
Invion Limited
ABN 76 094 730 417

Notice of Extraordinary General Meeting

TIME: 12.00pm (Melbourne time)
DATE: Wednesday, 30 January 2019
PLACE: The Clarendon Hotel, Clarendon Street, South Melbourne Victoria

This Notice of Meeting should be read in its entirety. If Invion 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 3 9081 6005.

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Important information

Indicative timetable

Event	Date
Announcement to ASX of Proposed Transaction	Wednesday, 5 September 2018
Despatch of Notice of Meeting to Invion Shareholders	Friday, 21 December 2018
Cut off for lodging proxy form for Meeting	12.00pm (Melbourne time) on Monday, 28 January 2019
Extraordinary General Meeting	12.00pm (Melbourne time) on Wednesday, 30 January 2019
Record Date for Proposed Transaction	7.00pm (Melbourne time) on Monday, 4 February 2019
Implementation of Proposed Transaction	Monday, 11 February 2019

The above timetable is indicative only and the dates may be changed at the discretion of the Directors, subject to the ASX Listing Rules and the Corporations Act.

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting Eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those that are registered Invion Shareholders at 7.00pm (Melbourne time) on Monday, 28 January 2019.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member 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. If the members appoints two proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has two or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the Meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a Meeting of the Company's members; and
- the appointed proxy is not the chair of the Meeting; and
- either of the following applies:
 - the proxy is not recorded as attending the Meeting;
 - the proxy does not vote on the resolution,

the chair of the Meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the Meeting.

The chair of the Meeting intends to vote all undirected proxies in favour of the resolution.

Notice of Extraordinary General Meeting to Invion Shareholders

The Extraordinary General Meeting of Invion Shareholders will be held at 12.00pm (Melbourne time) on Wednesday, 30 January 2019.

The Explanatory Memorandum that accompanies and forms part of this Notice of Meeting describes in more detail the matters to be considered.

Please note terms contained in this Notice of Meeting have the same meaning as set out in Schedule 1 of the Explanatory Memorandum.

Resolution 1 – Capital reduction and distribution of Chronic Airway Therapeutics Limited Shares (CAT Shares)

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That for the purpose of section 256C of the Corporations Act and for all other purposes:

- (a) the Company undertake an equal capital reduction, without cancelling any shares, of an amount equivalent to the market value (as set out in the Explanatory Memorandum) of all of the fully paid ordinary shares in the capital of Chronic Airway Therapeutics Limited (**CAT Shares**); and
- (b) the reduction be satisfied by the transfer of all of the CAT Shares, or the distribution of proceeds from the sale of CAT Shares, as applicable, to holders of ordinary shares in the Company in the ratio of one CAT Share for every one fully paid ordinary shares held in the Company (**Invion Shares**) as at 7.00pm (Melbourne time) on [4 February 2019] (**Record Date**),

in accordance with the Corporations Act, the Constitution, the ASX Listing Rules and on the terms and conditions set out in the Explanatory Memorandum.”

Board recommendation

The Board recommends that Invion Shareholders vote in favour of this resolution.

Resolution 2 – Adoption of Employee Share Option Plan

To consider, and if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

“That for the purposes of ASX Listing Rule 7.2 Exception 9 and for all other purposes, Invion Shareholders approve the Option Plan as described in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting.”

Voting exclusion statement

The Company will disregard any votes cast in favour of this resolution by or on behalf of:

- a Director (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company); and
- an associate of that person.

In accordance with the Corporations Act, a member of the Key Management Personnel (or a closely related party of such member) cannot vote as proxy if their appointment does not specify the way in which the proxy is to vote.

However, the Company need not disregard a vote if:

- it is cast by the person as 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, provided that the Proxy Form expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Board recommendation

In the interests of corporate governance, the Directors have abstained from making a recommendation in respect of this resolution.

Resolution 3 – Election of Mr Alan Yamashita as a Director

To consider, and if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

“That subject to the passing of Resolution 1, Mr Alan Yamashita, being eligible, be elected as a Director of the Company.”

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

Board recommendation

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

Resolution 4 – Approval to issue Options to Mr Thian Chew

To consider, and if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

“That for the purpose of ASX Listing Rule 10.14 and for all other purposes, Invion Shareholders approve the issue of 27,257,615 Options to Mr Thian Chew with nil issue price in accordance with the Option Plan and on the terms and conditions described in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting.”

Voting exclusion statement

The Company will disregard any votes cast in favour of this resolution by or on behalf of:

- a Director (except a Director who is ineligible to participate in the Option Plan); and
- an associate of that person.

In accordance with the Corporations Act, a member of the Key Management Personnel (or a closely related party of such member) cannot vote as proxy if their appointment does not specify the way in which the proxy is to vote.

However, the Company need not disregard a vote if:

- it is cast by the person as 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, provided that the Proxy Form expressly authorises the Chair to exercise the proxy even if the resolution is
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connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Board recommendation

In the interests of corporate governance, the Directors have abstained from making a recommendation in respect of this resolution.

Resolution 5 – Approval to issue Options to Dr Greg Collier

To consider, and if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

“That for the purpose of ASX Listing Rule 10.14 and for all other purposes, Invion Shareholders approve the issue of 136,288,074 Options to Dr Greg Collier with nil issue price in accordance with the Option Plan and on the terms and conditions described in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting.”

Voting exclusion statement

The Company will disregard any votes cast in favour of this resolution by or on behalf of:

- a Director (except a Director who is ineligible to participate in the Option Plan); and
- an associate of that person.

In accordance with the Corporations Act, a member of the Key Management Personnel (or a closely related party of such member) cannot vote as proxy if their appointment does not specify the way in which the proxy is to vote.

However, the Company need not disregard a vote if:

- it is cast by the person as 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, provided that the Proxy Form expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Board recommendation

In the interests of corporate governance, the Directors have abstained from making a recommendation in respect of this resolution.

Resolution 6 – Approval to issue Options to Dr James Campbell

To consider, and if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

“That for the purpose of ASX Listing Rule 10.14 and for all other purposes, Invion Shareholders approve the issue of 20,433,211 Options to Dr James Campbell with nil issue price in accordance with the Option Plan and on the terms and conditions described in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting.”

Voting exclusion statement

The Company will disregard any votes cast in favour of this resolution by or on behalf of:

- a Director (except a Director who is ineligible to participate in the Option Plan); and
- an associate of that person.

In accordance with the Corporations Act, a member of the Key Management Personnel (or a closely related party of such member) cannot vote as proxy if their appointment does not specify the way in which the proxy is to vote.

However, the Company need not disregard a vote if:

- it is cast by the person as 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, provided that the Proxy Form expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Board recommendation

In the interests of corporate governance, the Directors have abstained from making a recommendation in respect of this resolution.

Resolution 7 – Approval to issue Options to Dr Mitchell Glass

To consider, and if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

“That for the purpose of ASX Listing Rule 10.14 and for all other purposes, Invion Shareholders approve the issue of 4,088,642 Options to Dr Mitchell Glass with nil issue price in accordance with the Option Plan and on the terms and conditions described in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting.”

Voting exclusion statement

The Company will disregard any votes cast in favour of this resolution by or on behalf of:

- a Director (except a Director who is ineligible to participate in the Option Plan); and
- an associate of that person.

In accordance with the Corporations Act, a member of the Key Management Personnel (or a closely related party of such member) cannot vote as proxy if their appointment does not specify the way in which the proxy is to vote.

However, the Company need not disregard a vote if:

- it is cast by the person as 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, provided that the Proxy Form expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Board recommendation

In the interests of corporate governance, the Directors have abstained from making a recommendation in respect of this resolution.

Resolution 8 – Approval to issue Options to Mr Alan Yamashita

To consider, and if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

“That, subject to the passing of Resolution 3, for the purpose of ASX Listing Rule 10.14 and for all other purposes, Invion Shareholders approve the issue of 20,443,211 Options to Mr Alan Yamashita with nil issue price in accordance with the Option Plan and on the terms and conditions described in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting.”

Voting exclusion statement

The Company will disregard any votes cast in favour of this resolution by or on behalf of:

- a Director (except a Director who is ineligible to participate in the Option Plan); and
- an associate of that person.

In accordance with the Corporations Act, a member of the Key Management Personnel (or a closely related party of such member) cannot vote as proxy if their appointment does not specify the way in which the proxy is to vote.

However, the Company need not disregard a vote if:

- it is cast by the person as 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, provided that the Proxy Form expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Board recommendation

In the interests of corporate governance, the Directors have abstained from making a recommendation in respect of this resolution.

Resolution 9 – Issue of short term incentives to Dr Greg Collier

To consider, and if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

“That for the purposes of Listing Rule 10.11, and for all other purposes, Invion Shareholders approve the issue of \$150,000 worth of Invion Shares to Dr Greg Collier in accordance with the terms in the Explanatory Memorandum.”

Voting exclusion statement

The Company will disregard any votes cast in favour of this resolution by or on behalf of:

- Dr Greg Collier; and
- an associate of Dr Greg Collier.

In accordance with the Corporations Act, a member of the Key Management Personnel (or a closely related party of such member) cannot vote as proxy if their appointment does not specify the way in which the proxy is to vote.

However, the Company need not disregard a vote if:

- it is cast by the person as 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, provided that the Proxy Form expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Board recommendation

The Directors, with Dr Greg Collier abstaining, recommend that Invion Shareholders vote in favour of this resolution.

BY ORDER OF THE BOARD



Melanie Farris
COMPANY SECRETARY

DATED: 21 DECEMBER 2018

Explanatory Memorandum

Introduction

This Explanatory Memorandum has been prepared for the information of Invion Shareholders in relation to business to be conducted at the General Meeting to be held at The Clarendon Hotel, Clarendon Street, South Melbourne, Victoria at 12.00pm (Melbourne time) on Wednesday, 30 January 2019.

Purpose of Explanatory Memorandum

The purpose of this Explanatory Memorandum is to provide Invion Shareholders with all information known to the Company which is material to a decision on how to vote on the resolutions in the accompanying Notice of Meeting.

