Adults — United States, 2005–2015. MMWR Morb Mortal Wkly Rep 2016;65:1205–1211. DOI <<http://dx.doi.org/10.15585/mmwr.mm6544a2>>;
- Prostate Cancer Foundation of New Zealand, accessed 4 October 2017, <<https://prostate.org.nz/prostate-cancer/>>;
- RoyaltySource Intellectual Property Database 2017, Licensing Transactions related to Pharmaceuticals, October 2017;
- U.S. Department of Commerce: International Trade Administration (2016), '2016 Top Markets Report: Pharmaceuticals', May 2016;
- U.S. Department of Health & Human Services (2014), accessed on 6 October 2017, <<https://www.nhlbi.nih.gov/health/health-topics/topics/asthma/>>;
- U.S. Department of Health and Human Services, 'The Health Consequences of Smoking—50 Years of Progress: A Report of the Surgeon General. Atlanta: U.S. Department of Health and Human Services', Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, 2014;
- S&P Capital IQ; and
- other publicly available information.

In addition to the above, PKFCF has also had various discussions with the management of Invion regarding the nature and prospects of their respective businesses and financial position.

Appendix 3 Valuation Methods

In conducting our assessment of the Proposed Transactions, the following commonly used valuation methods have been considered:

Discounted Cash Flow Method

The discounted cash flow (“**DCF**”) method is based on the premise that the value of a business or asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business or asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value (“**NPV**”).

DCF is appropriate where:

- the businesses’ or assets’ earnings are capable of being forecast for a reasonable period (preferably five to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a 'start up' or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

Capitalisation of Future Maintainable Earnings Method

This method involves the capitalisation of estimated future maintainable earnings by an appropriate multiple. Maintainable earnings are the assessed sustainable profits that can be derived by the vendor’s business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Value of Assets

Asset based valuations involve the determination of the fair market value of a business based on the net value of the assets used in the business.

Valuation of net assets involves:

- separating the business or entity into components which can be readily sold, such as individual business shares or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The value of the net assets can be determined on the basis of:

- *orderly realisation*: this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- *liquidation*: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- *going concern*: the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The value of a trading company's net assets will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is usually attributable to intangible assets such as goodwill.

The value of net assets is relevant where a company is making sustained losses or profits at a level less than the required rate of return, where it is close to liquidation, where it is an asset holding company, or where all its assets are liquid. It is also relevant to businesses that are being segmented and divested and to value assets that are surplus to the core operating business. The net assets value methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the value of its net assets.

Security Market Trading History

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares; and
- the market for the company's shares is active and liquid.

Constant Growth Dividend Discount Model

The dividend discount model works best for:

- firms with stable growth rates;
- firms which pay out dividends that are high and approximate free cash flow to equity;
- firms with stable leverage; and
- firms where there are significant or unusual limitations to the rights of Investors.

Special Value

Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the potential acquirer of potential economies of scale, reduction in competition or other synergies arising from the acquisition of the asset not available to likely purchases generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchases.

Appendix 4 Valuation Methodologies for Intangible Assets

The valuation approach generally sought to be applied in order to value intangible assets, is to identify and value the economic benefits generated by the intangible assets separately from the economic benefits generated by other tangible and intangible assets. There are a number of specialised valuation methodologies commonly used to estimate the fair value/ market value of an identifiable intangible asset. These are discussed separately below.

Generally Accepted Valuation Methodologies for Intangible Assets

There are a number of internationally generally accepted major valuation methodologies that may be applied to the valuation of intangible assets. Most of these methodologies are based on the following three basic approaches:

- **market based** – review of comparable market transactions. A particular sub-set of this approach is relying on the value of the business owning the intangible assets (as determined by an arms-length sale transaction or valuation), and deducting the value of the net tangible assets employed in the business to arrive at an implied value of all the identifiable and unidentifiable (i.e. “goodwill”) intangible assets;
- **cost based** – review of historical or replacement costs related to the development of intangible assets; and
- **income based** – review of past and/or expected future economic benefits accruing from the exploitation of intangible assets. This method can be disaggregated into four groups:
 - capitalisation of future or historical profits generated by use of the intangible assets;
 - net present value (“NPV”) of marginal cash flows generated by use of the intangible assets;
 - capitalisation of gross profit differentials - often associated with trade mark and brand valuations;
 - excess profits; and
 - relief from royalty – usually based on a notional assessment.

