VGI HEALTH TECHNOLOGY LIMITED
ACN 111 082 485
NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of the Shareholders of VGI Health Technology Limited (**Company**) will be held:

Date: Friday, 3 June 2022
Time: 10.00am
Venue: 'MLC Centre' Suite 03, level 45, 19-29 Martin Place Sydney, NSW 2000

In accordance with the Corporations Act as recently amended by the *Corporations Amendment (Meetings and Documents) Bill 2021* (Cth) the Company will not be mailing physical copies of this Notice of Meeting to Shareholders, and instead this Notice of Meeting will be sent electronically to Shareholders where the Company has a record of their email address, or will otherwise be made available to Shareholders where the Company does not have a record of their email address through a URL set out in a Letter sent to them by mail. Please see page 3 for further details regarding the despatch of this Notice of Meeting to Shareholders.

Certain terms and abbreviations used in this Notice of Meeting and the Explanatory Memorandum are defined in the Glossary to the Explanatory Memorandum.

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1. RESOLUTION 1 – APPROVAL OF THE DISPOSAL OF A SUBSTANTIAL ASSET TO A RELATED PARTY OF THE COMPANY (INVICTUS BIOPHARMA HOLDINGS LTD)

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

*'That, subject to and conditional on the passing of Resolutions 2 to 4 (inclusive), for the purposes of NSX Listing Rule 6.43 and section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to sell and dispose of all of the shares it owns in Invictus BioPharma Pty Ltd (**Invictus**) to a related party of the Company, Invictus BioPharma Holdings Ltd (**Purchaser**), on the terms and conditions set out in the Explanatory Memorandum.'*

Independent Expert's Report

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of Shareholder approval under section 208 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the disposal the subject of this Resolution to non-associated Shareholders.

Voting Exclusion Statement

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

- Dr Glenn Tong;
- KR and GT Nominees Pty Ltd (an entity controlled by Dr Glenn Tong);
- Richard Estalella;
- David Kingston; and
- any other person including a related party of the Company who may obtain a financial benefit or a material benefit as a result of the disposal of Invictus, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed,

and any associates of those persons listed above.

However, this does not prevent the casting of a vote in favour of the Resolution if:

- it is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on this Resolution; and
- it is not cast on behalf of a related party or associate of this related party mentioned above.

2. RESOLUTION 2 – APPROVAL OF THE PROVISION OF A FINANCIAL BENEFIT TO A RELATED PARTY OF THE COMPANY (DR GLENN TONG)

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

'That, subject to and conditional on the passing of Resolutions 1, 3 and 4, for the purposes of section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to provide a financial benefit to a related party of the Company, Dr Glenn Tong, as a director of the Purchaser, on the terms and conditions set out in the Explanatory Memorandum.'

Independent Expert's Report

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of Shareholder approval under section 208 of the Corporations Act.

Voting Exclusion Statement

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

- Dr Glenn Tong;
- KR and GT Nominees Pty Ltd (an entity controlled by Dr Glenn Tong);
- Richard Estalella;
- David Kingston; and

- any other person including a related party of the Company who may obtain a financial benefit or a material benefit as a result of the disposal of Invictus, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed,

and any associates of those persons listed above.

However, this does not prevent the casting of a vote in favour of the Resolution if:

- it is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on this Resolution; and
- it is not cast on behalf of a related party or associate of this related party mentioned above.

3. RESOLUTION 3 – APPROVAL OF THE PROVISION OF AN INDIRECT FINANCIAL BENEFIT TO A RELATED PARTY OF THE COMPANY (RICHARD ESTALELLA)

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

'That, subject to and conditional on the passing of Resolutions 1, 2 and 4 for the purposes of section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to provide an indirect financial benefit to a related party of the Company, Richard Estalella, as a director of the Purchaser, on the terms and conditions set out in the Explanatory Memorandum.'

Independent Expert's Report

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of Shareholder approval under section 208 of the Corporations Act.

Voting Exclusion Statement

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

- Dr Glenn Tong;
- KR and GT Nominees Pty Ltd (an entity controlled by Dr Glenn Tong);
- Richard Estalella;
- David Kingston; and
- any other person including a related party of the Company who may obtain a financial benefit or a material benefit as a result of the disposal of Invictus, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed,

and any associates of those persons listed above.

However, this does not prevent the casting of a vote in favour of the Resolution if:

- it is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on this Resolution; and

- it is not cast on behalf of a related party or associate of this related party mentioned above.

4. RESOLUTION 4 – APPROVAL OF THE PROVISION OF AN INDIRECT FINANCIAL BENEFIT TO A RELATED PARTY OF THE COMPANY (DAVID KINGSTON)

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

'That, subject to and conditional on the passing of Resolutions 1 to 3 (inclusive), for the purposes of section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to provide an indirect financial benefit to a related party of the Company, David Kingston, as a director of the Purchaser, on the terms and conditions set out in the Explanatory Memorandum.'

Independent Expert's Report

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of Shareholder approval under section 208 of the Corporations Act.

Voting Exclusion Statement

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

- Dr Glenn Tong;

- KR and GT Nominees Pty Ltd (an entity controlled by Dr Glenn Tong);

- Richard Estalella;

- David Kingston; and

- any other person including a related party of the Company who may obtain a financial benefit or a material benefit as a result of the disposal of Invictus, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed,

and any associates of those persons listed above.

However, this does not prevent the casting of a vote in favour of the Resolution if:

- it is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on this Resolution; and

- it is not cast on behalf of a related party or associate of this related party mentioned above.

EXPLANATORY MEMORANDUM

An Explanatory Memorandum in respect of the Resolutions set out above is **enclosed** with this Notice of Meeting.

By Order of the Board

Steven Yu
Director

DESPATCH OF NOTICE OF MEETING

In accordance with the Corporations Act as recently amended by the *Corporations Amendment (Meetings and Documents) Bill 2021* (Cth), the Company will not be mailing physical copies of this Notice of Meeting to Shareholders. This Notice of Meeting will be despatched to Shareholders in the following manner:

- if the Share Registry has a record of a Shareholders email address, the Company will send an email to that Shareholder with this Notice of Meeting included as an attachment to that email; or

- if the Share Registry does not have a record of a Shareholder's email address, the Company will mail a letter or post card to that Shareholder's registered address, containing a URL website address by which that Shareholder can access and download a copy of this Notice of Meeting electronically.

Despite the above, for Shareholders who have nominated (in accordance with the Corporations Act) to receive documents to which Division 3 of Part 2G.5 of the Corporations Act applies in hard copy only, this Notice of Meeting will be posted to that Shareholder's registered address.

VOTING ENTITLEMENTS

In accordance with section 1074E(2)(g) of the Corporations Act and regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), only those persons registered as a holder of Shares as at 10.00am (Sydney time) on 1 June 2022 will be entitled to vote on the Resolutions. This means that if you are not the registered holder of a relevant Share at that time you will not be entitled to attend and vote in respect of that Share at the meeting.

EXTRAORDINARY GENERAL MEETING CONSIDERATIONS AND SHAREHOLDER QUESTIONS

A discussion will be held on the Resolutions to be considered at the Extraordinary General Meeting.

All Shareholders will have a reasonable opportunity to participate and ask questions during the Extraordinary General Meeting.

To ensure that as many Shareholders as possible have the opportunity to speak, Shareholders are requested to observe the following procedures at the Extraordinary General Meeting:

- all Shareholder questions should be stated clearly and should be relevant to the business of the Extraordinary General Meeting;

- if a Shareholder has more than one question on an item, all questions should be asked at the one time; and

- Shareholders should not ask questions at the Extraordinary General Meeting regarding personal matters or matters that are commercial in confidence.

The Company will attempt to address the more frequently asked questions in the Extraordinary General Meeting. Written questions must be received by the Company or Link Market Services by 10.00am on 3 June 2022, and can be submitted online, by mail, by fax or in person.

RESOLUTIONS BY POLL

The Chair of the Meeting intends to demand a poll on the Resolutions proposed at the Extraordinary General Meeting, in accordance with the Company's constitution. The Resolutions considered at the Extraordinary General Meeting will therefore be conducted by poll, rather than a show of hands. The Chair considers voting by poll to be in the interests of the Shareholders as a whole, and to ensure the representation of as many Shareholders as possible at the meeting.

HOW TO VOTE

Appointing a proxy

A Shareholder can appoint a proxy to attend the Extraordinary General Meeting and vote on their behalf, using the enclosed Proxy Form. A Shareholder who is entitled to vote at the Extraordinary General Meeting may appoint:

- one proxy if the Shareholder is only entitled to one vote; or
- two proxies if the Shareholder is entitled to more than one vote.

Where a Shareholder appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one half of the votes, in which case any fraction of votes will be discarded. A proxy need not be a Shareholder of the Company.

If you require an additional Proxy Form, please contact Link Market Services at +61 1300 554 474.

The Proxy Form and the power of attorney or other authority (if any) under which it is signed (or a certified copy of such authority) must be received by the Share Registry, Link Market Services, no later than **10:00am on 1 June 2022**.

Shareholders are strongly encouraged to complete and submit their vote by proxy by using one of the following methods:

Online	linkmarketservices.com.au
By email	meetings@linkmarketservices.com Please use “Contact Proxy Form” as the subject for easy identification

By Post	VGI Health Technology Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235
By Fax	VGI Health Technology Limited C/- Link Market Services Limited Fax: +61 2 9287 0309

Your Proxy Form must be received not later than 48 hours before the commencement of the Meeting. **Proxy Forms received later than this time will be invalid and will not be accepted.**

Proxy Forms from corporate Shareholders must be executed in accordance with their constitution or signed by a duly authorised attorney.

A proxy may decide whether to vote on any motion except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as a proxy. If a proxy directs how to vote on an item of business, the proxy may only vote on that item, in accordance with that direction. If a proxy is not directed how to vote on an item of business, a proxy may vote how he/she thinks fit, subject to any voting exclusions or restrictions.

The Constitution provides that where the appointment of a proxy has not identified the person who may exercise it, the appointment will be deemed to be in favour of the Chair of the meeting to which it relates, or to another person as the Board determines.

Subject to any voting exclusions or restrictions, if a Shareholder appoints the Chair of the Meeting as the Shareholder's proxy and does not specify how the Chair is to vote on an item of business, the Chair intends to vote in favour of the Resolutions. The Company recommends that Shareholders who submit proxies including proxies in favour of the Chair to direct their proxy how to vote on the Resolutions.

Shareholders should note that any statement as to how the Chair of the Meeting intends to vote undirected proxies expresses the Chair's intention at the date of this Notice of Meeting and the Chair's intention may change subsequently. If there is such a change, the Company will make an appropriate announcement to NSX stating that fact and the reasons for the change.

BODY CORPORATE REPRESENTATIVES

- A corporation, by resolution of its directors, may authorise a person to act as its representative to vote at the meeting.
- A representative appointed by a corporation may be entitled to execute the same powers on behalf of the corporation as the corporation could exercise if it were an individual shareholder of the Company.
- To evidence the authorisation, either a certificate of body corporate representative executed by the corporation or under the hand of its attorney or an equivalent document evidencing the appointment will be required.
- The certificate or equivalent document must be produced prior to the meeting.

FORWARD LOOKING STATEMENTS

This Notice of Meeting, including the Explanatory Memorandum, may contain certain forward-looking statements. Forward looking statements are based on the Company's current expectations about future events. Any forward-looking statements are subject to known and unknown risks, uncertainties and assumptions, some of which may be out of the control of the Company and the Directors, which may cause actual results, performance or achievements to differ from future results, performance or achievements expressed or implied by the use of forward-looking statements.

Forward looking statements can be identified by the use of words including, but not limited to, 'anticipates', 'intends', 'will', 'should', 'expects', 'plans' or other similar words.

VGI HEALTH TECHNOLOGY LIMITED
ACN 111 082 485
EXPLANATORY MEMORANDUM

1. BACKGROUND

1.1 Background

The Company is an Australian public company incorporated on 22 September 2004 and was admitted to the Official List of the NSX on 28 May 2021.

1.2 Resolutions

The Resolutions to be considered at the Meeting seek Shareholder approval for the purposes of section 208 of the Corporations Act and NSX Listing Rule 6.43 for the disposal of a substantial asset to a related party of the Company and for the purposes of section 208 of the Corporations Act for the provision of an indirect financial benefit to various related parties of the Company in connection with the disposal.

This Explanatory Memorandum is intended to provide Shareholders with information that the Board considers material to Shareholders in deciding whether or not to pass the Resolutions contained in the accompanying Notice of Meeting.

1.3 Conditionality of Resolutions

Resolutions 1 to 4 (inclusive) are inter-conditional, meaning that in order for the matters the subject of those Resolutions to be passed and implemented, all of the remaining Resolutions 1 to 4 must also be passed by Shareholders.

Resolutions 1 to 4 (inclusive) are all inter-conditional because they all relate to the proposed Invictus Sale. Resolutions 1 to 4 must be passed for the Invictus sale to be completed.

1.4 Invictus Sale and Invictus Sale Agreement

On or around 5 April 2022 the Company entered into an agreement with Invictus BioPharma Holdings Ltd (**Purchaser**) (**Invictus Sale Agreement**) pursuant to which it has agreed to sell all of the shares it owns (representing all of the capital on issue) in Invictus BioPharma Pty Ltd (**Invictus**) (**Invictus Sale**).

Pursuant to the Invictus Sale Agreement, in consideration for the sale of Invictus, the Purchaser must:

(a) make a cash payment of $2,300,000 to the Company (subject to adjustments including set-off of creditors of Invictus as at completion of the sale – the mechanics of which are described in section 1.6) (**Cash Consideration**); and

(b) issue the Company (or its nominee) such amount of fully paid ordinary shares in the capital of the Purchaser equal to 20% of the total capital on issue in the Purchaser on the assumption that the Purchaser raises $2,300,000 as seed capital between the date of the Invictus Sale Agreement and completion (**Consideration Shares**).

If the Purchaser raises more than $2,300,000 as seed capital between the date of the Invictus Sale Agreement and completion, the Purchase must offer, and the Company will be entitled to subscribe, for 20% of the additional amount raised above $2,300,000 (being a pro-rata entitlement) on identical terms offered to all other subscribers under that additional capital raising (except for an extended settlement period of 3 months which will be offered to the Company to allow for completion and other funding arrangements of the Company). For the avoidance of doubt, if the Company elects to subscribe for such additional shares, they will not be considered part of the Consideration Shares and the Company will be required to pay additional subscription moneys to the Company to acquire those shares.

The Invictus Sale Agreement otherwise contains terms and conditions which are conventional for a private treaty sale and purchase of shares, including representations, warranties and indemnities given by the Company as the seller.

Dr Glenn Tong is currently a director of the Company (who will be resigning from the Company upon completion of the Invictus Sale) and together with his associates (including Richard Estalella and David Kingston) is the controller of the Purchaser and therefore the Purchaser is a related party of the Company under the operation of sections 228(2), 228(4) and 228(5) of the Corporations Act.

By virtue of them controlling the Purchaser, each of Dr Glenn Tong, Richard Estalella and David Kingston may be deemed to be related parties of the Company and each will receive an indirect financial benefit in connection with the Invictus Sale.

It is proposed, subject to shareholder approval as outlined in this Explanatory Memorandum, that completion of the Invictus Sale will occur on or around 6 June 2022.

1.5 Business of the Company

The Company and its wholly owned subsidiaries (including Invictus) currently manufacture, market and sell nutraceutical products and are engaged in the development of related pharmaceutical products. Invictus and its subsidiaries (collectively, the **Invictus Group**) own the intellectual property rights for both the nutraceuticals business and the pharmaceuticals business currently conducted by the Company.

The Company is currently subject to significant funding pressure.

The Company is not currently able to obtain or raise funds either for clinical trials for its proposed pharmaceutical products or to develop its nutraceuticals business. The current major shareholders who have funded the Company in

recent times are not willing to provide further funding. New shareholders have been identified who are willing to fund the pharmaceutical business on a stand-alone basis but not the development of the nutraceutical business.

As a result the Company is not able to obtain funding for either the nutraceutical business or trials for the pharmaceutical products. It is under pressure from its creditors and its future is not assured.

If the sale proceeds the Company will have funds for the nutraceuticals business and the Purchaser will be able to obtain funding for the pharmaceuticals business from the new investors.

Upon completion of the Invictus Sale it is intended that the Company will continue its current business of manufacturing, marketing and selling nutraceutical products. To enable this, the Company will enter into an exclusive global licence arrangement with the Invictus Group to use certain of the Invictus Group's intellectual property rights in the field of human nutraceuticals.

Further, the Company will have the right to manufacture, market and sell human pharmaceutical products in China only. To enable this, the Company will enter into an exclusive licence with the Invictus Group to use the Invictus Group's intellectual property rights in the field of human pharmaceuticals in the People's Republic of China.

The key terms of each licence arrangement are as follows:

(a) the Purchaser has agreed to grant or procure the grant to the Company of an exclusive global licence to use the Invictus Group's intellectual property rights for the manufacture, marketing and sale of nutraceutical products, in consideration for a royalty fee equal to 2% of the Company's gross aggregate sales derived from the sale of the nutraceutical products using that intellectual property (**Global Nutraceuticals Licence**). The key terms of the Global Neutraceuticals Licence are summarised in section 1.7; and

(b) the Purchaser has agreed to grant or procure the grant to the Company of an exclusive licence to use the Invictus Group's intellectual property rights for the manufacture, marketing and sale of pharmaceutical products solely in the People's Republic of China in consideration for a royalty fee equal to 2% of the Company's gross aggregate sales derived from the sale of the pharmaceutical products using that intellectual property, plus an additional $475,000 payable in various instalments on the achievement of certain key milestones being, regulatory approval, the commencement of manufacturing products and the commencement of sale of the products (**China Pharmaceuticals Licence**) The key terms of the China Pharmaceuticals Licence are summarised in 1.8.

Additionally, to facilitate the Company's post-completion operation of its current business of manufacturing, marketing and selling nutraceuticals products globally, at or before completion of the Invictus Sale:

(a) Invictus' Australian subsidiary, Invictus Overseas Holdings Pty Ltd, will transfer all of the issued capital in its wholly owned US subsidiary, Invictus Nutraceuticals Inc (EIN 83-1825809) (**Invictus US**), to the Company for nil consideration; and

(b) any contracts or agreements relating to the nutraceuticals business held by a member of the Invictus Group other than Invictus US, (including product manufacturing agreements with Amazon) will be transferred (by way of novation) to the Company.

1.6 Adjustments and set-off

The Cash Consideration ($2,300,000) payable by Invictus to the Company under the Invictus Sale Agreement is subject to a typical adjustment and set-off procedure.

There is an initial adjustment and set-off which is to occur on or around the time of completion of the Invictus Sale Agreement, as follows:

(a) at least 5 Business Days before completion of the Invictus Sale Agreement (**Completion**), the Company must deliver to the Purchaser an estimate of the Invictus Group's current accounts payable and debts as well as the respective creditors and the payment details for each (**Outstanding Payables**);

(b) the amount equal to any such outstanding debt and accounts payable (**Deducted Amount**) shall be deducted from the Cash Consideration; and

(c) the Company irrevocably directs the Purchaser to use the Deducted Amount to repay and discharge the Outstanding Payables.

Subsequently, there is to be a formal adjustment and true up process between the estimate figure (as determined above) and the actual figure which is to be determined 60 days after Completion, as follows:

(a) the Company must as soon as reasonably possible, but in any event no later than 60 days after the Completion, prepare a completion statement (**Completion Statement**) specifying the actual net cash position of the Invictus Group (being cash and cash equivalents and debtors, less accounts payable and debt) as at the effective time; and

(b) the Completion Statement must be reviewed and agreed by the Purchaser; and

(c) in accordance with the Completion Statement, if the net cash position of the Invictus Group is less than zero, then the Company must pay the Purchaser that amount within 10 Business Days of the amount being agreed or determined.

The Company anticipates that the total deduction to the Cash Consideration, as a result of the above-described deductions, will be approximately $700,000 (resulting in Cash Consideration received by Company post deductions of

approximately $1,600,000). The Independent Expert highlights this anticipated deduction to the Cash Consideration in section 11 of the Independent Expert's Report.

The Invictus Sale Agreement annexes a "Cash Flow Model" which has been agreed between the Company and the Purchaser (**Cash Flow Model**). The Cash Flow Model includes a detailed forecast of the likely spending to be incurred by the Company between the date of execution of the Invictus Sale Agreement and Completion, and there are provisions built into the adjustment mechanisms that exclude any outstanding debt and accounts payable which are not noted in the Cash Flow Model from being included in the adjustment mechanism described above. The effect of this is that it would be unlikely that any potential accounts payable or debts are not already forecast, and to the extent that they are not, they will not be included in the adjustment mechanism. In other words, it is unlikely that the total adjustment amount will be significantly higher than the anticipated $700,000.

The material component of the accounts payable incurred by the Company prior to Completion (i.e., the amounts to be captured in the above-described adjustment mechanisms) will be payable to service providers in connection with services rendered in respect of the Company's upcoming clinical trials and all amounts payable will be to non-related parties of the Company and on commercial arms' length arrangements and terms.

1.7 Global Nutraceuticals Licence

The key terms of the Global Neutraceuticals Licence are as follows:

(a) Grant of licence

Invictus grants the Company an exclusive licence in the "Licensed IP" for the purpose of commercialising the "Licenced IP" in the territory (worldwide) for the term. Licenced IP includes the patents described in clause 1.7(b), the trademarks described in clause 1.7(c), as well as various intellectual property rights in Invictus know-how and Invictus data, and any improvements (**Neutraceuticals Licenced IP**).

(b) Patents

Most notably, the Neutraceuticals Licenced IP includes the following patents:

(i) International patent application number PCT/AU2021/051449 entitled "Transmucosal Delivery of Tocotrienol" dated 4 December 2020; and

(ii) International patent PCT/AU2013/001310 entitled "Transmucosal Delivery of Tocotrienol" and filed on 13 November 2013.

(c) Trademarks

Most notably, the Neutraceuticals Licenced IP includes the following trademarks:

(i) Invictus Nutraceuticals;

(ii) MELT3;

(iii) NE1-ELITE; and

(iv) nE1-Heart.

(d) Term

The term commences on the date the Global Neutraceuticals Licence is signed and continues until 50 years after the expiry of the last patent constituting part of the Nutraceuticals Licensed IP, unless terminated earlier in accordance with usual termination provisions (breach without remedy, default, etc).

(e) Royalty

The Company must pay to Invictus an amount equal to 2% of the aggregate gross sales of all licensed products in the territory (worldwide) for each financial year, whether those gross sales are generated by the Company or any of its subsidiaries or sub-licensees.

(f) Sub-licencing

The Company or Invictus may sub-license its rights and obligations under the Global Neutraceuticals Licence to third parties, with the prior written consent of the other party.

(g) Other

The Global Neutraceuticals Licence otherwise contains terms typical for a licence agreement of this nature.

1.8 China Pharmaceuticals Licence

The key terms of the China Pharmaceuticals Licence are as follows:

(a) Grant of licence

Invictus grants the Company an exclusive licence in the “Invictus Patents” for the purpose of commercialising the “Invictus Patents” in the territory (China) for the term and the exclusive licence also captures various intellectual property rights in Invictus know-how and Invictus data, and any improvements (**Pharmaceuticals Licenced IP**). The “Invictus Patents” are described in clause 1.8(b).

(b) Patents

Most notably, the Pharmaceuticals Licenced IP includes the following patents:

(i) International patent application number PCT/AU2021/051449 entitled "Transmucosal Delivery of Tocotrienol" dated 4 December 2020; and

(ii) International patent PCT/AU2013/001310 entitled "Transmucosal Delivery of Tocotrienol" and filed on 13 November 2013.

(c) Term

The term commences on the date the China Pharmaceuticals Licence is signed and continues until 50 years after the expiry of the last patent constituting part of the Pharmaceuticals Licensed IP, unless terminated earlier in accordance with usual termination provisions (breach without remedy, default, etc).

(d) Royalty

The Company must pay to Invictus an amount equal to 2% of the aggregate gross sales of all licensed products in the territory (China) for each financial year, whether those gross sales are generated by the Company or any of its subsidiaries or sub-licensees.

(e) Milestone payments

The Company must pay to Invictus, the following milestone payments:

(i) AUD$75,000 upon gaining regulatory approval to manufacture, market and sell a licensed product in China;

(ii) AUD$150,000 upon commencement of the manufacture of any licensed product in China; and

(iii) AUD$250,000 upon commencement of the sale of any licensed products in China.

(f) Sub-licencing

The Company or Invictus may sub-license its rights and obligations under the China Pharmaceuticals Licence to third parties, with the prior written consent of the other party.

