7 March 2023

Dear Shareholder

Notice is hereby given that the General Meeting of Shareholders of Invion Limited (the "Company" or "Invion") will be held virtually on Thursday, 6 April 2023 at 2.00pm (AEST) ("General Meeting" or "Meeting").

Virtual General Meeting (GM)
The technology used to hold the Meeting virtually will provide IVX Shareholders with a reasonable opportunity to ask questions or make comments. Voting at the Meeting is occurring by way of a poll rather than a show of hands, each person entitled to vote is to be given the opportunity to vote in real time, and this notice of meeting includes information about how shareholders can participate in the Meeting. IVX Shareholders attending virtually will be taken for all purposes to be in attendance as if they were physically there.

Shareholders who wish to participate in the GM online may register in advance for the meeting:

https://us06web.zoom.us/webinar/register/WN_xPc7n3E0Q2ukwnC3DKgERw

When: Thursday, 6 April 2023 at 2.00pm (AEST)

Topic: Invion General Meeting

After registering, you will receive a confirmation email containing information about joining the Meeting. The Company strongly recommends its Shareholders to lodge a directed proxy as soon as possible in advance of the Meeting even if they are planning to attend the Meeting online. Further information and guidance on how to join the meeting will be available with the Notice of Meeting.

The Company is happy to accept and answer questions submitted prior to the Meeting by email to claire.newstead@vistra.com. Where a written question is raised in respect of the key management personnel of the Company, the Resolutions to be considered at the Meeting, the Company will address the relevant question during the course of the Meeting or by written response after the Meeting (subject to the discretion of the Company not to respond to unreasonable and/or offensive questions).

Notice of Meeting
The Notice of Meeting is available online and has been emailed to shareholders who elected to receive their communications electronically on Thursday, 2 March 2023. We will not be mailing hard copies by post. This is following recent modifications brought to the Corporations Act 2001.

Meeting website
You will be able to download the Notice of Meeting as well as related information and guidance, from our website inviongroup.com/asx-announcements/. Our website and the Notice of Meeting will provide you with everything you need to attend the meeting.

Thank you for your continued support of IVX. I look forward to welcoming you to our General Meeting.

Yours sincerely,



Thian Chew
Chairman & Chief Executive Officer

INVION LIMITED
ACN 094 730 417

Notice of General Meeting

Explanatory Statement and Proxy Form

Date of Meeting:
Thursday, 6 April 2023

Time of Meeting:
2.00pm AEST)

The meeting will be held in a virtual manner via a video-conferencing facility. If you are a Shareholder who wishes to attend and participate in the virtual meeting, please register in advance as per the instructions outlined in this Notice of Meeting. Shareholders are strongly encouraged to lodge their completed proxy forms in accordance with the instructions in this Notice of Meeting.

No hard copy of the Notice of Meeting and Explanatory Memorandum will be circulated. This Notice of Meeting has been given to those entitled to receive it by use of one or more technologies. This Notice of Meeting is also available on the Australian Securities Exchange Announcement Platform and on the Company's website *(*https://www.inviongroup.com/*).*

This Notice of Meeting includes an Independent Expert's Report in relation to the Proposed Transaction (the subject of Resolution 1). The Independent Expert has concluded that the acquisition of the licence and distribution rights under the Proposed Transaction is [**fair and reasonable**] to non-associated Shareholders.

This Notice of Meeting including the Explanatory Statement and Independent Expert's Report should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor without delay.

INVION LIMITED

ACN 094 730 417
Registered office: Level 4, 96-100 Albert Road, South Melbourne, VIC 3205

Dear Shareholders

Notice is hereby given that the General Meeting of Shareholders of Invion Limited (the "Company" or "Invion") will be held virtually on Thursday, 6 April 2023 at 2.00pm (AEST) ("Meeting").

Proposed Transaction

As announced to the market on 8 February 2023, Invion entered into an agreement with RMW Cho Group Limited ("**RMW**") to expand its existing arrangements for the development of the Next Generation Photodynamic Therapy technology (including Photosoft™) ("**NGPDT**") for the treatment of infectious diseases ("**ID Indications**"), pursuant to which Invion:

- will gain exclusive distribution rights in Hong Kong, United States of America and Canada[1] ("**Expanded Territory**") for an amount of A$2.5 million as its contribution to prior development costs invested by RMW; and
- may (at its discretion) elect to make a further contribution of A$1 million towards the development of the NGPDT in relation to atherosclerosis to the Expanded Territory and in which case Invion's licence and distribution rights in respect of atherosclerosis will also expand to include the Expanded Territory ("**Contribution Election**"),

(together, the **Proposed Transaction**).

The Proposed Transaction is subject to approval by Shareholders.

The purpose of Resolution 1 is to authorise the implementation of the Proposed Transaction.

Independent Expert's Report

The Board has commissioned an Independent Expert's Report prepared by PKF Melbourne Corporate Pty Ltd ("**Independent Expert**") in connection with the Proposed Transaction. The Independent Expert has concluded that the acquisition of the licence and distribution rights to NGPDT under Resolution 1 is [**fair and reasonable**] to non-associated Shareholders. Shareholders should carefully consider the Independent Expert's Report, a copy of which is set out in Schedule 1 to this Notice of Meeting.

Virtual Meeting

The technology used to hold the Meeting virtually will provide Shareholders with a reasonable opportunity to ask questions or make comments. Voting at the Meeting is occurring by way of poll rather than a show of hands, each person entitled to vote is to be given the opportunity to vote in real time, and this notice of meeting includes information about how shareholders can participate in the Meeting. Shareholders attending virtually will be taken for all purposes as if they were physically there.

Shareholders who wish to participate in the Meeting online may register in advance for the Meeting:

https://us06web.zoom.us/webinar/register/WN_xPc7n3E0Q2ukwnC3DKgERw **When**: Thursday, 6 April 2023 at 2.00pm (AEDT)

Topic: Invion General Meeting

After registering, you will receive a confirmation email containing information about joining the Meeting. The Company strongly recommends its Shareholders to lodge a directed proxy as soon as possible in advance of the Meeting even if they are planning to attend the Meeting online.

The Company is happy to accept and answer questions submitted prior to the Meeting by email to claire.newstead@vistra.com. Where a written question is raised through the virtual platform during the Meeting, the Company will address the relevant question during the course of the Meeting or by written

[1] If the Proposed Transaction is approved and implemented, the territory for ID Indications will include Hong Kong, United States of America, Canada in addition to the existing territory covering all Asia and Oceania countries (including Australia and New Zealand, but excluding China (other than Hong Kong), Taiwan, Macau, the Middle East and Russia).

response after the Meeting (subject to the discretion of the Company not to respond to unreasonable and/or offensive questions).

Your sincerely



Thian Chew
Chairman and Chief Executive Officer

INVION LIMITED

ACN 094 730 417
Registered office: Level 4, 96-100 Albert Road, South Melbourne, VIC 3205

AGENDA

The Explanatory Statement and Proxy Form, which accompany and form part of this Notice, include defined terms and describe in more detail the matters to be considered. Please consider this Notice, the Explanatory Statement and the Proxy Form in their entirety.

Resolution 1: Approval to expand the licence and distribution rights to Next Generation Photodynamic Therapy (NGPDT) from RMW Cho Group Limited

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That, for the purpose of ASX Listing Rule 10.1 and for all other purposes, approval be given for the Company to expand the licence and distribution rights to Next Generation Photodynamic Therapy (**NGPDT**) from RMW Cho Group Limited as detailed in the Explanatory Memorandum."*

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report in Schedule 1 to this Notice of Meeting for the purpose of Listing Rule 10.1 before voting on Resolution 1. The Independent Expert's Report comments on the fairness and reasonableness of the matters under this Resolution 1 to non-associated Shareholders. The Independent Expert has concluded that acquisition of licence and distribution rights under this Resolution 1 is **fair and reasonable** to non-associated Shareholders.

By the order of the Board

Claire Newstead-Sinclair

Company Secretary

Dated: 7 March 2023

Notes

1. **Entire Notice**: The details of the Resolution contained in the Explanatory Statement accompanying this Notice of Meeting should be read together with, and form part of, the Notice of Meeting.

2. **Record Date:** The Company has determined that for the purposes of the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 7.00pm (AEDT) on Tuesday, 4 April 2023. Only those persons will be entitled to vote at the General Meeting and transfers registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

3. **Proxies**

a. Votes at the General Meeting may be given personally or by proxy, attorney or representative.

b. Each Shareholder has a right to appoint one or two proxies.

c. A proxy need not be a Shareholder of the Company.

d. If a Shareholder is a company it must execute under its common seal or otherwise in accordance with its constitution or the Corporations Act.

e. Where a Shareholder is entitled to cast two or more votes, the Shareholder may appoint two proxies and may specify the proportion of number of votes each proxy is appointed to exercise.

f. If a Shareholder appoints two proxies, and the appointment does not specify the proportion or number of the Shareholder's votes, each proxy may exercise half of the votes. If a Shareholder appoints two proxies, neither proxy may vote on a show of hands.

g. A proxy must be signed by the Shareholder or his or her attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed in accordance with that corporation's constitution and the Corporations Act.

h. To be effective, Proxy Forms must be received by the Company no later than 48 hours before the commencement of the General Meeting, this is no later than 2.00pm (AEST) Melbourne time on Tuesday, 4 April 2023. Any proxy received after that time will not be valid for the scheduled Meeting.

4. **Corporate Representative**

A Shareholder who is a body corporate and who is entitled to attend and vote at the Meeting, or a proxy who is a body corporate and who is appointed by a Shareholder entitled to attend and vote at the meeting, may appoint a person to act as its representative at the meeting by providing that person with:

a. a letter or certificate, executed in accordance with the body corporate's constitution, authorising the person as the representative; or
b. a copy of the resolution, certified by the secretary or a director of the body corporate, appointing the representative.

5. **How the Chair will vote Undirected Proxies**

Subject to the restrictions set out in Note 6 below, the Chair of the meeting will vote undirected proxies in favour of all of the proposed Resolution.

6. **Voting Exclusion Statement**

Resolution 1

The Company will disregard any votes cast in favour of Resolution 1 by or on behalf of:

- the person disposing the substantial asset to, or acquiring the substantial asset from, the Company and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a hold of ordinary securities in the entity); or
- an associate of that person or those persons.

However, this does not apply to a vote cast in favour of a resolution by:

- a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolutions; and
  - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

7. **Enquiries**

Shareholders are invited to contact the Company Secretary on (03) 9692 7222 if they have any queries in respect of the matters set out in these documents.

EXPLANATORY STATEMENT

Purpose of Information

This Explanatory Statement accompanies and forms part of the Company's Notice of Meeting for the General Meeting, which will be held as a virtual meeting via a webinar conferencing facility at 2.00pm (AEST) on Thursday, 6 April 2023.

The Notice incorporates, and should be read together, with this Explanatory Statement.

Resolution 1: Approval to expand licence and distribution rights to Next Generation Photodynamic Therapy (NGPDT) from RMW Cho Group Limited

Background of the Proposed Transaction

The purpose of Resolution 1 is for Shareholders to approve, pursuant to Listing Rule 10.1, the expansion of certain licence and distribution rights in relation to Next Generation Photodynamic Therapy (NGPDT) for the ID Indications in the Expanded Territory pursuant to the Deed of Amendment and Restatement, which amends and restates the existing Co-development Agreement and the Exclusive Distribution and Licensing Agreement – AID.

The Proposed Transaction will be funded by existing cash reserves of the Company.

Summary of the NGPDT technology

PDT, referred to as Next Generation Photodynamic Therapy and also known as Next Generation Photodynamic Therapy Technology and/or Photosoft™ technology ("**NGPDT**").

NGPDT is built on medical research on Photodynamic Therapy ("**PDT**") that is targeted to treat a variety of indications including cancers non-invasively. NGPDT is a chlorophyll-based PDT photosensitiser. Specifically, it is a complex of chlorin, chlorophyllin and zinc which activates at two light wage sensitivity ranges – 400-410 nm, 650-660 nm.

PDT is a treatment application that involves three key components: a drug, called photosensitiser or photosensitizing agent ("**PDT agent**"), a light source with a particular type of light and tissue oxygen. The combination of these three components is thought to lead to the chemical destruction of tissues which have either selectively taken up the PDT agent or have been locally exposed to light.