This Explanatory Memorandum does not take into account the individual investment objectives, financial situation and needs of individual Invion Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the resolutions and Invion 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 ASX 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 the Company believes that the expectations reflected in the forward looking statements are reasonable, neither the Company 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 subject matter of the resolution 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 the Company or the Board.

Responsibility for information

The information contained in this Explanatory Memorandum has been prepared by the Company and is the responsibility of the Company.

A copy of the Notice of Meeting and Explanatory Memorandum has been provided to the ASX and lodged with ASIC. Neither ASX, ASIC nor any of their respective 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 Schedule 1.

Electronic copy

An electronic copy of this Notice of Meeting and accompanying Explanatory Memorandum is available on the ASX website and also 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 Secretary, Ms Melanie Farris, (telephone: +61 3 9081 6005).

1 Resolution 1 – Capital reduction and distribution of Chronic Airway Therapeutics Limited Shares (CAT Shares)

Background

- 1.1 At the Company's Annual General Meeting held on 13 November 2018, a resolution was passed by Invion Shareholders approving a capital reduction to be satisfied by the distribution of Chronic Airway Therapeutics Limited Shares (**CAT Shares**). The resolution was passed by Invion Shareholders on the basis that, as a condition precedent to the demerger, the ATO would issue a draft class ruling confirming that Invion Shareholders will get the benefit of demerger tax relief, in a form satisfactory to Invion.
- 1.2 As announced to ASX on 29 November 2018, it is understood from ongoing communication between the ATO and the Company's tax advisors that the ATO will decline to issue the demerger relief class ruling. Invion has applied to obtain an alternate class ruling from the ATO to confirm that the capital reduction will not be treated as a dividend to Invion Shareholders, and the ATO has issued a draft class ruling, with the final class ruling expected to be issued following the approval of Resolution 1. The implications of the alternate class ruling and tax effect of the transaction on Invion Shareholders are set out in Schedule 5.
- 1.3 As a result of the above, the Board has called this General Meeting to seek approval from Invion Shareholders to proceed with the proposed transaction on the terms set out in this Explanatory Memorandum based on the alternate ATO class ruling.

Summary of changes to the Proposed Transaction

- 1.4 The key changes to the Proposed Transaction are as follows:
 - (a) the ATO declined to issue the demerger relief class ruling and has instead issued a draft alternate class ruling to confirm that the capital reduction will not be treated as a dividend to Invion Shareholders; and
 - (b) the Proposed Transaction is no longer subject to the ATO issuing a class ruling on demerger relief.
- 1.5 Other than the above, the Proposed Transaction is in the same form as set out in Invion's notice of Annual General Meeting dated 24 September 2018. A summary of the taxation implications to Invion Shareholders who are Australian residents for income tax purposes is set out in Schedule 5. Invion Shareholders are strongly recommended to consult with a professional tax adviser before voting on Resolution 1.

The Proposed Transaction

- 1.6 Invion Limited (**Invion** or **Company**) is a life sciences company focused on the development of treatments for cancer, respiratory and autoimmune disease. Invion is a public company admitted to the official list of the Australian Securities Exchange (**ASX**).
- 1.7 The majority of Invion's activities have been directed towards research and development, maintenance and commercial development of Invion's key assets.
- 1.8 On 31 August 2012, CBio merged with US Company Inverseon Inc. which resulted in Inverseon Inc. being wholly owned by CBio, acquiring amongst other things the rights to Nadolol and Zafirlukast

(Respiratory Assets). Details of the Respiratory Assets are set out in detail in Schedule 2 to this Explanatory Memorandum.

- 1.9 Invion undertook feasibility, preclinical and Phase II clinical studies on the Respiratory Assets over a three-year period ending in 2015. Since that time, Invion has been searching for a commercial partner to further develop the Respiratory Assets towards commercialisation.
- 1.10 At the 30 November 2017 Annual General Meeting, a strategic transaction with The Cho Group was approved by Invion Shareholders pursuant to which amongst other things Invion was appointed as the exclusive distributor and licensee of the Photosoft technology for the treatment of cancers **(Photosoft)** in Australia and New Zealand. Invion is now leading the global clinical development of Photosoft, which is funded by The Cho Group, and holds commercialisation and distribution rights to Photosoft in Australia and New Zealand.
- 1.11 The Company is proposing to “spin out” the Respiratory Assets. The proposed transaction will be undertaken by:
- (a) interposing Chronic Airway Therapeutics Limited **(CAT)** between Invion and Invion Inc., so that CAT will become a wholly owned subsidiary of Invion and Invion Inc. will become a wholly owned subsidiary of CAT;
 - (b) assigning all of the balance Respiratory Assets held by Invion to CAT; and
 - (c) undertake an equal capital reduction by way of an in-specie distribution of CAT Shares to Invion Shareholders as the consideration,

(Proposed Transaction).

- 1.12 The majority of the Respiratory Assets are currently held in Invion Inc., with the balance held in Invion Limited. On completion of the Proposed Transaction, Invion Inc. will be a wholly owned subsidiary of CAT and the balance of the Respiratory Assets held in Invion will be assigned to CAT. This means that on completion all of the Respiratory Assets will be held by either CAT or by Invion Inc. as part of the demerged group.
- 1.13 Structure diagrams showing the structure of Invion as at the date of this Notice and on completion of the Proposed Transaction are set out in Schedule 3.
- 1.14 If the Proposed Transaction is approved, each Eligible Shareholder (as defined in paragraph 1.49 below) will receive one CAT Share for each Invion Share they hold as at the Record Date.

Rationale for undertaking the Proposed Transaction

- 1.15 The Directors believe that the Proposed Transaction should be conducted for the following key reasons:
- (a) separate the Respiratory Assets and clinical development strategy from Invion and the new cancer treatment development strategy, and allow a standalone board and management team to focus on the further development of the Respiratory Assets;
 - (b) enable funds to be raised more effectively in a vehicle separated from Invion’s Photosoft technology assets and only focused on respiratory diseases. The Directors consider that investors interested in the Respiratory Assets would be unlikely to invest in Invion given the Company’s focus is on the Photosoft technology. As at the date of this Notice, there is no current intention for Invion to raise additional capital given that the Photosoft research and development is fully funded by non-dilutive funding from The Cho Group. Invion notes however that it may be more difficult to raise capital in an unlisted company, particularly where the unlisted entity is in the early stages of development and does not expect to generate near term revenues;

- (c) remove responsibility for maintenance costs associated with the Respiratory Assets which is negatively impacting on Invion's cash position, including patent renewal fees and attorney costs and costs associated with drug storage and stability testing. It should be noted that shareholders of CAT will still be exposed to the maintenance costs of the Respiratory Assets through their holdings in CAT;
- (d) allow the Board and management team of Invion to focus on the clinical development of the Photosoft technology and cancer indications; and
- (e) separate employee reporting functions and accountability.

Proposed activities and initial funding of CAT

- 1.16 As detailed in paragraph 1.8 above, at the 30 November 2017 Annual General Meeting, a strategic transaction with The Cho Group was approved by Invion Shareholders pursuant to which amongst other things Invion was appointed as the exclusive distributor and licensee of the Photosoft technology for the treatment of cancers in Australia and New Zealand.
- 1.17 The Cho Group has agreed that, following completion of the Proposed Transaction, The Cho Group will provide \$200,000 initial working capital (by way of a loan to CAT) in order for CAT to finalise the China-focused clinical strategy described below. The terms of the loan are:
 - (a) loan amount of \$200,000 (unsecured with an interest rate of 10% per annum, repayable 18 months from the date of the loan advance); and
 - (b) subject to the requirements of the Corporations Act, the loan will be convertible into CAT Shares. As The Cho Group will (upon completion of the Proposed Transaction) hold a relevant interest in CAT Shares of greater than 20% due to its current holding in Invion, the conversion of the loan will require CAT Shareholders' approval pursuant to section 611(7) of the Corporations Act unless another exception under section 611 of the Corporations Act applied (such as progressively converting the loan into CAT Shares under the "creep provision" in section 611(9) of the Corporations Act). The Cho Group and its associates currently hold a relevant interest of 66.34% in Invion Shares and is expected to also hold the same relevant interest in CAT Shares on completion of the Proposed Transaction.
- 1.18 Common with other clinical development-stage life sciences companies, it is anticipated that CAT will seek to raise capital from investors and/or to seek partners to explore opportunities with the Respiratory Assets in Chronic Obstructive Pulmonary Disease (**COPD**), chronic bronchitis or severe asthma indications, targeted in China.
- 1.19 It is anticipated that following the completion of the Proposed Transaction, CAT will prepare for a rights issue to raise funds to progress the clinical development plans as described below. The Directors consider that the \$200,000 convertible debt funding from The Cho Group is sufficient to enable CAT to continue as a going concern until completion of the rights issue.
- 1.20 Invion Shareholders should be aware that if the loan is converted, The Cho Group's percentage shareholding in CAT will increase. Additionally, if a rights issue is conducted by CAT and The Cho Group takes up all of its entitlements under the rights issue but not all other CAT Shareholders take up their entitlements, then The Cho Group's percentage shareholding in CAT will also increase.

Clinical development plans for Respiratory Assets

- 1.21 The development of the Respiratory Assets will be way of pre-clinical and clinical trials, including to study for the decrease of cough and sputum in a number of patient groups and to improve the signs and symptoms of chronic airway diseases including COPD, chronic bronchitis and severe asthma.
- 1.22 The Board of Invion has prepared a headline clinical development plan in relation to the Respiratory Assets, which includes:

- (a) clinical development to Phase III – including undertaking two pivotal clinical trials, the first to understand the decrease in cough and sputum after acute insult (e.g. pneumonia or influenza), the second to improve the signs and symptoms of chronic airway diseases including COPD/ chronic bronchitis or severe asthma;
- (b) completion of sub-studies to investigate airway healing (histology) and return to baseline after exacerbation;
- (c) a three-year outline (detailed in paragraph 4.20 below) which includes targeted milestones for meeting with the China FDA for Investigational New Drug Application (IND) and End of Phase II discussions and submissions, the establishment of sites and experts, manufacturing method and material transfer and qualification, the selection of Clinical Research Organisation/s for clinical trial monitoring and data collection; and
- (d) biostatistics planning and analysis, being the application of statistics to (in this case) clinical data. Planning for biostatistics entails determining how many patients will be needed in a study to help ensure a positive (in this case) efficacy outcome will be statistically significant.