(g) Other

The China Pharmaceuticals Licence otherwise contains terms typical for a licence agreement of this nature.

1.9 Business of the Purchaser

Following completion of the Invictus Sale the Company will hold shares in the Purchaser. The number of shares that it will hold is explained in section 1.3 above. The objective of the shareholding is to give the Company a meaningful interest in the IP assets sold to the Purchaser. This holding is subject to possible dilution.

The Purchaser is a newly incorporated holding company and is not currently operating. Following completion of the Invictus Sale, the Purchaser will own the Invictus Group and its subsidiaries (other than Invictus US) which collectively

own the intellectual property utilised in the Company's current business, including:

(a) its TransT3 patent estate which covers the transmucosal delivery of tocotrienols (a form of Vitamin E) and has patents which have been granted in the US, Canada, the EU, Japan, the PRC, Hong Kong Australia, New Zealand, Singapore, South Africa, Japan and Europe;

(b) those patents that are currently pending for the Invictus Group in other major markets such, as India;

(c) in-licensed Tocotrienol Prodrug technologies with a patent estate that is being actively prosecuted by the licensor, being Monash University; and.

(d) registered trademarks for MELT3®, nE1-Elite® and nE1-Heart® in the USA and Australia.

The effect of the Invictus Sale is that the Purchaser will take over the operation of the pharmaceutical and nutraceutical business that the Company currently operates, except for:

- the manufacture, marketing and sale of nutraceutical products which will be conducted by the Company globally under the Global Nutraceuticals Licence; and

- the manufacture, marketing and sale of pharmaceutical products which will be conducted by the Company in the People's Republic of China under the China Pharmaceuticals Licence.

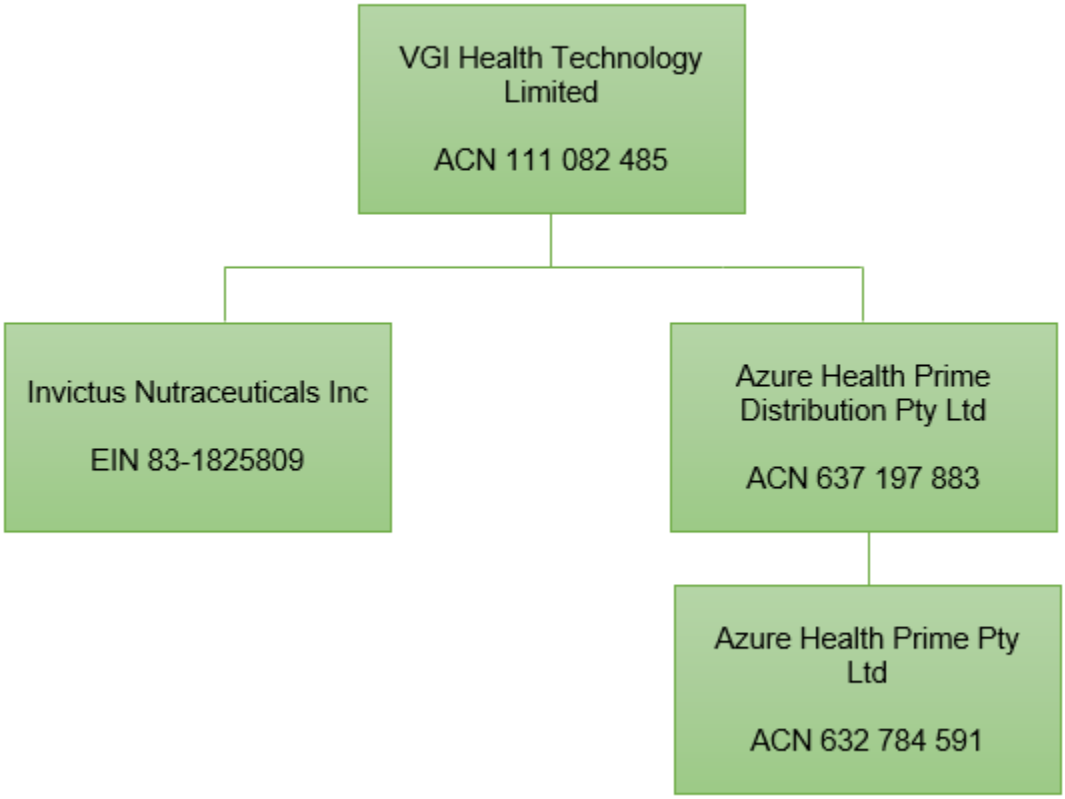
Following the acquisition, the Purchaser will become a clinical phase biopharma company focussing on the development and commercialisation of platforms for the non-invasive delivery of tocotrienols for pharmaceutical applications. In the short term the Purchaser will focus on the development of prescription medicine candidates for Non-Alcoholic Fatty Liver Disease (NAFLD) and Pancreatic Adenocarcinoma (pancreatic cancer). The Purchaser will continue to conduct the clinical trials and other development activities that were previously conducted by the Company and its subsidiaries before completion of the Invictus Sale.

The Purchaser expects to derive revenue in the short term from payments to it by the Company under the Global Nutraceuticals Licence but otherwise is not expected to generate external revenue until it has commercialised its pharmaceutical technology.

The primary assets of the Purchaser following completion of the Invictus Sale will be the acquired (and later developed) intellectual property and any additional funds raised from time to time. The Purchaser expects to have conducted two clinical data readouts in the next 12 to 24 months, one for NAFLD and the other for Pancreatic Cancer. In addition, the Purchaser also expects to bring a Lead Candidate based on the Tocotrienol Prodrug platform into the clinic which will expand its drug development pipeline.

1.10 Corporate structure

The following diagram depicts the indicative structure of the Company post completion of the Invictus Sale:



1.11 Board of Directors upon completion of the Invictus Sale

On completion of the Invictus Sale the Board of Directors will comprise the following persons.

Mr Lou Panaccio – Chair and Non-Executive Director

Lou is a successful healthcare businessman with extensive experience progressing companies from concept to commercialisation. Lou possesses more than 30 years' executive leadership experience in healthcare services and life sciences, and more than 25 years board-level experience.

Lou is currently a non-executive director of an ASX50 company and one of the world's largest medical diagnostics companies, Sonic Healthcare Limited, where he has served since 2005. In addition, Lou is a non-executive director of Unison Housing Corporation Limited, and a non-executive director of ASX-listed

biotechnology companies Avita Medical Limited (ASX:AVH) (where he is Chair) and Rhythm Biosciences Limited (ASX:RHY).

Lou also served in executive and board roles with Melbourne Pathology Group, Monash IVF Group (ASX:MVF), Primelife Corporation Limited and other private entities

Steven Yu – Managing Director and CEO

Steven has extensive experience in mergers and acquisitions, capital raising and cross-border transactions with ASX companies. He was also previously the Chief Executive Officer of ASX listed mining company Anchor Resources Ltd (ASX:AHR).

As a practicing lawyer he has worked for Norton Rose Fulbright in Beijing and Melbourne, and for Deacons and Maddocks Lawyers in Melbourne. Steven holds a Bachelor of Law and Commerce from the University of Melbourne, Master of Laws from Boston University, Executive MBA from Columbia Business School and is completing a Doctor of Philosophy from the University of Technology Sydney (UTS).

1.12 Senior management upon completion of the Invictus Sale

On completion of the Invictus Sale the senior management of the Company will comprise the following persons.

Steven Yu – Managing Director and CEO

See above.

Ian Forbes – Chief Financial Officer

Ian is a Chartered Accountant (CA) with over 20 years' experience with private and ASX listed public companies. Ian has experience with mature and developing organisations nationally and internationally. Ian graduated from the University of New England and became a CA in 1998 and then worked in business services at BDO and PWC. Having worked in industry with small start-up companies through to large U.S. and Japanese multinational companies, Ian has broad expertise in all facets of financial management.

Catriona Glover – Company Secretary

Catriona is an Australian qualified lawyer with over 20 years' experience in private practice providing legal, corporate governance and company secretarial advice to a range of companies including ASX and NSX listed companies, private and not-for-profit organisations.

1.13 Capital structure

As no Shares in the Company are being issued in connection with the Invictus Sale, the Invictus Sale will have no impact on the current capital structure of the Company.

1.14 Indicative timetable

An indicative timetable for the Invictus Sale is as follows.

Event	Date
Despatch of Notice of General Meeting	3 May 2022
General Meeting	3 June 2022
Completion of Invictus Sale	6 June 2022

Note: The above dates are indicative only. The Company reserves the right to alter this timetable.

1.15 Advantages of undertaking the Invictus Sale

The Board considers that the Invictus Sale will result in a number of advantages for Shareholders, including:

(a) On completion of the Invictus Sale, the Company will be paid $2,300,000 in cash (less set off for creditors, expected to be approximately $700,000);

(b) On completion, the Company will be in a position to extinguish all of its current liabilities;

(c) The Company is currently under pressure to raise funds for clinical trials for its proposed pharmaceutical products and to pay creditors. The current major shareholders who have funded the Company in recent times are not willing to provide further funding. As a result the Company is not able to obtain funding for either the nutraceutical business or trials for the pharmaceutical products. If the sale proceeds the Company will no longer be subject to pressure to fund clinical trials and will be able to apply its full resources in the medium term to the nutraceuticals business;

(d) The Company will hold the exclusive rights to manufacture and sell nutraceutical products globally and the exclusive rights to manufacture and sell pharmaceutical products in China using the Purchaser's intellectual property;

(e) The Company will hold shares in the Purchaser. The number of shares that it will hold is explained in section 1.3 above. The objective of the shareholding is to give the Company a meaningful interest in the IP assets sold to the Purchaser. The Company's shareholding in the Purchaser is subject to future dilution; and

(f) the Independent Expert has considered the Invictus Sale and has concluded that the Invictus Sale is **not fair but reasonable** to Shareholders of the Company.

1.16 Disadvantages of undertaking the Invictus Sale

The Board considers that the Invictus Sale may result in a number of disadvantages, as set out below, which Shareholders should consider prior to exercising their vote:

(a) the Company will be a smaller enterprise following the sale which may not be consistent with the objectives of all Shareholders;

(b) the Company will cease to be the owner and developer of intellectual property, and will from the time of the sale be reliant on licences of that intellectual property;

(c) the Company will no longer control the direction of the development of any pharmaceutical technology or products, instead, only being able to exercise voting rights on matters on which are put to shareholder vote in the Purchaser (see section 1.3 for more information on the equity stake);

(a) the Company's interest in the pharmaceutical development will be diluted from 100% to an indirect 20% via the equity stake it will own in the Purchaser (see section 1.3 for more information on the equity stake); and

(b) the Company's research and development capability will be weakened as a result of the core pharmaceutical team being transferred with the Invictus business to the Purchaser.

1.17 Independent Expert's Report

In accordance with the requirements of *ASIC Regulatory Guide: 76 Related party transactions* (**RG 76**), the Company engaged the Independent Expert to prepare and provide the Independent Expert Report which contains an analysis of whether the proposed Invictus Sale is, in the Independent Expert's opinion, fair and reasonable to non-associated Shareholders (being Shareholders who are not associated with the Purchaser).

The Independent Expert has assessed the Invictus Sale and concluded that the proposed Invictus Sale is **not fair but reasonable** to the non-associated Shareholders of the Company.

A copy of the Independent Expert's is attached to this Explanatory Memorandum at Annexure A.

The Independent Expert has given, and as at the date of the Notice of Meeting has not withdrawn, its consent to the inclusion of the Independent Expert Report in Annexure A of the Explanatory Memorandum and to the references to the Independent Expert Report in this Explanatory Memorandum.

2. RESOLUTION 1 – APPROVAL OF THE SALE OF INVICTUS TO A RELATED PARTY OF THE COMPANY

2.1 General

This Notice of Meeting has been prepared to seek shareholder approval for the matters required to complete the Invictus Sale.

Resolution 1 seeks Shareholder approval for the purposes of section 208 of the Corporations Act and NSX Listing Rule 6.43 for the disposal of a substantial asset to a related party of the Company.

2.2 Section 208 of the Corporations Act

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company (or entity) 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.

The sale of Invictus constitutes giving a financial benefit.

The Purchaser is a controlled by Mr Glenn Tong who is a current director of the Company and as a result the Purchaser is a related party of the Company under the operation of sections 228(2), 228(4) and 228(5) of the Act. It is intended that Mr Glenn Tong will resign as a director of the Company upon completion of the Invictus Sale.

Richard Estalella and David Kingston are directors and shareholders of the Purchaser. Each of them, together with Glenn Tong, are promoters of the Invictus Sale on behalf of the Purchaser. As a result, each of Richard Estalella and David Kingston may be regarded as related parties of the Company and may be considered to have received an indirect financial benefit from the Invictus Sale.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. The Resolution therefore requires the approval of the Company's Shareholders under section 208 of the Corporations Act.

In accordance with RG 76 a notice of meeting containing approval for a related party transaction must contain all the information needed to fully and fairly inform members of the nature of the proposed resolution, and to enable members to judge for themselves whether to attend the meeting and vote for or against the proposed resolution, and in particular should address each of the disclosure requirements in paragraphs 76.99 – 76.102 and Table 2 of the RG 76.

2.3 NSX Listing Rule 6.43

Section IIA, rule 6.43 of the NSX Listing Rules requires that an entity obtain the approval of its Shareholders if it disposes of a substantial asset to a related party of the entity.

Whilst NSX does not publish guidance on what is a "substantial asset", guidance can be drawn from ASX Listing Rule 10.2 which provides that an asset is "substantial" if its value, or the value of the consideration for it is, 5% or more of the equity interests of the entity as set out in its latest accounts. As the consideration payable by the Purchaser for Invictus is in excess of $2,300,000, this comprises more than 5% of the equity interests of the Company (based on the Company's market capitalisation of approximately $13.8 million) before and after the Invictus Sale and, as such, the Directors consider that the sale of the Invictus Group should be treated as the sale of a "substantial asset".

As outlined above, Dr Glenn Tong is currently a director of the Company and (together with his associates) is the controller of the Purchaser. Therefore the Purchaser is a related party of the Company under the operation of sections 228(2), 228(4) and 228(5) of the Act.

Therefore, the Invictus Sale will constitute the disposal of a substantial asset to a related party of the Company and requires approval under NSX Listing Rule 6.43.

2.4 Technical information required by section 219 of the Corporations Act and NSX Listing Rule 6.48

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act, ASIC RG 76 and NSX Listing Rule 6.48, the following information is provided in relation to Resolution 1.

(a) The related party to whom the financial benefit will be given:

The related party is the Purchaser (Invictus Biopharma Holdings Limited), an entity controlled by Dr Glenn Tong, who is currently a director of the Company (who will be resigning from the Company upon completion of the Invictus Sale). Richard Estalella and David Kingston who are also directors (and promotors) of the Purchaser (and the Invictus Sale) may also be regarded as related parties.

(b) The nature of the financial benefit:

The nature of the financial benefit is the sale of all of the capital in Invictus. The effect of the transaction is that the Purchaser, as well as Dr Glenn Tong and his concert parties (including David Kingston and Richard Estalella) will obtain control of the Invictus Group (other than Invictus US). The Company will, through its equity stake in the Purchaser, retain an interest in that business, however this will be limited to rights customarily afforded to minority shareholders in a company the size and nature of the Purchaser, and the equity stake is subject to dilution.

(c) The value of the financial benefit:

The financial benefit is difficult to value. The definition of "financial benefit" in Chapter 2E of the Corporations Act is very broad and captures circumstances that might not otherwise be regarded as a benefit. The Independent Expert Acuity Technology Management Pty Ltd (**Acuity**) to value the IP owned by Invictus. Acuity have valued the IP as being in the range $73.1 million to $114 million.

As outlined above, Dr Glenn Tong is currently a director of the Company (together with his concert parties, including David Kingston and Richard Estalella) is the controller of the Purchaser and therefore the Purchaser is a related party of the Company under the operation of sections 228(2), 228(4) and 228(5) of the Act.

The Independent Expert has valued the financial benefit to be gained by the Purchaser and the related parties as being in the range of AU$72.4 to AU$113.7 million. Please see sections 7, 9 and 13 of the Expert's Report.

Separately, the value of the financial benefit to be gained by Glenn Tong, David Kingston and Richard Estalella is discussed respectively in Resolutions 2, 3 and 4.

(d) Dilution of existing Shareholders:

No Shares in the capital of the Company are being issued in connection with the Invictus Sale, and hence there will be no dilution to existing Shareholders.

(e) Relevant interest of Directors in Shares of the Company:

The Directors have a relevant interest in the Shares of the Company as set out in the following table:

Director	Shares	%
Lou Panaccio	890,316	0.64
Steven Yu	1,842,406	1.33
Glenn Tong	24,928,856	18.03

(f) Recommendations of Directors:

The Directors of the Company make the following recommendations:

(i) Dr Glenn Tong declines to make a recommendation to Shareholders in relation to the Resolution due to his material personal interest in the outcome of the Resolution on the basis

that he indirectly controls the Purchaser. Dr Glenn Tong and his associates will also not vote on the Resolution.

(ii) Lou Panaccio does not have a material personal interest in the outcome of the Resolution and recommends that Shareholders vote in favour of the Resolution. The reasons for Mr Panaccio's recommendations are as set out in section 1.15 above.

(iii) Steven Yu does not have a material personal interest in the outcome of the Resolution and recommends that Shareholders vote in favour of the Resolution or the reasons set out in section 1.15 above.

(g) Alternatives to the transaction:

There are currently no alternative options to the Invictus Sale available to the Company.

(h) Use of funds:

The Company proposes to use the funds from the Invictus Sale as follows (on the assumption that the net cash proceeds of the sale are approximately $1,600,000):

Activity	Amount
Payments to creditors	$1,000,000
Development of the nutraceuticals business	$600,000
TOTAL	$1,600,000

(i) The impact on the Company of the Invictus Sale (including the advantage and disadvantages) is set out in sections 1.3 to 1.16.

3. RESOLUTION 2 – APPROVAL OF THE PROVISION OF A FINANCIAL BENEFIT TO A RELATED PARTY OF THE COMPANY (DR GLENN TONG)

3.1 General

This Notice of Meeting has been prepared to seek shareholder approval for the matters required to complete the Invictus Sale.

Resolution 2 seeks Shareholder approval for the purposes of section 208 of the Corporations Act for the provision of a financial benefit to a related party of the Company, Dr Glenn Tong, in connection with the Invictus Sale.

3.2 Section 208 of the Corporations Act

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company (or entity) 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.

The sale of Invictus constitutes giving a financial benefit.

The Purchaser is controlled by Mr Glenn Tong who is a current director of the Company and as a result the Purchaser is a related party of the Company under the operation of sections 228(2), 228(4) and 228(5) of the Act. It is intended that Mr Glenn Tong will resign as a director of the Company upon completion of the Invictus Sale.

Dr Glenn Tong is a director and shareholder of the Purchaser as well as a promoter of the Invictus Sale on behalf of the Purchaser. As a result, Dr Glenn Tong may be regard as a related party of the Company and may be considered to have received a financial benefit from the Invictus Sale.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. The Resolution therefore requires the approval of the Company's Shareholders under section 208 of the Corporations Act.

In accordance with RG 76 a notice of meeting containing approval for a related party transaction must contain all the information needed to fully and fairly inform members of the nature of the proposed resolution, and to enable members to judge for themselves whether to attend the meeting and vote for or against the proposed resolution, and in particular should address each of the disclosure requirements in paragraphs 76.99 – 76.102 and Table 2 of the RG 76.

3.3 Technical information required by section 219 of the Corporations Act

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASIC RG 76, the following information is provided in relation to Resolution 2.

(a) The related party to whom the financial benefit will be given:

Dr Glenn Tong, a director and shareholder of the Purchaser and promotor of the transaction.

(b) The nature of the financial benefit

See section 2.4(b).

(c) The value of the financial benefit

The Independent Expert has outlined that the financial benefit to be received by Dr Glenn Tong is equal to his proportionate interest in the Purchaser after the Invictus Sale (20.10%) in the value of Invictus to be disposed of by the Company. Accordingly, the value of the financial benefit to be received by Dr Glenn Tong is in the range of say AU$14.6 million to AU$22.9 million (20.10% x the value of Invictus to be disposed of by the Company in a range of AU$72.4 million to AU$113.7 million). See section 13 of the Independent Expert's Report.

(d) Dilution of existing Shareholders:

See section 2.4(d).

(e) Relevant interest of Directors in Shares of the Company:

See section 2.4(e).

(f) Recommendations of Directors:

See section 2.4(f).

(g) Alternatives to the transaction:

See section 2.4(g).

(h) Use of funds:

See section 2.4(h).

(i) The impact on the Company of the Invictus Sale (including the advantage and disadvantages) is set out in sections 1.3 to 1.16.

4. RESOLUTION 3 – APPROVAL OF THE PROVISION OF A FINANCIAL BENEFIT TO A RELATED PARTY OF THE COMPANY (RICHARD ESTALELLA)

4.1 General

This Notice of Meeting has been prepared to seek shareholder approval for the matters required to complete the Invictus Sale.

Resolution 3 seeks Shareholder approval for the purposes of section 208 of the Corporations Act for the provision of an indirect financial benefit to a related party of the Company, Richard Estalella, in connection with the Invictus Sale.

4.2 Section 208 of the Corporations Act

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company (or entity) 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.

The sale of Invictus constitutes giving a financial benefit.

The Purchaser is controlled by Mr Glenn Tong who is a current director of the Company and as a result the Purchaser is a related party of the Company under the operation of sections 228(2), 228(4) and 228(5) of the Act. It is intended that Mr Glenn Tong will resign as a director of the Company upon completion of the Invictus Sale.

Richard Estalella and David Kingston are directors and shareholders of the Purchaser. Each of them, together with Glenn Tong, are promoters of the Invictus Sale on behalf of the Purchaser. As a result, each of Richard Estalella and David Kingston may be regarded as related parties of the Company and may be considered to have received an indirect financial benefit from the Invictus Sale.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. The Resolution therefore requires the approval of the Company's Shareholders under section 208 of the Corporations Act.

In accordance with RG 76 a notice of meeting containing approval for a related party transaction must contain all the information needed to fully and fairly inform members of the nature of the proposed resolution, and to enable members to judge for themselves whether to attend the meeting and vote for or against the proposed resolution, and in particular should address each of the disclosure requirements in paragraphs 76.99 – 76.102 and Table 2 of the RG 76.

4.3 Technical information required by section 219 of the Corporations Act

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASIC RG 76, the following information is provided in relation to Resolution 3.

(a) The related party to whom the financial benefit will be given:

Richard Estalella, a director and shareholder of the Purchaser and promotor of the transaction.

(b) The nature of the financial benefit:

See section 2.4(b).

(c) The value of the financial benefit:

The Independent Expert has outlined that the financial benefit to be received by Richard Estalella is equal to his proportionate interest in the Purchaser after the Invictus Sale (10.59%) in the value of Invictus to be disposed of by the Company. Accordingly, the value of the financial benefit to be received by Richard Estalella is in the range of say AU$7.7 million to AU$12 million (10.59% x the value of Invictus to be disposed of by the Company in a range of AU$72.4 million to AU$113.7 million). See section 13 of the Independent Expert's Report.

(d) Dilution of existing Shareholders:

See section 2.4(d).

(e) Relevant interest of Directors in Shares of the Company:

See section 2.4(e).

(f) Recommendations of Directors:

See section 2.4(f).

(g) Alternatives to the transaction:

See section 2.4(g).

(h) Use of funds:

See section 2.4(h).

(i) The impact on the Company of the Invictus Sale (including the advantage and disadvantages) is set out in sections 1.3 to 1.16.

5. RESOLUTION 4 – APPROVAL OF THE PROVISION OF A FINANCIAL BENEFIT TO A RELATED PARTY OF THE COMPANY (DAVID KINGSTON)

5.1 General

This Notice of Meeting has been prepared to seek shareholder approval for the matters required to complete the Invictus Sale.

Resolution 4 seeks Shareholder approval for the purposes of section 208 of the Corporations Act for the provision of an indirect financial benefit to a related party of the Company, David Kingston, in connection with the Invictus Sale.

5.2 Section 208 of the Corporations Act

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company (or entity) 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.

The sale of Invictus constitutes giving a financial benefit.

The Purchaser is controlled by Mr Glenn Tong who is a current director of the Company and as a result the Purchaser is a related party of the Company under the operation of sections 228(2), 228(4) and 228(5) of the Act. It is intended that Mr Glenn Tong will resign as a director of the Company upon completion of the Invictus Sale.