In addition to targeting cancer cells, PDT is hypothesised to affect tumours in other ways, including potentially damaged blood vessels in the tumour thereby preventing the cancer from receiving necessary nutrients and/or activating an immune response that attacks tumour cells.

The Company believes there are a number of theoretical advantages to treating cancer and other indications with PDT:

- PDT can be targeted very precisely, thereby avoiding the usual side effects of systemic treatment;
- PDT can be used to de-bulk difficult-to-reach tumours prior to surgery;
- PDT is minimally invasive, in that the light source used can often be applied externally;
- PDT is reputable, unlike many radiation therapies;
- PDT is low cost; and
- PDT can be performed quickly on an outpatient basis.

Summary of the Proposed Transaction

On 7 February 2023, Invion and RMW Cho Group Limited (**RMW**) entered into the Deed of Amendment and Restatement, which amends and restates the existing Co-development Agreement and Exclusive Licence and Distribution Agreement – AID, on the following key material terms:

- Invion and RMW will expand the territory for co-development and distribution rights of the Photosoft™ technology, an improved next generation Photodynamic Therapy (PDT), to include the Expanded Territory in relation to ID Indications.

- Invion will pay RMW an amount of A$2.5M as its contribution to prior development costs invested by RMW of the Photosoft™ technology in relation to the ID Indications for the Expanded Territory. Any future non-clinical work will be funded by Invion 25% and RMW 75%, and future clinical work will be funded by Invion 75% and RMW 25%. The proportions are consistent with those for AID Indications in AID Territories as previously disclosed to ASX. The contributions in relation to Cancer Indications in a Cancer Territory have also been updated to reflect the same proportions, as the parties have determined that they better reflect the expected benefits to be derived by each party.[2]
- RMW may at its election cancel the distribution rights granted to Invion over the territory of Hong Kong for the ID Indications subject to paying fair compensation to Invion.
- Invion may (at its discretion) elect to make a further contribution of A$1 million towards the development of the NGPDT in relation to atherosclerosis to the Expanded Territory and in which case Invion's licence and distribution rights will also expand to include the Expanded Territory.
- The Co-development Agreement and Exclusive Licence and Distribution Agreement – AID may be terminated for breach of any material term and the breach is not capable of remedy, or otherwise is not remedied within 30 business days after receipt of a notice from the other party, or otherwise may also be terminated if any insolvency event occurs in respect to the other party.

The performance of the Deed of Amendment and Restatement is subject to and conditional upon:

(a) an independent expert's report being obtained by Invion which concludes that the Proposed Transaction is fair and reasonable to non-associated Shareholders;

(b) approval by Shareholders of the Proposed Transaction for the purposes of ASX Listing Rule 10.1 and for all other purposes; and

(c) ASX having issued or provided all consents, approvals or waivers as are necessary to implement the Proposed Transaction,

(together, the "**Conditions Precedent**").

The Conditions Precedent may not be waived by either party.

Either party may terminate the Deed of Amendment and Restatement immediately by written notice to the other party if the Conditions Precedent become incapable of being satisfied, or is not satisfied by 30 April 2023. Upon termination, neither party shall have any further rights against, nor obligations to, the other party under the Deed of Amendment and Restatement.

At the date of this Notice, the Directors are not aware of any circumstances which may cause the Conditions Precedent to not be satisfied.

Except as disclosed above, there are no material changes to the Co-Development Agreement and the Exclusive Distribution and Licensing Agreement – AID, which terms have been previously disclosed to ASX.

There are no material changes to the funding arrangements between RMW and its affiliates and Invion under the existing Research and Development Services Agreement executed on 31 August 2017 and RMW continues to fund research in cancer indications in Australia and New Zealand under that agreement.

As noted above, the Proposed Transaction is subject to and conditional upon approval by Shareholders as to the matters being sought under Resolution 1. Shareholders should be aware that the Proposed Transaction will not proceed if Resolution 1 is not passed as an ordinary resolution.

Important Dates

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

Event	**Indicative Date**
Date of General Meeting	Thursday, 6 April 2023

[2] Shareholders should note that the Co-development Agreement contains an obligation on the parties negotiate in good faith (or failing agreement, to be determined by a qualified expert) and, if required, to adjust, the contributions to ensure they remain commensurate to the expected benefits derived by each party.

Payment of A$2.5M to RMW (if Resolution 1 is approved)	Within 5 Business Days, i.e. by Monday, 17 April 2023

Approval pursuant to Listing Rule 10.1

Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a "substantial asset" from, or dispose of a substantial asset to, any of the following persons without the approval of the entity's security holders:

(a) a related party;

(b) a subsidiary;

(c) a "substantial holder", if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities;

(d) an associate of a person referred to in (a) to (c) above; or

(e) a person whose relationship to the entity is such that, in ASX's opinion, the transaction should be approved by security holders.

Under Listing Rule 10.2, an asset is "substantial" if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules.

The acquisition of rights by Invion from RMW in relation to the NGPDT technology is considered as an acquisition of a "substantial asset" as the value of the consideration will be more than 5% of the equity interests of Invion.

Approval under Listing Rule 10.1 is required because the Company understands that RMW is controlled by Mr Honsue Cho. Based on the change in substantial holding notice dated 8 December 2021 lodged by Mr Cho and his associates, they together hold a relevant interest in Invion of 22.89% of fully paid Shares as at that date.

Resolution 1 seeks the required shareholder approval to the issue under and for the purposes of Listing Rule 10.1.

Independent Expert's Report

Listing Rule 10.5.10 requires that a notice of meeting seeking shareholder approval under Listing Rule 10.1 must contain a report from an independent expert stating whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.

Accordingly, for the purposes of Resolution 1, the Directors have appointed the Independent Expert and commissioned it to prepare a report as to whether or not, in their opinion, the Proposed Transaction is fair and reasonable to non-associated Shareholders.

What is fair and reasonable must be judged by the Independent Expert in all the circumstances of the proposal. This requires taking into account the likely advantages to non-associated Shareholders if the proposal is approved and comparing them with the disadvantages to them if the proposal is not approved.

The Independent Expert has concluded that the Proposed Transaction is [**fair and reasonable**] to the non-associated Shareholders.

The Company strongly recommends that you read the Independent Expert's Report in full, a copy of which is attached as Schedule 1.

Chapter 2E of the Corporations Act

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 Directors (with Mr Chew abstaining) have not sought approval for the purposes of Chapter 2E of the Corporations Act on the basis that Directors (with Mr Chew abstaining) consider the Proposed Transaction to fall within the exception in section 210 of the Corporations Act on the basis that the Proposed Transaction is reasonable in the circumstances and Invion and RMW were dealing at arms' length.

Directors' recommendations in relation to Proposed Transaction

The Directors (other than Mr Thian Chew, given his association with Mr Honsue Cho and RMW) do not have any material interest in the outcome of the voting on Resolution 1 at the Meeting other than as a result of their interest arising solely in the capacity of Shareholders of the Company.

The Directors (with Mr Chew abstaining) have unanimously approved the proposal to put the resolutions to Shareholders.

Based on the information available (including, as described in this Explanatory Memorandum) each of the Directors (with Mr Chew abstaining) consider that the Proposed Transaction is in the best interest of the Company and unanimously recommend that Shareholders vote in favour of Resolution 1 at the Meeting.

GLOSSARY

The following terms have the following meanings in this Explanatory Statement:

"**$**" means Australian Dollars;

"**AID**" means atherosclerosis and infectious diseases (including viral, bacterial, fungal and parasitic);

"**ASX**" means ASX Limited ABN 98 008 624 691 or the Australian Securities Exchange, as the context requires;

"**AEDT**" means Australian Eastern Daylight Time;

"**AID Indications**" means atherosclerosis and the ID Indications;

"**AID Territory**" has the meaning given in the Co-Development Agreement;

"**Board**" means the Directors acting as the board of Directors of the Company or a committee appointed by such board of Directors;

"**Cancer Indications**" means cancer and related diseases;

"**Cancer Territory**" has the meaning given in the Co-Development Agreement;

"**Chairman"** means the person appointed to chair the Meeting of the Company convened by the Notice;

"**Contribution Election**" has the meaning given in the Notice of Meeting;

"**Deed of Amendment and Restatement**" means the second deed of amendment and restatement dated 7 February 2023, entered into between Invion and RMW;

"**Co-development Agreement**" means the second amended and restated co-development agreement to be entered into between Invion and RMW if the Proposed Transaction is approved by Shareholders;

"**Company or Invion**" means Invion Limited ACN 094 730 417;

"**Constitution**" means the constitution of the Company as at the date of the Meeting;

"**Corporations Act**" means the *Corporations Act 2001* (Cth);

"**Director**" means a Director of the Company;

"**Exclusive Distribution and Licence Agreement – AID**" means the amended and restated exclusive distribution and licence agreement to be entered into between Invion and RMW if the Proposed Transaction is approved by Shareholders;

"**Explanatory Statement**" means the explanatory statement which forms part of this Notice;

"ID Indications" means infectious diseases (including viral, bacterial, fungal and parasitic) and for avoidance of doubt includes dental and periodontal applications;

"Independent Expert" means PKF Melbourne Corporate Pty Ltd;

"Listing Rule(s)" means a rule issued by the ASX as amended from time to time;

"**NGPDT**" means Next Generation Photodynamic Therapy and also known as Next Generation PDT Technology and/or Photosoft™ technology;

"**Notice**" or "**Notice of Meeting**" means this Notice of General Meeting including the Explanatory Statement;

"**Proposed Transaction**" has the meaning given to that term in the Notice of Meeting;

"**Proxy Form**" means the proxy form attached to the Notice;

"**Resolution**" means a resolution referred to in the Notice;

"**RMW**" means RMW Cho Group Limited;

"**Shareholder**" means shareholder of the Company; and

"**Share Registry**" means Link Market Services (ABN 54 083 214 537).

23 February 2023

The Independent Directors
Invion Limited
Level 4, 100 Albert Road
SOUTH MELBOURNE VIC 3205

Dear Independent Directors

Re: Independent Expert's Report

1. Introduction

The Independent Directors of Invion Limited ("**Invion**" or "**IVX**" 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 the Company enter into arrangements with RMW Cho Group Limited ("**RMW**") to expand the existing Co-Development Agreement and Exclusive License and Distribution Agreement specifically in relation to atherosclerosis and infectious diseases (referred to as the "**Proposed Transaction**").

RMW is a company incorporated in Hong Kong and, along with its affiliates, is focused on acquiring, holding and implementing proprietary technologies and exclusive licenses for ground-breaking developments in the areas of medicine and other patented and uniquely profitable technologies. RMW and its affiliates are the licensor of the Photosoft™ technology and are funding the research and clinical trials in respect of this technology.

Mr Honsue (Michael) Cho is the founder of RMW and through his controlled entities holds more than 10.0% of the voting power in the Company (the "**Cho Associates**").

Mr Thian Chew, the Chairman and Chief Executive Officer of the Company is also the Managing Partner of Polar Ventures Limited, which is considered to be an associate of RMW and Mr Cho.

The Australian Securities Exchange ("**ASX**") Listing Rule 10.1 requires that a company obtains shareholder approval at a general meeting when the acquisition of a substantial asset is made from a related party or a shareholder holding shares in at least 10.0% of the company's voting securities. As the Cho Associates hold more than 10.0% of the Company's issued capital, they are considered to be related parties of the Company. Accordingly, ASX Listing Rule 10.1 requires that the Company obtains shareholder approval for the Proposed Transaction.

2. The Proposed Transaction

2.1 Summary to the Proposed Transaction

During 2021, the Company received approval from shareholders to enter into a Co-Development Agreement and Exclusive Licence and Distribution Agreement with RMW to co-develop the Photosoft™ technology, an improved next generation Photodynamic Therapy ("**PDT**" or "**NGPDT**") (referred to as the "**Technology**"). Under these agreements, the Company is to co-develop the Technology for atherosclerosis and infectious diseases (collectively referred to as the "**Indications**") in specified countries within the Asia Pacific Region.

On 8 February 2023, the Company announced to the ASX that it had entered into a Deed of Amendment and Restatement to expand the existing Co-Development Agreement and Exclusive Licence and Distribution Agreement in respect of the Indications with RMW to include Hong Kong, United States of America and Canada (the "**Expanded Territory**") (collectively referred to as the "**Proposed Commercial Agreement**").