1.23 It is anticipated that CAT will enter into key contracts with manufacturing and clinical research organisations. The Executive Directors of Invion have researched potential clinical development partner organisations in China for the preparation, consideration and potential appointment by CAT to move clinical plans forward as soon as possible after the completion of the Proposed Transaction.

1.24 As CAT is an early stage life sciences company, no income is expected to be generated in the near term. The success of CAT will be dependent upon the outcome of further research studies on the Respiratory Assets and, based on that outcome, CAT's ability to secure China FDA approval.

1.25 A three-year plan of development activities is discussed below. This plan will be subject to a number of factors including but not limited to regulatory interactions and results of studies at each stage.

Year 1: parallel activities

- Meet with China FDA:
 - Pre-IND and EOPII meeting
 - Protocol proposal
 - Submission of IND (end of Year 1)
- Establish sites and experts
- Qualify non-clinical package
 - Method and material transfer and qualification
 - Method transfer WUSL to Chinese center of excellence
- Technical translation of diary cards, protocols, IB, informed consent
- Site qualification and initiation meetings

Year 2

- Select Clinical research organisation for monitoring
- Contracts for biostatistics and data management
- Initiate and execute 2 Phase III studies
 - Sub-studies for airway healing, biomarkers
- Commence both clinical trials
- Interim analysis if needed

Year 3

- Complete both clinical protocols and sub-studies
- Analyze, interpret and report studies
- File NDA with China FDA
- Plan follow-up studies as needed (children, under-represented populations, excluded populations)
- Partner for commercialization

Corporations Act requirements

- 1.26 In accordance with section 256B of the Corporations Act, the Company is permitted to make a capital reduction not otherwise authorised by law, provided that the reduction:
- (a) is fair and reasonable to the Company's shareholders as a whole;
 - (b) does not materially prejudice the Company's ability to pay its creditors; and
 - (c) is approved by shareholders under 256C of the Corporations Act.
- 1.27 A share capital reduction can be either an equal reduction or a selective reduction. The Proposed Transaction will be an equal reduction because:
- (a) it relates only to ordinary shares;
 - (b) it applies to each Invion Shareholder in proportion to the number of Invion Shares they hold; and
 - (c) the terms of the reduction are the same for each Invion Shareholder.
- 1.28 In this case, the Company proposes to satisfy the capital reduction by transferring to Eligible Shareholders the CAT Shares which are currently owned by Invion (known as an in-specie distribution).
- 1.29 The Directors do not consider that the Proposed Transaction would materially prejudice the Company's ability to pay its creditors.
- 1.30 Section 256C of the Corporations Act states that an equal capital reduction must be approved by resolution passed at a general meeting of the company (i.e. an ordinary resolution). Accordingly, Resolution 1 is to seek Invion Shareholder approval for the purposes of section 256C of the Corporations Act and for all other purposes.
- 1.31 In accordance with section 256C(4) of the Corporations Act, this Notice of Meeting must also set out all information known to the Company that is material to the decision on how to vote on Resolution 1. However, the Company is not required to disclose information if it would be unreasonable for the Company to do so because the Company had previously disclosed the information to its Invion Shareholders. Accordingly, this Notice of Meeting and Explanatory Memorandum should be considered in conjunction with information available on the ASX platform released by Invion.
- 1.32 The below sections set out the information which Invion considers to be material to Invion Shareholders in making a decision on how to vote on the Proposed Transaction.

ASX Listing Rule requirements

- 1.33 ASX Listing Rule 7.17 requires that any entity offering security holders an entitlement to securities in another entity must do so on a pro rata basis, or made in another way that, in the ASX's opinion, is fair in all the circumstances. There must also be no restriction on the number of securities which a holder must hold before the entitlement accrues. This rule however does not apply to any holder with less than a holding of \$500.
- 1.34 Invion confirms that it is in compliance with ASX Listing Rule 7.17.

Conditions Precedent to Proposed Transaction

- 1.35 Implementation of the Proposed Transaction is subject to a number of Conditions Precedent being satisfied. These Conditions Precedent include, amongst other things:

- (a) Invion Shareholders approving Resolution 1 at the Meeting;
- (b) Invion obtaining all necessary regulatory approvals, consents, waivers or other acts from relevant government agencies required, or in the reasonable opinion of Invion, desirable to implement the Proposed Transaction being obtained (either unconditionally or on conditions reasonably satisfactory to Invion) including:
 - (i) relief from ASIC from the requirement to prepare a disclosure document in relation to the invitation to Invion Shareholders to vote on the Proposed Transaction and in relation to any secondary trading in CAT Shares; and
 - (ii) an exemption from Part 3 (Disclosure of Offers of Financial Products) of the *Financial Markets Conduct Act 2013* (NZ) from the New Zealand Financial Markets Authority;
- (c) there being no orders or demands in placement from any court or government agency which would prevent completion of the Proposed Transaction or which would render the distribution of CAT Shares to the Invion Shareholders unlawful;
- (d) any necessary third party consents to the assignment being obtained; and
- (e) completion of the Share Exchange Agreement and IP Assignment Deed,

(Conditions Precedent).

- 1.36 Invion is not aware of any circumstances that would cause the Conditions Precedent not to be satisfied or be incapable of being satisfied as at the date of this Notice. The Conditions Precedent will need to be satisfied by 31 March 2019 (unless extended by Invion and CAT).

Invion Board change

- 1.37 Subject to completion of the Proposed Transaction, it is expected that Dr Mitchell Glass will remain as the Executive Vice President, R&D and Chief Medical Officer of Invion Inc., as part of the demerged group. Dr Glass will also be appointed as an executive director of CAT to drive the clinical development of the respiratory assets through phase II and III. Clinical trial synopses have been developed with the aim of enabling first registration of the Nadolol product in less than 3 years in China.
- 1.38 As Dr Glass is currently also a Director of Invion, if the Proposed Transaction is approved by Invion Shareholders, Dr Glass will resign from the Board to focus on CAT. To ensure that the Board continues to have the necessary capability to oversee the Company, Mr Alan Yamashita has been nominated for election as a replacement for Dr Glass. Information on Mr Alan Yamashita is set out in Resolution 4.

Information on CAT

- 1.39 CAT was incorporated as an Australian public company limited by shares on 4 September 2018.
- 1.40 The current directors of CAT are Mr Thian Chew (Chairman), Dr Mitchell Glass (Executive Director), Dr Greg Collier (Non-Executive Director) and Dr James Campbell (Non-Executive Director), who are also the current Directors of Invion. Their individual profiles are set out below.
- (a) Mr Thian Chew

Mr Thian Chew is currently the non-executive chairman of Invion.

Mr 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.

(b) Dr Mitchell Glass

Dr Mitchell Glass is currently Executive Director of Invion and Chief Medical Officer of Invion, Inc.

Dr Mitchell Glass is a 30 year veteran of the pharmaceutical industry. His experience is broad:- ranging from senior positions in top ten pharmaceutical companies, to investment in and management of start-ups and biotech companies. After seven years of research, teaching and patient care at the University of Pennsylvania, Dr Glass joined ICI Pharmaceuticals in 1988 where he established the pulmonary therapeutics group and led the development and submission of the antileukotriene ACCOLATE®. From 1995-6, Dr Glass was Vice President and Director at SmithKline Beecham where he was responsible for cardiovascular, respiratory, renal and metabolic drug development and commercialisation, including submission of the NDA/MAA for COREG®. From 1998 to 2003, Dr Glass was Chief Medical Officer and VP of Clinical Development and Regulatory Affairs of AtheroGenics Inc. (AGIX), where he led product development from IND to initiation of Phase 3 for AGI1067 and was a member of the IPO team.

Dr Glass joined AQUMEN Biopharmaceuticals KK and NA as CEO of AQUMEN NA and a Main Board Director. Dr Glass graduated from the University of Chicago and is board certified in internal medicine, pulmonary and critical care medicine.

Subject to completion of the Proposed Transaction, it is anticipated that Dr Glass will resign from the Board of Invion to focus on implementation of CAT.

(c) Dr Greg Collier

Dr Greg Collier is currently Managing Director and Chief Executive Officer of Invion.

Dr Collier has more than 25 years of experience spanning operational, clinical and scientific aspects of pharmaceutical research, development and commercialisation. He has led the planning and execution of multiple commercial transactions including in and out licensing deals and major M&A activities, and he has successfully taken a drug from discovery through to regulatory approval.

Notably, Dr Collier steered ChemGenex Pharmaceuticals from a research-based company with a market capitalisation of \$10M to a company with completed clinical trials and regulatory dossiers submitted to the FDA and EMA. In 2011, ChemGenex was sold to Cephalon for \$230 million.

Prior to his commercial pharmaceutical career, Dr Collier had an outstanding academic career resulting in over 150 peer reviewed publications, and senior authorship on 33 patents. Dr Collier was

the inaugural Alfred Deakin Professor at Deakin University, and also held positions at Melbourne University, Monash University and the University of Toronto. In 2010, Dr Collier was awarded the Roche Award of Excellence for his contribution to the biotechnology industry.

(d) Dr James Campbell

Dr. Campbell has more than 25 years of international biotechnology research, management and leadership experience and has been involved in the creation and/or transformation of multiple successful Australian and international biotechnology companies. Dr. Campbell was previously the CFO and COO of ChemGenex Pharmaceuticals Limited (ASX:CXS), where, as a member of the executive team he helped transform a research-based company with a market capitalisation of \$10M to a company with completed clinical trials and regulatory dossiers submitted to the FDA and EMA. In 2011 ChemGenex was sold to Cephalon for \$230M. Dr. Campbell was a foundation executive of Evolve Biosystems, and has assisted private biotechnology companies in Australia, New Zealand and the USA with successful capital raising and partnering negotiations. Dr. Campbell sits on the Advisory Board of Deakin University's Centre for Innovation in Mental and Physical Health and Clinical Treatment (IMPACT). Dr. Campbell is Managing Director & CEO of Patrys Limited (ASX:PAB) and is a Non-Executive Director of Prescient Therapeutics Limited (ASX:PTX).