Richard Estalella and David Kingston are directors and shareholders of the Purchaser. Each of them, together with Glenn Tong, are promoters of the Invictus Sale on behalf of the Purchaser. As a result, each of Richard Estalella and David Kingston may be regarded as related parties of the Company and may be considered to have received an indirect financial benefit from the Invictus Sale.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. The Resolution therefore requires the approval of the Company's Shareholders under section 208 of the Corporations Act.

In accordance with RG 76 a notice of meeting containing approval for a related party transaction must contain all the information needed to fully and fairly inform members of the nature of the proposed resolution, and to enable members to judge for themselves whether to attend the meeting and vote for or against the proposed resolution, and in particular should address each of the disclosure requirements in paragraphs 76.99 – 76.102 and Table 2 of the RG 76.

5.3 Technical information required by section 219 of the Corporations Act

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASIC RG 76, the following information is provided in relation to Resolution 4.

(a) The related party to whom the financial benefit will be given:

David Kingston, a director and shareholder of the Purchaser and promotor of the transaction.

(b) The nature of the financial benefit:

See section 2.4(b).

(c) The value of the financial benefit:

The Independent Expert has outlined that the financial benefit to be received by David Kingston is equal to his proportionate interest in the Purchaser after the Invictus Sale (10.59%) in the value of Invictus to be disposed of by the Company. Accordingly, the value of the financial benefit to be received by David Kingston is in the range of say AU$7.7 million to AU$12 million (10.59% x the value of Invictus to be disposed of by the Company in a range of AU$72.4 million to AU$113.7 million). See section 13 of the Independent Expert's Report.

(d) Dilution of existing Shareholders:

See section 2.4(d).

(e) Relevant interest of Directors in Shares of the Company:

See section 2.4(e).

(f) Recommendations of Directors:

See section 2.4(f).

(g) Alternatives to the transaction:

See section 2.4(g).

(h) Use of funds:

See section 2.4(h).

(i) The impact on the Company of the Invictus Sale (including the advantage and disadvantages) is set out in sections 1.3 to 1.16.

6. GENERAL

6.1 Personal advice

This Explanatory Memorandum does not take into account the individual investment objectives, financial situation and needs of individual Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the Resolution. Shareholders that are in any doubt about what to do in relation to the Resolution contemplated in the Notice of Meeting and this Explanatory Memorandum, are recommended to seek advice from an accountant, solicitor or other professional advisor.

6.2 Forward looking statements

The forward-looking statements in the Notice of Meeting and this Explanatory Memorandum are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its Board of Directors, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward-looking statements in this Notice of Meeting. These risks include but are not limited to, the risks referred to below. Forward looking statements include those containing words such as "anticipate", "estimates", "should", "will", "expects", "plans" or similar expressions.

6.3 Action to be taken by Shareholders

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote on the Resolution set out in the Notice of Meeting.

All Shareholders are invited and encouraged to attend the Meeting. If Shareholders are unable to attend in person, the **attached** Proxy Form should be completed, signed and returned to the Company in accordance with the instructions contained in the Proxy Form and the Notice of Meeting. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person, but the person appointed as the proxy must then not exercise the rights conferred by the Proxy Form.

6.4 Not a Disclosure Document

This Explanatory Memorandum is not a disclosure document for the purpose of Chapter 6D of the Corporations Act.

6.5 Disclaimer

No person is authorised to give any information or make any representation in connection with the Invictus Sale 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 in connection with the Invictus Sale.

6.6 ASIC

A copy of the Notice of Meeting and Explanatory Memorandum has been lodged with ASIC pursuant to the Corporations Act. ASIC nor any of its officers take any responsibility for the contents of the Notice of Meeting and Explanatory Memorandum.

6.7 Enquiries

All enquiries in relation to the contents of the Notice of Meeting or Explanatory Memorandum should be directed to the Company Secretary, at catriona.glover@tearum.com.au.

GLOSSARY

AEDT	Australian Eastern Daylight Time
ASIC	The Australian Securities and Investments Commission
AUD or **$**	The lawful currency of Australia
Board	The Board of directors of the Company
Chair	The chairperson appointed for the Extraordinary General Meeting
Company	VGI Health Technology Limited ACN 111 082 485
Constitution	The constitution of the Company
Corporations Act	*Corporations Act 2001* (Cth), as amended from time to time
Director	A director of the Company
General Meeting or **Extraordinary General Meeting** or **Meeting**	The general meeting of the Company to be held on 3 June 2022
Group	The Company, its subsidiaries and each of its subsidiaries
Independent Expert	PKF Melbourne Corporate Pty Ltd
Independent Expert's Report	The Independent Expert's Report set out in Annexure A
Invictus	Invictus BioPharma Pty Ltd
Invictus Group	Has the meaning given to it in section 1.3
Invictus Sale	Has the meaning given to it in section 1.3
Invictus Sale Agreement	Has the meaning given to it in section 1.3
Notice of General Meeting	The notice of General Meeting to which this Explanatory Memorandum is attached
NSX	means National Stock Exchange of Australia Limited (ABN 11 000 902 063) or the financial market operated by it, as the context requires, of Level 2, 117 Scott Street, Newcastle, NSW Australia 2300

NSX Listing Rules	means the official listing rules of the NSX and any other rules of the NSX which are applicable while the Company is admitted to the official list of the NSX, as amended or replaced from time to time, except to the extent of any express written waiver by the NSX
Official List	The official list of the NSX
Purchaser	Invictus Biopharma Holdings Ltd
Share	A fully paid ordinary share in the Company
Shareholder	A holder of a Share

ANNEXURE A
INDEPENDENT EXPERT'S REPORT

28 April 2022

The Independent Directors
VGI Health Technology Limited
Level 45, MLC Centre
19 Martin Place
SYDNEY NSW 2000

Dear Independent Directors

Re: Independent Expert's Report

1. Introduction

The Independent Directors of VGI Health Technology Limited ("**VGI**" or the "**Company**") have requested PKF Melbourne Corporate Pty Ltd ("**PKF Corporate**") to prepare an Independent Expert's Report ("**IER**") in respect of a proposed transaction that would see VGI divest 100% of the issued capital in its wholly owned subsidiary, Invictus BioPharma Pty Ltd ("**IVB**"), to a newly formed company known as Invictus BioPharma Holdings Limited ("**IVBHL**") (referred to as the "**Proposed Transaction**").

Dr Glenn Tong, the CEO and Managing Director of VGI is also a Director of IVBHL, and together with his associates, currently hold more than 48% of the Ordinary Shares in IVBHL.

The National Stock Exchange (**NSX**) Listing Rule 6.43 requires that a company obtain shareholder approval at a general meeting when the disposal of a substantial asset is made to a related party or a shareholder holding shares in at least 10% of the company's voting securities. As Dr Glenn Tong is considered to be a related party of VGI, NSX Listing Rule 6.43 requires that the Company obtain shareholder approval for the Proposed Transaction. VGI is also seeking shareholder approval pursuant to Chapter 2E of the Corporations Act 2001 (the "**Act**"). The Independent Directors of VGI wish to present shareholders with an independent expert report in support of the Proposed Transaction.

2. The Proposed Transaction

2.1 Summary of the Proposed Transaction

On 14 February 2022, VGI announced that it had entered into a non-binding term sheet for the sale of IVB (including its wholly owned subsidiaries as set out in section 6.1 of the IER and collectively referred to as the "**Invictus Group**") to IVBHL (the "**Term Sheet**"). The Term Sheet includes an exclusivity period of three months after the date of entering into the Term Sheet or execution of a Share Purchase Agreement (the "**Agreement**"), whichever is earlier.

The Proposed Transaction consists of the following, among other things:

- VGI will dispose of 100% of the issued capital of IVB to IVBHL free of financial indebtedness;
- VGI will gain an exclusive global licence to manufacture, market and sell nutraceutical products based on IVB's intellectual property rights, with a royalty payable to IVB of 2.0% of VGI's gross aggregate sales derived from the sale of nutraceutical products (the "**Global Nutraceutical Licence**");

- VGI will gain an exclusive licence to manufacture, market and sell pharmaceutical products based on IVB's intellectual property rights in the Peoples Republic of China, with a royalty payable to IVB of 2.0% of VGI's gross aggregate sales derived from the sale of pharmaceutical products plus an additional AU$475,000 payable in instalments upon the achievement of various milestones (the "**China Pharmaceuticals Licence**"); and
- VGI will acquire 100% of the issued capital of Invictus Nutraceuticals, Inc, (the US subsidiary of IVBHL) for nil consideration.

The consideration payable by IVBHL to VGI in respect to the Proposed Transaction will be as follows:

- a cash payment of up to AU$2.3 million, subject to adjustments including set-off of creditors of IVB at completion of the Proposed Transaction (the "**Cash Consideration**");
- the issue of shares in IVBHL equal to 20.0% of the total shares on issue in IVBHL (the "**Scrip Consideration**") following a seed capital raising of up to AU$2.3 million prior to completion of the Proposed Transaction (the "**Seed Capital Raising**"). Where IVBHL raises more than AU$2.3 million under the Seed Capital Raising, VGI will be entitled to subscribe for additional shares in IVBHL on a pro-rata basis on the same terms offered to all other subscribers except for an extended settlement period of 3 months. Any such additional shares in IVBHL subscribed for by VGI do not form part of the Scrip Consideration; and
- the Global Nutraceutical Licence and the China Pharmaceutical Licence (the "**Licence Agreements**").

Prior to completion of the Proposed Transaction, IVB's wholly owned subsidiary, Invictus Overseas Holdings Pty Ltd, will transfer all of the issued capital in its wholly owned US subsidiary, Invictus Nutraceuticals Inc, to VGI for nil consideration and any contracts and/or agreements relating to the Invictus Group's nutraceuticals business will be transferred to or remain with VGI.

Completion of the Proposed Transaction is subject to IVBHL successfully completing the Seed Capital Raising and VGI's shareholders approving the disposal of IVB by VGI, among other things.

Upon completion of the Proposed Transaction, Dr Glenn Tong (VGI's CEO and Managing Director) and Dr David Kingston (VGI's Chief Scientific Officer and Chair of its Scientific Advisory Board) will resign from their current roles with VGI. Mr Steven Yu (VGI Director) will be appointed the Managing Director of VGI and it is intended that Mr Richard Estalella (following his resignation from his present role with Invictus Nutraceuticals, Inc) will act as an advisor to VGI in relation to the commercialisation of nutraceutical products, particularly in North America, South America, Japan and Europe.

2.2 Proposed Resolutions to be Approved by Shareholders

VGI is seeking shareholder approval at the forthcoming Extraordinary General Meeting of VGI shareholders ("**EGM**"). The Notice of Extraordinary General Meeting (the "**Notice**") requires the VGI shareholders to vote on the following ordinary resolutions:

Resolution 1: Approval of the disposal of a substantial asset to a related party of the company (Invictus BioPharma Holdings Ltd)

"That, subject to and conditional on the passing of Resolutions 2 to 4 (inclusive), for the purposes of NSX Listing Rule 6.43 and section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to sell and dispose of all of the shares it owns in Invictus BioPharma Pty Ltd (Invictus) to a related party of the Company, Invictus BioPharma Holdings Ltd (Purchaser), on the terms and conditions set out in the Explanatory Memorandum."

Resolution 2: Approval of the provision of a financial benefit to a related party of the company (Dr Glenn Tong)

"That, subject to and conditional on the passing of Resolutions 1,3 and 4, for the purposes of section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to provide a financial benefit to a related party of the Company, Dr Glenn Tong, as a director of the Purchaser, on the terms and conditions set out in the Explanatory Memorandum."

Resolution 3: Approval of the provision of an indirect financial benefit to a related party of the company (Richard Estalella)

"That, subject to and conditional on the passing of Resolutions 1,2 and 4, for the purposes of section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to provide an indirect financial benefit to a related party of the Company, Richard Estalella, as a director of the Purchaser, on the terms and conditions set out in the Explanatory Memorandum."

Resolution 4: Approval of the provision of an indirect financial benefit to a related party of the company (David Kingston)

"That, subject to and conditional on the passing of Resolutions 1 to 3 (inclusive), for the purposes of section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to provide an indirect financial benefit to a related party of the Company, David Kingston, as a director of the Purchaser, on the terms and conditions set out in the Explanatory Memorandum."

We have been requested to provide an opinion on whether Resolution 1 is fair and reasonable to the Non-Associated Shareholders of VGI. As all of the above resolutions are subject to one another, we regard them as together forming part of one overall transaction and we refer to this transaction as the 'Proposed Transaction' in the balance of the IER.

The Independent Directors of VGI have requested PKF Corporate to prepare an IER in accordance with ASIC Regulatory Guide 111 – Content of expert reports. ASIC Regulatory Guide 111 requires the Independent Expert to advise the shareholders whether the Proposed Transaction and Resolution 1 is fair and reasonable, when considered in the context of the interests of the Non-Associated Shareholders (all shareholders entitled to vote on the Proposed Transaction).

On 21 January 2021, PKF Corporate prepared an Independent Expert Report for VGI (formerly known as Azure Health Technology Limited) in respect to the acquisition of all of the issued capital in IVB (formerly known as Invictus BioPharma Limited).

3. Summary opinions

In our opinion, the Proposed Transaction is **not fair but reasonable to the Non-Associated Shareholders**. Our principal reasons for reaching this opinion are:

Fairness

In Section 7 of the IER, we assessed the value of IVB that VGI may dispose of to be in a range of AU$72.4 million to AU$113.7 million.

In Section 9 of the IER, we assessed the value of the consideration receivable by VGI to be in a range of AU$35.5 million to AU$52.9 million.

As the value of the consideration receivable by VGI (AU$35.5 million to AU$52.9 million) is less than the value of IVB that VGI may dispose of (AU$72.4 million to AU$113.7 million), we have concluded that the Proposed Transaction is **not fair**.

Reasonableness

In section 11 of the IER, we considered that the advantages of the Proposed Transaction outweigh the disadvantages of the Proposed Transaction. In forming this view, we consider that in the absence of VGI being able to secure further funding in its current form and based on VGI's current financial position there is no alternative to the Proposed Transaction and for this reason we have assessed the Proposed Transaction as being **reasonable**. A summary of the significant factors that we considered are as follows:

Advantages

- If VGI shareholders approve the Proposed Transaction, VGI may receive up to AU$2.3 million as a cash payment as part of the Cash Consideration (subject to adjustments including set-off of creditors of IVB at completion of the Proposed Transaction estimated to be AU$700,000). This will result in an immediate improvement to the cash resources of VGI (approximately AU$95,000 as at 31 December 2021) and allow VGI to repay any immediate liabilities and with any remaining funds being available to meet the ongoing operating costs of VGI as well as contribute to the funding of further development of the nutraceuticals business it will retain.
- Assuming development of IVB's intellectual properties are advanced through to clinical trials and beyond, there may be significant upside for VGI via any equity interest it retains in IVBHL.

Disadvantages

- If VGI shareholders approve the Proposed Transaction, VGI will focus on the manufacturing, marketing and sale of nutraceutical products which are both proprietary and patent protected under the Licence Agreements. The manner in which the change to the nature and scale of VGI's activities is being impacted may not be consistent with the investment, financial, taxation or other objectives of all VGI shareholders. VGI will no longer own IVB's intellectual properties and is likely to have a lower market capitalisation which may lead to lesser market awareness and, as such, may reduce VGI's ability to raise funds and attract strategic investors in lieu of identifying new complementary acquisition targets in order to provide VGI shareholders with a new value proposition.
- If VGI shareholders approve the Proposed Transaction, VGI's core pharmaceutical team will transfer to IVBHL (refer to Section 8.2 of the IER) and, as such, VGI's research and development capability will be weakened until alternative team members are recruited.

Other factors

- As at 31 December 2021, VGI reported a net current asset deficiency of approximately AU$1.8 million (current assets totalling AU$266,164 less current liabilities totalling AU$2,043,602). VGI's independent auditor's report set out in VGI's Interim Report for the half year ended 31 December 2021 raised a material uncertainty in relation VGI's ability to continue as a going concern. If VGI shareholders do not approve the Proposed Transaction, VGI may be required to raise capital to fund the development of IVB's intellectual properties and meet the repayment of any immediate liabilities. This may require extensive management focus and expense to secure such funding and should VGI need to seek funding from new shareholders this may be highly dilutive to existing shareholders in VGI.
- As stated in the NOM, VGI is subject to funding pressure and has not been able to raise sufficient funds to advance its existing business and the major shareholders of VGI are not willing to further fund the business activities of VGI. However, VGI has identified potential new investors who are interested in funding the pharmaceutical business activities of VGI only but not the nutraceutical business activities. If VGI shareholders approve the Proposed Transaction, the Cash Consideration receivable by VGI will allow it to advance the nutraceuticals business that it will retain.
- Under the Proposed Transaction, VGI will retain an initial equity interest in IVB via IVBHL of up to 20.0% although initially this will be in an unlisted public company. Given the nature and financial resources required to advance biotechnology assets, it is likely that IVBHL will need to undertake further capital raisings to advance the development of its intellectual properties and, as such, VGI's equity interest in IVBHL may be diluted. However, VGI will have an opportunity to participate proportionally in future capital raisings.
- Under the Proposed Transaction, VGI will enter into the Licence Agreements. Under these licensing agreements, any advancements to the intellectual properties of IVB may continue to be beneficial to VGI, however, such advancements will be up to the discretion of IVBHL and its business strategy. Should IVBHL's business strategy and efforts towards nutraceuticals change, this may be detrimental to VGI.

Related Party – Financial Benefits

In section 13 of the IER, we assessed the value of the financial benefit to be gained by IVBHL to be in the range of AU$72.4 million to AU$113.7 million and the value of the financial benefit to be gained by Dr Glenn Tong to be in a range of AU$14.6 million to AU$22.9 million.

In section 13 of the IER, we also assessed the value of the financial benefit to be gained by each of Mr Richard Estalella and Dr David Kingston to be in the range of AU$7.7 million to AU$12.0 million.

4. Structure of this report

The remainder of this report is divided into the following sections:

5. Purpose of the report

This report has been prepared to meet the following regulatory requirements:

NSX Listing Rules 6.43

Listing Rule 6.43 requires a company to obtain shareholder approval at a general meeting when the disposal or acquisition of a substantial asset is to be made to or from:

(i) a related party;

(ii) a child entity;

(iii) a person with voting power of at least 10% of the voting securities of the issuer;

(iv) an associate of a person referred to in paragraphs (i) to (iii) above; or

(v) a person nominated by the Exchange.

Whilst Listing Rule 6.43 does not publish guidance on what is a 'substantial asset', guidance can be taken from the Australian Securities Exchange (**ASX**) Listing Rule 10.2 which provides that an asset is 'substantial' if its value is in excess of 5% of the shareholders' funds, as set out in the latest financial statements.

As

- Dr Glenn Tong is currently a director of VGI and also a director of IVBHL and as Dr Tong and his associates hold more than 48.0% of the Ordinary Shares in IVBHL, IVBHL is considered to be a related party of VGI; and
- the value of the Proposed Transaction exceeds 5% of the equity interest of VGI as set out in the latest financial statements given to the NSX (5% x total equity of AU$7.476 million as at 31 December 2021 = AU$373,800);

Listing Rule 6.43 will apply to the Proposed Transaction.

Corporations Act 2001 – Chapter 2E

Section 208 of the Act states that a public company must obtain approval from the company's members if it gives a financial benefit to a related party unless the benefit falls within the scope of an exception to the Act as set out in Section 210 to 216 of the Act.

Section 210 of the Act states that member approval is not needed to give a financial benefit on terms that:

(a) would be reasonable in the circumstances if the public company or entity and the related party were dealing at arm's length; or

(b) are less favourable to the related party than the terms referred to in paragraph (a) above.

Section 211 of the Act states that member approval is not needed to give a financial benefit if:

(a) the benefit is remuneration to a related party as an officer or employee; and

(b) to give the remuneration would be reasonable.

Section 228(2) of the Act defines 'related parties' of a public company as:

(a) directors of the public company;

(b) directors (if any) of an entity that controls the public company;

(c) if the public company is controlled by an entity that is not a body corporate – each of the persons making up the controlling entity;

(d) spouses and de facto spouses of the persons referred to in paragraphs (a) to (c) above.

As IVBHL and Dr Glenn Tong are related parties of VGI under Section 228(2) of the Act, the Proposed Transaction will constitute a financial benefit. Dr David Kingston and Mr Richard Estalella are also considered to be related parties of VGI under Section 228(2) of the Act and, as such, it has been considered that they may receive an indirect financial benefit.

The Proposed Transaction is permitted by the Act, however, Section 208 of the Act provides that prior shareholder approval is required before a public company can provide a financial benefit to a related party. Shareholders must be provided with all the information that is reasonably required in order for them to decide whether or not it is in the company's interests to approve the giving of the financial benefit.

The Independent Directors of VGI have requested PKF Corporate to independently assess the value of the financial benefit.

ASIC Regulatory Guides

This report has been prepared in accordance with the ASIC Regulatory Guides and more particularly:

RG 76 – Related Party Transactions ("RG76")

RG 76.105 To ensure that members are provided with sufficient information to assess a proposed related party transaction and decide how to vote, it may be necessary for entities to include a valuation from an independent expert with a notice of meeting for member approval under Ch 2E or Pt 5C.7 where:

(a) the financial benefit is difficult to value;

(b) the transaction is significant from the point of view of the entity (see RG 76.113); or

(c) the non-interested directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

RG 76.107 Independent valuation advice on a proposed related party transaction can help members better understand and assess the proposal and make an informed decision about how to vote. Independent valuation advice can also play an important part in maintaining investor confidence in the management of the entity.

RG 76.109 There is no express requirement in Ch 2E for an independent expert report to be obtained for provision to members with a notice of meeting. However, we encourage independent expert reports to be obtained and sent to members with the accompanying explanatory material in the circumstances set out in RG 76.105.

RG 76.110 In our view, under Ch 2E and directors' duties, directors have a general obligation to include information about the value of a financial benefit in a notice of meeting for member approval of a related party benefit. The directors' fiduciary duty of disclosure generally requires notices of meeting for approval of asset sales or acquisitions to include the material information necessary for members to assess whether a transaction is for a fair price, and whether the terms and conditions are onerous or disadvantageous, Sunraysia at 635.

RG 76.111 The economic and commercial considerations addressed in the examples in s219(2) would often require directors to provide information about the value of the benefit.

RG 76.112 In some cases, a notice of meeting for approval of a related party benefit could include information about the value of the financial benefit in the form of advice from the non-interested directors. However, given the complexities and inherent conflicts of interest involved in many related party transactions, it is sometimes more appropriate for an entity to commission an independent expert to give an opinion on the proposed transaction.

RG 76.113 A transaction can be significant from the point of view of an entity – so that an independent expert report may be necessary (see RG 76.104(b)) – for reasons other than the dollar value involved. For example, a transaction may be considered to be significant if it involves a change of business activities or strategic direction, the replacement of the full board, substantial dilution of existing members, or if it is very complex.

RG 76.114 Regulatory guide 111 Content of Expert Reports (RG 111) provides guidance on the content of expert reports for related party and other transactions and how experts should assess related party transactions.

RG 111 – Content of Expert Reports ("RG111")

RG 111.55 Generally, ASIC expects an expert who is asked to analyse a related party transaction to express an opinion on whether the transaction is 'fair and reasonable' from the perspective of non-associated members. This analysis is specifically required where the report is also intended to accompany meeting materials for member approval of an asset acquisition or disposal under NSX Listing Rule 6.43.

RG 111.53 When analysing related party transactions, it is important that an expert focuses on the substance of the related party transaction, rather than the legal mechanism. For example, where a related party transaction is made up of a number of separate components, the expert should consider the overall effect of the related party transaction.

RG 111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Ch 2E or NSX Listing Rule 6.43), this should not be applied as a composite test – that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information. See Regulatory Guide 76 Related Party Transactions (RG 76) at RG 76.106 – RG 76.111 for further details.

RG 111.57 A proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made:

(a) assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and

(b) for control transactions, on the basis referred to in RG 111.11.

General

The terms "fair" and "reasonable" are not defined in the Act, however, guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111. For the purpose of this report, we have defined them as follows:

Fairness	the Proposed Transaction is "fair" if the value of the consideration receivable by VGI is equal to or greater than the value of IVB that VGI may dispose of.
Reasonableness	the Proposed Transaction is "reasonable" if it is fair. It may also be "reasonable" if, despite not being "fair" but after considering other significant factors, we consider that the advantages of proceeding with the Proposed Transaction outweigh the disadvantages of proceeding.

What is fair and reasonable for the Non-Associated Shareholders should be judged in all the circumstances of the proposal.