Of the above approaches, the most commonly used are:

- capitalisation of profits;
- historical or replacement cost;
- NPV of marginal cash flows; and
- relief from royalty method.

The paragraphs below describe the above approaches in more detail.

Market Based Methodologies

Market based valuation methodologies estimate an intangible asset’s value by having regard to sale prices achieved for comparable intangible assets.

Although actual transactions may be regarded as the best form of evidence as to the value of an intangible asset, certain difficulties arise from applying the comparable market transactions method in practice. Some of these difficulties are:

- often intangible assets are exchanged as part of the sale of a business or company, where the value of the consideration paid for the intangible assets may be hard to separately quantify;
- there is a small (if any) secondary market for intangible assets from which prices may be observed;
- where transactions of intangible assets can be identified there is often insufficient publicly available information on the transaction to determine the value allocable to individual assets;
- most intangible assets are unique and incomparable to other intangible assets;
- parties to a transaction may not be at arm’s length and with equal negotiating ability or one or both parties to a transaction may be less than sufficiently informed; and
- intangible assets may have a synergistic value to a particular vendor or purchaser.

Due to the above limitations this method is infrequently used in practice.

Cost Based Methodologies

Cost based methodologies estimate fair market value by reference to the costs of replicating an intangible asset. Cost based methodologies are premised on the assumption that a willing buyer will not pay any more for an intangible asset than the cost to replicate that asset. Cost based methodologies are most commonly employed when there is no other reliable means of estimating the fair market value.

“Historical” cost is determined by aggregating all the costs of creating an intangible asset while “replacement” cost is determined by aggregating all the costs of recreating an intangible asset from scratch.

Both methodologies assume that:

- there is a direct relationship between the cost of an intangible assets (whether historical or replacement) and future economic benefits to be gained from an intangible asset; and
- the intangible asset has a value to the owner, so that the owner would seek to replace the intangible asset if deprived of that asset. However, such a value to an owner does not necessarily mean that it represents the value of future economic benefits to be gained from an intangible asset.

In our opinion, the above assumptions require consideration in each particular case as:

- there is not always a relationship between the historical cost of an asset and the expected future economic benefits to be derived from the asset; and
- the cost of recreation of an intangible asset does not necessarily mean that it represents the value of future economic benefits that accrue from such an asset.

Further, we note in relation to the historical cost methodology, care must be exercised given that the methodology:

- may ignore the effects of inflation and the time value of money;
- may be distorted due to different accounting treatments within and between economic entities;
- may place an excessive valuation on less commercially successful, but highly expensive intangible assets; and
- may undervalue commercially successful intangible assets where there was little expenditure incurred in developing the asset.

However, we note that the leading American text “Valuation of Intellectual Property and Intangible Assets” states that the:

“cost of reproduction is a useful starting point to develop other measures of value”

This approach is supported by other internationally recognised valuation experts, such as Shannon Pratt:

“Cost approach methods are most applicable to the valuation of Intangible Assets in the following situations:

- *When the cost to construct the Intangible Assets is well supported and when the Intangible Asset is relatively new or suffers from little obsolescence.*
- *When appraising special purpose, internally developed Intangible Assets: these intangibles are not frequently exchanged in the marketplace, so there may be little or no sale or licence transaction information.*
- *When comparable (or guideline) sales or licences are not available. The intangible asset may be of an unusual type and, if the intangible is not normally income producing, the income approach may be unusable. Sometimes the only valuation approach left is the cost approach.”*

Interbrand, a leading international trademark consultancy, also accepts that cost-based valuation approaches (using, for example, historical creation cost or current recreation cost) can be appropriate to value brands:

“It is possible to value a brand on the basis of what it actually cost to create or what it might, theoretically, cost to re-create. Such valuations are sometimes used in legal cases where compensation awards are under consideration.”

The cost approach has been frequently used in cases where reliable and appropriate income and cashflow projections are not available. It is our experience that, in the absence of the most persuasive evidence, it would be highly unusual for the market to ignore factual data in the form of substantial establishment costs.

Income Based Methodologies

AASB 13 “Fair Value Measurement” issued by the AASB notes that income based valuation methodologies convert future amounts (eg cash flows or income and expenses) to a single current (ie discounted) amount. The fair value is determined on the basis of the value indicated by current market expectations about those future amounts.