Summary of agreements relating to the Proposed Transaction

Share Exchange Agreement

- 1.41 Invion has entered into a share exchange agreement with CAT pursuant to which CAT will acquire all of the issued shares in Invion Inc., in consideration of which CAT will issue new CAT Shares to Invion equivalent to the market value of Invion Inc. (**Share Exchange Agreement**).
- 1.42 The Share Exchange Agreement is conditional on:
- (a) Invion Shareholders approving Resolution 1 at the Meeting;
 - (b) Invion obtaining all necessary regulatory approvals, consents, waivers or other acts from relevant government agencies required, or in the reasonable opinion of Invion, desirable to implement the Proposed Transaction being obtained (either unconditionally or on conditions reasonably satisfactory to Invion) including:
 - (i) relief from ASIC from the requirement to prepare a disclosure document in relation to the invitation to Invion Shareholders to vote on the Proposed Transaction and in relation to any secondary trading in CAT Shares; and
 - (ii) an exemption from Part 3 (Disclosure of Offers of Financial Products) of the *Financial Markets Conduct Act 2013* (NZ) from the New Zealand Financial Markets Authority; and
 - (c) there being no orders or demands in placement from any court or government agency which would prevent completion of the Proposed Transaction or which would render the distribution of CAT Shares to the Invion Shareholders unlawful.
- 1.43 As at the date of this Notice, the conditions in subparagraph (b) has been satisfied and the others remain outstanding. Invion is not aware of any circumstances that would cause the conditions not to be satisfied or be incapable of being satisfied as at the date of this Notice.
- 1.44 Invion has provided typical warranties and indemnities to CAT in relation to title, capacity and solvency.

Intellectual Property Assignment Deed

- 1.45 Invion has entered into an Intellectual Property Assignment Deed with CAT pursuant to which Invion will assign all of its rights, interests and title to all intellectual property rights held by in relation to the

Respiratory Assets to CAT, in consideration of which CAT will issue new CAT Shares to Invion equivalent to the market value of the Respiratory Assets (**IP Assignment Deed**).

1.46 The IP Assignment Deed is conditional on:

- (a) any necessary third party consents to the assignment being obtained; and
- (b) completion of the Share Exchange Agreement.

1.47 Invion is not aware of any circumstances that would cause the conditions not to be satisfied or be incapable of being satisfied as at the date of this Notice.

1.48 Invion has provided typical warranties to CAT in relation to the intellectual property rights to the Respiratory Assets being assigned.

Tax implications of Proposed Transaction to Invion Shareholders

1.49 A summary of the taxation implications to Invion Shareholders who are Australian residents for income tax purposes is set out in Schedule 5. Invion Shareholders are strongly recommended to consult with a professional tax adviser before voting on Resolution 1.

Eligible Shareholders

1.50 The distribution of CAT Shares to overseas Invion Shareholders under the Proposed Transaction is subject to legal and regulatory requirements in Invion Shareholders' relevant overseas jurisdictions.

1.51 Invion has determined that only **Eligible Shareholders** will be entitled to receive CAT Shares, being Invion Shareholders as at the Record Date who:

- (a) are registered as a holder of Invion Shares as at the Record Date;
- (b) have a registered address on Invion's share register in:
 - (i) Australia, New Zealand, Hong Kong, Singapore, Switzerland or the United States; or
 - (ii) any other jurisdiction as Invion determines (acting reasonably) that the distribution of CAT Shares to Invion Shareholders in that jurisdiction is not prohibited and not unduly onerous, including mainland China; and
- (c) are eligible under all applicable securities laws to receive CAT Shares.

1.52 It will be the responsibility of the Invion Shareholder to comply with the laws to which they are subject in their relevant jurisdiction.

1.53 All other Invion Shareholders who are not Eligible Shareholders (**Ineligible Shareholders**) will not receive CAT Shares and the CAT Shares that they would have received had they been eligible will instead be transferred to the Sale Agent. The Sale Agent will use best endeavours to sell such CAT Shares within three months after the Proposed Transaction is completed and Ineligible Shareholders will receive the proceeds (if any) from the sale of the CAT Shares, less any costs and withholding taxes.

1.54 Ineligible Shareholders will receive the same price for CAT Shares sold on their behalf, subject to rounding down to the nearest cent by:

- (a) direct credit to their nominated bank account as noted on Invion's share register on the Record Date; or

- (b) where an account has not been provided, by cheque posted to the Ineligible Shareholder's address as noted on Invion's share register on the Record Date.

1.55 No brokerage will be payable in respect of CAT Shares sold by the Sale Agent.

1.56 There is no guarantee that the CAT Shares can be sold, or that a particular price can be achieved, as there is no market for CAT Shares because CAT is an unlisted entity. The net proceeds of sale to such Ineligible Shareholders may be more or less than the notional dollar value of the reduction of capital.

Consequences of approving the Proposed Transaction

1.57 If Resolution 1 is approved:

- (a) Invion will undertake the capital reduction;
- (b) Invion will transfer the CAT Shares to Eligible Shareholder and the Sale Agent on behalf of Ineligible Shareholders (as applicable) in the proportion to which they are entitled; and
- (c) Invion will cease to have any interest in the Respiratory Assets, Invion Inc, or CAT.

1.58 A pro-forma statement of financial position for Invion is set out in Schedule 4 and shows the impact on the financial position of Invion after completion of the Proposed Transaction as if the Proposed Transaction had occurred on 30 September 2018.

1.59 A pro-forma statement of financial position for CAT following completion of the Proposed Transaction is also set out in Schedule 4 (noting that the statement does not include the effect of the proposed loan from The Cho Group).

1.60 The number of Invion Shares held by Invion Shareholders will not be impacted by the Proposed Transaction. Accordingly, there are no potential control implications as a result of the Proposed Transaction.

Implementation of the Proposed Transaction

1.61 If the Proposed Transaction is implemented and if you are an Invion Shareholder on the Record Date, Invion is obliged to transfer to you (or to the Sale Agent on your behalf if you are an Ineligible Shareholder) one CAT Share for every one Invion Share you held as at the Record Date.

1.62 The obligation to transfer CAT Shares to Eligible Shareholders and to the Sale Agent (in respect of Ineligible Shareholders) will be discharged by Invion as follows:

- (a) Invion will execute instruments of transfer for the relevant CAT Shares, both on its own behalf and (as applicable) on behalf of Eligible Shareholders, as allowed under clause 8 of Invion's Constitution;
- (b) Invion will procure that the Sale Agent executes the instruments of transfer relating to CAT Shares in respect of Ineligible Shareholders; and
- (c) the executed transfer instruments will be delivered to CAT for registration.

1.63 CAT will register the transfers by entering the names of the Eligible Shareholders and the Sale Agent (as applicable) in the CAT share register in respect of the CAT Shares transferred to them.

1.64 Except for Eligible Shareholders' tax file numbers, any binding instruction or notification between an Eligible Shareholder and Invion relating to Invion Shares as at the Record Date will, unless otherwise determined by CAT, be deemed to be a similarly binding instruction or notification to CAT in respect

of the relevant CAT Shares. CAT Shareholders may subsequently revoke or amend such instructions or notifications by written notice to CAT or its share registry.

Implications for holders of Invion options

- 1.65 Holders of options issued by Invion will not be issued options or any other securities in CAT as a result of their holdings in the Invion options and will also not be entitled to vote on the Proposed Transaction as a result of their holdings in the Invion options.
- 1.66 ASX Listing Rule 7.22 requires that, in a return of capital, the number of Invion options will not change, however the exercise price will be reduced by the amount of capital returned per share. In this case, the amount of capital returned per Invion Share is \$0.0003. After accounting for rounding, there will be no change to the exercise price for existing Invion Options.

Advantages of the Proposed Transaction

- 1.67 As noted above, the Directors of Invion believe the potential advantages of the Proposed Transaction include:
- (a) to separate the Respiratory Assets from Invion and allow a standalone board and management team to focus on the further development of the Respiratory Assets;
 - (b) enable funds to be raised more effectively in a vehicle that is targeted to conducting clinical development for regulatory approval in the China market and that is separated from Invion's Photosoft assets. It is anticipated that following the completion of the Proposed Transaction, CAT will prepare for a rights issue to raise funds to progress the clinical development plans as described above;
 - (c) by moving the Respiratory Assets, Invion will no longer be responsible for maintenance costs associated with the assets which is negatively impacting Invion's cash position. It should be noted that shareholders of CAT will still be exposed to the maintenance costs of the Respiratory Assets through their holdings in CAT;
 - (d) allow the Board and management team to focus on the clinical development of the Photosoft technology; and
 - (e) to separate employee reporting functions and accountability.

Disadvantages of the Proposed Transaction

- 1.68 The potential disadvantages of the Proposed Transaction include:
- (a) following completion of the Proposed Transaction, Invion will become less diversified and be more exposed to risks affecting its Photosoft technology business;
 - (b) there will be costs to implement the Proposed Transaction (refer to Schedule 4 for further information). The bulk of costs have been incurred in the preparation for the Proposed Transaction, including legal and taxation advice. Costs associated with the Proposed Transaction incurred to date are in the amount of approximately \$130,000. The Proposed Transaction costs will be payable by Invion irrespective of whether it proceeds;
 - (c) there may be taxation implications to Invion Shareholders. Schedule 5 sets out a summary of the possible taxation implications to Invion Shareholders who are Australian residents for tax purposes;
 - (d) CAT will be smaller in scale than Invion following the Proposed Transaction, which may have adverse implications given the smaller economies of scale and reduced bargaining power; and

- (e) that there will be no liquid market for the shares in CAT (as CAT is unlisted) and that there are no plans to create a liquid market for them in the foreseeable future (i.e. by way of listing). Accordingly, it may be more difficult for CAT Shareholders to sell their CAT Shares and realise the value of their holdings in CAT.