The methodology that we have used to form an opinion as to whether the Proposed Transaction is fair and reasonable, is summarised as follows:

(i) In determining whether the Proposed Transaction is fair, we have:

- assessed the value of IVB to be disposed of by VGI;
- assessed the value of the consideration receivable by VGI; and
- compared the value of IVB to be disposed of by VGI with the value of the consideration receivable by VGI.

(ii) In determining whether the Proposed Transaction is reasonable, we have analysed other significant factors that the Non-Associated Shareholders should review and consider prior to accepting or rejecting the Proposed Transaction.

6. IVB - key information

6.1 Background

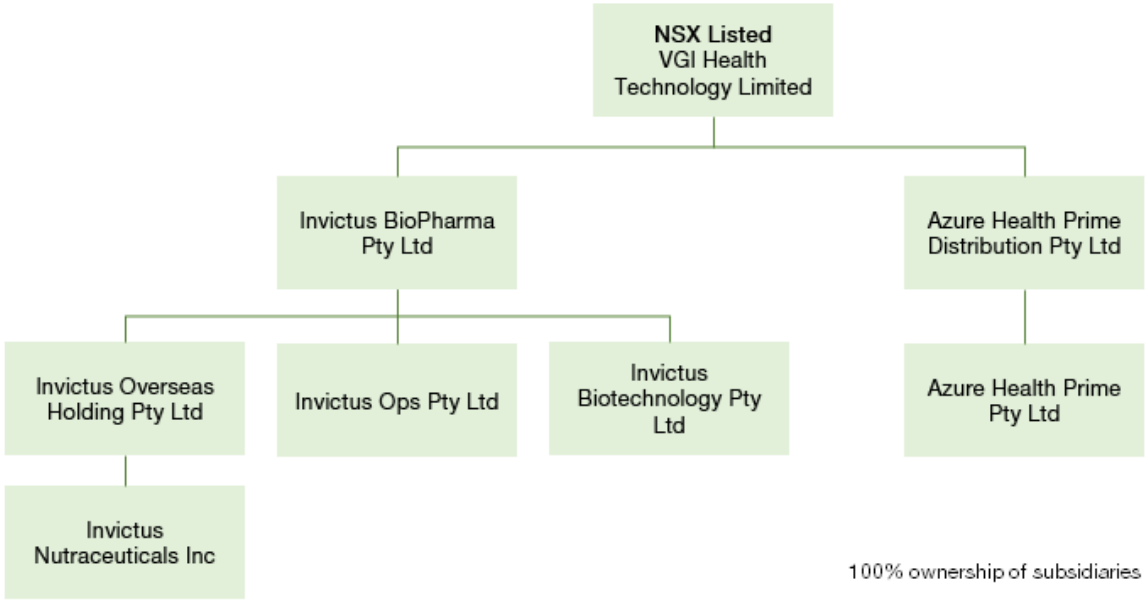
On 11 June 2020, VGI acquired 100% of the issued capital in IVB (formerly known as Invictus Biopharma Limited) which incorporated the following wholly owned subsidiaries:

- Invictus Biotechnology Pty Ltd – holder of all intellectual property;
- Invictus Ops Pty Ltd - operating entity excluding US operations;
- Invictus Overseas Holdings Pty Ltd – wholly owns Invictus Nutraceuticals Inc; and
- Invictus Nutraceuticals Inc – operates the US business activities comprising the manufacturing, marketing and selling of nutraceutical products (collectively referred to as "**Invictus US**").

The purchase consideration paid by VGI in respect of IVB was assessed to total approximately AU$7.0 million and was satisfied in VGI shares. Subsequent to the acquisition of IVB, VGI (formerly known as Azure Health Technology Limited) successfully completed an Initial Public Offering (**IPO**) on the NSX on 28 May 2021 raising approximately AU$2.5 million.

The current corporate structure of VGI is presented below and each subsidiary is wholly owned.

Figure 1



Source: NSX

IVB is a clinical stage biotechnology company that is a wholly owned subsidiary of VGI. IVB is focused on developing and commercialising novel dietary supplements and prescription medicines based on natural products (tocotrienols) which have wide therapeutic potential. IVB owns and controls patent and other intellectual property rights for novel approaches to non-invasively delivering tocotrienols directly to the target tissues.

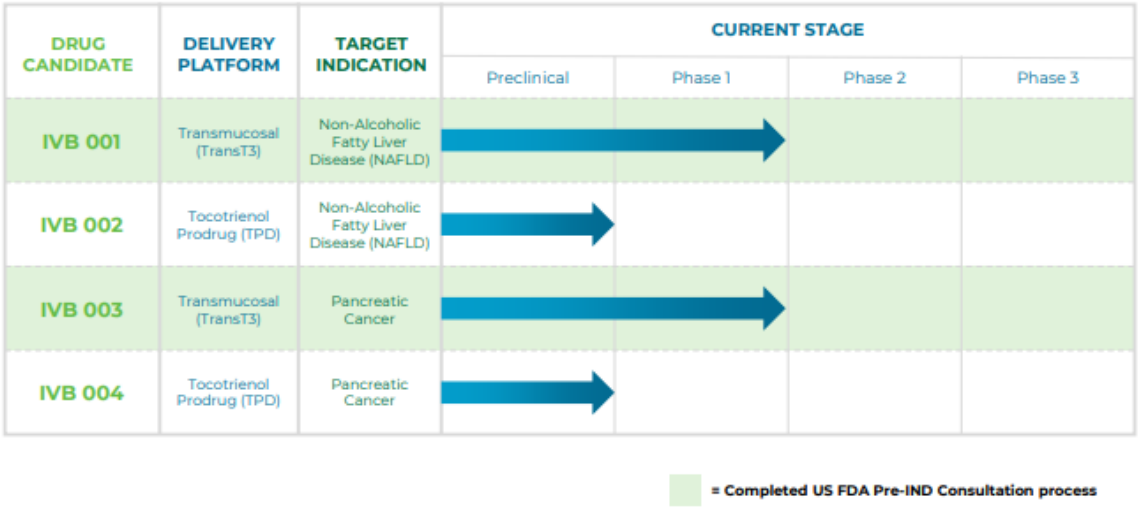
IVB has two drug candidates based on the 'TransT3 delivery platform' which are presently commencing Phase II clinical studies, including:

- 'IVB001' targeting Non-Alcoholic Fatty Liver Disease (NAFLD) and Non-Alcoholic Steatohepatitis (NASH); and
- 'IVB003' targeting Pancreatic Adenocarcinoma (Pancreatic Cancer).

In addition, IVB has two tocotrienol prodrug candidates based on the 'Tocotrienol Prodrug Platform', 'IVB002' and 'IVB004', which are presently being optimised in a continuing collaborative research project with a research group at the Monash Institute of Pharmaceutical Sciences (**MIP**) and is expected to commence formal preclinic studies during the second half of 2022 in preparation for clinical studies during 2023. IVB has acquired an exclusive global license for Tocotrienol ProDrugs from MIP.

An overview of IVB's four drug candidates in development are presented below.

Figure 2

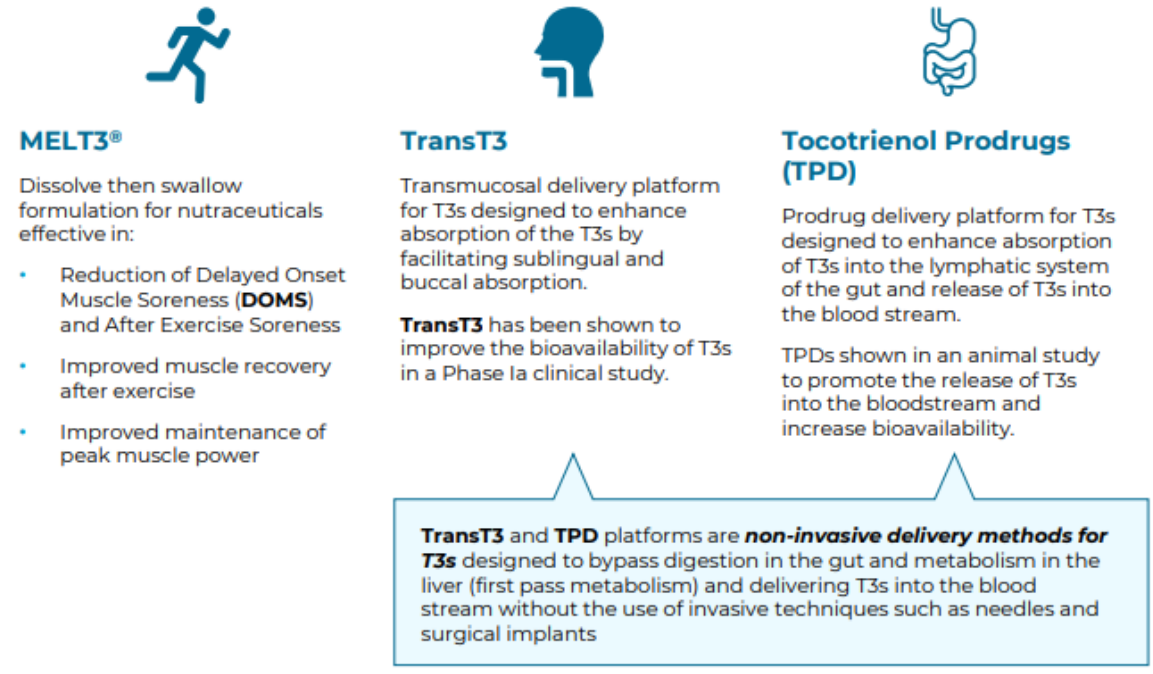


Source: NSX

IVB has a product development program for evidence-based nutraceuticals and a clinical development program for prescription medicines. IVB's two patented nutraceutical products 'NE1-Elite®' and 'NE1-Heart®' are ready for marketing in the USA. IVB also has a delivery platform used for nutraceutical products known as 'MELT3®'.

An overview of IVB's technology platforms are presented below.

Figure 3



Source: NSX

Further detailed information in relation to IVB's drug candidates, licences and technology platforms are provided in the Acuity Technology Management Pty Ltd[1] ("**Acuity**") Independent Valuation Report (see Attachment 1 to the IER).

[1] Acuity specializes in the appraisal and valuation of IP and knowledge-based intangible assets. Acuity has experience in valuing technologies, projects and businesses in a diversity of industries including medical and life sciences.

6.2 Directors

IVB's Directors at the date of this report are Dr Glenn Tong and Mr Steven Yu.

6.3 Issued capital

As at 5 April 2022, IVB had on issue 98,279,681 fully paid Ordinary Shares and these are held by VGI.

6.4 Statements of financial position

IVB's statements of financial position as at 30 June 2019 and 30 June 2020 are presented in the table below.

Table 1

Invictus BioPharma Limited Consolidated Statement of Financial Position	Audited June 2019 AU$	Audited June 2020 AU$
Assets		
Current Assets		
Cash and cash equivalents	677	6,558
Trade and other receivables	167,097	78,049
Other assets	3,330	3,330
Total Current Assets	**171,104**	**87,937**
Non Current Assets		
Plant and equipment	-	-
Intangible assets	252,761	376,222
Total Non Current Assets	**252,761**	**376,222**
Total Assets	**423,865**	**464,159**
Liabilities		
Current Liabilities		
Trade and other payables	850,815	585,989
Borrowings	286,182	1,558,421
Total Current Liabilities	**1,136,997**	**2,144,410**
Total Liabilities	**1,136,997**	**2,144,410**
Net Asset Deficiency	**(713,132)**	**(1,680,251)**
Equity		
Issued capital	290,200	409,328
Other contributed capital	70,400	-
Share-based payment reserve	270,103	485,866
Restructure reserve	(69,792)	(69,792)
Accumulated losses	(1,274,043)	(2,505,653)
Total Equity/(Deficiency)	**(713,132)**	**(1,680,251)**

Source: IVB's consolidated audited financial statements for the financial year ended 30 June 2020

Numbers in the table may not reconcile to the nearest dollar with the financial statements due to rounding

IVB's statements of financial position as at 30 June 2021 and 31 December 2021 are presented in the table below.

Table 2

Invictus BioPharma Pty Ltd Consolidated Statement of Financial Position	June 2021 AU$	Dec 2021 AU$
Assets		
Current Assets		
Cash and cash equivalents	187,520	37,979
Trade and other receivables	35,933	33,442
Inventory	52,926	134,225
Total Current Assets	**276,379**	**205,646**
Non Current Assets		
Intangible assets	479,516	499,692
Total Non Current Assets	**479,516**	**499,692**
Total Assets	**755,895**	**705,338**
Liabilities		
Current Liabilities		
Trade and other payables	552,461	644,951
Borrowings	186,394	21,852
Related party balances	3,062,865	3,837,850
Total Current Liabilities	**3,801,720**	**4,504,653**
Total Liabilities	**3,801,720**	**4,504,653**
Net Asset Deficiency	**(3,045,825)**	**(3,799,315)**
Equity		
Issued capital	2,106,392	2,106,394
Reserves	(640,000)	(640,000)
Accumulated losses	(4,512,217)	(5,265,709)
Total Equity/(Deficiency)	**(3,045,825)**	**(3,799,315)**

Source: VGI's consolidation workpapers for the financial year ended 30 June 2021 and the half year ended 31 December 2021

Numbers in the table may not reconcile to the nearest dollar with the financial statements due to rounding

6.5 Operating performance

IVB's statements of profit or loss and other comprehensive income for the financial years ended 30 June 2019 ("**FY19**") and 30 June 2020 ("**FY20**") are presented in the table below.

Table 3

Invictus BioPharma Limited Consolidated Statement of Profit or Loss and Other Comprehensive Income	Audited FY19 AU$	Audited FY20 AU$
Revenue	-	-
Other income	115,451	162,800
Accounting fees	(99,085)	(143,337)
Amortisation of intangibles assets	(12,332)	(9,832)
Audit fees	(20,000)	(23,500)
Depreciation	(2,088)	-
Research study expenses	(75,000)	(111,038)
Corporate advisory expense	(70,400)	(12,330)
Consultancy fees	(466,925)	(570,050)
Legal fees	(116,800)	(164,965)
Interest expense	(4,202)	(25,305)
Share based payment expense	(470,103)	(264,491)
Other corporate costs	(52,559)	(69,562)
Loss before income tax	**(1,274,043)**	**(1,231,610)**
Income tax expense	-	-
Loss for the period after income tax	**(1,274,043)**	**(1,231,610)**
Other comprehensive income	-	-
Total comprehensive income for the period	**(1,274,043)**	**(1,231,610)**

Source: IVB's consolidated audited financial statements for the financial year ended 30 June 2020

Numbers in the table may not reconcile to the nearest dollar with the financial statements due to rounding

IVB's statements of profit or loss and other comprehensive income for the financial year ended 30 June 2021 ("**FY21**") as well as the half year ended 31 December 2021 ("**HY FY22**") are presented in the table below.

Table 4

Invictus BioPharma Pty Ltd Consolidated Statement of Profit or Loss and Other Comprehensive Income	FY21 AU$	HY FY22 AU$
Other revenue	85,937	-
Marketing expenses	-	(6,188)
Travel and entertainment expenses	(1,197)	-
Administration expenses	(9,120)	(12,577)
Bank fees	(1,263)	(51)
Insurance	(39,640)	(17,192)
Research and related expenses	(940,720)	(507,349)
Depreciation and amortisation	(34,874)	(23,318)
Interest expense	(13,321)	(7,628)
Legal and professional fees	(347,459)	(179,189)
Loss before income tax	**(1,301,657)**	**(753,492)**
Income tax expense	-	-
Loss for the period after income tax	**(1,301,657)**	**(753,492)**
Other comprehensive income	-	-
Total comprehensive income for the period	**(1,301,657)**	**(753,492)**

Source: VGI's consolidation workpapers for the financial year ended 30 June 2021 and the half year ended 31 December 2021

Numbers in the table may not reconcile to the nearest dollar with the financial statements due to rounding

7. Assessment as to the value of IVB to be disposed of by VGI

7.1 Value definition

PKF Corporate's valuation of IVB to be disposed of by VGI is on the basis of 'fair market value', defined as:

'the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length'.

7.2 Valuation methodologies

In selecting appropriate valuation methodologies to assess the value of IVB to be disposed of by VGI, we considered the applicability of a range of generally accepted valuation methodologies. Each methodology is described in detail in Appendix C of the IER.

7.3 Share price history

IVB is a private company wholly owned by VGI and, as such, there is no active market in its shares.

As IVB was acquired by VGI (formerly known as Azure Health Technology Limited) during June 2020 for approximately AU$7.074 million (refer to section 6.1 of the IER), this provides guidance of the market value of IVB.

However, the value of IVB implied by this transaction was over 18 months ago and during this time advancements have been made to IVB's intellectual properties in particular the granting of additional patents, the completion of clinical study protocols, in respect of IVB's drug candidates as well as the receipt of certifications of IVB's proprietary nutraceutical products. Accordingly, we do not consider that the VGI acquisition of IVB during June 2020 can be relied upon to provide recent market evidence of the value of IVB and, as such, we consider that the share price history is not an applicable methodology to use to assess the current value of IVB.

7.4 Capitalisation of future maintainable earnings

As IVB is a pre-revenue company currently focused on the development of its drug candidates it does not have a history of profitable trading (refer to section 6.5 of the IER) and, as such, we consider that the capitalisation of future maintainable earnings is not an appropriate methodology to use to value IVB.

7.5 Net present value of future cash flows

Given the nature of the IVB business, it does not generate positive cash flows from operations. As IVB does not have any current long term cash flow forecasts available that can be used to value the IVB shares and as IVB has an immediate focus on research and development, the net present value of future cash flows methodology cannot be used to value IVB.

However, Acuity has developed its own cash flow forecasts and discounted these using a risk adjusted discount rate in forming its opinion of the value of IVB's drug candidates, licenses and technology platforms. A full copy of the Acuity Independent Valuation Report is set out as Attachment 1 to the IER.

Acuity has ascribed a preferred value of AU$93.8 million to IVB's drug candidates, licenses and technology platforms with a low and high valuation range of AU$73.1 million and AU$114.4 million.

This valuation range has been translated from US dollars to Australian dollars using a foreign currency exchange rate of US$1.00 to AU$0.73. We have reviewed this foreign exchange rate and we have analysed the recent spot price of the AU$ against the US$. We have observed the following:

- the historical exchange rates of the AU$ against the US$ over the past 12 months has decreased, trending downwards within the range of high US$0.70s to low US$0.70s, although more recently it has become volatile and trended upwards towards mid US$0.70s;

- the recent exchange rates of the AU$ against the US$ over the past 6 months has averaged AU$1.00 to US$0.725; and
- the forward exchange rates of the AU$ against the US$ are estimated to remain relatively flat over the period of the future cash flows assessed by Acuity.

After considering our analysis of the AU$ against the US$, we have concluded that the foreign exchange rate adopted by Acuity of US$1.00 to AU$0.73 lies within a reasonable range.

As the provision of a single value does not appropriately reflect the uncertainty inherent in any valuation, we have adopted the low and high valuation range provided by Acuity.

7.6 Asset based methods

As at 31 December 2021, IVB reported a net asset deficiency as per the reviewed statement of financial position of approximately AU$3.799 million (refer to section 6.4 of the IER).

Table 5

Invictus BioPharma Pty Ltd Net asset approach	note	Low AU$	High AU$
Reported net asset deficiency as at 31 December 2021		(3,799,315)	(3,799,315)
Invictus US net asset deficiency	1	508,355	508,355
Related party balances	2	3,062,865	3,062,865
Intangible assets (book value)	3	(499,692)	(499,692)
TransT3 - NASH	4	31,900,000	53,200,000
TransT3 - Pancreatic Cancer	4	4,900,000	8,100,000
TPD - NASH	4	7,100,000	11,800,000
TPD - Pancreatic Cancer	4	700,000	1,200,000
China Pharmaceuticals	4	4,800,000	8,000,000
MELT3®	4	23,700,000	32,100,000
Adjusted net assets		72,372,213	113,672,213

Source: VGI's consolidation workpapers for the half year ended 31 December 2021, Acuity, PKF Corporate analysis

Note 1: Based on the management financial statements of Invictus US, the reported net asset deficiency of Invictus US as at 31 December 2021 (AU$508,355) has been adjusted as the assets and liabilities of Invictus US will be retained by VGI as part of the Proposed Transaction and, as such, should not form part of the value of IVB to be disposed of by VGI. The assets of Invictus US as at 31 December 2021 are primarily comprised of inventory and cash assets and its liabilities included a related party loan owing to Invictus Ops Pty Ltd.

Note 2: Related party balances have been adjusted as the value of IVB to be disposed of by VGI will be free of financial indebtedness (refer to Section 2.1 of the IER).

Note 3: The reported book value of IVB's intangible assets in relation to patents and licensed patents as at 31 December 2021 (AU$499,692) have been adjusted to reflect the market value of such intellectual properties including IVB's drug candidates, licenses and technology platforms.

Note 4: We have engaged Acuity to assist us in assessing the market value of IVB's drug candidates, licenses and technology platforms (refer to Section 7.5 of the IER). We have adopted the low and high valuation ranges provided by Acuity.

Acuity has not assumed the utilisation of the accumulated losses currently available to IVB in assessing the market value of IVB's drug candidates, licenses and technology platforms. As at 31 December 2021, IVB (excluding Invictus US) reported approximately AU$4.757 million in accumulated losses that a potential acquirer may utilise to reduce its tax liability. However, the availability of those accumulated losses would require a potential acquirer to continue to carry on the same business as IVB currently does without significant changes. Accordingly, we have not attributed any specific value to accumulated losses as they are specific to the circumstances of a hypothetical buyer who may face a different tax outcome and whether those losses can be utilised. Should the accumulated losses currently available to IVB be utilised, the assessed market value of IVB's drug candidates, licenses and technology platforms by Acuity may be higher.

Based on the net asset valuation methodology, the value of IVB to be disposed of by VGI is in a range of say AU$72.4 million to AU$113.7 million.

7.7 Comparable market transactions

We are not aware of any specific rules of thumb to be applied to valuing IVB as there are no directly comparable market transactions as IVB's assets are unique. Accordingly, we have not used the comparable market transaction valuation methodology to value IVB nor its assets.

7.8 Alternative acquirer

We are not aware of any alternative proposals received to acquire IVB nor its assets and we can see no reason as to why an offer would be initiated at this time.

7.9 Conclusion

In the current circumstances of IVB, we have only been able to utilise the net asset based methodology and, as such, we have concluded that the value of IVB to be disposed of by VGI is in a range of AU$72.4 million to AU$113.7 million on a control basis.

8. IVBHL – key information

8.1 Background

IVBHL is a recently established company founded by Dr Glenn Tong (VGI's CEO and Managing Director), Dr David Kingston (VGI's Chief Scientific Officer and Chair of its Scientific Advisory Board) and Mr Richard Estalella (President and CEO of IVBHL's wholly owned US subsidiary Invictus Nutraceuticals Inc).

Should VGI shareholders approve the Proposed Transaction, IVBHL will acquire 100% of the issued capital in IVB which will incorporate the following wholly owned subsidiaries:

- Invictus Ops Pty Ltd;
- Invictus Biotechnology Pty Ltd; and
- Invictus Overseas Holdings Pty Ltd.

Invictus Nutraceuticals Inc will remain as a wholly owned US subsidiary of VGI as part of VGI's focus on the manufacturing, marketing and sale of nutraceutical products. IVBHL will effectively operate the current Invictus Group, although this will be with the exception of Invictus US and with the additional potential benefit to receive royalty payments under the Licence Agreements (the "**Contingent Royalty Payments**").

Upon completion of the Proposed Transaction, IVBHL will be a clinical-phase drug development company which will focus on the development of drugs based on the transmucosal delivery of tocotrienols and tocotrienol prodrugs, presently owned by IVB (refer to Section 6.1 of the IER).

Further detailed information in relation to the Licence Agreements is provided in the Acuity Independent Valuation Report (see Attachment 1 to the IER).

8.2 Directors & key executives

Upon completion of the Proposed Transaction, Dr Glenn Tong will assume the role as the Executive Chairman and CEO of IVBHL, Dr David Kingston will assume the role as the Chief Medical Officer and Chair of the Scientific Advisory Board of IVBHL and Mr Richard Estalella will be appointed as an Executive Director and the Vice President of Corporate Affairs of IVBHL (following his resignation from his present role with Invictus Nutraceuticals, Inc).

8.3 Issued capital

As at 5 April 2022, IVBHL had on issue 38.0 million fully paid Ordinary Shares. These shares are held by the founders of IVBHL and are presented in the table below.