This method arrives at the value of an intangible asset either by:

- multiplying an estimate of the historical or future maintainable profit arising from the intangible asset by an appropriate multiple that has been assessed after considering the market position and risks associated with the relevant asset; or
- through cash flow methodologies that estimate the NPV of an intangible asset by discounting its future economic benefits to their present value using an appropriate discount rate which incorporates overall market risk, specific industry risk and risks particular to the specific intangible asset being valued as at the valuation date.

Some common approaches are discussed below.

Relief from royalty method

The relief from royalty method assumes that if a business did not own the intangible asset under consideration, it would have to pay a royalty (usually based on gross sales arising from the use of the asset) to the owner of the intangible asset for its use. The approach is based upon what a hypothetical independent third-party user (licensee) of the intangible asset could afford, or would be willing, to pay for a licence to use the intangible asset, expressed as a royalty payment based on some income stream (such as sales) expected to be generated by the use of the intangible asset over the expected useful life of the intangible asset. The maintainable stream of royalty earnings stream is then capitalised (or discounted, if a cash flow) reflecting the time value and risk and return relationship of investing in the asset to produce the value of the intangible asset.

The value of the intangible asset under this method is the capitalised value of royalties that the owner is relieved from paying as a result of ownership of the asset. This calculation may either be prepared as an analysis of the NPV of the future royalty earnings stream or by the application of an appropriate multiple to a maintainable stream of royalty earnings.

The methodology requires determination of the following:

- an estimate of future maintainable revenue to be generated from the intangible asset;
- an appropriate royalty rate to apply to the above future maintainable revenue;
- an estimate of the costs to be incurred in maintaining the intangible assets; and
- an appropriate discount rate (discounted cashflow basis) or multiple to apply to the estimated future royalty stream (capitalised earnings basis).

The royalty rate is determined with reference to available information on other transactions. In the case of brand valuations, the royalty rate selected may be tested for commercial reasonableness against excess profit generated by the “branded” as opposed to “unbranded” or generic products. Factors that may be assessed when determining an applicable royalty rate include:

- relative dominance of the brand, patent etc.;
- geographical area covered;
- rate of return acceptable to all parties;
- probable level of continuing sales;
- commercial obligation of licensor/(ee);
- do not always accept ‘market rates’ ‘industry norms as gospel; and
- royalties often represent mark-ups.

Multi period excess earnings approach

The MPEE method is often used in valuing customer-related intangible assets. The method estimates revenues and cash flows derived from the intangible asset and then deducts portions of the cash flow that can be attributed to supporting assets, such as a brand name or fixed assets that contributed to the generation of the cash flows. These deductions are referred to as "contributory asset charges". The resulting cash flow, which is attributable solely to the subject intangible asset, is then discounted at a rate of return commensurate with the risk of the asset to calculate a present value. In cases where more than one intangible asset contributes to value under the income approach, a contributory asset charge for each contributing asset is deducted from the intangible assets cash flows to arrive at the value attributable to the intangible asset.

For example in terms of fixed assets, the "return of" fixed assets is usually represented as the replenishment of those assets through a depreciation charge (often assumed to reflect ongoing capital expenditure requirements). A "return on" those assets would reflect a hypothetical payment to the owner of the capital supplying the particular asset of a commercial return for the use of that asset.

CAC are most commonly adopted for tangible (fixed) assets, net working capital, intangible asset as appropriate (for example software, brand names, databases and the assembled workforce).

Income differential method

A subset of the capitalisation of profits method, this method is often associated with patent, trade mark and brand valuations. This method considers the differences in the income generated by sales dependent upon the intangible asset, by reviewing sale prices of competitive products/services and the estimated costs of same to determine if there is a differential in the income that may be explainable by the presence of the relevant intangible asset (such as a brand or trademark). That is, the difference between the margin of the patented/trademarked/branded product/service and an unbranded or generic product.

Excess profits method

A subset of the capitalisation of profits method, this method considers the current value of the net tangible assets employed and a benchmark estimated rate of return on the same. This is used to calculate the profits that are required in order to induce investors to invest into those net tangible assets. Any return over and above those profits required in order to induce investment is considered to be the excess return attributable to all the intangible assets, both identifiable and non-identifiable. While theoretically relying upon future economic benefits from the use of the asset, the method has difficulty in adjusting to alternative uses of the intangible asset and also in distinguishing the specific values of individual intangible assets.