The Proposed Commercial Agreement consists of the following, among other things:

- Invion will gain exclusive distribution rights to the Technology in the Expanded Territory for infectious diseases (the "**ID Indications**");
- Invion will pay RMW cash consideration of AU$2.5 million as its contribution to prior development costs invested by RMW in the Technology in relation to the ID Indications for the Expanded Territory;
- Future non-clinical work in relation to the Technology for the Indications in the Expanded Territory will be funded by Invion 25.0% and RMW 75.0% and the opposite contribution split will be applicable for future clinical work. The contributions in relation to cancer indications in cancer territories under existing agreements have been updated to reflect these same contribution splits;
- RMW may (at its election) cancel the distribution rights granted to Invion over the territory of Hong Kong for the ID Indications subject to paying fair compensation to Invion; and
- Invion may (at its discretion) elect to make a further contribution of AU$1.0 million towards the development of the Technology in relation to atherosclerosis for the Expanded Territory, and, in which case, the Company's licence and distribution rights will also expand in respect of atherosclerosis to include the Expanded Territory (the "**Contribution Election**").

The implementation of the Deed of Amendment and Restatement is subject to the Company receiving shareholder approval for the Proposed Transaction, among other things.

2.2 Proposed Resolution to be Approved by Shareholders

The Company is seeking shareholder approval at the forthcoming General Meeting of Invion shareholders ("**GM**"). The Notice of General Meeting (the "**Notice**") requires the Invion shareholders to vote on the following ordinary resolution:

Resolution 1: Approval to expand the licence and distribution rights to Next Generation Photodynamic Therapy (NGPDT) from RMW Cho Group Limited

"That, for the purpose of ASX Listing Rule 10.1 and for all other purposes, approval be given for the Company to expand the licence and distribution rights to Next Generation Photodynamic Therapy (NGPDT) from RMW Cho Group Limited as detailed in the Explanatory Memorandum."

The Independent Directors of the Company 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 Non-Associated Shareholders of the Company whether Resolution 1 of the Notice is fair and reasonable, when considered in the context of the interests of the Non-Associated Shareholders of the Company (all shareholders entitled to vote on the Proposed Transaction).

3. Summary opinions

In our opinion, the Proposed Transaction is **fair and reasonable to the Non-Associated Shareholders**. Our principal reasons for reaching this opinion are:

Fairness

In Section 9 of the IER, we concluded that the Proposed Transaction is **fair** as the value of the Proposed Commercial Agreement that Invion may acquire (**AU$4.2 million to AU$7.8 million**) is greater than the consideration being offered by Invion (up to **AU$3.5 million**).

Reasonableness

In Section 10 of the IER, we considered that the advantages of the Proposed Transaction outweigh the disadvantages of 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 Shareholders approve the Proposed Transaction and all other conditions precedent are met, this will expand Invion's addressable markets for utilisation of the Technology for the Indications beyond the current markets held under existing agreements (refer to Section 6.1 of the IER for more details). Accordingly, the Invion's access to a larger market in which the Technology can be utilised for the Indications may add further market confidence and may be value accretive to the Company. This may be attractive to new investors and may result in greater coverage by analysts, resulting in greater liquidity of the market in Invion's shares.
- Assuming research and development activities with respect to the Proposed Commercial Agreement are advanced and the research and development activities are commercially successful, there may be significant upside for Invion shareholders. The Company's efforts to advance the utilisation of the Technology for the Indications in the Expanded Territory may complement its existing research and development efforts in existing territories under existing agreements.

Disadvantages

- There is a high degree of risk in entering into commercial agreements as the obligations of the other parties may not be completed due to an incapacity to fulfill their contractual obligations and/or disagreements on research and development programs in particular the future contributions between the Company and RMW under the Proposed Commercial Agreement.

Other Factors

- In Section 8.3 of this report, we analysed the share price of Invion before and after the announcement of the Proposed Transaction. We observed that there is evidence that the share market has neither viewed the Proposed Transaction as materially favourable or unfavourable for the Company shareholders.
- If Shareholders do not approve the Proposed Transaction, this may adversely impact the commercial relationship between Invion and RMW, and its associates as major shareholders of the Company, as well as the existing agreements currently being progressed. This may also adversely impact the Company's business and existing prospects in respect to the advancement of the Technology for the relevant indications. If Shareholders do not approve the Proposed Transaction, this may also discourage RMW from continuing to support the future developments (technical expertise and funding support) under the existing agreements as well as any new business opportunities. Ultimately, this may reduce market confidence which may adversely impact shareholder value for Invion's shareholders.
- On 29 March 2022, the Shareholders of the Company approved the expansion of agreements to co-develop the Technology for cancer and related diseases in Asia Pacific. Accordingly, the Proposed Transaction is on similar transactions terms previously approved by Shareholders of the Company albeit in respect to different indications and territories.

4. Structure of this report

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

Section		Page
5	Purpose of the Report	5
6	Invion – Key Information	7
7	Proposed Commercial Agreement - Key Information	9
8	Assessment as to the Value of the Proposed Commercial Agreement to be Acquired by Invion	9
9	Assessment as to Fairness	12
10	Assessment as to Reasonableness	12
11	Assessment as to Fairness and Reasonableness	13
12	Financial Services Guide	14
Appendix		
A	Sources of Information	16
B	Declarations, Qualifications and Consents	17
C	Valuation Methodologies	18
Attachment		
1	Acuity Independent Valuation Report	

5. Purpose of the report

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

ASX Listing Rules 10.1 and 10.2

Listing Rules 10.1 and 10.2 require a company to obtain shareholder approval at a general meeting when the disposal or acquisition of a substantial asset, which has a value in excess of 5% of the shareholders' funds, as set out in the latest financial statements given to the ASX is to be made to or from:

(a) a related party;

(b) a subsidiary;

(c) a substantial shareholder who is entitled to at least 10% of the voting securities, or a person who was a substantial shareholder entitled to at least 10% of the voting securities at any time in the 6 months before the transaction;

(d) an associate of a person referred to in paragraphs (a), (b) or (c) above; or

(e) a person whose relationship to the entity or a person referred to above is such that, in the ASX's opinion, the transaction should be approved by security holders.

As

- RMW is controlled by Mr Honsue Cho who is an associate of the Cho Associates;
- the Cho associates hold more than 10.0% of the Ordinary Shares in Invion; and
- as the consideration which Invion has agreed to pay under the Proposed Transaction of up to AU$3.5 million exceeds 5% of the equity interest of Invion as set out in the latest financial statements given to the ASX (5% x total equity of AU$19.579 million as at 30 June 2022 = AU$978,950),

Listing Rule 10.1 will apply to the Proposed Transaction.

ASIC Regulatory Guide 111 - Content of Expert Reports ("RG 111")

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 ASX Listing Rule 10.1.

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 ASX Listing Rule 10.1), 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.

RG 111.58 Where the proposed transaction consists of an asset acquisition by the entity, it is 'fair' if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired. Where the financial benefit given by the entity is securities in the entity and the consideration is securities in another entity held by a related party, the value of the entity's securities should be compared to the value of the securities it is purchasing. If the expert uses the market price of either of the securities as a measure of their value, it should consider, among other things, the factors set out in RG 111.32(a) – RG 111.32(b).

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 RG 111. For the purpose of this report, we have defined them as follows:

Fairness	the Proposed Transaction is "fair" if the value of the Proposed Commercial Agreement that Invion may acquire is equal to or greater than the consideration being offered by Invion.
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 the Proposed Commercial Agreement to be acquired by Invion as part of the Proposed Transaction;
- assessed the value of the consideration being offered by Invion as part of the Proposed Transaction; and
- compared the value of the Proposed Commercial Agreement to be acquired by Invion with the value of the consideration being offered by Invion.

(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. Invion – Key Information

6.1 Background

Invion is an ASX listed life sciences company focused on global research and development of Photosoft™ technology for the treatment of a range of cancers, atherosclerosis, and infectious diseases.

Under current agreements with RMW (the technology licensor), the Company holds the exclusive licence rights in Australia and New Zealand and exclusive distribution rights to Asia Pacific (excluding China (other than Hong Kong), Macau, Taiwan, Japan and South Korea) to the Technology for all cancer indications. The Company also holds the exclusive rights to the Technology in Asia Pacific (excluding Greater China) for atherosclerosis and infectious diseases.

Under a current research and development services agreement between the Company and RMW, research and clinical cancer trials are funded by RMW.

In addition to the above agreements, the Company has several research and development agreements and partnerships in place. The more notable agreements include:

- Research agreement with the Peter MacCallum Cancer Centre ("**Peter Mac**") as announced to the ASX on 31 October 2019.

  Under this agreement Peter Mac will undertake pre-clinical and in-vitro studies on the Company's 'IVX-PDT' Photodynamic therapy for ano-genital cancers.

  On 15 September 2022, the Company announced to the ASX that the vitro study undertaken by Peter Mac presented INV043's effectiveness against six squamous cell carcinoma (SCC) cell lines that represent the full range of anal cancers.

- Research partnership with the Hudson Institute of Medical Research ("**Hudson Institute**") as announced to the ASX on 20 March 2018.

  The Company has filed a provisional patent in respect of a new Active Pharmaceutical Ingredient ("**API**"), called 'INV043', and initial tests have been caried out by the Hudson Institute to study its effect on immune response as well as exploring its potential to work together with other therapies.

  On 30 May 2022, the Company announced to the ASX that the Proof-of-Concept studies undertaken by Hudson Institute show that the combination therapy of INV043 and immune checkpoint inhibitors ("**ICI**") are more effective compared to standalone ICI therapy.

6.2 Directors

The Company's current Directors are presented in the table below.

Table 1

Invion Limited Directors
Mr Thian Chew (Executive Chairman and CEO)
Mr Alan Yamashita (Non-executive Director)
Mr Rob Merrie (Non-executive Director)
Mr Alistair Bennallack (Non-executive Director)

Source: ASX

6.3 Issued capital

As at 16 February 2023, the Company had a total of 6,420,092,081 fully paid Ordinary Shares on issue. The substantial shareholders of the Company, including their associates, held a relevant interest in more than 43.0% of the issued ordinary capital of the Company. We have presented their shareholding in the table below.

Table 2

Invion Limited Shareholder name	Number of shares held	Percentage Interest
Cho Associates		
Polar Ventures Limited	546,857,721	8.5%
RMW Cho Health Technology Limited	321,428,571	5.0%
RMWC Pty Ltd (RWMC Family A/C)	314,547,156	4.9%
Mr Honsue Cho	284,626,482	4.4%
	1,467,459,930	**22.9%**
Shengli Wang and associates		
NGPDT Greater China Limited	272,652,297	4.2%
Shengli Wang	136,288,074	2.1%
	408,940,371	**6.4%**
BNP Paribas Nominees Pty Ltd	474,574,525	7.4%
ACSLNC Pty Ltd	244,140,000	3.8%
Yong Chen	200,000,000	3.1%
Total	**2,795,114,826**	**43.5%**

Source: ASX

As at 16 February 2023, the Company also had a total of 295,417,773 listed options that are convertible into Ordinary Shares of the Company, and are exercisable at AU$0.04 per option and expire on 17 June 2023.

In addition to the listed options, the Company also had 290,935,071 unlisted options on issue as at 16 February 2023 that are convertible into Ordinary Shares of the Company. These unlisted options have varying exercise prices (ranging from nil to AU$0.02 per option) and expiry dates (ranging from 30 October 2023 to 17 November 2026).

7. Proposed Commercial Agreement - Key Information

The Proposed Commercial Agreement comprises of an expansion to the territory for existing co-development and exclusive distribution and licensing agreements between RMW and the Company to co-develop the Technology for the treatment of the Indications. The Company will expand its existing rights in respect to the application of the Technology for the treatment of the ID Indications in the Expanded Territory. The Company also has the option to expand its existing rights in respect to the application of the Technology for the treatment of atherosclerosis in the Expanded Territory.

Further detailed information in relation to the Proposed Commercial Agreement is provided in Section 2.1 of the IER as well as the Acuity Technical Management Pty Ltd[1] ("**Acuity**") Independent Valuation Report (see Attachment 1 of the IER).

8. Assessment as to the Value of the Proposed Commercial Agreement to be Acquired by Invion

8.1 Value definition

PKF Corporate's valuation of the Proposed Commercial Agreement to be acquired by the Company 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'.

8.2 Valuation methodologies

In selecting appropriate valuation methodologies to assess the value of the Proposed Commercial Agreement, we have considered the applicability of a range of generally accepted valuation methodologies. Each methodology is described in detail in Appendix C of the IER.

