

DEMERGER OF RESPIRATORY ASSETS TO CHRONIC AIRWAY THERAPEUTICS LIMITED - UPDATE

Melbourne, Australia, 29 November 2018: Cancer therapy developer Invion Limited (ASX:IVX) (Invision or Company) wishes to update the market on the demerger of its respiratory assets.

On 5 September 2018, the Company announced that it would demerge its respiratory assets - INV102 (nadolol) and INV104 (zafirlukast) - into a new public unlisted company, Chronic Airway Therapeutics Limited (CAT), which will develop the assets in China.

In addition to the approval of Invion shareholders, which was obtained at the Company's Annual General Meeting held 13 November 2018, one of the conditions precedent to the demerger is the receipt of a draft class ruling from the Australian Taxation Office (ATO) confirming that Invion shareholders who are Australian residents for tax purposes would get the benefit of demerger tax relief.

It is understood from ongoing communications between the ATO with the Company's tax advisors that the ATO will decline to issue the draft ruling for demerger tax relief.

Based on advice from its tax advisors, provided the process is carried out in the manner currently envisaged - that is, by way of equal capital return satisfied by the in-specie distribution of all of CAT shares (Proposed Transaction), as detailed in public announcements including the AGM Notice of Meeting, the Company may apply to the ATO to issue an alternate class ruling confirming that the ATO will not treat any part of the capital return related to the Proposed Transaction as a "dividend" to Invion shareholders.

The Board has considered this in the context of the intention of the Proposed Transaction and the potential tax implications to Invion shareholders. The Board continues to believe that a separate structure to fund and advance the respiratory clinical assets maximises potential value for shareholders as both Invion and CAT can separately deliver on milestones related to their respective development and commercialisation programs.

If the alternate class ruling is issued by the ATO, the tax implications to Invion shareholders who hold their shares on capital account are expected to be as follows:

- No part of the in-specie distribution of the CAT shares to Invion shareholders should be treated as a dividend for income tax purposes.
- To the extent the amount of the in-specie distribution to the Invion shareholder is less than the cost base of the shareholder's Invion share, the cost base and reduced cost base of the Invion share are reduced by the amount of the in-specie distribution.
- Invion shareholders will make a capital gain if the amount of the in-specie distribution to the Invion shareholder in respect of the Invion shares they owned at the time of the in-specie distribution is more than the cost base of the shareholder's Invion share. The amount of the capital gain is equal to that excess.
- Invion Australian resident shareholders who are individuals or trusts may apply the capital gains tax (CGT) 50% discount to this capital gain where certain conditions are satisfied.
- Invion foreign resident shareholders should be able to disregard this capital gain on the basis that their shares in the Company are not taxable Australian property.

The proposed amount of capital returned to Invion shareholders will remain unchanged at \$0.0003 per Invion share.

Invion shareholders should consult their own professional advisors to confirm their specific tax implications as they may vary depending on individual circumstances.

The Board is of the view that the Proposed Transaction should proceed provided the alternative ATO class ruling is issued in a manner consistent with the expectations above.

Due to the changes to the Proposed Transaction relating to the tax ruling condition precedent, the Proposed Transaction will require a new approval by Shareholders. A Notice of Meeting is currently being prepared with a target date for the General Meeting in mid-January 2019.

Summary of the Proposed Transaction

The Proposed Transaction will create two independent groups:

- Invion Limited; and
- Chronic Airway Therapeutics Limited and Invion Inc.

The Proposed Transaction will be implemented by way of an equal capital reduction satisfied by an in-specie distribution of the shares in CAT. Existing Invion shareholders will retain their shares in Invion. If the Proposed Transaction is approved and implemented, eligible Invion shareholders will be entitled to receive one CAT share for each Invion share held on the record date for the Proposed Transaction.

Invion shareholders whose address, as shown on the Invion share register as at the record date, is in Australia, New Zealand, Hong Kong, Switzerland, Singapore, and United States of America will be eligible to participate, together with shareholders with a registered address in any other jurisdiction in relation to which Invion determines (acting reasonably) that the implementation of the Proposed Transaction and the distribution of CAT shares to Invion shareholders in that jurisdiction is not prohibited and not unduly onerous, including mainland China.

Ineligible shareholders will not be eligible to receive CAT shares. The CAT shares that would otherwise have been distributed to them will instead be transferred to a nominee and sold on a best endeavours basis. Ineligible shareholders will receive the sale proceeds (if any) from the sale, less any applicable costs and withholding taxes.

About Invion

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

About Photodynamic Therapy (PDT)

Invion is developing Photosoft™ technology as an improved next-generation Photodynamic Therapy. PDT is a clinically approved, minimally invasive therapeutic treatment that uses non-toxic photosensitisers and visible light in combination with oxygen to produce cytotoxic-reactive oxygen that kills malignant cells, shuts down tumours and stimulates the immune system. In contrast to surgery, or radiotherapy and chemotherapy which are mostly immunosuppressive, PDT causes acute inflammation, expression of heat-shock proteins, and invasion and infiltration of a tumour by leukocytes.

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