Appendix 5 Discount rate

Weighted average cost of capital (“WACC”)

The WACC takes account of the proportions of equity and debt available to fund a company (or a business or an asset). The risk adjusted discount rate appropriate to value such a business or asset (as distinct from the equity in the business or asset), assuming that an investment in the asset would be funded by a mixture of debt and equity, is a weighted average of the cost of debt and the cost of equity. The weighting is the proportion of debt and equity (at market, not accounting) values represented in the capital funding the company, business or asset. This rate of return is known as the ‘weighted average cost of capital’.

The standard formula used to calculate a nominal (i.e. inclusive of inflation), after tax WACC under a classical tax system is given by:

$$WACC = \left(\frac{E}{V} \times Ke \right) + \left(\frac{D}{V} \times Kd(1 - tc) \right)$$

Where:

Ke	=	required return on equity (i.e. the cost of equity capital)
Kd	=	pre-tax cost of debt
tc	=	corporate tax rate
E	=	the market value of equity
D	=	the market value of debt
V	=	the market value of the enterprise, being the market value of the debt and the market value of the equity, (i.e. D+E).

Cost of equity

The cost of equity of a business or asset is the rate of return required by equity investors in that business or asset. A number of theoretical risk and return models are available to calculate the cost of equity. Of these, the capital asset pricing model (“**CAPM**”) is the most widely accepted and used methodology for determining the cost of equity capital. The CAPM is based on the assumption that a rational investor will value a company, business or asset such that the expected rate of return is equal to the risk free rate of return plus a premium for the riskiness (in excess of the risk free rate) of the investment in the company, business or asset.

The standard formula used to calculate a nominal (i.e. inclusive of inflation), after tax cost of equity under a classical tax system is given by:

$$Ke = Rf + \beta \times (Rm - Rf) + \alpha$$

Where:

Ke	=	required return on equity
Rf	=	the risk free rate of return
Rm	=	the expected return on the market portfolio
β	=	beta, the systematic risk of a stock relative to the market portfolio
α	=	specific nature and risks (e.g. liquidity of the investment in, the relative size of, and /or level of maturity of, the company, business or asset to be valued) additional to the general commercial risks facing the market portfolio.

Risk free rate and equity market risk premium

The risk free rate compensates the investor for the time value of money (including the expected inflation rate) over the investment period. In practice, for long-lived, going concern Australian companies, businesses and assets, the ten (10) year Commonwealth Government Bond rate is a widely used and accepted proxy for the risk free rate. This rate is a nominal rate and therefore includes inflation.

Since the global financial crisis (“GFC”) government bond rates around the world have been lowered by central banks in order to stimulate growth. In such circumstances the current ‘spot’ Commonwealth Government Bond rate may not be particularly representative of bond rates which may prevail in the longer term.

In the present market circumstances PKFCF is of the opinion that it is appropriate to adopt a:

- risk free rate of 4.57% (reflecting an investors ability to ‘lock in’ the 2.84% Commonwealth Government Bond rate at the applicable Valuation Date for a period of 10 years¹² and the requirement to refinance at a ‘normalised’ Commonwealth Government Bond rate at the expiration of that period, which we have taken to be reflected by the average 10 year Commonwealth Government Bond rate for the 10 years prior to the GFC of 5.7%); and
- market risk premium of 6%.

Beta

The equity beta coefficient is a measure of the expected volatility (and therefore risk) of a company’s stock relative to the market portfolio. The beta of a stock is determined by the characteristics of the firm and is generally based on three factors:

- the nature of revenue and the extent to which it is cyclical;
- operating leverage; and
- financial leverage.

An historical beta can be estimated by regressing the excess returns of a stock against the excess returns of the index representing the market portfolio. The beta is measured by reference to movements in the trading prices of the securities of listed entities and therefore is determined by reference to returns to equity holders, which are after any debt service and taxation. Accordingly, a firm’s beta measured by reference to movements in the trading prices of the listed securities also reflects its capital structure. Having regard to a set of companies considered broadly comparable to the Acquisitions, we have adopted an asset beta range of 1.3 to 1.4 as applicable to the Invion Assets and the Distribution Agreements.