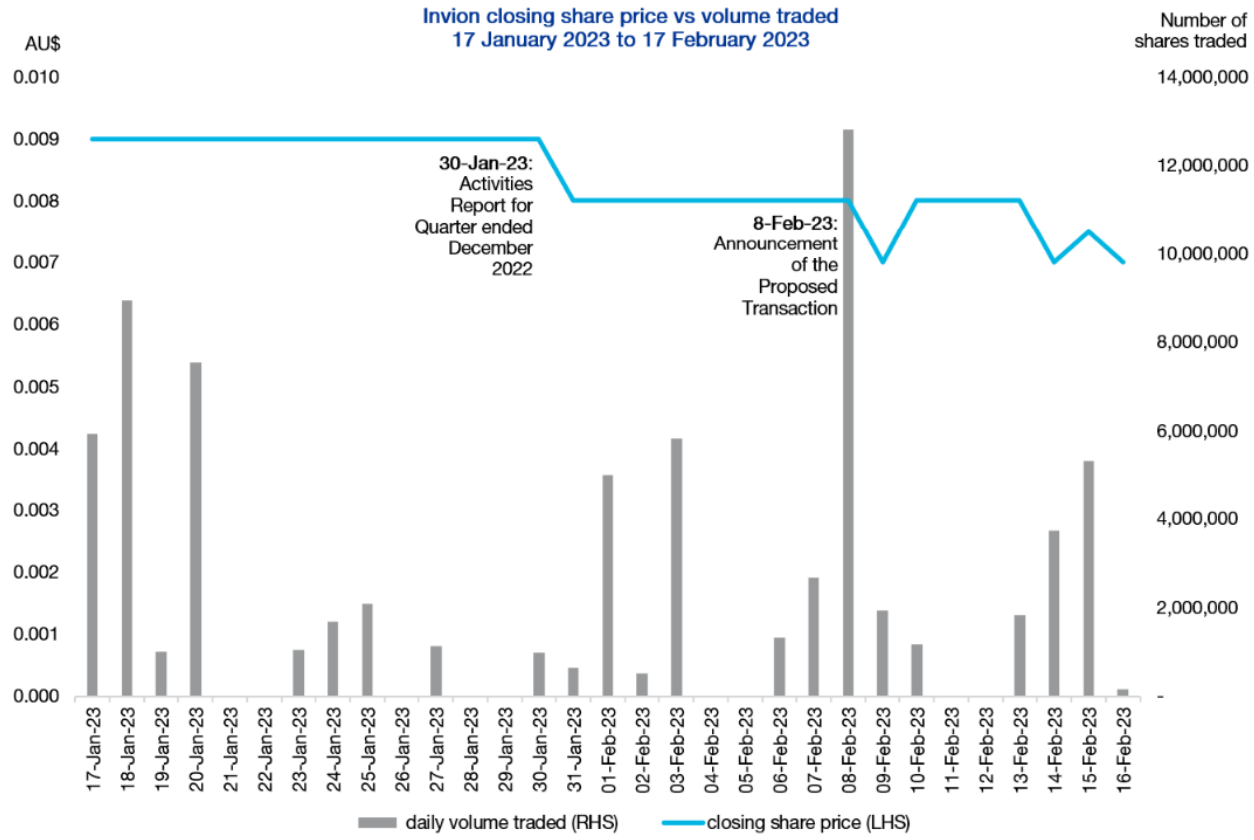
8.3 Share price history

The share price history of Invion will incorporate all publicly available information. Whilst it is not possible to value the Proposed Commercial Agreement being acquired by reference to the share price history of Invion, as the Proposed Transaction was announced to the ASX on 8 February 2023, the share market has had an opportunity to evaluate the Proposed Transaction.

We have set out below a graph showing the daily closing share price and the volume of Invion shares traded before and after the announcement of the Proposed Transaction as well as a selection of market sensitive announcements on the ASX.

[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.

Graph 1



Source: ASX, PKF Corporate analysis

As can be seen from the graph above, the Company's share price traded on significantly higher volume immediately following the announcement of the Proposed Transaction on 8 February 2023 although the share price closed unchanged at AU$0.008 per share. Since the announcement of the Proposed Transaction, the Company's shares have traded in an intra-day range of AU$0.007 to AU$0.009 per share.

Whilst it is not possible to place a value on the Proposed Commercial Agreement being acquired by the Company by reference to the share price of Invion, there is evidence that the share market has neither viewed the Proposed Transaction as materially favourable or unfavourable for the Company's shareholders at this point in time.

8.4 Capitalisation of future maintainable earnings

As the Proposed Commercial Agreement relates to distributions rights of the Technology that is at a research and development stage, we consider that the capitalisation of future maintainable earnings methodology is not an appropriate methodology to be used to value the Proposed Commercial Agreement to be acquired by the Company.

8.5 Net present value of future cash flows

We have engaged Acuity to assist us in assessing the value of the Proposed Commercial Agreement which relates to the future cash flows to be derived from the use of the Technology in relation to the Indications for the Expanded Territory.

The net present value of future cash flows valuation methodology has been utilised by Acuity in forming its opinion of the value of the Proposed Commercial Agreement. A full copy of the Acuity Independent Valuation Report is set out as Attachment 1 of the IER.

We have reviewed the Acuity Independent Valuation Report and presented in the table below a summary of the Acuity valuation ranges ascribed to the Proposed Commercial Agreement.

Table 3

Proposed Commercial Agreement Valuation	Low AU$ m	Preferred AU$ m	High AU$ m
Infectious Disease	3.5	5.1	6.7
Atherosclerosis	0.6	0.8	1.1
Total Value	**4.2**	**6.0**	**7.8**

Source: Acuity

Numbers in the table may not reconcile due to rounding

Acuity has ascribed a preferred value of **AU$6.0 million** to the Proposed Commercial Agreement with a low and high valuation range of **AU$4.2 million and AU$7.8 million**. This valuation range has been translated from US dollars to Australian dollars using a foreign currency exchange rate of AU$1.00 to US$0.70 which we have reviewed and represents the average spot rate of the Australian dollar against the US dollar over the more recent months.

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 in relation to the Proposed Commercial Agreement provided by Acuity.

Acuity has not placed any value on any benefits that may be gained by the Company in accordance with future contributions under the Proposed Commercial Agreement as their commercial value cannot be objectively assessed.

8.6 Asset based methods

The Proposed Commercial Agreement will be an identifiable asset of the Company if the shareholders approve the Proposed Transaction. Accordingly, the underlying value of the Proposed Commercial Agreement can be assessed in accordance with the Acuity Independent Valuation Report as set out in Section 8.5 of the IER.

8.7 Comparable market transactions

As the Proposed Commercial Agreement is exclusive to the Company and specific to the Indications for the Expanded Territory there are no directly comparable market transactions for such an agreement and, as such, we have not used the comparable market transaction valuation methodology to value the Proposed Commercial Agreement.

8.8 Alternative acquirer

We are not aware of any alternative proposals or offers received to acquire the Proposed Commercial Agreement and we can see no reason as to why an offer would be initiated at this time.

8.9 Conclusion

In the current circumstances of the Proposed Transaction, the net present value of future cash flows valuation methodology is the only applicable valuation methodology and, as such, we have concluded that the value of the Proposed Commercial Agreement that may be acquired by the Company is in a range of **AU$4.2 million and AU$7.8 million**. This valuation range is derived from the Acuity Independent Valuation Report.

We have not placed any value on any benefits that may be gained by Invion in accordance with:

- the future contributions under the Proposed Commercial Agreement; and
- RMW's option to cancel the distribution rights granted to Invion over the territory of Hong Kong for the ID Indications in exchange for paying fair compensation to Invion;

as they are conditional on the timing and actual occurrence of unknown future events and, as such, their commercial value cannot be objectively assessed.

9. Assessment as to Fairness

The Proposed Transaction is "fair" if the value of the Proposed Commercial Agreement that Invion may acquire is equal to or greater than the consideration being offered by Invion.

In Section 8 of the IER, we assessed the value of the Proposed Commercial Agreement that Invion may acquire to be in a range of **AU$4.2 million and AU$7.8 million**. It should be noted that the value of the Proposed Commercial Agreement that Invion may acquire does not include any values that may be gained by Invion that are contingent on the occurrence of future events as these values are not able to be assessed at this point in time.

Under the Proposed Transaction, the value of the consideration being offered by Invion is up to **AU$3.5 million**. This consideration comprises of AU$2.5 million in relation to the development of the Technology in respect to the ID Indications for the Expanded Territory and AU$1.0 million (if Invion elects) in relation to the development of the Technology in respect to the atherosclerosis indication for the Expanded Territory. It should be noted that the consideration being offered by Invion excludes any future contributions or payments as such amounts are not able to be assessed at this point in time.

As the value of the Proposed Commercial Agreement that Invion may acquire (**AU$4.2 million and AU$7.8 million**) is greater than the consideration being offered by Invion (up to **AU$3.5 million**), we have concluded that the Proposed Transaction is **fair**.

10. Assessment as to Reasonableness

Prior to deciding whether to approve or reject the Proposed Transaction, the Non-Associated Shareholders of the Company should also consider the following significant factors:

Advantages

- In Section 9 of the IER, we assessed the Proposed Transaction as being fair.

  The value ascribed to the expansion of the territories in respect to the ID Indications (AU$3.5 million to AU$6.7 million) that Invion may acquire under the Proposed Commercial Agreement is greater than the consideration being offered by Invion (AU$2.5 million). However, the consideration being offered by Invion (AU$1.0 million), if it elects, is at the high end of the value range ascribed to the expansion of the territories in respect to the atherosclerosis indication (AU$600,000 to AU$1.1 million).

- If Shareholders approve the Proposed Transaction and all other conditions precedent are met, this will expand Invion's addressable markets for utilisation of the Technology for the Indications beyond the current markets held under existing agreements (refer to Section 6.1 of the IER for more details). Accordingly, the Invion's access to a larger market in which the Technology can be utilised for the Indications may add further market confidence and may be value accretive to the Company. This may be attractive to new investors and may result in greater coverage by analysts, resulting in greater liquidity of the market in Invion's shares.

- Assuming research and development activities with respect to the Proposed Commercial Agreement are advanced and the research and development activities are commercially successful, there may be significant upside for Invion shareholders. The Company's efforts to advance the utilisation of the Technology for the Indications in the Expanded Territory may complement its existing research and development efforts in existing territories under existing agreements.

Disadvantages

- There is a high degree of risk in entering into commercial agreements as the obligations of the other parties may not be completed due to an incapacity to fulfill their contractual obligations and/or disagreements on research and development programs in particular the future contributions between the Company and RMW under the Proposed Commercial Agreement.

Other Factors

- As at 31 December 2022, the Company reported a cash position of approximately AU$8.0 million. The Company will fund the consideration being offered of up to AU$3.5 million under the Proposed Transaction from existing cash reserves. Accordingly, the Company's cash reserves will reduce upon completion of the Proposed Transaction, although this may only be AU$2.5 million initially.
- If Shareholders do not approve the Proposed Transaction, the Company's cash reserves will not reduce although the use of existing cash reserves towards advancement of the Technology specific to the Indications will be limited to the rights under the existing agreements for those territories.
- In Section 8.3 of this report, we analysed the share price of Invion before and after the announcement of the Proposed Transaction. We observed that there is evidence that the share market has neither viewed the Proposed Transaction as materially favourable or unfavourable for the Company shareholders.
- Under the Proposed Commercial Agreement, RMW has the option to cancel the distribution rights granted to the Company over the territory of Hong Kong for the ID Indications subject to paying fair compensation to the Company. Accordingly, should RMW elect to cancel the distribution rights this may provide the Company with an immediate liquidity event and the receipt of cash consideration.
- As the Proposed Commercial Agreement is a licensing agreement, RMW as licensor of the Technology will continue to own any improvements to the Technology irrespective of the Company's contribution to such improvements. However, as an exclusive licensee of the Technology any improvements to the Technology may continue to be beneficial to the Company for the Indications in the Expanded Territory as well as for the Indications in territories covered under existing agreements between the Company and RMW.
- If Shareholders do not approve the Proposed Transaction, this may adversely impact the commercial relationship between Invion and RMW, and its associates as major shareholders of the Company, as well as the existing agreements currently being progressed. This may also adversely impact the Company's business and existing prospects in respect to the advancement of the Technology for the relevant indications. If Shareholders do not approve the Proposed Transaction, this may also discourage RMW from continuing to support the future developments (technical expertise and funding support) under the existing agreements as well as any new business opportunities. Ultimately, this may reduce market confidence which may adversely impact shareholder value for Invion's shareholders.
- On 29 March 2022, the Shareholders of the Company approved the expansion of agreements to co-develop the Technology for cancer and related diseases in Asia Pacific. Accordingly, the Proposed Transaction is on similar transactions terms previously approved by Shareholders of the Company albeit in respect to different indications and territories.