Risks associated with the Proposed Transaction

- 1.69 There are a number of risk factors associated with the Proposed Transaction, continuing to be an Invion Shareholder following the Proposed Transaction, and becoming a CAT Shareholder, some of which are set out below. This is not intended to be a comprehensive outline of all possible risks associated with the Proposed Transaction. Invion Shareholders are advised to seek professional advice before making a decision in respect of voting on Resolution 1.

Risks of remaining an Invion Shareholder

- (a) Transaction benefits may not be realised

The Proposed Transaction may fail to realise the anticipated benefits set out in paragraph 1.65 above, either in a timely manner or at all.

- (b) Development of Photosoft technology

Development of the Photosoft technology involves pre-clinical and clinical studies required to meet regulatory standards. There is a possibility that the Photosoft technology will not meet the regulatory requirements and that the products will be unable to be brought to market. If Invion breaches its exclusive licence agreement to the Photosoft technology, there is a possibility that Invion will lose rights to the Photosoft technology.

- (c) Proposed Transaction may not complete

Completion of the Proposed Transaction is subject to the satisfaction of a number of Conditions Precedent. If Invion Shareholders do not approve Resolution 1 at the Meeting or if any of the other Conditions Precedent are not satisfied, the Proposed Transaction will not proceed.

Risks associated with becoming a CAT Shareholder

- (a) Industry risks

The Respiratory Assets and proposed strategy for those assets involves the further development and production of products from those assets. In the health and life sciences industry, there are inherent risks involved with the development of pharmaceutical products. These risks can include that the approvals and regulatory processes required to bring products to market may not be capable of being met, or may be more expensive than anticipated.

- (b) Funding and development risk

Substantial funding will be required to develop the Respiratory Assets to approval stages. CAT may be unable to raise additional capital to progress the Respiratory Assets or to achieve its goals. CAT may also be unable to find suitable partners to progress opportunities in respect of the Respiratory Assets. If any of these possibilities eventuate, CAT's business may not be viable.

- (c) Liquidity risk

There is no immediate intention to apply for CAT to be admitted to the official list of the ASX or any other stock exchange. There will not be a traded market for CAT Shares and CAT Shareholders may be unable to sell their CAT Shares. There is also no guarantee that CAT will be listed on any stock exchange in the future.

- (d) Dilution risk

As previously noted, once the Proposed Transaction has been completed, CAT may raise additional capital for the development and better utilisation of the Respiratory Assets. CAT may also raise capital in the future for working capital. Fundraising activities conducted by CAT may not be offered pro-rata to CAT Shareholders (if at all). Accordingly, CAT Shareholders' interests in CAT may be diluted by any further capital raising activities following the Proposed Transaction.

Implications if the Proposed Transaction does not proceed

1.70 If the Proposed Transaction does not proceed:

- (a) the benefits in paragraph 1.65 of this Notice will not be realised;
- (b) Invion will retain sole ownership of the Respiratory Assets and there will be no change to Invion's existing structure. Invion Shareholders will not receive any CAT Shares; and
- (c) Invion will continue seeking partners to fund the next stage of clinical development for the Respiratory Assets.

Summary of rights attaching to CAT Shares

1.71 A shareholding in CAT is subject to its constitution. CAT Shares to be distributed under the Proposed Transaction will rank equally with existing CAT Shares.

The following is a summary of the principal rights of CAT Shareholders. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and obligations for CAT Shareholders.

Shares

The board of directors of CAT is entitled to issue and cancel shares in the capital of CAT, grant options over unissued shares and settle the manner in which fractions of a share are to be dealt with. The board of directors of CAT may also issue other securities in the capital of CAT.

Variation of rights

The rights attaching to CAT Shares may only be varied with the consent in writing of CAT Shareholders holding at least three-quarters of the CAT Shares, or with the sanction of a special resolution passed at a separate meeting of the holders of CAT Shares.

Share capital reduction by distribution of specific assets

The board of directors of CAT may distribute specific assets (including paid-up shares or other securities of CAT or another body corporate or trust) or as direct payment of a reduction of share capital and may fix the value of any asset distributed, make cash payments on the basis of the fixed asset value and vest an asset in trustees.

Share certificates

Subject to the requirements of relevant law, CAT need not issue share certificates. Where the board of directors of CAT decide not to issue share certificates, a shareholder will have the right to receive statements of the holdings of the shareholder.

Share transfers

CAT Shares may be transferred by any method permitted by the Corporations Act (or other relevant law) or by a written transfer in any usual form or in any other form approved by the board of directors of CAT. The board of directors of CAT may refuse to register a transfer of CAT Shares where it is

not in registrable form, CAT has a lien over any of the CAT Shares to be transferred or where it is permitted to do so by the relevant law.

General meetings and notice

Each holder of CAT Shares is entitled to receive notice of and attend any general meeting of CAT. Unless CAT only has one shareholder, two shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting unless a quorum is present. A director may call a meeting of members and members may also requisition or convene general meetings in accordance with the procedures set out in the Corporations Act. Shareholders must be given at least 21 days written notice of any general meeting unless otherwise permitted by the Corporations Act.

Voting rights

On a show of hands each holder of CAT Shares present has one vote and, on a poll, one vote for each CAT Share held. Voting may be in person or by proxy, attorney or representative. A poll may be demanded at a meeting in the manner permitted by the Corporations Act.

Dividends

Dividends are payable upon the determination of the board of directors of CAT, who may fix the amount, time for payment and method of payment of dividends. The directors may resolve that the dividend be satisfied wholly or partly by the distribution of specific assets including shares, debentures or other securities of the Company or any other body corporate or trust.

Rights on winding up

All CAT Shares rank equally in the event of a winding up, subject to any amount remaining unpaid on any CAT Shares. Once all of CAT's liabilities are met, the liquidator may, with the sanction of a special resolution of shareholders, divide amongst the shareholders all or any of CAT's assets and for that purpose determine how the liquidator will carry out the division between the different classes of members.

Interposition

If the board of directors of CAT resolve to interpose a new holding company of CAT, each holder of CAT Shares must exchange their CAT shares for shares in a new holding company of CAT. Each CAT Shareholder agrees to be bound by the constitution of the new holding company.

Regulatory relief

ASIC exemption / declaration

- 1.72 ASIC Regulatory Guide 188 sets out ASIC's view that an invitation to shareholders to vote on a transfer of securities (including as part of a reconstruction) at a general meeting would constitute an offer of securities to those shareholders. Therefore, without relief, the issue of this Notice would require a disclosure statement, such as a prospectus, to be provided to Invion Shareholders. Additionally, any securities issued without a disclosure document would, unless an exception applied, also be subject to on-sale restrictions for a period of 12 months. Accordingly, Invion has obtained relief from ASIC from:
- (a) the requirement to prepare a prospectus in relation to the invitation to Invion Shareholders to vote on the Proposed Transaction; and
 - (b) on-sale restrictions to allow Eligible Shareholders to sell any CAT Shares issued to them.

This Notice is in substantially the same form as the draft notice of meeting given to ASIC on 14 December 2018.

Financial Markets Conduct exemption

- 1.73 Similarly, in New Zealand the issue of this Notice would trigger the need for disclosure to shareholders. Accordingly, Invion has sought relief from The New Zealand Financial Markets Authority (**FMA**). The FMA has issued the relief to exempt Invion and CAT from Part 3 (Disclosure of Offers of Financial Products) of the New Zealand *Financial Markets Conduct Act 2013* in relation to the Proposed Transaction subject to various conditions.

Notice to Invion Shareholders resident in the United States of America

- 1.74 The CAT Shares referred to in this Explanatory Memorandum have not been and will not be registered in the United States under the U.S. Securities Act or any state securities laws in the United States. Accordingly, any CAT Shares issued to persons in the United States or to the account or for the benefit of any U.S. person will only be made in a transaction that is not required to be registered under the US Securities Act or any applicable state securities laws.
- 1.75 Neither the U.S. Securities and Exchange Commission nor any state securities regulator in the United States have approved or disapproved of these securities or passed upon the adequacy or accuracy of this Explanatory Memorandum. The CAT Shares will not be listed for trading on any securities exchange in the United States.

U.S. Invion Shareholders should be aware that this Explanatory Memorandum is subject to the disclosure requirements of Australia, which are different from those of the United States, and it may not contain all of the same information that would be included in a similar transaction subject to the disclosure requirements of the United States federal securities laws.

1.76 Foreign selling restrictions

Hong Kong

WARNING

The contents of the have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

The CAT Shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that ordinance, and no advertisement, invitation or document relating to CAT Shares may be issued or may be in the possession (and will not be issued or in the possession) of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to CAT Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This document and any other materials relating to the CAT Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of CAT Shares, may not be issued, circulated or distributed, nor may the CAT Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company’s shares, (ii) an “institutional investor” (as defined in the SFA) or (iii) a “relevant person” (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any issue of CAT Shares is not made to you with a view to the CAT Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire CAT Shares. As such, you are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United States of America

Based on the U.S. Securities Act rules and regulations and applicable or analogous interpretations by the United States Securities and Exchange Commission thereunder, the Company believes that CAT Shares received by U.S. persons generally should not be treated as “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, and U.S. persons who receive securities in the Proposed Transaction (other than “affiliates” as described in the paragraph below) may resell them without restriction under the U.S. Securities Act.

Under the relevant U.S. securities laws, persons who are deemed to be affiliates of the Company and CAT as of the date and time at which the Proposed Transaction becomes effective may not resell the CAT Shares received pursuant to the Proposed Transaction without registration under the U.S. Securities Act, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Whether a person is an affiliate of the Company or CAT for such purpose depends upon the individual facts and circumstances, but affiliates of a company can include certain officers, directors and significant shareholders. CAT Shareholders who believe they may be affiliates for the purposes of the U.S. Securities Act should consult their own legal advisors prior to any resale of CAT Shares received pursuant to the Proposed Transaction.