Debt and equity mix

We have made reference to the gearing ratios of comparable companies in order to benchmark an appropriate level of gearing to assume for the purposes of deriving the WACC applicable to Invion Assets and the Distribution Agreement. The comparable companies indicate low levels of gearing. In particular oncology treatment related companies have gearing close to nil. We have adopted a gearing rate for the Invion Assets and the Distribution Agreement of 0.0%.

Cost of debt capital

The pre-tax cost of debt is the particular cost a hypothetical prudent purchaser would pay on any debt utilised to fund operations. In selecting an appropriate pre-tax cost of debt we have considered, as at Acquisition Date, the yield on a five year non-financial BBB rated corporate bond (source: RBA).

Based on the above, we have adopted a pre-tax cost of debt for Invion Assets and the Distribution Agreement of 4.7%.

¹² Source: RBA

Specific asset risk factors, Alpha

The specific risk factor accounts for the specific nature and risks (e.g. liquidity of the investment, the relative size of, and /or level of maturity of, the company, business or asset to be valued and / or diversification (both geographic or in the customer base)) of the subject company or asset additional to the general commercial risks facing the market portfolio. In this regard we make the following comments in relation to the later years of the financial forecast:

- the financial projections prepared in relation to the Invion Assets and the Distribution Agreement inherently assume a degree of uncertainty regarding the outcome of each products' development and commercialisation and therefore a degree of risk that the projections may be achieved is relatively high;
- in the case of the Distribution Agreement, projections are limited to the Australian and New Zealand markets reducing the geographic diversity;
- in the case of the Invion Assets and the Distribution Agreement, on the basis that individual assets are being valued, a lack of portfolio diversification exists; and
- in relation to the Invion Assets, and to a lesser extent, the Distribution Agreement, specific funding risks exist which increase the uncertainty of the ability to further develop these assets.

Having regard to the above, we have adopted a premium for specific asset risks as follows:

Table 27: Specific Asset Risk Premium

Asset	Low	Mid	High
INV102 (Nadolol)	13.0%	15.5%	18.0%
INV103 (ala-Cpn10)	15.5%	18.0%	20.5%
INV104 (Zafirlukast)	13.0%	15.5%	18.0%
Distribution Agreement	8.0%	8.5%	9.0%

Source: PKFCF analysis

Summary of WACC parameters

Based on the parameters above, we have determined a WACC ranges as follows:

Table 28: WACC Ranges

Asset	Low	Mid	High
INV102 (Nadolol)	25.4%	28.9%	32.4%
INV103 (ala-Cpn10)	27.9%	31.4%	34.9%
INV104 (Zafirlukast)	25.4%	28.9%	32.4%
Distribution Agreement	20.4%	21.9%	23.4%

Source: PKFCF analysis

Appendix 6 Financial Services Guide

25 October 2017

What is a Financial Services Guide?

This Financial Services Guide ("FSG") is an important document the purpose of which is to assist you in deciding whether to use any of the general financial product advice provided in the form of an independent expert report by PKF Corporate Finance (NSW) Pty Limited (ABN 65 097 893 957) ("PKFCF"). The use of "we", "us" or "our" is a reference to PKFCF as the holder of Australian Financial Services Licence ("AFSL") No. 295872.

The contents of this FSG include:

- who we are and how we can be contacted;
- what services we are authorised to provide under our AFSL;
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide;
- details of any potential conflicts of interest; and
- details of our internal and external dispute resolution systems and how you can access them.

Information about us

What financial services are we licenced to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

Provide financial product advice for the following classes of financial products:

- securities;
- interests in managed investment schemes excluding investor directed portfolio services; and
- deposit and payment products limited to;
 - basic deposit products;
 - deposit products other than basic deposit products; and
 - debentures, stocks or bonds issued or proposed to be issued by a government.

Our responsibility to you

We have been engaged by the Directors of Invion Limited ("Client") to prepare an Independent Expert's Report providing our opinion as to whether the Proposed Transactions are fair and reasonable to the Non-Associated Shareholders of Invion (the "Report"). Details of the Proposed Transactions are set out in the Notice of Annual General Meeting and the accompanying Explanatory Memorandum to be dated on or around the date of this Report. You are not the party or parties who engaged us to prepare this Report. We are not acting for any person other than the party or parties who engaged us. We are required by law to give you an FSG because the Report is being provided to you.