Table 6

Invictus BioPharma Holdings Limited Shareholder	Number of shares held	Percentage interest
Dr Glenn Tong*	18,500,000	48.68%
Dr David Kingston	9,750,000	25.66%
Mr Richard Estalella	9,750,000	25.66%
Total	**38,000,000**	**100.0%**

Source: IVBHL
*shares held by an associate of Dr Glenn Tong

Upon completion of the Proposed Transaction and assuming a Seed Capital Raising of up to AU$2.3 million, IVBHL will have on issue 92,053,528 fully paid Ordinary Shares. The proposed shareholding post completion of the Proposed Transaction is presented in the table below.

Table 7

Invictus BioPharma Holdings Limited Shareholder	Number of shares held	Percentage interest
Seed Investors*	23,000,000	24.99%
Dr Glenn Tong**	18,500,000	20.10%
VGI Health Technology Limited	18,410,706	20.00%
Dr David Kingston	9,750,000	10.59%
Mr Richard Estalella	9,750,000	10.59%
Viriathus Capital***	7,500,000	8.15%
Other shareholders	5,141,822	5.59%
Total	**92,052,528**	**100.0%**

Source: IVBHL
*shares to be held by investors participating in the Seed Capital Raising
**shares held by an associate of Dr Glenn Tong
***shares to be issued to Viriathus Capital acting as lead manager under the terms of the Seed Capital Raising

8.4 Financial information

As IVBHL is a newly established company, it does not have any historical financial information. Following completion of the Proposed Transaction and the Seed Capital Raising, IVBHL's pro-forma balance sheet will represent the net assets of IVB, excluding Invictus US and the related party balances as well as approximately AU$2.3 million in cash less capital raising costs and less the Cash Consideration.

9. Assessment as to the value of the consideration receivable by VGI

9.1 Value definition

PKF Corporate's valuation of the consideration receivable by VGI is on the basis of 'fair market value', as defined in paragraph 7.1 of the IER.

9.2 Valuation methodologies

The value of the consideration receivable by VGI comprises the Cash Consideration, the Scrip Consideration and the Licence Agreements.

In selecting appropriate valuation methodologies to assess the value of the Scrip Consideration and the Licence Agreements receivable by VGI, we considered the applicability of a range of generally accepted valuation methodologies. Each methodology is described in detail in Appendix C of the IER.

9.3 Share price history

IVBHL is an unlisted public company incorporated in Australia for the purpose of acquiring IVB as part of the Proposed Transaction and, as such, there is no active market in the IVBHL shares. As IVBHL is to issue new shares under the Seed Capital Raising at AU$0.10 per share, this provides guidance of the market value of a share in IVBHL.

However, the value of a share in IVBHL under the Seed Capital Raising effectively reflects the value of IVBHL as a corporate cash backed shell and, as such, does not represent the value of a share in IVBHL after the Proposed Transaction. As the Scrip Consideration receivable by VGI reflects the value of a share in IVBHL after the Proposed Transaction, the share price history is not an applicable methodology to use to assess the value a share in IVBHL after the Proposed Transaction, which represents the Scrip Consideration.

9.4 Capitalisation of future maintainable earnings

As IVBHL is a newly incorporated company it does not have any historical financial information. Upon Completion of the Proposed Transaction, IVBHL will continue the operations of IVB (excluding Invictus US). As IVB is a pre-revenue company currently focused on the development of its drug candidates it does not have a history of profitable trading (refer to section 6.5 of the IER), we consider that the capitalisation of future maintainable earnings is not an appropriate methodology to use to assess the value a share in IVBHL after the Proposed Transaction which represents the Scrip Consideration.

9.5 Net present value of future cash flows

IVBHL is a newly incorporated company, and it does not have any historical financial information. Upon Completion of the Proposed Transaction, IVBHL will continue the operations of IVB (excluding Invictus US). We refer to our comments in section 7.5 of the IER and note that as IVBHL will carry on the existing business of IVB (excluding Invictus US) with an immediate focus on research and development, the net present value of future cash flows methodology cannot be used to value IVBHL.

However, Acuity has developed its own cash flow forecasts and discounted these using a risk adjusted discount rate in forming its opinion of the value of IVB's drug candidates, licenses and technology platforms to be owned by IVBHL upon completion of the Proposed Transaction (refer to Note 4 of Section 7.6 of the IER).

In considering the Licence Agreements receivable by VGI, Acuity has also assessed the value of the Licence Agreements to be held by VGI as well as IVB, after considering the Contingent Royalty Payments, after completion of the Proposed Transaction. Acuity has ascribed the following values accordingly:

- a preferred value of AU$31.3 million to the Licence Agreements receivable by VGI with a low and high valuation range of AU$26.0 million and AU$36.6 million. This valuation range has been used to assess the consideration receivable by VGI; and

- a preferred value of AU$3.0 million to the Nutraceutical and Pharmaceutical licences that IVB will retain with a low and high valuation range of AU$2.5 million and AU$3.5 million, including the benefits of the Contingent Royalty Payments receivable by IVB under the Licence Agreements. This valuation range has been used to assess the value of IVBHL after completion of the Proposed Transaction and the Scrip Consideration receivable by VGI.

The above valuation ranges have been translated from US dollars to Australian dollars using a foreign currency exchange rate of AU$1.00 to US$0.73 which we have reviewed and consider to be within a reasonable exchange rate range (refer further to our comments in Note 3 of Section 7.6 of the IER). As the provision of a single value does not appropriately reflect the uncertainty inherent in any valuation, we have adopted the low and high valuation ranges provided by Acuity. A fully copy of the Acuity Independent Valuation Report is set out as Attachment 1 to the IER.

9.6 Asset based methods

In considering the Scrip Consideration receivable by VGI, we have assessed the value of IVBHL upon completion of the Proposed Transaction.

Table 8

Invictus BioPharma Holdings Limited Net asset approach	note	Low AU$	High AU$
Adjusted net assets of IVB	1	72,372,213	113,672,213
Cash raised under the Seed Capital Raising	2	2,300,000	2,300,000
Costs of the Seed Capital Raising	2	(142,600)	(142,600)
Cash Consideration payable	3	(2,300,000)	(2,300,000)
China Pharmaceuticals (pre Proposed Transaction)	4	(4,800,000)	(8,000,000)
Melt3® (pre Proposed Transaction)	4	(23,700,000)	(32,100,000)
China Pharmaceuticals (post Proposed Transaction)	4	200,000	400,000
Melt3® (post Proposed Transaction)	4	2,300,000	3,100,000
Value of IVBHL after the Proposed Transaction		**46,229,613**	**76,929,613**

Source: IVBHL, Acuity, PKF Corporate analysis

Note 1: As the value of IVBHL upon completion of the Proposed Transaction will reflect the assessed value of IVB before the Proposed Transaction adjusted for the impact of the Seed Capital Raising and the Cash Consideration, the net assets of IVBHL will be based on the assessed adjusted net assets of IVB (refer to section 7.6 of the IER).

Note 2: Under the Seed Capital Raising, IVBHL will raise up to AU$2.3 million. Viriathus Capital will act as the lead manager and will be entitled to a fee payable in cash, in addition to shares in IVBHL (refer to Section 8.3 of the IER). The assumed costs of the Seed Capital Raising excludes any retainer amounts that may be payable to Viriathus Capital.

Note 3: The Cash Consideration payable by IVBHL to VGI will be up to AU$2.3 million, subject to adjustments including set-off of creditors of IVB at completion of the Proposed Transaction. We have made no adjustment to the Cash Consideration to reduce this amount for any adjustments as such adjustments will not be quantified until completion of the Proposed Transaction. As the adjustments to the Cash Consideration relate to liabilities of IVB to be assumed by IVBHL, these amounts are included within the adjusted net assets of IVB (refer to Note 1 above) and, as such, effectively net off against the Cash Consideration, net of the costs of the Seed Capital Raising. We have assumed that the adjustments against the Cash Consideration will be greater than the costs of the Seed Capital Raising in order to effect completion of the Cash Consideration.

Note 4: As the value of IVB's nutraceutical and pharmaceutical licences after completion of the Proposed Transaction will have reduced as a result of the impact of the Licencing Agreements, we have adjusted the value to be held by IVB after completion of the Proposed Transaction accordingly (refer to Section 9.5 of the IER).

Based on the net asset valuation methodology, we have concluded that the value of the Scrip Consideration receivable by VGI is in a range of say AU$46.2 million to AU$76.9 million.

Under the Scrip Consideration, VGI will be entitled to receive up to 20.0% of the total shares on issue in IVBHL upon completion of the Seed Capital Raising and the Proposed Transaction. As the assessed value of IVBHL upon completion of the Proposed Transaction represents a 100% interest in IVBHL, we have considered the applicability of a minority discount in assessing VGI's proposed 20.0% interest in IVBHL on a minority basis.

A minority discount is the reciprocal of a control premium. A control premium represents the difference between the price that would have to be paid for a share to which a controlling interest attaches and the price at which a share which does not carry with it control of IVBHL could be acquired.

In assessing the minority discount to be applied to IVBHL to assess a minority interest in IVBHL, we have considered on the relevant matrix from the RSM Control Premium Study – 2021 applicable to IVBHL and the Proposed Transaction. We have summarised this research in the table below.

Table 9

		Control premium 20 days pre-announcement	
Analysis by	Criteria	Average	Median
All transactions		34.7%	27.5%
Industry	Health Care	48.6%	33.0%
Consideration type	Scrip/Cash	28.1%	27.4%
Size	< $25m	50.8%	n/a

Source: RSM Control Premium Study - 2021

The actual control premium paid is transaction specific and depends on a range of factors, such as the level of synergies available to the purchaser, the level of competition for the assets and the strategic importance of the assets. We note that the above research sets out statistical information about control premia paid and, as such, includes an unknown uplift on account of potential acquisition synergy benefits. We are of the opinion that the control premium in a transaction that did not include expected synergies would be lower.

After considering the above as well as:

- the proposed capital structure of IVBHL upon completion of the Seed Capital Raising and the Proposed Transaction (refer to section 8.3 and table 7 of the IER) which may see VGI emerge as a major shareholder in IVBHL with a 20.0% initial interest;
- it is likely that IVBHL will need to undertake further capital raisings to advance the development of its intellectual properties and, as such, VGI's initial 20.0% equity interest in IVBHL may be diluted; and
- VGI will have an opportunity to participate proportionally in future capital raisings which may result in VGI remaining as a major shareholder in IVBHL,

we have concluded that a control premium range of 10.0% to 28.0% is applicable. In forming this view, we have considered the scenarios in which VGI remains as a major shareholder in IVBHL and which VGI's initial equity interest is diluted. Accordingly, the reciprocal minority discount is in a range of 9.1% to 21.9%.

We have set out in the table below our assessment of the value of the Scrip Consideration.

Table 10

Valuation of the Scrip Consideration receivable by VGI	formula	low	high
Valuation of IVBHL after the Proposed Transaction (control basis)	b	AU$46,200,000	AU$76,900,000
Minority discount	c	21.9%	9.1%
Value of IVBHL after the Proposed Transaction (minority basis)	d = b x (1 - c)	**AU$36,082,200**	**AU$69,902,100**
VGI interest after the Proposed Transaction	e	20.0%	20.0%
Value of the Scrip Consideration receivable by VGI	f = d x e	**AU$7,216,440**	**AU$13,980,420**

We have concluded that the value of the Scrip Consideration receivable by VGI is in a range of say AU$7.2 million to AU$14.0 million.

9.7 Comparable market transactions

We are not aware of any specific rules of thumb to be applied to valuing IVBHL as there are no directly comparable market transactions as IVB's assets to be acquired by IVBHL are unique. Accordingly, we have not used the comparable market transaction valuation methodology to value IVBHL nor its proposed assets.

9.8 Alternative acquirer

We are not aware of any alternative proposals received to acquire IVBHL nor its assets and we can see no reason as to why an offer would be initiated at this time.

9.9 Conclusion

We have set out in the table below our assessment of the value of the consideration receivable by VGI.

Table 11

Valuation of the consideration receivable by VGI	reference	Low AU$	High AU$
Cash Consideration	Section 2.1	2,300,000	2,300,000
Licensing Agreements	Section 9.5	26,000,000	36,600,000
Scrip Consideration	Section 9.6	7,200,000	14,000,000
Value of the consideration receivable by VGI		**35,500,000**	**52,900,000**

We have concluded that that the value of the consideration receivable by VGI is in a range of say AU$35.5 million to AU$52.9 million.

10. Assessment as to Fairness

The Proposed Transaction is "fair" if the value of the consideration receivable by VGI is equal to or greater than the value of IVB that VGI may dispose of.

In Section 7 of the IER, we assessed the value of IVB that VGI may dispose of to be in a range of AU$72.4 million to AU$113.7 million.

In Section 9 of the IER, we assessed the value of the consideration receivable by VGI to be in a range of AU$35.5 million to AU$52.9 million.

As the value of the consideration receivable by VGI (AU$35.5 million to AU$52.9 million) is less than the value of IVB that VGI may dispose of (AU$72.4 million to AU$113.7 million), we have concluded that the Proposed Transaction is **not fair**.

11. Assessment as to Reasonableness

Prior to deciding whether to approve or reject the Proposed Transaction, the shareholders of VGI should also consider the following significant factors:

Advantages

- If VGI shareholders approve the Proposed Transaction, VGI may receive up to AU$2.3 million as a cash payment as part of the Cash Consideration (subject to adjustments including set-off of creditors of IVB at completion of the Proposed Transaction estimated to be AU$700,000). This will result in an immediate improvement to the cash resources of VGI (approximately AU$95,000 as at 31 December 2021) and allow VGI to repay any immediate liabilities and with any remaining funds being available to meet the ongoing operating costs of VGI as well as contribute to the funding of further development of the nutraceuticals business it will retain.
- Assuming development of IVB's intellectual properties are advanced through to clinical trials and beyond, there may be significant upside for VGI via any equity interest it retains in IVBHL.

Disadvantages

- In Section 10 of the IER, we assessed the Proposed Transaction as being not fair.
- If VGI shareholders approve the Proposed Transaction, VGI will focus on the manufacturing, marketing and sale of nutraceutical products which are both proprietary and patent protected under the Licence Agreements. The manner in which the change to the nature and scale of VGI's activities is being impacted may not be consistent with the investment, financial, taxation or other objectives of all VGI shareholders. VGI will no longer own IVB's intellectual properties and is likely to have a lower market capitalisation which may lead to lesser market awareness and, as such, may reduce VGI's ability to raise funds and attract strategic investors in lieu of identifying new complementary acquisition targets in order to provide VGI shareholders with a new value proposition.
- If VGI shareholders approve the Proposed Transaction, VGI's core pharmaceutical team will transfer to IVBHL (refer to Section 8.2 of the IER) and, as such, VGI's research and development capability will be weakened until alternative team members are recruited.

Other factors

- If VGI shareholders approve the Proposed Transaction, VGI will no longer be directly responsible for funding the development of IVB's intellectual properties although VGI will be indirectly responsible for such funding via its retained equity interest in IVBHL.
- As at 31 December 2021, VGI reported a net current asset deficiency of approximately AU$1.8 million (current assets totalling AU$266,164 less current liabilities totalling AU$2,043,602). VGI's independent auditor's report set out in VGI's Interim Report for the half year ended 31 December 2021 raised a material uncertainty in relation VGI's ability to continue as a going concern. If VGI shareholders do not approve the Proposed Transaction, VGI may be required to raise capital to fund the development of IVB's intellectual properties and meet the repayment of any immediate liabilities. This may require extensive management focus and expense to secure such funding and should VGI need to seek funding from new shareholders this may be highly dilutive to existing shareholders in VGI.
- As stated in the NOM, VGI is subject to funding pressure and has not been able to raise sufficient funds to advance its existing business and the major shareholders of VGI are not willing to further fund the business activities of VGI. However, VGI has identified potential new investors who are interested in funding the pharmaceutical business activities of VGI only but not the nutraceutical business activities. If VGI shareholders approve the Proposed Transaction, the Cash Consideration receivable by VGI will allow it to advance the nutraceuticals business that it will retain.
- Under the Proposed Transaction, VGI will retain an initial equity interest in IVB via IVBHL of up to 20.0% although initially this will be in an unlisted public company. Given the nature and financial resources required to advance biotechnology assets, it is likely that IVBHL will need to undertake further capital raisings to advance the development of its intellectual properties and, as such, VGI's equity interest in IVBHL may be diluted. However, VGI will have an opportunity to participate proportionally in future capital raisings.
- Under the Proposed Transaction, VGI will enter into the Licence Agreements. Under these licensing agreements, any advancements to the intellectual properties of IVB may continue to be beneficial to VGI, however, such advancements will be up to the discretion of IVBHL and its business strategy. Should IVBHL's business strategy and efforts towards nutraceuticals change, this may be detrimental to VGI.

Based on the above, we consider that the advantages of the Proposed Transaction outweigh the disadvantages of the Proposed Transaction. In forming this view, we consider that in the absence of VGI being able to secure further funding in its current form and based on VGI's current financial position there is no alternative to the Proposed Transaction, and for this reason, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of VGI.

12. Assessment as to Fairness and Reasonableness

After considering the above matters, we have concluded that the Proposed Transaction is **not fair but reasonable to the Non-Associated Shareholders.**

13. Related Party – Financial Benefits

As explained in the Notice, the Directors of VGI have determined to seek shareholder approval for the purpose of Chapter 2E of the Act to avoid any doubt as to whether or not components of the Proposed Transaction constitute the giving of financial benefits on an arm's length basis. In view of the above, we have prepared an assessment of the value of the financial benefits.

Section 229(1)(c) of the Act states that in determining whether a financial benefit is given, the consideration that is given for the benefit (in this case all of the issued capital in IVB), is to be disregarded. This means that the benefit given is equal to the value of the consideration paid, without taking into account the nature of the consideration.

Financial benefit to be received by IVBHL (Resolution 1)

In section 7.9 of the IER, we assessed the value of IVB to be disposed of by VGI to be in a range of AU$72.4 million to AU$113.7 million. Accordingly, this value range represents the financial benefit to be received by IVBHL.

Financial benefit to be received by Dr Glenn Tong (Resolution 2)

The financial benefit to be received by Dr Glenn Tong is equal to his proportionate interest in IVBHL after the Proposed Transaction (20.10%) in the value of IVB to be disposed of by VGI. Accordingly, the value of the financial benefit to be received by Dr Glenn Tong is in a range of say AU$14.6 million to AU$22.9 million (20.10% x the value of IVB to be disposed of VGI in a range of AU$72.4 million to AU$113.7 million).

Financial benefit to be received by Mr Richard Estalella (Resolution 3)

The financial benefit to be received by Mr Richard Estalella is equal to his proportionate interest in IVBHL after the Proposed Transaction (10.59%) in the value of IVB to be disposed of by VGI. Accordingly, the value of the financial benefit to be received by Mr Richard Estalella is in a range of say AU$7.7 million to AU$12.0 million (10.59% x the value of IVB to be disposed of VGI in a range of AU$72.4 million to AU$113.7 million).

Financial benefit to be received by Dr David Kingston (Resolution 4)

The financial benefit to be received by Dr David Kingston is equal to his proportionate interest in IVBHL after the Proposed Transaction (10.59%) in the value of IVB to be disposed of by VGI. Accordingly, the value of the financial benefit to be received by Dr David Kingston is in a range of say AU$7.7 million to AU$12.0 million (10.59% x the value of IVB to be disposed of VGI in a range of AU$72.4 million to AU$113.7 million).

14. Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

14.1 PKF Corporate

PKF Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

14.2 Financial Services Offered by PKF Corporate

PKF Corporate prepares reports commissioned by a company or other entity ("**Entity**"). The reports prepared by PKF Corporate are provided by the Entity to its members.

All reports prepared by PKF Corporate include a description of the circumstances of the engagement and of PKF Corporate's independence of the Entity commissioning the report and other parties to the transactions.

PKF Corporate does not accept instructions from retail investors. PKF Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. PKF Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

14.3 General Financial Product Advice

In the report, PKF Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

14.4 Independence

At the date of this report, none of PKF Corporate, Mr Steven Perri, Mr Paul Lom nor Mr Stefan Galbo have any interest in the outcome of the Proposed Transaction, nor any relationship with VGI, IVBHL, and associated entities or any of their directors. Fees for this report are not contingent on the outcome, content or future use of this report.

On 21 January 2021, PKF Corporate prepared an Independent Expert Report for VGI (formerly known as Azure Health Technology Limited) in respect to the acquisition of all of the issued capital in IVB (formerly known as Invictus BioPharma Limited).

Drafts of this report were provided to and discussed with the management of VGI and its advisors. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by PKF Corporate.

PKF Corporate and its related entities do not have any shareholding in or other relationship with VGI that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

PKF Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

PKF Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

14.5 Remuneration

PKF Corporate is entitled to receive a fee of approximately AU$28,000 for the preparation of this report. With the exception of the above, PKF Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

14.6 Complaints Process

As the holder of an Australian Financial Services Licence, PKF Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement PKF Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

PKF Corporate is also required to have a system for handling complaints from persons to whom PKF Corporate provides financial services. All complaints should be in writing and sent to the Complaints Officer, PKF Corporate at level 12, 440 Collins Street, Melbourne Vic 3000.

PKF Corporate will make every effort to resolve a complaint within 45 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

PKF Melbourne Corporate Pty Ltd

Steven Perri
Director

Paul Lom
Director

Appendix A

VGI Health Technology Limited

Sources of Information

The key documents we have relied upon in preparing this report are:

- IVB's Financial Statements – 30 June 2020;
- VGI's consolidation workpapers for the financial year ended 30 June 2021 and the half year ended 31 December 2021;
- Term sheet between VGI Health Technology Limited and Invictus Biopharma Holdings Limited dated February 2022;
- Share Purchase Agreement between VGI Health Technology Limited and Invictus Biopharma Holdings Limited dated April 2022;
- Licensing agreements between Invictus Biotechnology Pty Ltd and VGI Health Technology dated April 2022;
- VGI's draft resolution relating to the Proposed Transaction for the purpose of the Notice of General Meeting and Explanatory Memorandum;
- Acuity Independent Valuation Report dated April 2022;
- Research data from publicly accessible web sites in particular NSX announcements by VGI; and
- Discussions with the management of VGI, IVBHL and their advisors.

Appendix B

VGI Health Technology Limited

Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the Independent Directors of VGI Health Technology Limited to accompany the notice of meeting of shareholders to approve the Proposed Transaction pursuant to Chapter 6 of the NSX listing rules and Chapter 2E of the Corporations Act 2001. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

In the preparation of this report, we have relied upon information concerning the Proposed Transaction, VGI, IVB and IVBHL as provided to us and available in the public domain, which we believe, on reasonable grounds, to be reliable and not misleading.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

The statements and opinions included in this report are given in good faith and in the belief that such statements are not false and misleading.

To the extent that this report relies on prospective information, actual results may be different from the prospective information referred to in this report since the occurrence of anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective information will be achieved.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

2. Qualifications

Mr Steven Perri, director of PKF Corporate, and Mr Stefan Galbo, prepared this report. They have been responsible for the preparation of expert reports and are involved in the provision of advice in respect of valuations, takeovers, capital reconstructions and reporting on all aspects thereof.

Mr Perri is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist).

Mr Galbo is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist).

Mr Paul Lom, a director of PKF Corporate reviewed this report. Mr Lom is a Fellow of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist) with more than 35 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

3. Consent

PKF Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.

Valuation methodologies

Share price history

The share price history valuation methodology values a company based on the past trading in its shares.

Capitalisation of future maintainable earnings

Capitalisation of earnings is a method commonly used for valuing manufacturing and service companies and, in our experience, is the method most widely used by purchasers of such businesses. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits.

There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax. Another common method is to use Earnings Before Interest and Tax (EBIT) or Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). One advantage of using EBIT or EBITDA is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

Net present value of future cash flows

An analysis of the net present value of the projected cash flows of a business and/or asset (or discounted cash flow technique) is based on the premise that the value of the business and/or asset is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure, the costs of capital and an assessment of the residual value of the business and/or asset remaining at the end of the forecast period.

Asset Based Methods

This methodology is based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

(a) Net assets

The net asset valuation methodology involves deriving the value of a company or business by reference to the value of its assets. This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses that periodically revalue their assets to market. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

(b) Orderly realisation of assets

The orderly realisation of assets method estimates the fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

(c) Liquidation of assets

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a short time frame.

Comparable market transactions

Industry specific methods estimate market values using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of an asset than other valuation methods because they may not account for specific factors.

Alternative acquirer

This methodology considers the value that an alternative bidder may be prepared to pay to acquire a business, asset or company.