Board recommendation

- 1.77 The Directors unanimously recommend Invion Shareholders vote in favour of Resolution 1.

2 Resolution 2 – Adoption of Employee Share Option Plan

Background

- 2.1 The Board has determined that, in order to retain executives and other employees and to align their interests with shareholder value creation, it is in the best interests of the Company to have an appropriate long term incentive plan in place. The Board has therefore resolved to adopt the Option Plan.

ASX Listing Rule requirements

- 2.2 ASX Listing Rule 7.1 specifies that shareholder approval is required for an issue of securities if the issue, when aggregated with the securities issued by the company during the previous 12 months, exceeds 15% of the number of securities on issue at the commencement of the 12 month period.
- 2.3 ASX Listing Rule 7.2 Exception 9 allows securities issued under an employee incentive scheme within 3 years of shareholder approval to be exempt from the 15% placement capacity.
- 2.4 The Company's previous option plan was adopted at the Company's 2012 Annual General Meeting and the 3 year period for the purposes of ASX Listing Rule 7.2 Exception 9 expired on 25 October 2015. The Option Plan replaces the Company's previous option plan.
- 2.5 The purpose of Resolution 2 is to seek shareholder approval for a 3 year period for a new Option Plan for the purposes of ASX Listing 7.2 Exception 9.

Information required under ASX Listing Rule 7.2 Exception 9

Number of Options issued since last approval	Not applicable as this is the first time that Invion Shareholder approval is being sought for the Option Plan.
Voting exclusion statement	<p>The Company will disregard any votes cast in favour of this Resolution by or on behalf of:</p> <ul style="list-style-type: none"> a Director (except a Director who is ineligible to participate in the Option Plan); and an associate of that person. <p>However, the Company need not disregard a vote if:</p> <ul style="list-style-type: none"> 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 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.
Summary of Option Plan	
What securities are granted under the Option Plan?	<p>Options will be granted, each being eligible to subscribe for one Invion Share, subject to the ASX Listing Rules and the terms of the Option Plan.</p> <p>An Invion Share issued on the exercise of an Option will rank equally with all other Invion Shares on issue.</p>
Who can participate?	Any employee (including any director, part-time or full-time employee or consultant) of the Company or its subsidiaries who is declared by the Board to be eligible (Eligible Participant).
How are eligible employees invited?	<p>The Board may from time to time determine that an Eligible Participant may participate in the Option Plan by inviting the person to apply for the grant of Options. The invitation may be made on the terms determined by the Board, including as to:</p> <ul style="list-style-type: none"> the number of Options for which the participant may apply; the date on which the Options are granted; the exercise price for the Options; the vesting conditions of the Options; and the forfeiture of the Options. <p>The eligible employee must return the application form duly completed and signed to the Company by the due date and time, together with a cheque for any amount payable in respect of the grant of the Options (if any).</p>

How are Options granted?	After the Company accepts a duly completed application form, the Company will grant the relevant number of Options to the participant, and issue a certificate evidencing the grant of the Options.
Will Options be listed on the ASX?	No, Options granted under the Option Plan will not be listed.
Are there any vesting conditions?	<p>The Board may determine in its sole discretion the nature of any vesting conditions. The vesting conditions will be contained in the invitation to participants. Options may not be exercised unless the vesting conditions (if any) have been met.</p> <p>Options will vest on:</p> <ul style="list-style-type: none"> • the date the vesting conditions are satisfied; or • the date the vesting conditions are waived by the Board; or • if the vesting of the Options is not subject to vesting conditions, the date the Options are granted to the participant.
What is the exercise price?	The Board will determine the exercise price of the Options in its sole discretion. The exercise price will be contained in the invitation to participants.
How are the Options exercised?	<p>After the Options have vested, the participant must give a notice of exercise to the Company and pay the exercise price (if any) prior to the expiry date of the Option, as specified in the invitation.</p> <p>After a participant has validly exercised the Options, the Company will issue to the participant the number of Invion Shares the participant is entitled to through the exercise of the Options.</p>
Are the Options transferable?	A participant must not sell, assign, transfer, grant security over, or otherwise deal with an Option granted under the Option Plan unless required by law (including transfer upon death or legal incapacity of the Option holder).
What happens on retirement, disability or death of the eligible officer or employee?	Within 20 business days, the Board may issue a written notice that the Options will not be forfeited. The Board may determine in its discretion whether the employee's options are deemed to have vested.
When do the Options lapse?	<p>An Option will lapse when it has been forfeited.</p> <p>Options will be forfeited where:</p> <ul style="list-style-type: none"> • a participant ceases employment with the Company other than by retirement, disability, or death, or any other circumstance identified by the Board; or • any applicable vesting conditions have not been met by the due date; or • the Board determines an employee has acted fraudulently or dishonestly, or has willfully breached his/her duties as an employee; or • a participant becomes insolvent; or • a participant ceases to be an Eligible Participant and either is in direct competition with the Company; or • another forfeiture event as specified in the relevant invitation occurs. <p>The Board has discretion to determine that, notwithstanding a forfeiture event, the Options are not forfeited.</p>
Adjustments	If there is a reorganisation of capital of the Company (including any subdivision, consolidation, reduction, return or

	<p>cancellation of capital), the rights of each participant will be changed to the extent necessary to comply with the ASX Listing Rules.</p> <p>If there is a bonus issue or pro rata issue (as those terms are defined under the ASX Listing Rules) the Board may determine that the exercise price for all Options issued under the Option Plan will be adjusted in the manner specified in ASX Listing Rule 6.22.</p>
Can the Option Plan be amended?	<p>The Board may at any time amend the Option Plan, including the terms and conditions upon which any Options have been granted under the Option Plan.</p> <p>However, no such amendment may be made if the amendment materially reduces the rights of any holder of Options issued to them prior to the date of the amendment, other than an amendment that is introduced primarily:</p> <ul style="list-style-type: none"> • for the purpose of complying with or conforming to present or future legislation governing or regulating the maintenance or operation of the Option Plan; • to correct any manifest error or mistake; • to allow the implementation of an employee share trust arrangement; • to take into consideration possible adverse tax implications in respect of the plan including changes to applicable tax legislation or the interpretation of that legislation by a court of competent jurisdiction or any rulings from taxation authorities administering such legislation, <p>unless otherwise agreed to in writing by all participants adversely affected by the proposed amendment.</p>
Who manages and administers the Option Plan?	The Option Plan is managed and administered by the Board.
Option Plan limits	<p>The Board will not grant Options under the Option Plan if:</p> <ul style="list-style-type: none"> • the number of Invion Shares which would be issued if all of the current Options issued under the Option Plan were exercised; and • the number of Invion Shares which have been issued as a result of the exercise of Options issued under any employee incentive scheme, where the Options were issued during the preceding three years, <p>but excluding any Options granted or Invion Shares issued by way of or as a result of certain excluded offers, would exceed 5% of the then current number of Invion Shares on issue.</p>

Board recommendation

- 2.6 In the interests of corporate governance, the Directors have abstained from making a recommendation in respect of this Resolution 2.

3 Resolution 3 – Election of Alan Yamashita as a Director

Background

- 3.1 As noted in paragraph 1.36, it is anticipated that Dr Glass will resign from the Board to focus on CAT. To ensure that the Board continues to have the necessary capability to oversee the Company, Mr

Alan Yamashita has been nominated for election as a replacement for Dr Glass. It is expected that Dr Mitchell Glass will remain as the Executive Vice President, R&D and Chief Medical Officer of Invion Inc. For further information, please refer to Resolution 1.

- 3.2 Mr Yamashita has over 40 years' experience in investment management, investment banking, and alternative investment. He is Managing Partner at Polar Ventures, a private investment firm that provides capital, strategic and operating solutions, focusing on small-medium sized enterprises in Asia. Mr Yamashita was Executive Advisor for Mizuho Alternative Investments, LLC, 2007-2010 providing strategy, management, and execution for the firm's distressed credit, structured credit, and CLO management businesses, including sourcing and investing in non-performing real estate, consumer, and corporate loans in addition to advising institutional and private investor relationships globally.
- 3.3 From 1999 to 2005, Mr Yamashita was President and CEO of Search Investment Group and founding CEO and CIO of Search Alternative Investment Limited (SAIL), a major private global hedge fund and private equity investment practice headquartered in Asia. As CIO, Mr Yamashita managed a multibillion-dollar portfolio of hedge funds and private equity holdings to consistently top-tier performance through market cycles. Board Advisor of Search investee companies including Plantation Timber Partners, Wuhan; Duty Free Shoppers, Asia; and TVSN, Shanghai.
- 3.4 Prior to Search Investments Group, Mr Yamashita was Managing Director and Head of Asia Capital Markets for Merrill Lynch from 1996 to 1998, where he built an award-winning franchise (IFR 1997) for profitability, volume, and quality of capital markets business and was responsible for senior origination relationships in Asia. Mr Yamashita was a 16-year veteran of Goldman Sachs where he served as Executive Director and founding Asia manager for Goldman Sachs Asset Management (GSAM) and Executive Director for Goldman Sachs Fixed Income, Currency and Commodity (FICC), with postings in New York, Tokyo, and Hong Kong. His responsibilities included commodities sourcing and distribution, Asian fixed income sales, currency hedging management. He led institutional and private client fund raising and investor relations for GSAM in Asia, and served on internal risk management committee in Hong Kong.
- 3.5 As Mr Yamashita is a business partner of Polar Ventures with Mr Thian Chew, the Board considers that Mr Yamashita is not an Independent Director in accordance with the Board's Corporate Governance Policy.
- 3.6 The passing of Resolution 3 is subject to the approval of Resolution 1.

Directors' recommendation

- 3.7 The Directors unanimously recommend the appointment of Mr Yamashita to the Board.