11. Assessment as to Fairness and Reasonableness

After considering the above matters, we have concluded that the Proposed Transaction is **fair and reasonable to the Non-Associated Shareholders**.

12. 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.

12.1 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.

12.2 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.

12.3 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.

12.4 Independence

At the date of this report, none of PKF Corporate, Mr Stefan Galbo nor Mr Steven Perri have any interest in the outcome of the Proposed Transaction, nor any relationship with Invion Limited, RMW Cho Group Limited, 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.

Drafts of this report were provided to and discussed with the management of the Company 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.

On 18 August 2021, PKF Corporate prepared an Independent Expert Report for the Company in respect to the Co-Development Agreement and Exclusive Distribution and Licence Agreement with RMW and a placement agreement with an associate of RMW.

On 17 December 2021, PKF Corporate prepared an Independent Expert Report for the Company in respect to agreements with RMW Cho Group Limited which expanded the existing Co-Development Agreement and an agreement to enter into a new Exclusive Licence and Distribution Agreement in relation to cancer and related diseases.

PKF Corporate and its related entities do not have any shareholding in or other relationship with the Company 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.

12.5 Remuneration

PKF Corporate is entitled to receive a fee of approximately AU$20,000 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.

12.6 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

Stefan Galbo
Director

Steven Perri
Director

Sources of Information

The key documents and sources we have relied upon in preparing the IER are:

- The Company'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 February 2023;
- Second Deed of Amendment and Restatement between RMW Cho Group Limited and Invion Limited dated February 2023;
- Research data from publicly accessible web sites in particular ASX announcements by the Company; and
- Discussions with the management of the Company and its advisors.

Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the Independent Directors of Invion Limited to accompany the notice of meeting of shareholders to approve the Proposed Transaction pursuant to Chapter 10 of the ASX Listing Rules. 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 and Invion Limited 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 Stefan Galbo and Mr Steven Perri, Directors of PKF Corporate, 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 Galbo is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist).

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

3. Consents

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.

PO Box 33,
Red Hill South, VIC 3937
t +61 4 1111 4457
e acuity@bigpond.com
w acuitytechnology.com.au

acuity
TECHNOLOGY MANAGEMENT

22 February 2023

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

Dear Directors

Independent Valuation Report - Invion Limited

Extension of Territories for Atherosclerosis and Infectious Disease

We have pleasure in presenting our valuation report for a proposed transaction between Invion Limited ("**Invion**" or "**Company**") and RMW Cho Group Limited ("**RMWCG**") for inclusion in a Notice of Meeting to Shareholders of Invion. The report has been prepared at the request of PKF Melbourne Corporate Pty Ltd ("**PKF Corporate**") to assist it in forming an opinion as to whether the proposed transaction between Invion and related company, RMWCG is in the interests of the Invion shareholders. Invion has agreed to acquire an extension to the current Intellectual Property and Distribution Rights as they pertain to Photosoft™ Photo Dynamic Therapy ("**PDT**") and licensed from RMWCG. The extended territories, as proposed under an *Amended and Restated Exclusive Distribution and Licence Agreement* ("**Proposed Amendment**"), will provide Invion with rights to Infectious Disease ("**ID**") and atherosclerosis (combined "**AID**") products in the New Territories of the United States of America ("**USA**"), Canada and Hong Kong, with an option for RMWCG to buy back the Hong Kong territory for AID at fair market value. Associated with the Proposed Amendment is an agreement to research collaboratively, through a *Second Amended and Restated Co-development Agreement* ("**Amended R&D Agreement**").

It is intended that Invion will pay RMWCG a one-time amount of A$2.5 million as its contribution to development costs of the Photosoft™ technology in relation to ID indications and $1.0 million for atherosclerosis in the new territories. RMWCG will, as it has previously, continue funding Invion's research activities under the Amended R&D Agreement, to the tune of 75% of non-clinical activities and 25% of clinical activities.

Invion is a Melbourne-based, Australian Securities Exchange ("**ASX**")-listed company conducting research into the use of PDT as a therapeutic modality for treating cancer and other medical conditions. RMWCG owns certain knowhow and has developed proprietary technologies such as PDT reagents, equipment, techniques and protocols with respect to PDT, which it refers to as Photosoft™. Existing agreements between the two companies relate specifically to the development of Photosoft™ for cancer and AID treatments with distribution rights to Australia, New Zealand and the Asia Pacific Region.

Invion shareholders will be required to approve the transaction by voting on the Proposed Amendment, amongst other matters, in accordance with ASX listing rule 10.1. PKF Corporate has been retained by Invion to prepare an Independent Expert's Report ("**IER**") for the benefit of Invion shareholders commenting on the fairness and reasonableness of the Proposed Amendment to existing shareholders. PKF Corporate has, in turn, sought guidance from Acuity Technology Management Pty Ltd ("**Acuity**") on the fair valuations of the Distribution Rights in the new Territory. Both PKF and Acuity provided reports for inclusion in Notices of Meeting in relation to earlier transactions between the two companies.

The following report presents deliberations and opinions by Acuity on the Proposed Amendment, and a valuation as may exist in an open market between arm's length and unstressed vendor and acquirer. The valuation is largely premised on the future potential of the products deriving from the respective uses of the IP in the relevant territories using a risk adjusted discounted cash flow approach.

Acuity's valuation of the Proposed Amendment has been determined on the basis that it provides Invion with rights to IP, patents and other relevant information along with, on successful completion of product development and marketing approval, the right to distribution of the AID products in New Territories. As In-process R&D ("**IPR&D**") products have not been demonstrated as safe and effective to a level adequate to support marketing approvals in any country to which Invion has rights and, consequently, there are risks that future revenues may not be realised. The risks and development timelines are incorporated into our risk adjusted net present value valuation methodology. Acuity also sought comparable companies and transactions as a basis for a Market Based valuation.

It is Acuity's opinion, as presented in the attached report, that the current value of the IPR&D and distribution rights under the Proposed Amendment is approximately $6.0 million with a range of values from $4.2 million to $7.8 million. Due to the early nature and limited evidence in support of Photosoft for treating atherosclerosis, its inclusion in the New Territories represent only about $800,000 of our estimated valuation.

Acuity specialises in the appraisal and valuation of intellectual property and knowledge-based intangible assets. The company has experience in valuing technologies, projects and businesses in a diversity of industries including medical and life sciences, chemistry, process engineering, automotive, mining, environmental, water and wastewater treatment, internet, software, electronics and telecommunications. Details of our qualifications and experience are summarised in Section 7 of the valuation opinion. Further details can be found at www.acuitytechnology.com.au. 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 this report or our conclusion, please don't hesitate to contact the undersigned.

Yours sincerely



D H RANDERSON. PhD
Managing Director

PO Box 33,
Red Hill South, VIC 3937
t +61 4 1111 4457
e acuity@bigpond.com
w acuitytechnology.com.au

acuity
TECHNOLOGY MANAGEMENT

Independent Valuation Report - Invion Limited
Extension of Territories for Atherosclerosis and Infectious Disease

Executive Summary

Acuity Technology Management Pty Ltd ("**Acuity**") has examined the Intellectual Property ("**IP**") owned by the RMW Cho Group Limited ("**RMWCG**"), which underpins the Photosoft™ technology and its applications, and the markets for products in the territories of USA, Canada and Hong Kong. The purpose of the analyses is to support an Independent Expert Report ("**IER**") being prepared by PKF Melbourne Corporate Pty Ltd ("**PKF Corporate**") to be included in a Notice of Meeting to shareholders of Invion Limited ("**Invion**") for their consideration in relation to proposed amendments to licences available to Invion from RMWCG.

Invion has agreed to acquire an extension to its current IP and distribution rights as they pertain to Photosoft™ Photo Dynamic Therapy ("**PDT**") and licensed from RMWCG. The extended territories, as proposed under an *Amended and Restated Exclusive Distribution and Licence Agreement* ("**Proposed Amendment**"), will provide Invion with rights to Infectious Disease ("**ID**") and atherosclerosis (combined "**AID**") products in the New Territories of the United States of America ("**USA**"), Canada and Hong Kong, with an option for RMWCG to buy back the Hong Kong territory for AID at fair market value. Associated with the Proposed Amendment is an agreement to research collaboratively, through a *Second Amended and Restated Co-development Agreement* ("**Amended R&D Agreement**").

This report presents Acuity's deliberations and valuations for the proposed IP licence and distribution rights in the New Territories as will be made available to Invion by RMWCG under the Proposed Amendment if accepted by Invion shareholders.

The following table summarizes our assessed valuations of the assets:

Table 1: Valuation of IP in New Territories ($'mil)

	Preferred	Low	High
Infectious Disease	**5.1**	3.5	6.7
Atherosclerosis	**0.8**	0.6	1.1
Totals*	**6.0**	**4.2**	**7.8**

* Numbers may not add due to rounding.

The Proposed Amendment provides Invion with a right for further development of Photosoft™ for AID. We have analysed these markets in the New Territories using Percutaneous Transluminal Coronary Angioplasty ("**PTCA**") as a surrogate for estimating market size for atherosclerosis and, as examples of potentially treatable ID, hepatitis C (based on incidence), tuberculosis ("**TB**") (based on hospitalisations), methicillin-resistant *Staphylococcus aureus* ("**MRSA**") and pneumonia (based on in-hospital deaths). We largely relied on US data as being the most reliable for hospitalisations and deaths with extrapolation to Canada and Hong Kong based on population.

Although a number of techniques suitable for valuing intangible assets, and specifically IP, were considered, the principal method used is based on a Net Present Value ("**NPV**") of free cash flows using revenue forecasts and expenses developed by Acuity. The method is considered the most suitable for intangible assets and In-process Research and Development ("**IPR&D**") in the medical and pharmaceuticals fields where developmental research may be incomplete and products have yet to be launched or establish a market presence.[1] The Invion financial models are based on cash flow projections that may be achieved following further R&D and commercialisation of the IP with probability and discount rate adjustments based on an examination of risks to the successful completion and market introduction of the products.[2] The risk adjusted NPV ("**rNPV**") approach is the most commonly used method for IPR&D within the pharmaceutical sector.

Invion has conducted *in vitro* studies using various Photosoft™ active compounds, referred to as photosensitisers, against several viruses, including Dengue, SARS-CoV-2 (COVID19), Zika and the bacteria, MRSA and *Escherichia coli* and the fungus *Candida albicans*, and shown improved efficacy relative to other anti-viral and anti-microbial agents. A suitable agent, or agents, has yet to be nominated as preferred candidate for either atherosclerosis or ID. The Company has yet to undertake any research demonstrating efficacy of any of its photosensitisers in treating atherosclerosis and is relying on reports by other investigators showing the effectiveness of PDT in the indication.

The financial modelling of the proposed AID products' prospective cash flows, as undertaken by Acuity, starts with the incidence of current treatments for atherosclerosis, such as angioplasty, and treatment of severe infection in which other interventions may have been ineffective. Once the addressable market has been determined, an estimate of Average Selling Price ("**ASP**"), obtained by benchmarking price against the cost or other treatments, provides an estimate of potential revenues. A market share is established from consideration of existing or emerging competition. Development timings and costs draw on knowledge of the drug development process and, once a product is marketed, comparable company Costs of Goods Sold ("**COGS**") and Sales, General and Administrative ("**SG&A**") using industry averages from an analysis of pharmaceutical and biotechnology annual reports.

Cash flows are risk adjusted using published transitional probabilities for cardiovascular and ID drugs with adjustment, where appropriate, by Acuity for the specific circumstance of the PDT drug-device combination.[3] As specific compounds for treating AID have yet to be identified and, even then, require further pre-clinical development prior to a Phase 1 study, our estimated Likelihood of Approval ("**LOA**") for an atherosclerosis treatment is 2.2% and for an infectious diseases product, 7.9%.