The liability of PKFCF is limited to the contents of this FSG and the Report referred to in this FSG.

Information about the general financial product advice we provide

The financial product advice provided in the Report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in the Report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant offer document provided by the issuer of the financial product. The purpose of the offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the offer document will include details such as the risks, benefits and costs of acquiring the particular financial product.

PKF Corporate Finance (NSW) Pty Limited
ABN 65 097 893 957
AFSL 295 872

Sydney
Level 8, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001
p +61 2 8346 6000
f +61 2 8346 6099

Newcastle
755 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309
p +61 2 4962 2688
f +61 2 4962 3245

PKF Corporate Finance (NSW) Pty Limited is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

For our office locations visit www.pkf.com.au

Associations and relationships

PKFCF provides services primarily in the area of corporate finance and is partly owned by partners of the Sydney and Newcastle partnership of PKF, Chartered Accountants ("PKF"). PKF and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services. Our directors may be partners in the partnership of PKF. The financial product advice in the Report is provided by PKFCF and not by the partnership of PKF.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the partnership of PKF (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business. Over the past two years, NIL professional fees have been received from the Client and/or The Cho Group. No individual involved in the preparation of this Report holds a substantial interest in or is a substantial creditor of the Client or has other material interests in the transaction.

How are we and our employees remunerated?

We charge fees for providing Reports. Fees are agreed with the party or parties who actually engage us, and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us. Our fees are usually determined on an hourly basis. However they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services. The estimated fee for the preparation of this Report is within the range of \$45,000 to \$55,000 (exclusive of GST and out-of-pocket expenses).

Neither PKFCF, nor its directors and officers, receive any commissions or other benefits arising directly from providing Reports to you. The remuneration paid to our directors and staff reflects their individual contribution to the company and covers all aspects of performance. We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

What should you do if you have a complaint?

If you have any concerns regarding the Report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

AFS Compliance Manager
PKF Corporate Finance (NSW) Pty Limited
GPO Box 5446
SYDNEY NSW 2001
Telephone: +61 2 8346 6000 Fax: +61 2 8346 6099

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Ombudsman Service ("FOS"). FOS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FOS at:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Telephone: (03) 9613 7366 Fax: (03) 9613 6399
Internet: <http://www.fos.org.au>

The Australian Securities and Investments Commission ("ASIC") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630
Email: infoline@asic.gov.au
Internet: <http://www.asic.gov.au/asic/asic.nsf>

Contact details

You may contact us using the details located below.

PKF Corporate Finance (NSW) Pty Limited
Level 8
1 O'Connell Street
SYDNEY NSW 2000
GPO Box 5446
SYDNEY NSW 2001
Telephone: +61 2 8346 6000 Fax: +61 2 8346 6099



Targeting inflammation

Invion Limited

ACN 094 730 417

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Invion Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1300 554 474

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (Brisbane time) on Tuesday, 28 November 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the reverse of this Proxy Form).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

NAME SURNAME
ADDRESS LINE 1
ADDRESS LINE 2
ADDRESS LINE 3
ADDRESS LINE 4
ADDRESS LINE 5
ADDRESS LINE 6



X99999999999

PROXY FORM

I/We being a member(s) of Invion Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:00am (Brisbane time) on Thursday, 30 November 2017 at The Edinburgh Room, The Brisbane Club, 241 Adelaide Street, Brisbane (the Meeting)** and at any postponement or adjournment of the Meeting.

Important for Resolution 1: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 1, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒.

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 To adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 To approve TCG as underwriter and allot and issue up to 12.5m shortfall Shares in aggregate (post-Consolidation) to TCG, UIG and Polar Ventures under the Underwritten Rights Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 To re-elect Mr Warren Brown as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3 Ratification and approval of previous allotment and issue of placement Shares under Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 To approve the consolidation of Invion's issued capital on the basis that every 100 Shares or Options be consolidated into one Share or Option	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ratification and approval of previous allotment and issue of placement Shares under Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
5 To approve the additional 10% placement capacity under Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
6 To approve the acquisition of rights to the NGPDT technology from RMWCG	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
7 To approve the allotment and issue of 2.75b shares in aggregate (pre-Consolidation) to UIG and Polar Ventures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

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