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acuity
TECHNOLOGY MANAGEMENT

28 April 2022

The Directors
PKF Melbourne Corporate Pty Ltd
Level 12, 440 Collins Street
Melbourne, VIC 3000

RE: VGI Health Technology Limited Independent Valuation Report

This attached Report has been prepared at the request of PKF Melbourne Corporate Pty Ltd ("PKF Corporate") to support its preparation of an Independent Expert's Report ("IER") for the benefit of shareholders of VGI Health Technology Limited ("VTL" or "Company"). The IER will be included in a Notice of Meeting to be issued by the Company in which VTL shareholders will be required to vote their acceptance or otherwise of the sale of its wholly owned subsidiary, Invictus BioPharma Pty Ltd ("Invictus"), to Invictus BioPharma Holdings Ltd (the "Transaction"). To assist in the preparation of the IER, PKF Melbourne requested Acuity Technology Management Pty Ltd ("Acuity") to prepare valuations of various units of Intellectual Property ("IP") currently owned by Invictus and the Licence Agreements that will give VTL rights to exploit that IP following the sale of Invictus.

In preparing this Report, Acuity examined the IP currently owned by Invictus, the status of research, patents and the markets for products, and prepared financial projections for valuations using a risk adjusted net present value approach. We also considered the Nutraceutical Licence and Pharmaceutical Licence (the "Licences") that will give VTL certain rights in relation to the IP following the proposed Transaction.

We estimated that the Invictus IP has a current valuation of $93.8 million (with a range of $73.1 million to $114 million) and that, following the transaction, the Licences that VTL will own will have a valuation of $31.3 million ($26.0 million to $36.6 million).

As a consequence of the proposed Transaction, VTL will also own equity in Invictus BioPharma Holding Limited and we estimate that the valuation of residual IP rights available to Invictus and the royalty stream deriving from the Licences will be $62.5 million ($47.1 million to $77.8 million).

The valuations are for IP rights and Licences and do not include any assets or debt owned by Invictus or VTL or tax benefits that may arise from accumulated losses in either company.

Acuity specialises in the appraisal and valuation of IP and knowledge-based intangible assets. The attached report, summarizing our analysis and valuations, was prepared solely by the undersigned, Dr David Randerson, as Managing Director of Acuity.

Should you have any questions regarding the contents of the report, please don't hesitate to contact me.

Yours sincerely

Dr David Randerson
Managing Director

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Independent Valuation Report of Intellectual Property owned by Invictus BioPharma Limited Pty Ltd

April 2022

Executive Summary

This Valuation Report ("**Report**") has been prepared by Acuity Technology Management Pty Ltd ("**Acuity**") at the request of PKF Melbourne Corporate Pty Ltd ("**PKF Corporate**"). Acuity understands that PKF Corporate will rely on this Report in its preparation of an Independent Expert's Report ("**IER**") for the benefit of shareholders of VGI Health Technology Limited ("**VTL**" or "**Company**") who are required to vote on a Transaction ("**Transaction**") in which VTL intends to sell all the shares it owns in Invictus BioPharma Pty Ltd ("**Invictus**"), being 100% of Invictus's share capital, to Invictus BioPharma Holdings Limited (**Purchaser**).

In consideration for the sale of Invictus, the Purchaser will:

(i) make a cash payment of $2,300,000 to the Company (subject to any adjustments) ("**Cash Consideration**"); and

(ii) issue the Company (or its nominee) such amount of fully paid ordinary shares in the capital of the Purchaser equal to 20% of the total capital on issue in the Purchaser (following any seed round capital raisings that may be conducted by the Purchaser (at its absolute discretion) before Completion) ("**Consideration Shares**").

At the time of preparation of this Report, Mr Glenn Tong is a director of VTL and will be resigning from the Company upon completion of the Transaction and, together with his associates, is the controller of the Purchaser and, therefore, the Purchaser is a related party of the Company under the operation of sections 228(2), 228(4) and 228(5) of the Corporations Act.

As Invictus is the owner of the Intellectual Property ("**IP**") Rights for both the Nutraceutical Business and the Pharmaceutical Business of VTL, it is intended that, following the Transaction, VTL will have a licence to manufacture, market and sell nutraceutical products globally ("**Nutraceutical Licence**") and pharmaceutical products solely in the Peoples Republic of China ("**PRC**") ("**Pharmaceutical Licence**") in consideration for licence fees equal to 2% of the Company's gross sales for both businesses.

PKF Corporate has been retained by the Directors of VTL to prepare an IER for the benefit of shareholders of VTL. We understand that the valuations to be prepared by Acuity will be relied upon by PKF Corporate in its preparation of the IER and may be appended to the IER.

The valuations presented in the Report are for units of IP owned by Invictus and for the Nutraceutical Licence and Pharmaceutical Licence (the "**Licences**") that VTL will have to this IP, or components of the IP, following the Transaction. The IP that we have considered relates to products in the field of nutraceuticals or dietary supplements, being those based on Invictus's proprietary MELT3® technology, known as nE1-Elite® and nE1-Heart®; and others in development as prescription pharmaceuticals, the TransT3 and Tocotrienol Pro-Drugs ("**TPD**") technologies. The following report presents deliberations and opinions by Acuity on the current Invictus IP portfolio and the individual products' market potential, and valuation as may exist in an open market between arm's length and unstressed vendor and acquirer. Valuations are largely premised on the future potential of the products deriving from the respective units of IP using a risk adjusted discounted cash flow analysis.

While the MELT3® nutraceutical products are market ready they have yet to be officially launched and there are risks related to market size and consumer acceptance. The TransT3 and TPD products require high risk clinical trials prior to obtaining marketing approvals. The Nutraceutical Licence valuation differs from the Invictus nutraceutical IP valuation in that a royalty applies and the Pharmaceutical Licence valuation only relates to the China market and also involves a royalty payment.

The valuation of the Invictus nutraceuticals IP and Nutraceuticals Licence are based on the Company's internal estimates of United States ("**US**") sales of product during their first two years of marketing which we have extrapolated and valued using a discounted cash flow ("**DCF**") approach with appropriate adjustment to the discount rate to compensate for risk. The sales estimates are for MELT3® in the US as this is the immediate target for Invictus. Acuity has modified the models to include Europe and Japan.

For the purposes of determining valuations of the two prescription technologies, TransT3 and TPD, we have assumed that the Company will license the products following successful Phase 2 clinical studies due to the high costs of late-stage clinical trials and the need for extensive resources for ethical drug manufacturing, regulatory approvals, distribution and marketing. Such a strategy is typical for an Australian biotechnology company. It is also assumed that VTL will acquire finished product at cost from Invictus, or its licensee, for sale in China.

The prescription drug modelling of TransT3 and TPD products uses a risk adjusted net present value ("**rNPV**") technique with probability estimates deriving from published literature for drug development. In general, cash flow models have been prepared to 2034 (Trans3) and 2035 (TPD), being expiry of the Melt then Swallow tocotrienol patent (and not allowing for extensions or the newly filed patent application), with no terminal values, i.e. complete cessation of sales or licence revenues on patent expiry. There are, of course, opportunities to submit additional patents, to obtain market extensions and to sell product after patent expiry.

Estimates for clinical trial times and costs, have been prepared through consultation with VTL and review of studies undertaken by others for similar products being developed to treat the targeted medical conditions. Additional expenses, such as clinical trial costs and regulatory filings, are best estimates provided by Acuity.

The product selling prices are based on the cost of available drugs for Non-Alcoholic Fatty Steatohepatitis ("**NASH**") and cancer chemotherapy. Addressable market sizes have been determined from published incidence and prevalence data for the major pharmaceutical markets, North America (USA and Canada), Europe (the "**EU5**" - France, Germany, Italy, Spain and the United Kingdom ("**UK**")) and the Rest of the World (Japan and Australia). China is considered as a separate analysis, being included in both pre- and post-Transaction valuations.

Cost-of Goods Sold ("**COGS**") and other corporate expenditures, referred to as Sales, General and Administrative ("**SG&A**"), are assumed to match those, as a percentage of revenues, of a basket of pharmaceutical and natural products/nutraceutical companies (the analysis, deriving from company annual reports). No allowance is made for capital expenditure as it is assumed that tocotrienol ("**T3**") isolation and formulation of products is undertaken by a third party or parties and the assumed COGS is adequate to cover such procurement.

Tax has been determined at the Australian company tax rate of 27.5% for companies with annual turnover of $50 million or less. We have not accounted for accumulated losses in our determination of tax payable and no allowance has been made for grants and R&D tax concessions as may be available to Invictus.

Pharmaceutical cash flows are discounted at 14%, following probability adjustment, representing a reasonable discount rate for early-stage biotech companies with higher risks than established pharma. The estimated likelihoods of approval ("**LOA**") for the prescription products are 17.8% to 10.8% for TransT3 for NASH and cancer respectively, and 6.6% to 4.2% for TPD technologies for NASH and cancer respectively.

The following after tax valuation ranges have been determined for the IP Rights as currently owned by Invictus (all figures AUD[1]):

Table 1: Summary of Invictus IP Rights Valuations of MELT3® and Prescription Products ($'mil)

Product / Indication	Low	High	Preferred
Nutraceuticals	23.7	32.1	**27.9**
Pharmaceuticals	49.4	82.3	**65.9**
TOTAL IP RIGHTS	**73.1**	**114.4**	**93.8**

In summary, our analysis determines a valuation of the pre-Transaction Invictus IP in the range $73.1 million to $114.4 million with a preferred valuation of $93.8 million.

Following the proposed Transaction, VTL will have access to these products through the Nutraceutical Licence and Pharmaceutical Licence, the latter providing access to prescription products for the China market only, and both requiring a 2% royalty on revenues payable by VTL. VTL will also make certain payments to Invictus on approval to manufacture and market pharmaceutical product, commencement of manufacturing and commencement of sales in China.

The value of these licences (effectively the value of the IP in the hands of VTL following the Transaction) as summarised in Table 2, is $31.3 million, with an estimated range of $26.0 million to $36.6 million.

Table 2: Summary of VTL Licence Valuations of MELT3® and Prescription Products ($'mil)

Product / Indication	Low	High	Preferred
Nutraceuticals	21.4	29.0	**25.2**
Pharmaceuticals China	4.6	7.6	**6.1**
TOTAL LICENCES	**26.0**	**36.6**	**31.3**

As a consequence of the proposed Transaction, VTL will also own equity in Invictus BioPharma Holding Limited and we estimate that the valuation of residual IP rights available to Invictus, specifically the non-China rights to pharmaceuticals, and the royalty stream deriving from the Licences that will be received by Invictus in consideration for the Licences will be $62.5 million ($47.1 million to $77.8 million).

Acuity specialises in the appraisal and valuation of IP and knowledge-based intangible assets. The company has experience in valuing medical devices, diagnostic systems, pharmaceuticals, genetic and recombinant DNA technologies, stem cell therapies, and complementary and alternative medicines. Acuity differentiates itself from valuers of businesses and tangible assets by its ability to understand research in-process and discovery science. Details of our qualifications and experience are summarised in Section 10 of this valuation opinion. Further details can be found at www.acuitytechnology.com.

The reader is advised to read the Disclaimers (Section 9) to understand the limitations of the valuations.

[1] Throughout this report currency is presented as Australian dollars unless otherwise stipulated.

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1. The Invictus Technology

1.1 Product Rationale and Results to Date

VTL, through its subsidiary, Invictus, is developing products for the nutraceutical market based on tocotrienols and novel oral delivery platforms, and for the prescription drug market, utilising a similar transmucosal delivery formulation and an enhanced oral delivery platform licensed from Monash University. The primary attributes of the Invictus technologies are improved bioavailability of tocotrienols relative to ingested pills and greater convenience than injections. Specific pharmaceutical applications draw on a growing literature of tocotrienols efficacy in liver disease and cancer. Development will follow a regulatory pathway pioneered for other prescription natural products.

MELT3® is a patented, Melt then Swallow delivery formulation of natural tocotrienols ("**T3**"), which are found in small quantities in vitamin E in some plant oils. The MELT3® technology optimizes the bioavailability of T3, ensuring adequate amounts are absorbed into the circulation and rapidly deployed to targeted tissues. The therapeutic benefits of T3 have been largely unrecognized to date due to the difficulty in obtaining sufficient quantities (especially the purified δ- and γ- isomers of T3) and also the poor oral bioavailability of T3. Invictus in the short term will introduce nutraceutical T3 products for application in exercise endurance, Delayed Onset Muscle Soreness ("**DOMS**"), and heart health. MELT3® offers a more lucrative market in treating chronic illnesses via the prescription route but with protracted development times and a need for greater capital. It is a major advantage that the T3 active ingredients are recognised as safe, however clinical trials are needed to demonstrate efficacy in treatment of disease and to allow the Company to make therapeutic claims. In the indications targeted, *in vivo* animal model studies and a biochemical rationale supporting further development.

The MELT3® Melt then Swallow approach as applied to prescription products is referred to as TransT3. The Company has also acquired additional technology that facilitates oral delivery of T3s via precursors or pro-drugs, known as TPD technology.

The nutraceutical products, nE1-Elite® for managing DOMS and nE1-Heart® for heart health, based on the MELT3® platform, are ready for launch in the US. In January 2022, nE1-Elite® and nE1-Heart® were launched for online sales through Amazon in the US and Continuum Sciences LLC of Colorado were appointed sales representative for the US. VTL expects to launch products in China at the same time as the US launch and is currently incorporating a marketing subsidiary in Japan. A European launch is anticipated to follow additional animal safety and toxicity studies and a clinical study, all to be completed during 2022.

Tocotrienols, as opposed to vitamin E, have been shown by the Company's researchers to be effective in reducing muscle soreness and improving muscle recovery after exercise. Other researchers have shown that T3 (delivered orally and not using Invictus's delivery platform) is effective in reducing cholesterol and triglycerides in clinical trials, albeit the beneficial effects may be less noticeable at high dosage.

Several studies were conducted by the company that previously held the rights to the MELT3®, Gordagen Pty Ltd, and by a US university which validated and demonstrated the effectiveness of nE1-Elite® for reducing the soreness felt after intense exercise. A Phase 2 study conducted at the University of Mount Union, Ohio, and supported by a grant from Gordagen, with 17 collegiate footballers assessed nE1-Elite®'s efficacy in a number of exercise-related indications. The study found that, in participants administered nE1-Elite®, there was:

- A significant reduction in DOMS after exercise;
- More rapid muscle recovery after exercise; and
- Greater peak muscle power the day after aggressive exercise compared to the control group, indicating improved muscle power maintenance.

In September 2021, the Company announced that it has approved an additional clinical study to be conducted by Altipure R&D, Inc. in the US on NE1-Elite® to generate further data supporting efficacy.

Both TransT3 and TPD platforms will draw on demonstrated effectiveness of vitamin E in treating NASH and pancreatic cancer. The convenience of delivery, with either formulation, will enable a continuous treatment modality for effectively managing both NASH and pancreatic cancer. T3s have shown promising activity in animal models. Clinical studies support use in non-alcoholic fatty liver disease ("**NAFLD**"), NASH being a severe form of NAFLD, characterised by liver inflammation and liver cell damage, and the US Food and Drug Administration ("**FDA**") has requested that the products be evaluated in the NASH subset.

The Company's lead compound, IVB001 for NAFLD/NASH, has completed a Phase 1 clinical study in which it met all the primary endpoints, showing it is safe, non- toxic, palatable and easily absorbed. Gallipoli Medical Research Foundation, The Royal Melbourne Hospital and The John Hunter Hospital have been appointed as clinical sites for the Company's multi-site Phase 2 clinical study in NAFLD. Finalisation of other sites is expected to be completed during 2022 and patient recruitment commenced. This study is expected to span 18 months and involve approximately 100 trial participants.

The pancreatic cancer Phase 2 efficacy study for IVB003 is expected to commence recruitment during the second half of 2022.

The TPD candidate for NASH, IVB002, will undergo preclinical studies in preparation for a Phase 1 study in 2022. Preclinical studies for IVB004 are also expected to commence during 2022. Invictus plans to conduct drug development under Investigation New Drug ("**IND**") applications following meetings with the FDA to seek its endorsement and guidance for both candidates.

1.2 Intellectual Property

Invictus owns a family of patents deriving from PCT/AU2013/001310: *Transmucosal delivery of tocotrienol*. The full specification was filed on 13 November 2013 and, where granted, will have tenure until 2034. The patent has been granted in Australia, China, Hong Kong, Japan, New Zealand, Singapore, South Africa, USA and the European Patent Office. Divisional applications are pending in China and Japan with an allowance in the US.

The patent family is relevant to MELT3® and TransT3 products. It describes the formulation of pharmaceutical compositions for transmucosal delivery, and in particular sublingual or Melt then Swallow delivery, comprising at least one tocotrienol, or derivative, with one or more pharmaceutically acceptable excipients. The patent refers to the use of such compositions for treating or preventing post-exercise and delayed onset muscle soreness, cardiac fibrosis, hypertension, inflammation, stroke, cancer, elevated cholesterol and/or triglycerides, controlling blood glucose levels, and improving exercise endurance and capacity, amongst others.

A second patent application, titled: *Transmucosal delivery of tocotrienols* (PCT/AU2021/051449) was filed in December 2021. The intent of this patent application is to protect improvements to the technology for transmucosal delivery and in the manufacture of these formulations. The application has yet to enter national phase examination.

Invictus has obtained an exclusive global license within a specified field from Monash University to a second patent family which supports the TPD technology, *Lymph directing prodrugs* (PCT/AU2015/050460). The application, filed on 12 August 2014, has yet to be examined by any patent office. It describes the use of certain linker compounds which may be attached to a drug, such as tocotrienols, to protect and enhance uptake of the drug directly from the gastrointestinal tract to the lymphatic system. Compounds in the form of lipophilic prodrugs provide a means to temporarily increase lipid absorptivity and lipoprotein affinity of a pharmaceutical compound and thereby increasing lymphatic targeting. Having been transported via the lymphatic system, and avoiding liver metabolism, the prodrug ultimately reverts to the parent drug in order to be active at its target site.

The TPD technology will enable oral delivery of tocotrienols (vitamin E compounds are generally poorly absorbed when taken by mouth) and at greater dosages than TransT3.

1.3 Route to Market

We have been advised that Invictus is not required to obtain any pre-marketing approvals from the US FDA or any other regulatory agency for the nE1-Elite® and nE1-Heart® products. Commercial-scale manufacturing has been validated through a US-based Contract Manufacturing Organisation ("**CMO**") and, as required, will be compliant with globally recognised current Good Manufacturing Practices ("**cGMP**"). Constituent materials are approved dietary ingredients and free of regulation.

The FDA allows properly labelled dietary supplements to make substantiated claims addressing pain where it is self-limiting and not associated with a disease condition (e.g. DOMS). Invictus believes it has the clinical evidence to substantiate such claims and is intending to use them on the label. Further studies will be undertaken to enable additional claims, such as improving aerobic exercise endurance.

Invictus will develop TransT3 and TPD pharmaceuticals following the Investigational New Drug ("**IND**") route under US FDA guidelines, and other international equivalents, for botanicals. The strategy for gaining approval of botanical extracts as drugs is outlined in the FDA's Guidance for Industry: Botanical Drug Products.[2] A new botanical drug (containing multiple chemical constituents) may qualify as a new chemical entity ("**NCE**"). A New Drug Application ("**NDA**") for a botanical drug could seek approval for prescription use, and therefore make proven claims of efficacy, depending on whether it is safe for use outside of the supervision of a practitioner licensed by law to administer it.

An NDA must contain substantial evidence of effectiveness derived from adequate and well-controlled clinical studies, evidence of safety, and adequate Chemistry, Manufacturing, and Controls ("**CMC**") information.

The FDA's response to Invictus's Pre-IND submission broadly supports a preclinical and clinical development pathway as proposed by the Company. Invictus has proposed a proof-of-concept Phase 2 clinical study to assess the efficacy of T3s delivered with the Company's Melt then Swallow drug delivery platform on fatty liver disease (NAFLD/NASH). The FDA agreed with a strategy in pursuing an abbreviated pathway for development, the 505(b)(2) pathway.[3] In its response, the FDA also agreed with the Company's proposed strategy for cGMP manufacture of its test materials and made suggestions regarding non-clinical toxicology studies which will be incorporated into the IND.

[2] US Food and Drug Administration. Botanical Drug Development: Guidance for Industry. Dec 2016 (https://www.fda.gov/regulatory-information/search-fda-guidance-documents/botanical-drug-development-guidance-industry).

[3] Section 505 of the US Federal Food, Drug and Cosmetic Act describes the types of NDA: the more onerous section 505(b)(1) is an application that contains full reports of investigations into safety and effectiveness as carried out by the sponsor, while section 505(b)(2) requires the regulatory authority to consider publicly available information and its own findings of safety and/or effectiveness when evaluating a product's suitability for a marketing approval in the US.

2. Markets and Competition

2.1 Vitamin E and Prescription Natural Products

The global dietary supplements market was valued at $45 billion in 2018. Natural vitamin E had sales of $672.2 million with projections to reach $1,188 million in 2026, exhibiting a Compound Annual Growth Rate ("**CAGR**") of 7.5%.[4] North American sales of vitamin E were $244.8 million in 2018.

The natural source of vitamin E is widely available as highly fractionated α-tocopherol or its esters. T3 tocotrienols are less common with dietary supplements designed and developed with higher levels of T3. T3s are more often used for specific requirements such as certain genetic disorders, high cholesterol, scar healing and in treating certain cancers. Research into the benefits of tocotrienols and enabling regulatory scenarios are driving the growth of the natural vitamin E market.

There has been a trend towards gaining prescription status for botanical and natural products in recent years, particularly for hyperlipidaemia, a market also of interest to Invictus. It started with Lovaza®/Omacor®, a highly purified, prescription omega-3 formulation with high concentrations of specific fatty acids, eicosapentaenoic acid and docosahexaenoic acid ("**EPA**" and "**DHA**", respectively) which was developed by Pronova BioPharm ASA (subsequently acquired by BASF) and was launched on the European market in 1996. US company Amarin, Inc. obtained FDA approval for Vascepa® which is made up almost entirely of EPA for the treatment of elevated triglycerides in 2012. In November 2019, an FDA committee recommended extension for reduction of risk of cardiovascular events, such as heart attacks and stroke, in high-risk patients.[5] Analysts believe Vascepa® has the potential to exceed US$1.5 billion in annual sales.

Omthera Pharmaceuticals, Inc. completed Phase 3 studies on a competing product called Epanova® that contained a mixture of polyunsaturated free fatty acids, not just EPA and DHA, and was acquired in 2013 by AstraZeneca for $443 million.[6] Epanova® gained FDA approval in May 2014.

2.2 Non-Alcoholic Fatty Liver Disease

NAFLD is one of the most common causes of liver disease in the US and other western countries. Most people with NAFLD have simple fatty liver while a small number of people with NAFLD have NASH. Between 20% and 30% of adults in the US have NAFLD and experts estimate that about 20% of people with NAFLD have NASH.[7] About 2% to 3%, and up to 12% of adults, in the general population have NASH, which may progress to liver cirrhosis and hepatocarcinoma.[8]

The incidence of newly diagnosed chronic liver disease, based on cases identified in Alameda and New Haven counties in the US between December 1998 and November 1999 and seen in gastroenterologists' offices was 72.3 per 100,000 population. The most common aetiology of chronic liver disease in these two counties was hepatitis C (57%), followed by alcohol (24%), NAFLD (9.1%), and hepatitis B (4.4%).[9]

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[4] Anon. Natural Vitamin E Market Size, Share & Industry Analysis By Type (Tocopherols and Tocotrienols), Application (Dietary Supplements, Food and Beverages, Cosmetics and Others), and Regional Forecasts 2019-2026. Fortune Business Insights (report ID:101591), Nov 2019 (Summary at: https://www.fortunebusinessinsights.com/industry-reports/natural-vitamin-e-market-101591).

[5] Parsons L. Amarin wins FDA advisory nod for Vascepa cardiovascular expansion. PMLive 15 Nov 2019 (http://www.pmlive.com/pharma_news/amarin_wins_fda_advisory_nod_for_vascepa_cardiovascular_expansion_1317111).

[6] AstraZeneca Press Release 28 May 2013. AstraZeneca to acquire Omthera Pharmaceuticals including NDA-ready novel dyslipidemia treatment to complement cardiovascular portfolio).

[7] Spengler EK & Loomba R. Recommendations for diagnosis, referral for liver biopsy, and treatment of non-alcoholic fatty liver disease and non-alcoholic steatohepatitis. Mayo Clinic Proceedings 90(9):1233, 2015.