4 Resolutions 4 to 8 – Approval to issue Options to Directors

Background

- 4.1 Subject to the approval of Shareholders, the Company proposes to issue Options to Mr Thian Chew, Dr Greg Collier, Dr James Campbell, Dr Mitchell Glass and, subject to the passing of Resolution 3, Mr Alan Yamashita, who are Directors of the Company.
- 4.2 Resolutions 4 to 8 seek Invion Shareholder approval for the issue of a total of 208,520,753 Options to Directors under the Option Plan. The Company wishes to grant the Options to the Directors as part of the Company's long term incentive plan.
- 4.3 The number of Options proposed to be granted to Directors are as follows:

Thian Chew	27,257,615
Greg Collier	136,288,074
James Campbell	20,443,211
Mitchell Glass	4,088,642
Alan Yamashita	20,443,211

4.4 The terms of the Options proposed to be granted to Directors are as follows:

Issue price/Consideration	Nil issue price
Exercise price	The exercise price will be not less than 130% of the market price of Invion Shares traded on ASX as at market close on the trading day immediately before the Options are issued.
Grant date	Within five business days of approval by Invion Shareholders of the issue of the Options.
Vesting date	Options will vest on the following dates and in the following proportions, subject to the rules relating to forfeiture in the Option Plan: 1 February 2019: (20% of Options vest) 1 December 2019: (20% of Options vest) 1 December 2020: (20% of Options vest) 1 December 2021: (20% of Options vest) 1 December 2022: (20% of Options vest)
Expiry date	The Options expire 4 years after the grant date

4.5 The full terms and conditions of the Options to be issued to the Directors are set out in paragraph 2.3 of this Explanatory Memorandum.

ASX Listing Rule 10.14

4.6 ASX Listing Rule 10.14 provides that an entity must not permit a director or an associate of a director to acquire securities under any employee incentive scheme without the approval of ordinary shareholders. As Mr Chew, Dr Collier, Dr Campbell, Dr Glass and, subject to the passing of Resolution 3, Mr Yamashita are Directors, these Resolutions 4 to 8 seek Invion Shareholder approval for the purpose of ASX Listing Rule 10.14.

Information required under ASX Listing Rule 10.15

The maximum number of securities that may be acquired	Thian Chew (Resolution 4) – 27,257,615 Greg Collier (Resolution 5) – 136,288,074 James Campbell (Resolution 6) – 20,443,211 Mitchell Glass (Resolution 7) – 4,088,642 Alan Yamashita (Resolution 8) – 20,443,211
The price, or the formula for calculation the price, for each security to be acquired under the scheme	The exercise price will be not less than 130% of the market price of Invion Shares traded on ASX as at market close on the trading day immediately before the Options are issued.
The names of all persons referred to in ASX Listing Rule 10.14 who received securities under the scheme since the last approval, the number of the securities received and acquisition price for each security	Nil
The terms of any loan in relation to the acquisition	Not applicable.
The date by which the entity will issue the securities	If approved, the Company intends to issue the Options the subject of Resolutions 4 to 8 within

	five business days of approval by Invion Shareholders.
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Chapter 2E of the Corporations Act

- 4.7 Pursuant to Chapter 2E of the Corporations Act, if a public company proposes to provide a financial benefit to a related party, the company must:
- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
 - (b) give the benefit within 15 months following such approval,
- unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.
- 4.8 Section 211 provides that member approval is not needed to give a financial benefit if the benefit is remuneration to a related party as an officer or employee of a public company and it is reasonable given:
- (a) the circumstances of the public company giving the remuneration; and
 - (b) the related party's circumstances (including the responsibilities involved in the office or employment).
- 4.9 As Mr Chew, Dr Collier, Dr Campbell, Dr Glass and, subject to the passing of Resolution 3, Mr Yamashita, are Directors of the Company, they are considered to be related parties of the Company. However, in respect of each of Resolutions 4 to 8, the Directors have resolved (with the relevant Director being granted Options absent and abstaining from voting) that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Options on the basis that the exception under section 211 is applicable.

Board recommendation

- 4.10 In the interests of corporate governance, the Directors have abstained from making a recommendation in respect of Resolutions 4 to 8.

5 Resolution 9 – Issue of short term incentives to Dr Greg Collier

Background

- 5.1 Under Dr Greg Collier's employment contract, where it is determined by the Board, in its sole discretion, that a short term incentive bonus is payable, Dr Collier is eligible to receive an annual bonus of up to 30% of gross base salary.
- 5.2 Following a recommendation by the Remuneration Committee, the Board approved a bonus payment to Dr Collier of \$100,000. Further, in lieu of a change in base salary, the Board approved a one-time payment of an additional \$50,000 for a total payment to Dr Collier of \$150,000 payable in Invion Shares.
- 5.3 Invion Shareholder approval is sought for the issue of \$150,000 in Invion Shares. The total number of Invion Shares to be issued will be determined as \$150,000 divided by the market price of Invion Shares traded on ASX as at market close on the trading day immediately before the Invion Shares are issued.

ASX Listing Rule 10.11

- 5.4 ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.
- 5.5 ASX Listing Rule 10.11 provides that a company may not issue securities to a related party without obtaining prior shareholder approval. Dr Collier is a related party for the purposes of the ASX Listing Rules.
- 5.6 Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Invion Shares to Dr Collier as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the \$150,000 worth of Invion Shares to Dr Collier will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.
- 5.7 The following information is provided in relation to the proposed issue of Invion Shares in accordance with ASX Listing Rule 10.13:
- (a) \$150,000 worth of Invion Shares are being issued to Dr Collier;
 - (b) the number of Invion Shares to be issued to Dr Greg Collier will be determined by the market price of Invion Shares traded on ASX as at market close on the trading day immediately before the Invion Shares are issued;
 - (c) the Invion Shares are expected to be issued within five business days after approval by Invion Shareholders and in any event will be no later than one month after the date of this Meeting;
 - (d) the Invion Shares will be issued for nil consideration in part satisfaction of Dr Collier's short term incentive bonus;
 - (e) the Invion Shares are fully paid ordinary shares in the capital of the Company and will rank pari passu with all other Invion Shares on issue; and
 - (f) no funds will be raised by the issue of Invion Shares to Dr Collier.

Chapter 2E of the Corporations Act

- 5.8 Pursuant to Chapter 2E of the Corporations Act, if a public company proposes to provide a financial benefit to a related party, the company must:
- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
 - (b) give the benefit within 15 months following such approval,
- unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.
- 5.9 Section 211 provides that member approval is not needed to give a financial benefit if the benefit is remuneration to a related party as an officer or employee of a public company and it is reasonable given:
- (a) the circumstances of the public company giving the remuneration; and
 - (b) the related party's circumstances (including the responsibilities involved in the office or employment).

- 5.10 As Dr Collier is a Director of the Company, he is considered to be a related party of the Company. However, the Directors, with Dr Collier abstaining, have resolved that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of Shares to Dr Collier, on the basis that the exception under section 211 is applicable.

Board recommendation

- 5.11 The Directors, with Dr Collier abstaining, recommend that Shareholders vote in favour of this Resolution 9.

Schedule 1 Glossary

In this Notice of Meeting and Explanatory Memorandum, unless otherwise specified, the following terms have the given meanings:

ASX	ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
ASX Listing Rules	The official listing rules of ASX as amended from time to time.
ATO	Australian Taxation Office.
Board	The board of Directors from time to time.
CAT	Chronic Airway Therapeutics Limited ACN 628 608 113.
CAT Shares	A fully paid ordinary share in the capital of CAT.
CAT Shareholder	A registered holder of a CAT Share.
Company or Invion	Invion Limited ABN 76 094 730 417.
Conditions Precedent	The conditions set out in paragraph 1.33.
Constitution	The constitution of the Company, as adopted by Invion Shareholders on 13 November 2018.
Corporations Act	The <i>Corporations Act 2001</i> (Cth).
Director	A director of the Company.
Eligible Shareholder	Has the meaning given in paragraph 1.49.
Explanatory Memorandum	Explanatory Memorandum accompanying the Notice of Meeting.
General Meeting or Meeting	Extraordinary General Meeting of Invion Shareholders the subject of this Notice of Meeting.
Ineligible Shareholder	Means an Invion Shareholder who is not an Eligible Shareholder.
Invion Share	A fully paid ordinary share in the capital of the Company.
Invion Shareholder	A registered holder of a Invion Share.
Key Management Personnel	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).
Notice or Notice of Meeting	The notice convening the General Meeting, which accompanies this Explanatory Memorandum.
Option	An option issued in the capital of the Company issued pursuant to the terms of the Option Plan.
Option Plan	The Invion Employee Share Option Plan.
Photosoft	Has the meaning given in paragraph 1.8.
Proposed Transaction	Has the meaning given in paragraph 1.9.
Proxy Form	Proxy Form attached to the Notice of Meeting.
Record Date	The record date to determine eligibility to participate in the Proposed Transaction, being 7.00pm (Melbourne time) on [4 February 2019].
Respiratory Assets	Assets for the treatment of respiratory diseases, including Nadolol and Zafirlukast, the details of which are set out in

Schedule 2.

Sale Agent

The nominee appointed by Invion to sell or facilitate the sale of the CAT Shares to which Ineligible Shareholders would have otherwise been entitled.

The Cho Group

The Cho Group Limited (CR No. 1299173).

U.S. Securities Act

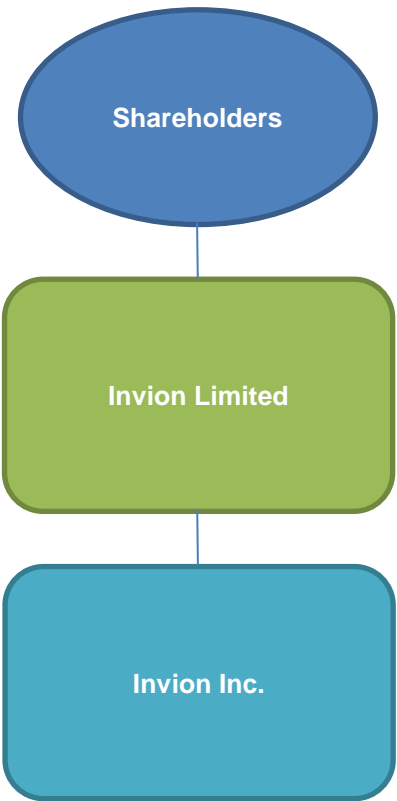
The *United States Securities Act of 1933*, as amended.