There are many areas for potential error in predicting future cash flows for such early-stage treatments. These relate to reasonable definition of patients likely to benefit from PDT treatments and, hence, the size of the end user populations, selling prices, estimates of relative efficacy and the quality and extent of competition, market introduction timings and penetration rates or market shares. These all impact on the valuations and are difficult to estimate with accuracy at this stage. In our rNPV estimates, a premium has been included in the discount rate to, in part, compensate for these unknowns while a sensitivity analysis investigates the effects of key input variables where a range of assumptions may be applied. The inputs with greatest impact on the valuation are:

- Delays or advancement of clinical development and regulatory approval times;
- Discount rate;
- Addressable market, penetration and ASP;
- COGS and SG&A costs.

We consider that the proposed range for the valuations cover reasonable variances to the inputs. Of lessor relevance are development and clinical trial costs. As a consequence, we have proposed a range of $4.2 million to $7.8 million, with a preferred valuation of $6.0 million. A product for atherosclerosis is valued at $0.8 million and for ID, $5.1 million.

[1] Aaron AV, Bitton VR (co-chairs), *et al*. Assets Acquired in a Business Combination to be used in Research and Development Activities. AICPA, New York, 2013.
[2] Bogdan B & Villager R. Valuation in Life Sciences: A Practical Guide. Springer Verlag (Berlin), 2007.
[3] Thomas DW, *et al*. Clinical Development Success Rates and Contributing Factors 2011-2020. BIO/PharmaIntelligence/QLS February 2021.

This report summarises our investigations and findings in the following sections:

1. Background 4
   1.1 Invion & Photosoft™ 4
   1.2 Intellectual Property 5
   1.3 This Report 5
2. The Commercial Opportunity 6
   2.1 Atherosclerosis 6
   2.2 Infectious Diseases 6
   2.3 PDT Markets and Competition 7
   2.4 Advantages & Risks Relevant the Valuations of AID in the New Territories 7
3. Valuation Methodologies 8
   3.1 Cost Based Methods 9
   3.2 Market Based Methods 9
   3.3 Methods Based on Future Prospects 10
4. Valuation Opinion 10
   4.1 Revenue Based Analysis 10
   4.2 Sensitivity Analyses 12
   4.3 Crosscheck – Comparable Company Analysis 13
   4.4 Conclusions 14
5. Sources of Information 14
6. Disclaimer 14
7. Experience and Qualifications 15

Glossary

Acuity	Acuity Technology Management Pty Ltd
Invion	Invion Limited
New Territories	USA, Canada and Hong Kong
PKF Corporate	PKF Melbourne Corporate Pty Ltd
Proposed Amendment	Amended and Restated Exclusive Distribution and Licence Agreement
RMWCG	RMW Cho Group Limited

AID	Atherosclerosis and Infectious Disease
API	Active Pharmaceutical Ingredient
ASP	Average Selling Price
ASX	Australian Securities Exchange
CAGR	Compound Annual Growth Rate
CAPM	Capital Assets Pricing Model
CMO	Contract Manufacturing Organisation
COGS	Cost of Goods Sold
CRO	Contract Research Organization
DCF	Discounted Cash Flow
EV	Enterprise Value
FDA	Food and Drug Administration
IER	Independent Expert's Report
IND	Investigational New Drug
IP	Intellectual Property
IPO	Initial Public Offering
IPR&D	In-process Research and Development
ID	Infectious Disease
IV	Intravenous
LOA	Likelihood of Approval
MRSA	Multi-drug resistant *Staphylococcus aureus*
NGPDT	Next Generation Photo Dynamic Therapy
NME	New Molecular Entity
NPV	Net Present Value
NSCLC	Non-small Cell Lung Cancer
PCT	Patent Cooperation Treaty
PDT	Photo Dynamic Therapy
PTA	Percutaneous Transluminal Angioplasty
PTCA	Percutaneous Transluminal Coronary Angioplasty
R&D	Research and Development
rNPV	Risk Adjusted Net Present Value
SG&A	Sales, General and Administrative costs
TB	Tuberculosis
US or USA	United States of America
WACC	Weighted Average Cost of Capital
WHO	World Health Organization

1. Background

1.1 Invion & Photosoft™

Invion, listed on the Australian Securities Exchange ("**ASX**") (ASX:IVX), is developing a medical treatment technology known as Photosoft™. Photosoft™ is a form of PDT whereby Invion and its partner RMWCG are developing novel photoreactive agents or photosensitizers. The Company's most advanced proprietary photosensitizer is INV-043 which is under evaluation for cancer treatment. This report concerns itself with the potential for Photosoft™ to be developed for treatment of atherosclerosis and ID as these are the fields of relevance to the Proposed Amendment and the New Territories defined therein.

PDT is a process whereby an otherwise innocuous substance is administered to a patient either topically or Intravenously ("**IV**"). When activated by light of a specific wavelength, the molecule releases a reactive oxygen species that in turn effects a desired outcome, such as killing tumour cells or infective organism. The cytotoxic effect has application to various malignancies, such as ophthalmological and cardiovascular conditions, as well as for treating infections by bacteria and viruses. The strategy has been well known for a long time with a few products approved for clinical use, for example in treating eye disease. Over the past three or four decades, many companies have sought to bring PDT-based products to market and many have failed, largely due to delivery or absorption problems, side effects or lack of specificity and/or efficacy of the photosensitiser.

RMWCG developed a class of photosensitizing drugs that they believe overcomes the earlier limitations in that they are preferentially taken up by cancer cells, hence much safer and more effective than earlier agents. The compounds are patented derivatives of the chemical chlorin e4 sodium which is obtained from plants. Specifically, Photosoft™ is a complex of chlorin, chlorophyllin and zinc which activates at three light wave sensitivity ranges - 430 nm, 630-650 nm and the near-infrared wavelength range of 750-850 nm. The active compounds are water soluble and the product's bioavailability is described as so good it can be administered sublingually rather than intravenously as needed, allowing for greater patient convenience.

In November 2017, Invion acquired the exclusive commercialisation and distribution rights in Australia and New Zealand to the RMWCG PDT technology, in a transaction that included the issuance of shares to the Guangzhou-based company. At the time, IVX-P02 was the compound of choice and cancer was the acknowledged market. In December 2018, the two companies entered into a formal Exclusive Distribution and Licensing Agreement and an R&D Services Agreement by which Invion would conduct pre-clinical and clinical development of Photosoft™ in cancer applications and, once approved, a marketing and distribution right in Australia and New Zealand, with device and Active Pharmaceutical Ingredient ("**API**") supply from RMWCG. These agreements acknowledge the Licensor's right and ownership of trademarks, patents and other IP with improvements made by Invion as a consequence of the use of licensed-IP to be owned by RMWCG.

Subsequent to these arrangements, Invion reported that it had developed a new compound (INV-043) and filed a patent application. Following proof-of-concept studies conducted at the Hudson Institute in Melbourne, the Company has reported promising results in cellular studies across a range of cancers and INV-043 has become its preferred candidate for cancer treatment. While the original PDT drug (IVX-P02) has been administered to patients in China, the Company has yet to initiate first-in-human studies with INV-043.

In 2021 Invion acquired a licence and distribution right to Photosoft™ for potential treatment of atherosclerosis and infectious diseases (including viral, bacterial and parasitic) in the Asia Pacific region.

The currently Proposed Amendment will extend the territories for AID to the USA, Canada and Hong Kong.

1.2 Intellectual Property

RMWCG has developed or acquired, along with the novel photosensitisers, considerable expertise in the administration of the drugs, their manufacturing, and light sources for drug activation.

The compounds are covered by a patent application published as WO2014/091241, *Chlorin derivative useful in photodynamic therapy and diagnosis*, which was filed in December 2013. It has been granted in Australia, China and Canada but remains under examination in the US. The patent includes claims covering the chemical chlorin e4 sodium and a method of preparation. It also claims use in PDT to treat, amongst other conditions atherosclerosis; a fungal, viral, chlamydial, bacterial or parasitic infectious disease; and various cancers. The patent has a 20-year validity, i.e. to 2033, in countries in which it is granted with the possibility for extensions in many jurisdictions.

A second PCT application, *Photodynamic therapy and diagnosis*, was filed by RMWCG on 26 November 2021 and has been published as WO2022/112537. This application, which has yet to be examined, claims the use of an additional class of novel compounds and their use in cancer, atherosclerosis and fungal, bacterial and viral infections as well as a number of other medical conditions.

Invion has considerable safety and efficacy data obtained in animal models for a number of cancer types for the photo-active agent, IVX-PO3, which it deemed adequate to progress to Phase 1 (safety) clinical studies. More recently, however, the Company identified a new chemical, designated INV-043, which they report as 50 times more potent that IVX-P03 and 600 times more potent than an approved photosensitiser, talaporfin sodium (approved in Japan (in 2004) for PDT of lung cancer and marketed as Laserphyrin®). Pre-clinical evaluation as a cancer treatment and *in vitro* studies evaluating INV-043 against various cancer types are continuing.

The Company has conducted *in vitro* studies using various Photosoft™ compounds against several viruses, including Dengue, SARS-CoV-2, Zika and the bacteria, MRSA and *Escherichia coli*, and the fungus *Candida albicans*. These have shown improved efficacy relative to other anti-viral and anti-microbial agents. We understand that studies aiming to demonstrate Photosoft™ effectiveness against infectious agents used chemicals that fall within the composition claims of the above two patents.

1.3 This Report

This valuation report has been prepared at the request of PKF Corporate and is to be relied upon by PKF Corporate in the preparation of its IER relating to the acquisition of rights to New Territories as defined in the Proposed Amendment.

This report summarises our valuation of potential products being marketed for the treatment of AID in the New Territories. We have assessed the markets for atherosclerosis using PTCA as surrogate for estimating market size and considered Photosoft™ in ID using hospitalization and death rates for four potential targets, hepatitis C, TB, severe pneumonia and MRSA. We have taken hospitalizations and death as indicative of the worst of these infections, where other interventions have failed, and the likely situation where PDT may find application.

The primary methodology for the valuations is the recognition that the right to future income is encompassed by the current valuation of the IPR&D, the outcomes on which sales revenue is dependent, and restricted to the geographic markets designated as New Territories. The likelihood of realizing income under the distribution agreements is equivalent to the LOA of the products themselves. Our valuation approach employs a rNPV of future free cash flows. The basis for estimating future cash flows is the incidence of the targeted diseases, as defined in the preceding paragraph, using published clinical data, coupled with an estimated selling price determined by benchmarking against established and emerging therapies for the conditions and knowledge of competition in determining a reasonable market penetration such that a realistic revenue stream may be established.

The valuations, therefore, rely on future revenue projections with no assurances in the way of precedent or forward contracts and from this perspective cash flows must be viewed as conjectural. Considerable due diligence and research have been undertaken to substantiate assumptions used in financial models and the chosen methodology is one accepted by pharmaceutical and biotechnology firms and their analysts worldwide.

2. The Commercial Opportunity

2.1 Atherosclerosis

Is a condition where the arteries become narrowed and hardened due to build-up of plaque (fats and cholesterol) in the artery wall. Medications, such as cholesterol lowering agents, are usually the first choice for treatment. On occasion, however, more aggressive treatment options are required. Narrowed arteries can often be reopened using one of two procedures: angioplasty or stenting.

Angioplasty, also known as percutaneous transluminal angioplasty ("**PTA**") or where it relates to a heart vessel, PTCA, is performed to open blocked arteries and restore arterial blood flow to the peripheral and heart tissue. A special catheter (long hollow tube) is inserted into the coronary artery to be treated. Using small balloons that are delivered over a wire the doctor will proceed to open the blockages and allow blood to flow through adequately.

Cells known as macrophages play crucial roles in the development of atherosclerosis. In the artery, macrophages take up lipid and fats forming foam cells that are presented at initial stages in the development of atherosclerosis. Photoactivation has emerged as a promising therapeutic strategy for atherosclerosis because it reduces activated macrophages and thus stabilizes atherosclerotic plaques. There are published reports supporting PDT in the treatment of atherosclerosis although Invion has not conducted any studies with its photosensitisers.