[8] Bellentani SI, *et al*. Epidemiology of non-alcoholic fatty liver disease. Dig Dis 28(1):155, 2010.

[9] Kim, WR, *et al*. Burden of liver disease in the United States: Summary of a workshop, 2002. http://www.hcvadvocate.org/hepatitis/About_Hepatitis_pdf/1.1_Hepatits_C/Burden.pdf

In another US study it was found that in a catchment of 400,000, 122 patients were diagnosed with chronic liver disease of whom, 31 (all outpatients, approximately 25%) were diagnosed with NAFLD or NASH over a 6-month period.[10] This represents annual incidence of 155 per million, or 48,000, in the USA.

As far as prevalence is concerned, most US studies report a 10% to 35% prevalence rate of NAFLD.[11] Further support for the higher estimate derives from the fact that approximately one third of the US population is considered obese, and it is well evidenced that overweight individuals have NAFLD.

According to annual health checks, 9% to 30% of Japanese adults have NAFLD by ultrasonography and the prevalence of NASH is estimated to be 1% to 3%.[12]

A recent study estimates that 62 million Americans and 52 million people in Germany, France, Italy, and the UK suffer from NAFLD.[13] The direct medical has been estimated at US$103 billion in the US and about €35 billion in four European countries. These numbers do not include any societal or indirect costs.

The total annual cost of care per NAFLD patient with private insurance in the US was found to be US$7,804 ($3,068 to $18,688) for a new diagnosis and US$3,789 ($1,176 to $10,539) for long-term management.[14]

There are no approved medicines to treat NAFLD and NASH. A study by the US National Institute of Diabetes and Digestive and Kidney Diseases found that treatment with vitamin E or the drug, pioglitazone, improved NASH in about half of the people treated.[15] In a direct comparison, pioglitazone was more cost effective than vitamin E. Sensitivity analyses, undertaken in 2011, indicated that pioglitazone was not cost effective if either the total drug cost was greater than US$16,000 per annum, or the annual probability of developing cirrhosis in advanced fibrosis was less than 2%.[16]

2.3 Pancreatic Cancer

The World Health Organisation's ("**WHO**") through its International Agency for Research on Cancer ("**IARC**') estimates that in 2018 there were 18.1 million cancer cases of all types diagnosed globally resulting in 9.6 million deaths, and that the annual incidence rate will rise to over 29.5 million in 2040.[17] In both sexes combined, lung cancer is the most commonly diagnosed cancer (11.6% of the total cases) and the leading cause of cancer death (18.4% of the total cancer deaths), closely followed by female breast cancer (11.6%), prostate cancer (7.1%), and colorectal cancer (6.1%) for incidence. The following estimates for pancreatic cancer are obtained from IARC.

[10] Roderick P, *et al*. Final Report to the British Liver Trust and Foundation for Liver Research. December 2004.
[11] Vernon G, *et al*. The Epidemiology and Natural History of Non-alcoholic Fatty Liver Disease and Non-alcoholic Steatohepatitis in Adults. (www.medscape.com/viewarticle/746578). From Alim Pharmacol Ther 34(3):274, 2011.
[12] Hashimoto, *et al*. Prevalence, Gender, Ethnic Variations, and Prognosis of NASH. J Gastroent 46 Suppl 1:63, 2011.
[13] Younossi ZM, *et al*. The economic and clinical burden of nonalcoholic fatty liver disease in the United States and Europe. Hepatology 64(5):1577, 2016.
[14] Allan AM, *et al*. Healthcare Cost and Utilization in Nonalcoholic Fatty Liver Disease: Real-World Data From a Large U.S. Claims Database. Hepatology 68(6):2230, 2018.
[15] Sanyal AJ, *et al*. Pioglitazone, vitamin E, or placebo for nonalcoholic steatohepatitis. New England Journal of Medicine 362(18):1675, 2010.
[16] Mahady SE, et al. Pioglitazone and Vitamin E for non alcoholic steatohepatitis: a cost utility analysis. Hepatology 2012 Jun 18. doi:10.1002/hep.25887 (Epub ahead of print).
[17] Bray F, *et al*. Global cancer statistics 2018: GLOBOCAN estimates of incidence and mortality worldwide for 36 cancers in 185 countries. CA 98(6):394, 2018.

Table 3: Incidence and Prevalence of Pancreatic Cancer by Region 2020

	North America	Western Europe	Japan	Australia	China
New Cases	62,643	45,461	43,119	3,991	124,994
Prevalence	49,358	33,127	44,307	3,095	95,527
Deaths	53,277	43,336	40,393	3,184	121,853

The Australian Institute for Health and Welfare estimates that pancreatic cancer would become the eleventh most commonly diagnosed cancer in Australia in 2018. In 2019, it estimated that there were 3,599 new cases of pancreatic cancer diagnosed in Australia (1,889 males and 1,710 females). In 2011 to 2015, individuals diagnosed with pancreatic cancer had a 9.8% chance (approximately equal for males and females) of surviving for five years. Between 1986 to 1990 and 2011 to 2015, the five-year relative survival from pancreatic cancer increased from 3.3% to 9.8%.

In the UK, 28.3% of pancreatic cancer patients receive chemotherapy, predominantly those with stage III disease (50.3%).[18]

There are many cancer drugs in development including ones that will compete with TransT3 and TPD for pancreatic cancer. The Pharmaceutical Research and Manufacturers of America recently estimated that there are currently 54 drugs and vaccines in development for pancreatic cancer.[19] Only a small number of these, however, are likely to succeed in late-stage clinical trials and be approved.

Cancer cost the European Union ("**EU**") €126 billion in 2009, with health care accounting for €51·0 billion (40%).[20] Drug expenditure accounted for more than €13·5 billion, i.e. 27% of cancer-related health-care costs. The referenced publication reports that in the US, the cost of cancer, excluding informal care and morbidity losses (cost of lost productivity due to illness), was estimated at US$202 (€157) billion in 2008, of which US$77 (€60) billion were direct medical costs and US$124 (€97) billion were mortality costs (cost of lost productivity due to premature death). The US figure per capita of €196 is more than any country in the EU and about €100 more per citizen than the EU as a whole.

In 2015, the US Agency for Healthcare Research and Quality ("**AHRQ**") estimated that the direct medical costs for cancer in the US were US$80.2 billion with 11%, US$10 billion, being the cost of drugs.[21]

[18] Pancreatic cancer diagnosis and treatment statistics. Cancer Research UK (https://www.cancerresearchuk.org/health-professional/cancer-statistics/statistics-by-cancer-type/pancreatic-cancer/diagnosis-and-treatment#heading-Four).
[19] America's Biopharmaceutical Companies. Medicines in Development for Cancer. 2018 Report (http://phrma-docs.phrma.org/files/dmfile/2018_MID_Cancer.pdf).
[20] Luengo-Fernandez R, *et al*. Economic burden of cancer across the European Union: a population-based cost analysis. The Lancet Onc 14(12):1165, 2013.
[21] Economic Impact of Cancer. American Cancer Society (https://www.cancer.org/cancer/cancer-basics/economic-impact-of-cancer.html).

The global oncology drugs market was valued at US$97.4 billion in 2017, and is estimated to reach US$176.5 million by 2025, with a CAGR of 7.6% from 2018 to 2025.[22] The total estimated spend on cancer drugs in the US in 2015 was US$32 billion.[23] Spending on cancer drugs in the US has doubled since 2012 and reached almost US$50 billion in 2017.[24] In 2020, the top 20 oncology drugs generated almost US$93 billion worldwide, up from US$90 billion in 2019, with 35 drugs selling over US$1.0 billion each. The leading four, Keytruda®, Revlimid®, Imbruvica® and Opdivo®, representing US$43 billion (US$14.4 billion, US$12.1 billion, US$9.4 billion and US$7.0 billion, respectively).[25]

Since the late 1990s there has been a progressive increase in the price of new cancer drugs. Most cancer drugs launched between 2009 and 2014 were priced at more than US$100,000 per patient for one year of treatment.[26] By 2014, the average cost of a new orally administered cancer medicine exceeded US$135,000 a year, up to six times the cost of similar drugs approved in the early 2000s, after adjusting for inflation. The median annual cost of a new cancer drug in 2017 exceeded US$150,000 compared to US$79,000 for new launches in 2013. In 2017, all cancer drug launches had US list prices above US$50,000 per year and the median exceeded US$150,000.

Acuity considers that an average selling price of the order of US$30,000 for an effective pancreatic cancer drug, as used in our analysis, is a modest expectation. Lower prices generally apply outside of America and we have used US$24,000 in our modelling.

3. Attributes & Risks of the Invictus Approach

The Invictus products are based on a natural product, T3, that is classified as Generally Recognised as Safe ("**GRAS**") allowing rapid entry into nutraceutical markets. The pharmaceutical programs are at pre-clinical, TPD, and early clinical, TransT3, stages of development with considerable risk to completion of trials and in obtaining marketing approvals.

Acuity's valuation methodology employs an rNPV approach which requires estimates of future revenues and expenses that may result from sale or license of drug products with adjustment to cash flows based on the likelihoods of the therapy development program's transitioning through the well-defined stages of evaluation. Several studies have determined the phase transitional probabilities, the chances of progressing through each of the various stages of development. The cumulative probability is the likelihood that it will complete all stages and be approved.[27, 28] The most recent published analysis by Thomas, *et al*. also presents Phase 3 transitional likelihoods for major solid and haematological cancers.[29]

Table 4 lists probabilities for drugs across all indications, both NCE and biologicals, once they enter the clinical stages of development.

[22] Gill S & Sumant O. Oncology/Cancer Drugs Market by Drug Class Type (Chemotherapy, Targeted Therapy, Immunotherapy, and Hormonal Therapy) and Indication (Lung Cancer, Stomach Cancer, Colorectal Cancer, Breast Cancer, Prostate Cancer, Liver Cancer, Oesophagus Cancer, Cervical Cancer, Kidney Cancer, Bladder Cancer, and Others): Global Opportunity Analysis and Industry Forecast, 2018 – 2025. Allied Market Research February 2019 (Abstract: https://www.alliedmarketresearch.com/oncology-cancer-drugs-market).
[23] Dolgin E. Bringing down the cost of cancer treatment. Nature 555, S26, 2018.
[24] Aitken M, *et al*. Global Oncology Trends 2018. Innovation, Expansion and Disruption. IQVIA Institute for Human Data Science, May 2018.
[25] TOP Pharma Drugs By Sales in 2018 (*PharmaCompass Annual Report Compilation_2019/xlxs*, created 11 March 2019).
[26] Kimmer BK. The Imperative of Addressing Cancer Drug Costs and Value. National Cancer Institute, March 15, 2018.
[27] Hay M, *et al*. Clinical Development Success Rates for Investigational Drugs. Nature Biotech 32(1):40, 2014.
[28] Thomas DW, *et al*. Clinical Development Success Rates 2006-2015. Bio / Biomedtracker / Amplion. June 2016.
[29] Thomas DW, *et al*. Clinical Development Success Rates and Contributing Factors 2011-2020. Bio / PharmaIntelligence / QLS. February 2021.

Table 4: Transitional Probabilities for Drugs Development and Cancer Drugs (Thomas, *et al*)

Successful completion of:	Transitional Probability		
	All Drugs	Gastro-enterology	Solid Tumours
Phase 1	63.2%	75.6%	64.1%
Phase 2	30.7%	35.7%	23.0%
Phase 3	58.1%	60.6%	34.2%
Registration	85.3%	92.3%	79.6%
Cumulative probabilities	**9.6%**	**15.1%**	**4.0%**

There is roughly a 5% chance that a new cancer drug entering clinical trials for the first time will achieve approval for marketing with biological molecules, biologics, having a greater likelihood than chemicals (11.5% vs. 6.2% for all drugs). Of the cancers, Thomas, *et al*. report poorer outcomes for ovarian, lung and pancreatic cancer drugs than for others. For example, where solid tumours overall have a Phase 3 transitional probability of 34%, pancreatic cancer only has a 12% likelihood.

Excluding general company and funding risks inherent with early-stage biotechnology companies, additional risks to technical and commercial success include:

- Invictus will be reliant on the support of the capital markets to provide both initial and ongoing funding. The high cost of drug development makes the company's ability to continue to raise funds a critical risk factor in its success. Consequently, our financial models are based on out-licensing of the IP following Phase 2 studies. If the licensing approach is adopted, the company will be dependent on licensees for completion of development, registration, production and marketing of the product. In the event that licensees do not perform as expected the success of products may be limited;

- The MELT3 has been granted in the primary market of the US but the TPD patent has yet to be examined by any patent office in the world and there is no assurance that patents will be granted. Lack of patent protection may cause cessation of the product development program due to the high costs of testing and trialling;

- There are a considerable number of other approaches to treating NAFLD and cancer under development and many of these have shown promising results in recent years. Some of these may prove to be more effective than the proposed T3 technology. The reality is that multiple attacks on a tumour, and combination products, may well be the optimal solution;

- Even if Invictus or its licensees receive regulatory approval to market product candidates, the market may not be receptive to their commercial introduction. Acceptability depends on both the patient acknowledging the products' benefits and relative superiority, as well as the prescribing physician's endorsement;

- The success of Invictus, at least in the current early stage of development, will be dependent on key employees and consultants, as the company grows it is going to have to recruit new, skilled personnel;

- The proposed products will compete to varying degrees with numerous other drug and biotechnology companies including many in cancer development. Many have substantially greater financial and other resources and are able to expend more funds and effort than Invictus on R&D and promotion; and

- Time to market is critical with any new technology, particularly in the medical area where patent life is compromised by protracted clinical trials and regulatory approvals. Delays in the roll-out of the product, due to factors such as patient recruitment and slow regulatory approvals can adversely affect the valuation.

We have considered these risks in preparing our valuation – see also the Sensitivity analysis (Section 5.1.5).

4. Intangible Assets Valuation Methods

For the purpose of our valuation opinion, current market value is defined as the amount at which the units of IP could be expected to change hands in a hypothetical transaction between a knowledgeable willing, but not anxious, buyer and a knowledgeable willing, but not anxious, seller acting at arm's length. We have not considered special value or control premium in this assessment although it could be expected that an unrelated acquirer may pay a premium to obtain the Company's technology to complement its own portfolio or to avoid patent infringements.

In valuing a mature business entity, the analyst tends to follow a methodology that draws heavily on the company's historical income, either by performing a Net Present Value ("**NPV**") of expected future earnings, the confidence in which derives from past activity, or capitalisation of maintainable earnings. Another technique considers the orderly realisation of assets. In the case of Invictus, the sole assets are In-process R&D ("**IPR&D**"), underpinned by patents. There are no historical cash flows available for extrapolation and no current product sales, and there is uncertainty that product development will be completed successfully.

Techniques used for valuing intangible assets, including IPR&D, generally fall into three main categories:

1. Cost Based;
2. Market Based; and
3. Revenue Based.

We examined several approaches, many of which were considered not applicable to the business activities and developmental status of Invictus. These are briefly discussed in the following sections. The preferred valuation method, that relying on a risk adjusted DCF of projected net benefit, is presented in further detail in Section 4.3.

4.1 Cost Based Methods

There are several cost approach valuation methods, the most common being the reproduction cost and the replacement cost methods. Often these may be based on the historical costs incurred by the original developer. Although drug development is extremely costly, future benefits are considered to be worthy of the investment and deals to acquire promising R&D-stage programs are often an order of magnitude higher than the past expenditure. Generally, however, patents provide a market monopoly for the originator's inventions and it would be very difficult for a third party to replicate the technology with equivalent utility, specificity and activity without infringing those patents. Patents are the key asset underpinning inter-industry acquisitions and represent more than a cost-to-replicate the technology.

We consider that cost-based methods are not applicable to the Invictus IP.

4.2 Market Based Methods

The most recent trading history of shares in a company provides evidence of the fair market value of the entity where they are publicly traded in an informed and liquid market. An EV strips the share price or market capitalisation of cash and cash equivalents and adds in debt to effectively determine an IP valuation in companies with no, or minimal, goodwill. Therefore, one approach is to compare company EVs where the technology is similar, targeting the same markets and at an equivalent stage of development.

Techniques based on analysis of transactions between companies, equity valuations or capitalisations of comparable companies have considerable merit in the biotechnology sector. There are thousands of transactions taking place in the industry every year where one company licenses IP from another or enters into a collaborative venture. There are also many fund raisings, both private placements and Initial Public Offerings, which may be used as analogies.

A market analysis should realistically be undertaken by comparing companies or transactions to acquire products at similar stages of development, i.e. discovery/pre-clinical, Phase 1, Phase 2, etc. In the case of the value placed on a company, that entity should be single purpose and/or technically equivalent to the subject company or IP. Such criteria are often difficult to meet and comparable analyses are commonly used only to support the values derived with other methodologies or to provide a "ball park" estimate.

We have not considered a market-based method for the current analysis.

4.3 Methods Based on Future Prospects

A technique suitable for valuing a business or a project, such as IPR&D, with strong and relatively predictable future prospects is based on a DCF analysis. To assume any level of credibility, the DCF must be based on solid cash flow predictions, with justifiable assumptions regarding sales estimates, expenses and revenue timings. These are then valued to present day using a discount rate, often following probability adjustment, that recognises the time value of money and risks involved in achieving the forecast cash flows.

In the case of pharmaceutical IPR&D, including the Invictus programs, future cash flows are not accurately predictable and rely on estimates for market size, selling prices and market penetration in determining revenues and estimates for development costs and operating expenses once products are launched. There is also a high risk that development will not be successful and this impacts the likelihood that projected cash flows will be realised. Acuity's preferred methodology for IPR&D is to use a risk analysis and probability adjust cash flows, a method commonly used in the pharmaceutical industry.[30, 31] The approach is to use a probability analysis that explicitly recognises the time profile of the risk by probability adjusting the cash flow using literature- or experience-based probabilities. The resulting cash flows may then be discounted at a rate close to the cost of capital as the risks are deemed to have been dealt with in the probability analysis. The explicit assessment of the probabilities associated with the possible cash flow outcomes provides computational transparency compared with selecting a discount rate purportedly commensurate with the risks.

The usual discount rate is a company's Weighted Average Cost of Capital ("WACC") which reduces to the Capital Assets Pricing Model ("**CAPM**") in the absence of debt. The CAPM for Invictus may be determined using the following formula:

$$CAPM = Rf + \beta \times (Rm - Rf)$$

Where:

Rf is the Risk Free Rate of Return. To estimate the risk-free rate, ten to 30-year US Government Bond yields may be used (the US being the major market for products).

Rm is the Expected Market Return and (Rm – Rf) the Risk Premium being the excess over the risk-free rate that an investor requires to invest in the market portfolio. The current Expected Market Return for investors is around 5.0% to 6.0%.

[30] Bogdan B & Villager R. Valuation in Life Sciences: A Practical Guide. Springer Verlag (Berlin), 2007.
[31] Aaron AV, Bitton VR (co-chairs), *et al*. Assets Acquired in a Business Combination to be used in Research and Development Activities. American Institute of Certified Public Accountants, New York. 2013.

> Beta (β) of a particular investment is a reflection of its risk expressed as a percentage of the volatility to that of a market portfolio. The rate of return on the market portfolio will, by definition, fluctuate identically with the market and therefore its beta is one. Investments with betas higher than unity are more volatile than the market.

We would expect a biotech company to have a systematic risk significantly higher than the market, and therefore beta above 1.0. We examined a number of early-stage drug development companies as listed on the website Infront Analytics.[32] One-year betas for these companies yield an average of 1.2 in the range 0.36 to 2.05. Based on the analysis, we consider a beta in excess of 1.6 is applicable to Invictus resulting in a CAPM of 12% to 14%.

5. Invictus IP Valuation (Pre-Transaction)

5.1 Valuation by Discounted Cash Flow

5.1.1 MELT3® Valuation

To assist with the current valuation, VTL provided sales projections and budgets the US for a two-year period from expected launch. These present details of COGS, Average Selling Price ("**ASP**") and promotional costs, as well as administrative costs. The COGS has been determined using detailed costings from the company's US cGMP manufacturing partner and includes estimates for initial volumes and cost reductions as sales grow. The ASP follows an analysis of cost-per-unit averages to consumers of similar pre-physical workout and post-workout products for NE1-Elite® and on heart supplements for NE1-Heart®. As it relates to distributors, the proposed price meets the target margins for sport nutrition and supplements in the US.

Based on an examination of individual product sales available in the annual reports of a number of nutraceutical companies and published information on the numbers of sports people and athletes using supplements (for example, see Dietary Supplements for Exercise and Athletic Performance[33]), Acuity considers the sales volumes anticipated by the Company are modest relative to the market potential and we have retained their estimates while deferring launch until July 2022. The expected manufacturer's selling price is reasonable compared to over-the-counter product prices after allowing for distributors' and retailers' margins.

In considering the COGS and SG&A costs as percentages of revenues, we examined annual reports for several nutraceutical and dietary supplement companies and concluded that the Invictus estimates are high, as would be expected for small volumes and an early-stage operation, i.e. the cost to manufacture as a fraction of selling price is above average; and promotional and employee costs are relatively high, resulting in reduced margins.

Generally, we conclude that the projections provided to Acuity are based on reasonable and supportable assumptions.

[32] Infront Analytics (https://www.infrontanalytics.com, accessed March 2022).
[33] US National Institutes of Health. Dietary Supplements for Exercise and Athletic Performance (https://ods.od.nih.gov/factsheets/ExerciseAndAthleticPerformance-HealthProfessional/#:~:text=Introduction%201%20International%20surveys%20found%20that%20two-thirds%20of,of%20about%2021%2C000%20U.S.%20...%20More%20items...%20, accessed 20/03/2022).

Cash flows were extrapolated by Acuity to 2028/29 with an assumed growth of 30% in the third year (the year beyond the Company's analysis) declining to 5% per annum after four years. Our adjustments result in sales of US$18.2 million per annum in 2028/29. COGS as a percentage of revenues declines from 62.5% in 2022/23 (Invictus estimate) to 36% (industry average) and SG&A plateaus at 44% of revenues (industry average). A terminal value has been included using a growth to perpetuity model with 5% assumed annual growth. A continuing growth rate of 5% has been chosen because, in addition to sales in the US, Europe and Japan for which we have modelled, the company can be expected to enter into direct selling or distribution arrangements in Asia, including China, Australasia and other parts of the world as resources permit.

Detailed sales projections have been developed for the US, while Europe and Japan are assumed to have a comparable, combined revenue as the US along with similar expense profile, 12 month delayed entry. The models do not consider the Chinese market for the Invictus nutraceuticals.

We have assumed that the Company pays tax at the Australian rate of 27.5% with losses carried forward.

There remain no technical or regulatory matters restricting the sale of products. As the products have yet to generate meaningful sales, market acceptance, and thus the real sales potential of the products, remains unknown. We have therefore discounted cash flows, after tax, at 20%, to 1 April 2022 to provide an NPV of $27.9 million.

5.1.2 TransT3

We have prepared financial projections for TransT3 products for NASH and pancreatic cancer. These consider sales in the developed world due to the dominance of these markets and the fact that novel and potentially expensive treatments in the targeted indications are likely to have delayed acceptance into developing regions. The general approach to developing cash flows is to assume that the pharmaceutical products are out-licensed following successful Phase 2 studies. Such an approach to commercialisation reduces risk and obviates the requirement for large amounts of capital to fund late-stage trials. It is a route commonly followed by early-stage drug developers.

We have prepared financial projections based on the available information for the term of the current patent (PCT/AU2013/001310) for TransT3 being November 2033 on the assumption that a licensee will pay royalties only to patent expiration. The newly filed patent application has not been included as it has yet to be examined by a patent office and trials to date relate to formulations defined in the 2013 patent.

Time frames for Phase 2 and subsequent clinical trials, approvals and market launch are based on realistic estimates for novel drugs or NCEs with no allowance for regulatory fast tracking should it be available. The models for the products assume late-stage development and selling by a licensee with licences executed following completion of Phase 2 studies by Invictus.

Revenues are based on estimates of market size deriving from published incidence and prevalence data with treatment costs obtained by benchmarking against current medicines. Market share or penetration is generally estimated by comparing the potential of the new drug to current therapies, numbers of competitive products in development and the usual dynamic within prescription drug markets. The TPD product is targeting the same market but we have ignored the possibility of cannibalisation as estimated market shares are low and there is significant unmet need. Additionally, the probabilities of success are so low that that either or both product(s) could fail to achieve marketing approval.