Schedule 2 Summary of Respiratory Assets

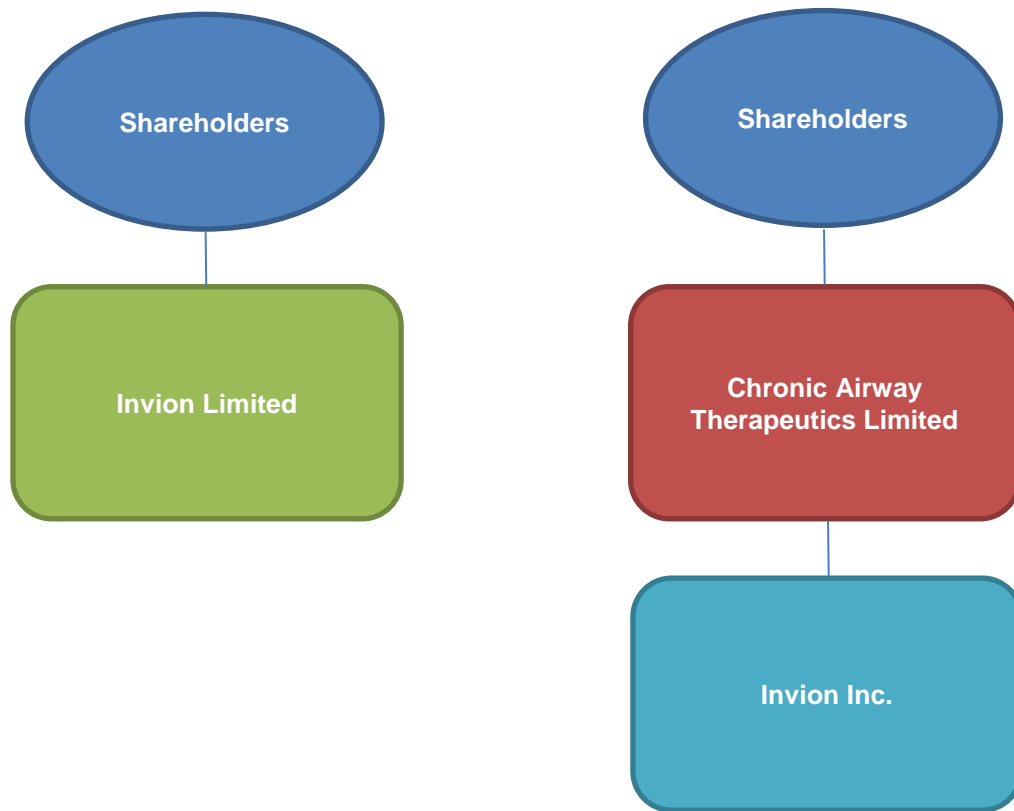
Asset	Description
INV102 (Nadolol)	<p>INV102 is a <i>beta adrenergic biased ligand</i> (beta blocker) targeted to reverse the cycle of airway inflammation.</p> <p>Pre-clinical studies demonstrated that treatment with INV102 resulted in healing of the airway epithelium. Two proof-of-concept phase IIa 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 early H1 2016. Data released on this trial showed good safety and no increased need for rescue medication.</p> <p>In October 2015, Invion release 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.
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 case 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><i>Zafirlukast</i> 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>

Schedule 3 Structure diagrams

Current structure of Invion



Structure of Invion following completion of Proposed Transaction



Schedule 4 Pro-forma financial information

The below pro-forma financial information has not been audited and has been provided for illustrative purposes only and shows the effect of the Proposed Transaction as if it had occurred on 30 September 2018. The pro-forma statement of financial position is not intended to be a statement of the Company's current financial position.

PROFORMA STATEMENT OF FINANCIAL POSITION

	30/9/18	Following Proposed Transaction
	\$	\$
Current Assets		
Cash and cash equivalents	2,891,371	1,623,959
Trade and other receivables (CA)	91,770	93,265
Other current assets	77,617	160,868
Total Current Assets	3,060,758	1,878,092
Non-Current Assets		
Intangible assets	7,288,272	5,335,000
Total Non-Current Assets	7,288,272	5,335,000
Total Assets	10,349,030	7,213,092
Current Liabilities		
Trade and other payables	782,070	195,706
Financial liabilities including unearned revenue	906,559	-
Short-term provisions	93,024	57,849
Total Current Liabilities	1,781,653	253,555
Non-Current Liabilities		
Long term provisions and deferred tax liabilities	661,032	12,394
Total Non-Current Liabilities	661,032	12,394
Total Liabilities	2,442,685	265,949
Net Assets	7,906,345	6,947,143
Equity		
Issued Capital	132,140,700	130,405,335
Reserves	23,771,219	21,920,934
Accumulated Losses	(148,005,574)	(145,379,126)
Total in Equity	7,906,345	6,947,143

Chronic Airway Therapeutics Limited
PROFORMA STATEMENT OF FINANCIAL POSITION

	<u>\$</u>
Current Assets	
Cash and cash equivalents	100
Total Current Assets	<u>100</u>
Non-Current Assets	
Shares in Subsidiary	1,468,228
Intangible assets	267,037
Total Non-Current Assets	<u>1,735,265</u>
Total Assets	<u>1,735,365</u>
Total Liabilities	<u>-</u>
Net Assets	<u><u>1,735,365</u></u>
Equity	
Issued Capital	1,735,365
Total in Equity	<u><u>1,735,365</u></u>

Schedule 5 Summary of the expected Australian tax implications for Invion Shareholders

Important information

This document should not be used in substitution for obtaining tax advice. Invion Shareholders should consult their own professional advisors to confirm their specific tax implications as they may vary depending on individual circumstances.

This document provides a general outline of the main Australian taxation implications in relation to the Proposed Transaction for Invion Shareholders who:

- hold their Invion Shares on capital account for income tax purposes;
- acquired, or were deemed to have acquired, their Shares on or after 20 September 1985;
- are not subject to the rules concerning the taxation of financial arrangements contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in respect of their Shares; and
- are eligible to participate in the Proposed Transaction.

(Participating Shareholder)

Participating Shareholders should note that the information in this document does not take into account the individual investment objectives, financial situation or other particular circumstances of Participating Shareholders and does not constitute tax advice. This document does not provide a complete analysis of all taxation laws which may apply in relation to the Proposed Transaction for all Invion Shareholders.

Invion strongly recommends that each Participating Shareholder consult with a professional tax adviser in connection with the Proposed Transaction prior to voting.

The summary below solely relates to matters governed by and should be interpreted in accordance with the relevant laws as in force and as interpreted at 9:00am (Melbourne time) on the date of this document.

Class Ruling

Invion has applied to the Australian Commissioner of Taxation (**Commissioner**) for a class ruling to confirm the tax implications for Participating Shareholders in respect of the Proposed Transaction. A draft class ruling (setting out the Commissioner's preliminary but considered view) is expected to be received prior to the date of the Meeting and the final class ruling is expected to be received shortly following the Proposed Transaction. Invion will notify Invion Shareholders as soon as the class ruling is released.

Outline of the expected Australian taxation implications of the Proposed Transaction for Invion Shareholders

If a confirmatory class ruling is issued by the ATO, the tax implications to Participating Shareholders who hold their shares on capital account are expected to be as follows:

Return of capital is not a dividend

- No part of the in-specie distribution of the CAT Shares to Invion Shareholders should be treated as a dividend for income tax purposes.

Capital gains tax (CGT) consequences

Australian resident shareholders

- 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, trusts and complying superannuation funds may, depending on their circumstances, apply the relevant capital gains tax (CGT) discount to reduce a taxable capital gain where certain conditions are satisfied.
- Specific tax advice should be sought if, after the Record Date but before the Completion Date (as defined below), a shareholder ceases to own an Invion Share in respect of which there is a right to a return of capital. In those cases, an Australian resident shareholder is expected to crystallise a capital gain equal to the value of the capital return. That capital gain may be eligible for the CGT discount.

Invion foreign resident shareholders

- Invion foreign resident shareholders should be able to disregard any capital gain on the basis that their shares in the Company are not Taxable Australian Property.

Cost base and reduced cost base of CAT Shares received

- The first element of the CGT cost base and reduced CGT cost base of each CAT Share received should equal the market value of the CAT Share (i.e. the amount of the in-specie distribution), worked out as at the time of acquisition (the Completion Date).
- The proposed amount of capital returned to Invion shareholders will remain unchanged at \$0.0003 per Invion share.

Acquisition date of CAT Shares

- CAT Shareholders are treated as having acquired their CAT Shares on the date the CAT Shares were distributed to them, being the Completion Date.



Invion Limited

ABN 76 094 730 417

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: 1300 554 474 Overseas: +61 1300 554 474

LODGE A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **12:00pm (Melbourne time) on Monday, 28 January 2019**, 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 Resolutions are 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" must 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 EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

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 Extraordinary General Meeting of the Company to be held at **12:00pm (Melbourne time) on Wednesday, 30 January 2019 at The Clarendon Hotel, Clarendon Street, South Melbourne Victoria** (the **Meeting**) and at any postponement or adjournment of the Meeting.

Important for Resolutions 2, 4, 5, 6, 7, 8 and 9: 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 Resolutions 2, 4, 5, 6, 7, 8 and 9, even though the Resolution are 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 Capital reduction and distribution of Chronic Airway Therapeutics Limited Shares (CAT Shares)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Issue of short term incentives to Dr Greg Collier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Adoption of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3 Election of Mr Alan Yamashita as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Approval to issue Options to Mr Thian Chew	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
5 Approval to issue Options to Dr Greg Collier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
6 Approval to issue Options to Dr James Campbell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
7 Approval to issue Options to Dr Mitchell Glass	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
8 Approval to issue Options to Mr Alan Yamashita	<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).