In the US there are around 400,000 percutaneous coronary interventions each year.[4]

2.2 Infectious Diseases

Infectious diseases are disorders caused by organisms, such as bacteria, viruses, fungi or parasites. Some infectious diseases can be passed from person to person, transmitted by insects or other animals, ingested from contaminated food or water or being exposed to organisms in the environment. While many infections are minor, like the common cold, or treatable by antibiotics, some organisms cause serious disease, often with prolonged consequences and death. Symptoms vary depending on the organism causing the infection. Mild infections may respond to rest and home remedies, while some life-threatening infections may need hospitalization. Many infectious diseases, such as measles and chickenpox, can be prevented by vaccines and the vaccine toolbox is dramatically changing.

The list of serious infections without suitable cures is high particularly in developing countries where some remain endemic. Serious bacterial infections can be treated with antibiotics, which work by disrupting the bacterium's metabolic processes, although antibiotic-resistant strains are starting to emerge, for example multi-drug resistant TB, *Staphylococcus* (MRSA) and *Enterococcus*. Antibiotics are useless against viral infections. Antiviral drugs are currently only effective against a few viral diseases, such as influenza, herpes, hepatitis B and C and HIV, and more recently SARS-CoV-2. However, the availability and costs of some of these agents in developing countries remains a severe limitation on their use.

TB is the leading infectious cause of death worldwide. The World Health Organization ("**WHO**") estimates that 1.8 billion people, close to one quarter of the world's population, are infected with *Mycobacterium tuberculosis*, the bacteria that causes TB. There are almost 4,000 hospitalization a year in the US for TB.

The prevalence of hepatitis C virus in the US is approximately 2.4 million persons. The infection creates significant disease burden due to long term complications (cirrhosis and hepatocellular carcinoma).

Pneumonia is an infection of the air sacs in one or both lungs and is characterized by severe cough, fever, chills and difficulty in breathing. It is relatively common with more than 600,000 cases per year in America and 17,000 deaths. Severe pneumonia often requires respiratory support such as oxygen therapy. Causes of severe pneumonia include various types of bacteria, fungi and viruses. *Streptococcus pneumoniae*, *Staphylococcus aureus* and *Legionella pneumophila* tend to cause the most severe forms of pneumonia.

[4] US Agency for Healthcare Research and Quality HCUPnet (https://datatools.ahrq.gov/hcupnet-dua. Accessed February 2023)

2.3 PDT Markets and Competition

PDT for the treatment of disease, and particularly cancer and eye diseases, has been clinically evaluated in a number of settings and, in one form or another, has been commercially available for several decades. Nonetheless, the treatment has not become mainstream because of issues related to the photosensitising agent and achieving adequate energy exposure within the target tissue, especially solid tumours. Success has been better with eye diseases, with products such as verteporfin (Visudyne®, Bausch & Lomb) for macular degeneration and pathologic myopia, and extracorporeally for T cell lymphoma, with methoxsalen (Uvadex®, Therakos, Inc). One company, Steba Biotech with padeliporfin (Tookad®), has achieved licensure in Israel and Mexico for low-risk prostate cancer while currently conducting a Phase 3 trial in upper tract urothelial cancer for which it has been given orphan drug status and fast track designation by the US Food and Drug Administration ("**FDA**").

The clinical potential of PDT was established with the photosensitiser porfimer sodium (Photofrin®, Pinnacle Biologics, Inc) which was approved for relieving symptoms or treating oesophageal cancer and non-small cell lung cancer ("**NSCLC**"). Subsequently, various groups have worked on developing more effective and better-tolerated photosensitising agents. Early haematoporphyrin photosensitising agents, of which porfimer is one, tended to stay in the patient's body for too long and didn't respond to the longer wavelengths of light necessary for tissue penetration. Second generation photosensitisers mostly based on chlorophyll allowed the use of the longer wavelengths. Third generation photosensitisers are now being developed by various academic groups designed to better target the active agent to tumour tissue.

According to the research by Persistence Market Research, the global PDT market was estimated to have reached US$1,202 million in 2019.[5] The analyst projects the market to grow at a Compound Annual Growth Rate ("**CAGR**") of 6.2% during the period 2019 to 2029. The growing prevalence and incidence of skin cancers and dermatology disorders, such as psoriasis, actinic keratosis, and rosacea, is boosting the demand for PDT. As reported in this analysis, the photosensitiser drugs segment is a leading revenue segment by product type in the market and was expected to account for a revenue share of 78.3% in 2019. North America was expected to account for a revenue share of 34.5%.

Transparency Market Research reports that the global photodynamic therapy market was valued at US$4.2 billion in 2021, growing at a CAGR of 13.5% to reach US$15.1 billion by the end of 2031.[6] A considerable fraction of the growth is due to cosmetic and dermatological applications, such as acne, but cancer treatment is growing and there is significant growth in the number of hospitals offering PDT for cancer therapy. North America is and will continue to be, the largest market.

The current pipeline of photodynamic therapies includes close to 130 candidates. Of these, more than ten therapies, including ASP-1929 (Rakuten Medical), Visudyne® (Novartis), Metvix® (Galderma), Photofrin® (Advanz Pharma), Ameluz® (Biofrontera) and Levulan® Kerastick™ (Sun Pharma) have already been marketed.[7]

There are no approved PDT products for atherosclerosis or ID and, hence, no established market data. There are several clinical studies, predominantly sponsored by hospitals and universities, investigating treatment of bacterial, viral and parasitic infections, including pneumonia, TB, SARS-CoV-2 and *S. aureus*.

2.4 Advantages & Risks Relevant the Valuations of AID in the New Territories

Photosoft™, as a clinically acceptable cancer treatment modality, is still in the development phase but its attributes include: patents covering the photosensitisers and their use in the relevant conditions. The compounds have the advantages of being water soluble and suitable for delivery orally or IV to patients, with *in vitro* data supporting their use against infective organisms, and literature supporting the use of PDT in atherosclerosis.

[5] Synergy of Drugs and Devices in Phototherapy Treatment to Drive Photodynamic Therapy Market: Persistence Market Research June 10, 2019. Reported by Cision PR Newswire (https://www.prnewswire.com/news-releases/photodynamic-therapy-market-is-likely-to-grow-at-a-cagr-of-6-2-during-the-period-2019-2029--persistence-market-research-300864383.html, accessed 9 Feb 2023).
[6] Photodynamic Therapy Market. Transparency Market Research. Report ID TMRGL69615, July 2022 (abstract at: https://www.transparencymarketresearch.com/photodynamic-therapy-market.html, accessed 9 Feb 2023).
[7] Light Activated Therapies Market: Focus on Photodynamic Therapies, Photoimmunotherapies and Phototherma Therapies. Roots Analysis, Sept 2021 (abstract at: https://www.rootsanalysis.com/reports/light-activated-therapies-market.html, accessed 9 Feb 2023).

It is important to note that the Proposed Amendment, as with earlier agreements, requires RMWCG to cover 75% of non-clinical and 25% of clinical related costs for AID applications.

Generally speaking, the development of pharmaceuticals, although following a well understood pathway, remains highly risky. Many hurdles cannot be resolved simply by better science or smarter thinking because the failures relate to poorly elucidated biochemical and immunological processes, disease pathways, potential toxicities of reagents and off-target interactions, some of which are only obvious once the drug enters human clinical trials. There are many companies that have failed in their endeavours to develop PTD.

Some of the commercial risks commonly encountered by biotech companies and which are relevant to Invion are:

- Patent protection is paramount to success in biotechnology and is the key attribute supporting valuations and the motive driving acquisitions in the field. The initial patent has been granted in some countries, but not the major relevant market of the USA. The recently applied for patent provides for a longer period of protection and a broader range of compounds to evaluate in AID, but it has yet to be granted.

- While PDT development has traditionally been left to small or start-up biotechnology companies, cardiovascular and anti-infective drug development is the realm of large pharmaceutical companies and well financed biotechs. With substantially greater capital and other resources they are able to expend more funds and effort than Invion/RMWCH on R&D and promotion and expedite drug development. Competitors may develop more effective, more affordable or more convenient treatments.

- Time to market is critical with any new technology, particularly in the medical technology fields. Adequate capital, competent skills, and partnerships with market leaders are essential to expediting development and commercialization

- Invion is a new entrant in the PDT and will need to recruit skilled staff to progress the product's development. It will compete with other biotech companies to secure suitable staff.

- There may be a reliance on partners and collaborators to conduct studies, including Contract Research Organization ("**CRO**"s) for clinical trials and Contract Manufacturing Organizations ("**CMO**"s). Poor performance, bad advice or failure of these collaborators will have a devastating impact on costs and progress.

Additionally, Invion has not demonstrated *in vivo* efficacy of PDT with its agents in atherosclerosis or ID. At the time of preparation of this report, the Company has not chosen drug candidates to progress through pre-clinical evaluation or prepared development plans and commissioned research. The early nature of the development programs and the deficiency of demonstrable efficacy by other investigators, suggests that valuations are modest and difficult to quantify with any precision.

We have considered these strengths and risks in preparing our valuations.

3. Valuation Methodologies

For the purpose of our valuation opinion, current market value is defined as the amount at which the IP assets 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.

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 discounted cash flow ("**DCF**") 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. The assets currently under consideration, specifically the PDT programs relate to IPR&D and the outcomes of further development are restricted by field and territory. There are no historical cash flows available for extrapolation and no current product sales, and there is considerable uncertainty that product development will be completed successfully. Similarly, there are no companies with comparable drug development activity with the same field and territory constraints, particularly early-stage developments by companies with publicly available financial information.

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 Invion. These are briefly discussed in the following sections. The preferred valuation method, that relying on a risk adjusted NPV of projected net benefit, is presented in further detail in Section 4.1.

3.1 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 or they may be estimated from labour and materials necessary to replicate the technology. Expeditated time to market realised through an asset's acquisition as opposed to its direct reproduction is also a factor in determining purchase price. Generally, however, patents provide a market monopoly for the originator's inventions and it would, in most cases, be very difficult for a third party to create similar technology with equivalent utility, specificity and activity without infringing those patents.

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. Patents, research results and regulatory approvals 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 IPR&D.

3.2 Market Based Methods

Market based methods estimate an entity's fair market value by considering the exchange price for transactions in its shares or the fair market value of comparable companies. Market based methods include:

- Capitalisation of maintainable earnings;
- Analysis of an entity's recent share trading history;
- Industry specific methods; and
- Comparable companies or transactions.

The most recent trading history of shares in the subject company provides evidence of the fair market value of the entity where they are publicly traded in an informed and liquid market.

The capitalisation of maintainable earnings method estimates value based on an entity's future sustainable earnings and an appropriate earnings multiple. An earnings multiple may derive from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the entity's earnings are relatively stable.

Techniques based on analysis of transactions between companies, equity valuations or capitalisations of comparable companies have considerable merit in the pharmaceuticals and medtech sectors. There is no shortage 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.

Comparison is possible only where a transaction relates to an identifiable unit of IP or platform technology that is reasonably analogous or, in the case of the value placed on a company, where that company is virtually single purpose and technically equivalent to the subject company or IP. Such criteria are often difficult to meet and comparable analyses are usually used only to support the values derived with other methodologies or to provide a "ball park" estimate. In the current case of a licence valuations, the restriction of product sales to certain countries also limits the use of comparable company analyses.

As stated above, searches for companies with similar early-stage assets, being developed solely for the New Territories, were not identified. However, we have used such an approach as a crosscheck on the rNPV approach (see Section 4.4).

3.3 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 cash flow projections must be developed 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 circumstance where the projections are not founded on firm contracts or supported by historical performance, and even where they are, it is appropriate to include some form of adjustments covering development risk and achieving market penetration, as well as generalized industry or market risks. It is recognised that probability adjustments based on published stage transitional likelihoods provides an acceptable approach to valuing pharmaceuticals.

Probability adjusted cash flows are then discounted to provide an NPV at an appropriate discount. 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. Acuity's preferred discount rate for early stage IPR&D in the current environment is 14% which includes a premium of around 5% to 6% above an estimated CAPM for Invion. This rate is applied following probability adjustment of cash flows to account for the technical likelihood of success. A range of discount rates is considered in the sensitivity analysis.

4. Valuation Opinion

4.1 Revenue Based Analysis

The primary methodology used by Acuity for determining a valuation of AID in the New Territories is the rNPV of projected future cash flows. The horizon for the cash flow estimates is 18 years being the date of expiry of the last to expire patent (WO2022/112537). The risk of this second patent being granted has been incorporated into the probability adjustment.

COGS and SG&A as fractions of sales revenue have been based on an analysis of pharmaceutical company metrics as obtained from annual reports.