Phase 2 development expenses assume studies are funded by Invictus and undertaken under a US FDA IND. Patient numbers are estimated by examination of clinical trial protocols for drugs addressing similar indications, as presented in the US National Institutes of Health ("**NIH**") clinical trial database, *ClinicalTrials.gov*.[34]

[34] http://www.ClinicalTrials.gov

Phase 3 clinical trial costs, borne by the licensee, are based on estimates of numbers of patients required as extracted from the NIH database, multiplied by a per patient evaluation cost as available from published literature. It is assumed that these estimates include the manufacturing of trial drugs and licensee company overheads. Additional expenses are included for preparation and submission of regulatory dossiers and post market surveillance. The COGS, corporate overheads (SG&A) and maintenance R&D are based on an examination of annual reports for major pharmaceutical companies.

It is assumed that capital assets are not acquired and held by Invictus. Manufacturing for trials is undertaken by a CMO and the cost of clinical material is built into the per patient trial costs.

The cash flows are probability adjusted using published data on drug development success rates (see Section 3) with probabilities applied at the time points where development hurdles are passed. Probabilities are cumulative.

The financial models prepared by Acuity present two cash flows – one for the licensor, Invictus, and one for the licensee. In return for the licence, milestone fees and royalties are payable to the licensor. The objective of modelling the licensee's cash flow as well as the licensor's is to apportion the net benefit of the technology's commercialisation between the two parties as a basis for determining royalty rates and milestone payments. The economies of scale, advanced infrastructure and resources available to a mature pharmaceutical company exceed those of a start-up company and the risk profile for the latter is significantly greater and, as a consequence, the valuation may be less for the originator in the absence of out-licensing.

For the purposes of the current analyses, we have assumed that a reasonable split of the benefits from exploitation of the IP, at the time of licensing, is 25% licensor and 75% licensee. The final deal terms will be subject to negotiation. However, the literature suggest that a licensee will seek a four-fold return on investing in an early-stage project. Deal terms are determined on before tax valuations as the tax rate relevant to the hypothetical licensee are unknown.

An after-tax valuation, being the amount relevant to investors, applies an Australian corporate tax rate of 27.5% with tax losses incurred during the development phase carried forward to profitability (Invictus's accumulated losses are not included in the models).

The valuation date is 1 April 2022. The cash flow models are prepared in US currency as it is expected that international pricing will be based on US pricing. For the current exercise, an exchange rate is A$1.38 for US$1.00 has been used, being the average rate for the past 12 months.

The following assumptions apply to the modelling of the TransT3 IP for the treatment of NASH:

- With reference to published incidence data, we have estimated that there are approximately 50,000 new diagnoses of NASH in North America each year and 55,000 and 20,000 in Western Europe and Japan/Australia, respectively.

- The growth in incidence has been estimated at 3.0% pa.

- The 5-year prevalence for NASH is 600,000, 630,000 and 230,000 for North America, Western Europe and Japan/Australia, respectively. We have assumed that prevalence increases at the same rate as population increase in each region.

- The penetration by Invictus is assumed to be 10% of incidence, there being no adequate therapeutic agents. Five percent of prevalence patients accept treatment.

- The cost for a course of treatment is estimated at US$30,000 in North America and US$24,000 in other parts of the world. The pricing has been determined by benchmarking against current NASH treatments and the cost of maintaining NAFLD patients (see Section 2.2).

- An 80-patient Phase 2 study will be initiated in 2022 and will last for one year. Patient costs for the trial, to be borne by Invictus, will be US$75,000 per patient.

- A Phase 3 study, the obligation of a licensee, can be expected to take three years to conduct and to require approximately 600 patients. The per patient cost is US$80,000.

- Completion of Phase 3 study is followed by 12 months for approval in the USA and Europe. Approval in Japan and Australia will lag by one year.

- On approval, sales grow to reach a peak after three years and remain at peak for five years. Sales (volume and/or price) subsequently declines at 5% per annum due to the potential entry of competition and/or price erosion.

- The COGS is 31.0% of selling price based on an analysis of industry averages for pharmaceutical companies as estimated from annual reports, and SG&A expense for the licensee is 28.7% of revenues. R&D funds for ongoing product improvements is assumed to be 2.3% of revenues.[35]

- Regulatory dossier preparation and submission has been assumed to be US$2.0 million for the indication in the designated countries. One million dollars has been allowed for post-market surveillance.

- We have included on the licensor side administrative cost subsequent to out-licensing of 0.5% of revenues to cover accounting and audit charges, and general office expenses as related to each product individually.

- Invictus has royalty obligations to Gordagen and we have included these in our financial models.

- Royalties are receivable from the licensee with the amount adjusted, in the absence of milestone payments, to achieve an approximately 25:75 split in earnings before interest and tax ("**EBIT**") at the time of licensing, completion of Phase 2. (An outright sale or a licence with up-front and milestone payments as well as royalties may be expected, however, the overall valuation is unaffected whether there are payments and a royalty or merely a single royalty.) The analysis computes royalties of 8.9% of sales revenue to derive the desired split.

- The cash flows have been risk adjusted with cumulative probabilities applied at the time points where stages are completed using data from Thomas, *et al.* for gastrointestinal drugs with a slightly higher than published likelihood at Phase 2 due to the known safety of tocotrienols.

The analysis is in constant 2020 dollars and no consideration has been allowed for inflation. The discount rate of 14% is therefore real.

The modelling shows product sales commencing in 2027/28 with a potential peak of around US$2,000 million annually (non-probability adjusted). The overall Likelihood of Approval ("LOA") is 17.8%. The projections show expected (probability adjusted) revenues will approach US$350 million per annum once peak penetration has been achieved.

Discounting the probability adjusted after-tax cash flows for the licensor yields a valuation for Invictus in the NASH application of $42.6 million.

An effective discount rate to achieve the valuation may be determined on the assumption that the likelihood of success is 100%. For the NASH model this is 39.6%.

[35] DiMasi JA, Hansen RW & Grabowski HG. The Price of Innovation: New Estimates of Drug Development Costs. J Health Econ 22:151, 2003.

The following table presents assumptions and outcomes for TransT3 and the TPD products:

Table 5: Input Variables and Outputs for Invictus Prescription Products

	TransT3		TPD	
	NASH	**Pancreatic Cancer**	**NASH**	**Pancreatic Cancer**
Incidence	125,000	181,000	125,000	181,000
Growth Incidence	3.0%	0.7% - 1.2%	3.0%	0.7% - 1.2%
Prevalence	1,460,000	133,000	1,460,000	133,000
Average Selling Price / course (US$'000)	$24-30	$24–30	$24-30	$24–30
Market Penetration	8% - 10%	11.3%	8% - 10%	11.3%
Patent Expiry	11/2033	11/2033	08/2034	08/2034
Start Phase 1			2022	2022
Start Phase 2	2022	2022	2023	2023
License Year	2024	2024	2025	2025
Launch Year	2028	2028	2030	2030
Potential Peak Sales (US$'bil)	$2.0	$0.7	$2.0	$0.7
Overall LOA	17.8%	10.8%	6.6%	4.2%
Discount Rate	14%	14%	14%	14%
Effective Disc. Rate	39.6%	45.5%	48.5%	51.3%
Benefit Split	25:75	25:75	25:75	25:75
Est. Royalty Rate	8.9%	8.9%	8.6%	8.6%
rNPV @ 14% (A$'mil)	**$42.6**	**$6.5 mil**	**$9.4 mil**	**$1.0 mil**

It is assumed that both TransT3 product (NASH and cancer) are licensed to the same party and that the royalty is independent of indication. In other words, the 25:75 split is determined across both products.

Incident and prevalent populations for pancreatic cancer are based on estimates available through IARC.[36] We have projected a market penetration of 11.3% of the cancer patients, based on 28% receiving chemotherapy and, of these, 40% having TransT3 treatment. The price is based on the pricing of routinely used chemotherapy agents.

5.1.3 TPD

The modelling for TPD products, again for NASH and pancreatic cancer, follows the same process as for TransT3 products except that we have included a 12-month delay for completion of pre-clinical work-up and a further year for a Phase 1 trial. Hence, Phase 2 trials commence in 2022 and are complete early in 2025 before licensing activities begin.

[36] World Health Organisation. International Agency for Research on Cancer. Global Cancer Observatory (https://gco.iarc.fr accessed July 2021).

It is to be noted that the LOAs for TPD products are significantly lower than for TransT3 due to the requirement for an additional clinical trial (Phase 1) and generally poorer outcomes for cancer drug development. This, along with the delayed launch, results in lower valuation of the TPD products compared with TransT3.

5.1.4 Valuation of the China IP Rights for Pharmaceuticals

In modelling cash flows for China, for the pharmaceutical products, Acuity has made the following assumptions:

- The analysis is for the combined revenues of TransT3 and TPD for which Acuity has assumed that income from China will be 15% of the combined revenues for western countries.[37] We have allowed for a 12-month delay for products entering the Chinese market.
- Product will be sold via distributorship and the income received by Invictus will be the wholesale price to the Chinese distributor. As a consequence, Invictus's overheads are low.
- Product is manufactured by Invictus and the COGS as a fraction of revenues is the same as used previously, *viz*. 31% of ASP.
- Tax is paid at the Australian company tax rate.

The pre-Transaction valuation of the Invictus IP for China is $6.4 million.

5.1.5 Sensitivity Analysis on Pharmaceutical and Nutraceutical IP

The valuation of the Invictus pharmaceutical IP presented in the previous sections employs a rNPV method which relies on estimation of many inputs or assumptions to the financial projections. As many of these input assumptions are, at best, estimates which may change with time and as development advances, we subjected these to a sensitivity analysis using ranges to the inputs that we consider reasonable.

Table 6: Impact of Key Input Variables on Pharmaceuticals Valuation

Input Variable	Possible Variance	Change in Valuation	
		Increase in Input	Decrease in Input
Timing of Launch	+/-1 year	-22.3%	+26.7%
Exch Rate (AUD:USD)	+/-20%	-20.0%	+20.0%
ASP, Population & Penetration	+/-20%	+18.0%	-17.9%
Discount Rate	+/-20%	-16.5%	+21.4%
Split with Licensee	+/-20%	-15.7%	+19.7%
LOA	+/-20%	+14.3%	-14.3%
COGS	+/-20%	-13.4%	+13.4%
Development Cost	+/-50%	-7.6%	+3.0%
Tax Rate	+/-10%	-6.5%	+6.5%

The factors of significance are the effects of delays to the development program, the ASP and the addressable population, or patients actually treated. On the basis of expected possible variations to these inputs, we propose a range of valuations that is plus or minus 25% of the preferred valuation.

[37] Daxue Consulting (https://daxueconsulting.com/pharmaceutical-industry-china) have estimated that China represented 11% of the global prescription pharmaceutical market in 2018 with a CAGR of 3% to 6% through 2023.

The valuation of the nutraceuticals business is based on estimated numbers of sales within any time period and a selling price. Errors to inputs are potentially less extreme than for the pharmaceutical modelling and, consequently, our analysis suggests a range of plus or minus 15% to the nutraceutical/MELT3® valuation (see Table 7).

Table 7: Impact of Key Input Variables on Nutraceuticals Valuation

Input Variable	Possible Variance	Change in Valuation	
		Increase in Input	Decrease in Input
Timing	+1 year	-16.0%	N/A
Exch Rate (AUD:USD)	+/-20%	-20.0%	+20.0%
ASP	+/-10%	+10.0%	-17.9%
Discount Rate	+/-10%	-14.5%	+19.2%
COGS	+/-10%	-13.8%	+13.8%
Tax Rate	+/-10%	-3.8%	+3.8%

N/A Not Applicable.

6. Valuations of VTL Licences Following the Transaction

The same models as used for the Invictus IP valuations have been applied to the valuation of the Nutraceutical Licence with the inclusion of a 2% royalty on revenues payable by VTL to Invictus, being indicative of VTL's cash flow following the transaction.

Cash flows, as discussed in Section 5.1.1 are based on Invictus's projections for 2022/23 and 2023/24 with extrapolations for a further five years as determined by Acuity. Sales revenues are reduced by 2%, being the royalty payable, reducing US revenues in 2028/29 from $18.2 million to $17.8 million. Expenses are unchanged from the pre-Transaction model with COGS and SG&A as percentages of revenues levelling at 36% and 44%, respectively, based on industry averages. A terminal value has been included with assumed continuing growth of 5% per annum. We again assume that Europe and Japan provide a combined revenue equivalent to that of the US but delayed by 12 months.

The Company pays tax at the Australian rate of 27.5% with losses carried forward.

By our analysis, the after-tax valuation of the nutraceuticals business as available to VTL following the Transaction is $25.2 million.

It is assumed that the pharmaceutical products will be manufactured by VTL for sale in China at the same COGS as Invictus manufactures for other markets. As for the nutraceuticals valuation, we have applied a 2% royalty on revenues for China to obtain VTL's cash flow based on the Pharmaceutical Licence. VTL will also make certain payments to Invictus on approval to manufacture and market pharmaceutical products, commencement of manufacturing and commencement of sales in China. These amounts are subject to probabilities of success as applied to pharmaceutical development in other regions and discounted to present day at the same discount rate as applied to Invictus's cash flows.

The assumption, as for the Invictus modelling, is that earnings of TransT3 and TPD in China will be 15% of the combined revenues for western countries with a 12-month delay while marketing approvals and any bridging studies are completed.

Following the Transaction, VTL will be responsible for obtaining registration of products and their manufacture in China and Acuity assumes these costs will total US$2.5 million. Invictus will fund development outside of China and clinical trial and other regulatory data will be available to VTL to support its applications for marketing approvals in China.

VTL pays tax at the Australian company tax rate.

The pre-Transaction valuation of the Invictus IP for China is $6.4 million.

Our analyses estimates a valuation of $6.1 million for the China rights available under the Pharmaceutical Licence.

7. Summary and Conclusions

The following table presents our estimated valuation of the Invictus IP before the Transaction:

Table 8: Summary of Invictus IP Valuations of MELT3® and Prescription Products ($'mil)

Product / Indication	Low	High	Preferred
Nutraceuticals:			
MELT3®	23.7	32.1	27.9
Pharmaceuticals:			
TransT3:			
NASH	31.9	53.2	42.6
Pancreatic Cancer	4.9	8.1	6.5
TPD:			
NASH	7.1	11.8	9.4
Pancreatic Cancer	0.7	1.2	1.0
China	4.8	8.0	6.4
Total Pharmaceuticals	49.4	82.3	65.9
TOTAL IP RIGHTS	**73.1**	**114.4**	**93.8**

The prescription programs are high risk and have long time frames before products may be approved for sale. Clinical trials are costly and it is to be expected that Invictus will complete important, and relatively inexpensive, value adding steps, such as Phase 2 trials, and then license for optimal returns. We have assumed this in our modelling approach. The company, not unreasonably, expects that revenues from the nutraceutical products will assist in funding these trials. Early licensing of pharmaceuticals with a significant up-front payment may further reduce the anticipated cash drain.

Should the company choose to complete development and manufacture and market products in its own right the risks and funding requirements will be significantly greater and, adopting such an approach in modelling cash flows, will not necessarily add to the valuations. To our knowledge, VTL and Invictus have no experience in designing and running advanced clinical trials and navigating complex regulatory pathways. Hence the LOA of products, had we modelled such an approach, would be significantly lower than used with a licensing scenario. Should Invictus fully exploit products in its own right, rather than following a licensing arrangement, sales volume could be lower due to the lack of marketing and distribution infrastructure, and manufacturing costs and regulatory compliance costs could be higher. In addition, either outsourced manufacturing or the need for an expensive manufacturing facility will add to expenses. For these reasons, we do not believe that a no licensee scenario will result in a higher valuation.

We have generally accepted Invictus's projections for MELT3®, although delaying market launch until July of this year. We are of the opinion that there remain no technical or regulatory hurdles to the launch of nE1 Elite® and nE1-Heart® in the US and that sales estimates as provided by the company are realistic. We have applied minimal growth to sales beyond the company's forecast two years but consider sales potential is high.

The post-Transaction values of the Nutraceutical Licence and Pharmaceutical Licence are as follows:

Table 9: Summary of VTL Licences Valuations of MELT3® and Prescription Products
($'mil)

Product / Indication	Low	High	Preferred
Nutraceuticals:			
MELT3®	21.4	29.0	25.2
Pharmaceuticals:			
China	4.6	7.6	6.1
TOTAL LICENCES	**26.0**	**36.6**	**31.3**

As part of the proposed Transaction, VTL will also own equity in Invictus BioPharma Holding Limited and we estimate that the valuation of residual IP rights available to Invictus, specifically the non-China rights to pharmaceuticals, and the royalty stream deriving from the Licences that will be received by Invictus in consideration for the Licences will be $62.5 million ($47.1 million to $77.8 million).

A breakdown of Nutraceuticals and China Pharmaceuticals before and after the Transaction by company is presented in the following table:

Table 10: Product Segment Breakdown Prior to and After the Transaction

	Entity	Low	High	Preferred
Nutraceuticals:				
Before Transaction	Invictus	23.7	32.1	27.9
After Transaction	Invictus	2.3	3.1	2.7
	VTL	21.4	29.0	25.2
China Pharmaceuticals:				
Before Transaction	Invictus	4.8	8.0	6.4
After Transaction	Invictus	0.2	0.4	0.3
	VTL	4.6	7.6	6.1

The valuations are for IP rights and Licences and do not include any assets or debt owned by Invictus or VTL or tax benefits that may arise from accumulated losses in either company.

8. Sources of Information

In addition to the transaction documents, Licences and Notice of Meeting, VTL provided access to confidential files which included the following files of relevance to the valuation:

- **Licence Agreement** between Monash University and Gordagen Pharmaceuticals Pty Ltd, dated 28 February 2018 and Variation, dated 6 August 2019.
- Invictus Nutraceuticals, Inc. **Two Year Financial Forecasts commencing July 2021**.
- **Unpublished Patent Application**, PCT Specification as filed 3 December 2021.

We also reviewed press releases made by VTL over the past 24 months.

9. Disclaimer

The valuations make certain assumptions in relation to the revenue prospects. In preparing this report we have relied on information provided by VTL, complemented by our own experience in drug and medical technology development and independent searches of the literature. We can provide no assurance that material provided by the Company was complete and accurate although we have no reason to suspect that this was not the case. We have exercised all due care in verifying the information provided and found no reason to doubt the reliability of the information. We also relied on published and Company-confidential technical reports as the main sources of past research but we were not able to review raw data or methods of analysis therein or confirm that these reports contained all relevant findings.

A draft of this report was supplied to VTL to confirm factual accuracy and some changes were made to reflect their comments.

Acuity does not guarantee that the outcomes described in this report will actually occur because of possible changes in the markets and VTL's actions, which are beyond our ability to forecast.

Acuity has acted independently in preparing this report and neither its Director nor staff have any pecuniary or other interest in VTL, their related entities or associates that could reasonably be regarded as affecting its ability to give an unbiased opinion. Acuity will receive normal professional fees for the preparation of this report and, with the exception of these fees, will not receive any other direct or indirect benefits. Acuity has provided consultancy services to VTL's predecessor company, Azure Health Technology Limited, during the past two years. This included an independent valuation of the company's IP that was used for internal management purposes only.

Acuity does not hold an Australia Financial Services Licence and provides no opinions or recommendations relating to the suitability of VTL as an investment, acquisition or for any other purpose, and provides no advice concerning the investment in VTL.

The cash flow model used in the valuation makes the assumption that VTL has, or will have, sufficient funds to support further development and maintenance of the IP, and to meet other obligations under potential licensing agreements. Without adequate funds, the value of the IP may not be realised. Additionally, delays in research and/or in securing collaborations could impact severely on the valuation.

In preparing this report we have had regard to the following regulatory and professional standards:

- RG 111, Content of expert reports;
- RG 112, Independence of experts;
- RG 170, Prospective financial information; and
- APES 225, Valuation Services.

10. Experience and Qualifications

Acuity provides management consulting to technology-based companies. The company is skilled in the development of business plans and the technical, commercial and financial analyses of engineering and science-based projects. An area of special interest is the provision of advice to investors and financial institutions on the funding of high technology R&D and the exploitation of outcomes.

The current valuation was undertaken by Acuity's Managing Director, David Randerson. Dr Randerson specializes in the valuation of intangible assets, and business entities whose main assets are intangibles, with particular expertise in IP and IPR&D. Valuations have been performed for purposes of licensing, capital raising and investment, sale, depreciation and amortization, impairment, purchase price allocation, consolidation, mergers, acquisitions, stock options and goodwill.

Dr Randerson has experience with valuing pharmaceuticals, stem cells, medical devices, diagnostics, agriculture, biochemical and cell culture technologies and environmental products. In the fields of physical and applied sciences, he has valued software, internet, electronics, telecommunications, mining and petrochemical projects, process engineering, production engineering and automotive technologies. Research-in-process is of particular interest to Dr Randerson.

Dr Randerson has a Bachelor of Chemical Engineering (Monash University), Master of Science in Applied Science (UNSW) and a Doctorate of Philosophy in Biomedical Engineering (UNSW). He is a Fellow of the Australian Institute of Company Directors and a member of the Institution of Chemical Engineers. He has worked in academia at the University of Munich and University of Queensland, and in Industry with Rio Tinto Australia, Union Carbide Australia and Johnson & Johnson (Philadelphia, USA). He was founder and managing director of one of Australia's first publicly listed biotechnology companies, specializing in the production of therapeutic monoclonal antibodies and recombinant proteins.

An understanding of physical and life sciences, research and development, project management, probability and statistics, discounted cash flow methodologies, real options analysis, life cycle forecasting, engineering depreciation and functional obsolescence analysis, are amongst the important tools in which Dr Randerson has competence.

As principal of Acuity for 30 years, Dr Randerson has undertaken in excess of 300 detailed valuations in biomedical sciences and 120 in applied sciences.

Glossary

AHRQ	US Agency for Healthcare Research and Quality
ASP	Average Selling Price
ASX	Australian Securities Exchange
CAGR	Compound Annual Growth Rate
CAPM	Capital Assets Pricing Model
COGS	Cost of Goods Sold
CMC	Chemistry, Manufacturing, and Controls
CMO	Contract Manufacturing Organization
DCF	Discounted Cash Flow
DHA	Docosahexaenoic acid
DOMS	Delayed Onset Muscle Soreness
EPA	Eicosapentaenoic acid
EU	European Union
EU5	France, Germany, Italy, Spain and UK
EV	Enterprise Value
FDA	Food and Drug Administration
GMP	Good Manufacturing Practices
GRAS	Generally Recognised as Safe
IARC	International Agency for Research on Cancer
IND	Investigational New Drug
IP	Intellectual Property
IPR&D	In-process Research and Development
LES	Licensing Executives Society
LOA	Likelihood of Approval
NAFLD	Non-alcoholic Fatty Liver Disease
NASH	Non-alcoholic Steatohepatitis
NCE	New Chemical Entity
NDA	New Drug Application
NIH	US National Institutes of Health
NPV	Net Present Value
PCT	Patent Cooperation Treaty
PRC	Peoples Republic of China
R&D	Research and Development
rNPV	Risk Adjusted Net Present Value
SG&A	Sales, General and Administrative costs
T3	Tocotrienols
TPD	Tocotrienol Pro-Drugs
UK	United Kingdom
US or USA	United States of America
VTL	VGI Health Technology Limited
WHO	World Health Organization

ARSN 111 082 485

LODGE YOUR VOTE

ONLINE
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10 Darcy Street, Parramatta NSW 2150; or
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: 1300 554 474 Overseas: +61 1300 554 474

PROXY FORM

I/We being a member(s) of VGI Health Technology Limited and entitled to attend and vote hereby appoint:

STEP 1

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 General Meeting of the Company to be held at **10:00am (AEST) on Friday, 3 June 2022 at MLC Centre' Suite 03, level 45, 19-29 Martin Place Sydney, NSW 2000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 2

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*
1	Approval of the disposal of a substantial asset to a related party of the company (Invictus Biopharma Holdings Ltd)	☐	☐	☐
2	Approval of the provision of a financial benefit to a related party of the company (Dr Glenn Tong)	☐	☐	☐
3	Approval of the provision of an indirect financial benefit to a related party of the company (Richard Estalella)	☐	☐	☐
4	Approval of the provision of an indirect financial benefit to a related party of the company (David Kingston)	☐	☐	☐

* 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.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	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).

VTL PRX2201A

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.

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:

(a) 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

(b) 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.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (AEST) on Wednesday, 1 June 2022,** 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).

BY MOBILE DEVICE

QR Code

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **www.linkmarketservices.com.au** into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

BY MAIL

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Level 22, Tower 6
10 Darcy Street
Parramatta NSW 2150

or

Level 12
680 George Street
Sydney NSW 2000

*During business hours Monday to Friday (9:00am - 5:00pm)

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU. THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.