The transitional probabilities, applied at the relevant stages of clinical development, and LOA is as determined by Thomas, *et al*.[8] for cardiovascular and infectious diseases. We have included a pre-clinical likelihood of 45% for the atherosclerosis model based on the fact that a suitable photosensitiser for the indication has yet to be identified and efficacy in animal models demonstrated, and 60% for ID because efficacy has been demonstrated in cellular assays for some photosensitisers.

[8] Thomas DW, *et al*. Clinical Development Success Rates and Contributing Factors 2011-2020. Bio / PharmaIntelligence / QLS. February 2021.

In determining market potential for the products, we have made the following assumptions concerning the target populations (see Table 2):

- Atherosclerosis is an IV product with usage estimated from data for PTCA. We have obtained US data[9] on the number of in-patient procedures undertaken (hospital discharges) and adjusted the rates for Canada and Hong Kong on a population basis. Population data for individual countries is from Worldometer[10];

- In estimating a suitable market for ID product(s), again an IV product, we have obtained US data on Hepatitis C infection prevalence[11] and assumed that 10% of patients require intervention, TB hospitalizations and in-hospital deaths due to pneumonia[12], and MRSA deaths[13] (using death rate as surrogate for those with severe disease requiring PDT intervention) and adjusted for population in the other countries;

- As we have taken the severe end of the spectrum for all of the clinical applications, we have applied reasonably high utilisation or penetration rates of 20% in the US and Canada and 15% in Hong Kong; and

- In estimating the pricing of drugs and use of equipment per course of treatment with Photosoft™ we have considered the fee charged for eye procedures. Thus, we use a pricing for atherosclerosis of US$3,000 in USA, and US$2,500 in Canada and Hong Kong, with the same pricing for ID. It is noted that the cost of IV verteporfin (a generic product) for macular degeneration in the US is around US$1,800 with an additional procedure fee for PDT.

Table 2: Assumptions used in Valuation Models for AID in New Territories

	Atherosclerosis			**Infectious Disease**		
Country	**Hong Kong**	**USA**	**Canada**	**Hong Kong**	**USA**	**Canada**
Addressable Pop'n (thou)	4,500	265,000	23,000	6,300	280,000	32,600
Development Time (years)	8	8	8	6	6	6
Regulatory Assessment (years)	2	1	1	2	1	1
Launch Year	2033	2032	2032	2031	2030	2030
Peak Market Penetration	15%	20%	20%	1%	20%	20%
ASP (US$'mil)	$2,500	$3,000	$2,500	$2,500	$3,000	$2,500
Est. Peak Sales (US$'mil)	1.8	190	14	2.7	186	18
COGS		29%			29%	
SG&A		28%			28%	
Preclinical Likelihood		45%			60%	
LOA – Clinical Trials & Regulatory		4.8%			13.2%	
Discount Rate		14%			14%	
Company Tax Rate		30%			30%	
Valuation (USD'mil)		**0.57**			**3.60**	
(AUD'mil)		**0.81**			**5.15**	

The cost for an atherosclerosis product, which is a once-off treatment (compared to cancer which may require multiple courses of treatment) is further benchmarked against the hardware costs for balloon or stent angioplasty.

[9] US Department of Health and Human Services, Agency for Healthcare Research and Quality, Healthcare Cost and Utilization Project (https://datatools.ahrq.gov/hcupnet) using CCSR Code CAR004.
[10] Countries in the world by population (2021) (https://www.worldometers.info/world-population/population-by-country).
[11] Institute for Health Metrics and Evaluation. (http://www.healthdata.org).
[12] TBFACTS.ORG (https://tbfacts.org/tb-statistics) and HCUPnet.
[13] Centers for Disease Control and Prevention (https://www.cdc. gov/mmwr/volumes/68/wr/mm6809e1.htm).

There are limited data on the effectiveness of PDT in treating atherosclerosis, although there is considerable literature supporting such a use, and Invion has not demonstrated effectiveness of its drugs for this application *in vitro* or in animal models. Therefore, we have taken a preclinical probability of 45% (also incorporating a risk that the new patent application may not be granted).

Costs of pre-clinical development of the non-cancer products are 25% funded by Invion and 75% of clinical costs. The models assume that Invion is responsible for the costs of obtaining marketing approvals in the New Territories.

We have utilised the Australian corporate tax rate of 30% as combined revenues will exceed the $50 million threshold for the lower small business tax rate with losses carried forward to profitability. The valuation in USD is converted to AUD at the rate of US$0.70 equals A$1.00.

Our analysis supports an after-tax valuation for AID in the New Territories of $6.0 million. The US is the most significant market, representing almost 90% of sales value.

4.2 Sensitivity Analyses

The valuations of AID in the New Territories presented in the previous sections employs a probability weighted DCF which relies on estimation of many inputs or assumptions to the financial projections. As many of these assumptions are, at best, estimates and may change with time and as development advances, we subjected these to a sensitivity analysis using variance ranges that we consider reasonable. These include:

Table 3: Effect of Varying Input Variables on the Valuation ($'mil)

Input Variable	Reduce by:	Valuation (Variation)	Increase by:	Valuation (Variation)
		6.0		**6.0**
Addressable Market, Penetration or ASP	15%	4.3 (-28.5%)	15%	7.6 (+28.4%)
Development Cost	20%	6.9 (+14.0%	20%	5.2 (-14.3%)
LOA (Probability	10%	5.4 (-10.9%)	10%	6.7 (+10.9%)
COGS	10%	6.8 (+14.0%)	10%	5.2 (-14.1%)
SG&A	10%	6.8 (+13.6%)	10%	5.2 (-13.7%)
Tax Rate	10%	6.4 (+6.4%)	10%	5.6 (-6.4%)
Discount Rate	10%	7.7 (+28.8%)	10%	4.6 (-23.5%)
Exchange Rate (USD/AUD)	10%	6.7 (+11.1%)	10%	5.5 (-9.1%)
Year of Launch	1 year earlier	7.3 (+21.3%)	1 year later	4.6 (-23.5%)

The most significant of these is discount rate with a variance of 10% (actual range 12.6% to 15.4%) resulting in approximately 24% to 28% change to the valuation and development time with 12 months delay reducing the valuation by 31% and speeding up development by 12 months increasing it by 24%. Possibly the most difficult inputs to estimate with any certainty are the sizes of markets, particularly for ID as the likely infectious agents has yet to be determined, uptake or penetration, and ASP. A 15% variance to any one of these estimates changes the valuation by plus or minus 28%.

As the modelling has been done in US currency an increase in the US dollar relative to the Australian dollar increases the valuation more or less proportionally.

COGS and SG&A costs, and LOA are also significant but, with current knowledge, there is no basis for assuming they could deviate significantly from the averages for other companies and drug development programs.

Development costs, generally likely to drift from expected amounts, are of lesser significance due to the high rewards expected from successful launch of products.

We have selected a range of valuations that is plus or minus 30% of the preferred valuation, $4.2 to $7.8. As an early-stage program with a considerable number of highly risky stages of development and ill-defined markets, a wide variation in valuations is expected.

4.3 Crosscheck – Comparable Company Analysis

The identification of companies that may be considered as comparable to Invion is difficult as there are no listed, pre-clinical PDT development companies that we could find, especially ones that have an IV therapeutic focus. The facts that markets are AID only, and constrained to defined territories further limits the availability of analogous entities.

Two, largely developmental, listed entities that provide some guidance are:

- Ondine Biomedical Inc (Vancouver) – investigating the treatment of infectious diseases with PDT with one product for surgical site disinfection marketed (€2.6 million in revenues in 2021) has an EV of €28.9 million ($44.9 million);[14] and
- Theralase Technologies Inc (Toronto) – has an EV of CAD81.4 million ($87.9 million) is in clinical trials, with the most advanced in Phase 2 studies for non-muscle invasive bladder cancer. The company is also evaluating it technology with SARS-CoV-2 (preclinical).

Both companies, of course, are targeting global markets and both are more advanced than Invion.

We identified three pre-clinical drug development companies listed on the ASX which have valuations (EVs) between $9.1 million and $50 million with a median of $23.4 million, and four foreign listings (listed pre-clinical companies being something of a rarity) with a median valuation of US$101 million and a range from negative EV to US$534 million. The non-ASX companies have significant collaborations with major pharma which underpin their high valuations.

Given the valuations of Ondine and Theralase, and the Australian pre-clinical biotech valuations, we consider the estimated valuation of $6 million for the field and territories as reasonable.

[14] Data from Yahoo Finance (https://au.finance.yahoo.com, accessed 7 Feb 2023).

4.4 Conclusions

Acuity's rNPV approach estimated a valuation for the Photosoft™ AID rights in the New Territories of $6.0 million with a broad range of $4.2 million to $7.8 million. As development of Photosoft™ for both atherosclerosis and ID are at early stages, with lack of evidence of efficacy in animal models and no human clinical data, a firm valuation is not possible. The Company, however, does have evidence of the safety of its photosensitisers and has rights to patents filed by RMWCG.

Other companies are in clinical trials with PDT for infectious disease (for example Theralase Technologies, Ondine Biomedical and Photodynamic Inc) and there is scientific literature supporting the use of PDT in atherosclerosis. Invion's interest in these fields is justified.

The limited availability of comparable companies and relevant acquisitions do not enable a more reliable valuation while suggesting $6.0 million is not unreasonable.

The majority of the valuation is a consequence of distribution rights in the USA. America is an important market for healthcare products, generally commanding 45% or more of global pharmaceutical sales, and the Proposed Amendment will give Invion access to this market.

5. Sources of Information

We have prepared our valuation using publicly accessible information and a number of confidential documents provided by Invion. Most of the assumptions on the timings and costs for the development of the proposed products are our own although we did discuss these with the Company, and the market shares, COGS and other expenses were also developed by Acuity.

We communicated with Thian Chew, Chairman and CEO, on a number of matters during the preparation of this report and were provided with documents pertaining to patents and cellular studies with infectious agents.

We conducted independent searches of the scientific and medical literature, such as the US National Institutes of Health's PubMed[15] and Google Scholar[16], and patent databases through the World Intellectual Property Organization[17], The European Patent Office[18] and the US Patent and Trademark Office[19].

6. Disclaimer

The valuations make certain assumptions in relation to the revenue prospects. In preparing this report we have relied on information provided by Invion, 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 its reliability.

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

The valuation is based on forward estimates of revenues and expenses and relies on estimated development times. Acuity does not guarantee that the outcomes described in this report will actually occur because of possible changes in the markets and the Company's own actions, which are beyond our ability to forecast.

[15] https://www.ncbi.nlm.nih.gov/pubmed
[16] https://scholar.google.com.au/
[17] https://patentscope.wipo.int.
[18] https://worldwide.espacenet.com.
[19] https://www.uspto.gov.

Acuity has acted independently in preparing this report and neither its Director nor staff have any pecuniary or other interest in Invion and RMWCG, 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.

The cash flow models used in the valuation makes the assumption that Invion will, or will have, sufficient funds to support further development and maintenance of the IP. 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.

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

In preparing this report we have had regard to the Regulatory Guide RG 112, *Independence of experts*, issued by the Australian Securities and Investment Commission and AASB 13, *Fair Value Measurement*, issued by the Australian Accounting Standards Board.

7. 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, and to managers of start-up companies to assist in product development plans and strategies.

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. New product research 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 Conzinc Rioiinto Australia, Union Carbide and Johnson & Johnson. 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 350 detailed valuations in biomedical sciences and 120 in applied sciences.

Invion Limited
ABN 76 094 730 417

LODGE YOUR VOTE

ONLINE
https://investorcentre.linkgroup.com

BY MAIL
Invion Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
Parramatta Square, Level 22, Tower 6,
10 Darcy Street, Parramatta NSW 2150

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

X99999999999

PROXY FORM

I/We being a member(s) of Invion 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 and email of the person or body corporate you are appointing as your proxy. An email will be sent to your appointed proxy with details on how to access the virtual meeting.

Name

Email

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 **2:00pm (AEST) on Thursday, 6 April 2023** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting. Shareholder who wish to participate in the GM online may register in advance for the meeting: **https://us06web.zoom.us/webinar/register/WN_xPc7n3E0Q2ukwnC3DKgERw**

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 to expand the licence and distribution rights to Next Generation Photodynamic Therapy (NGPDT) from RMW Cho Group Limited	☐	☐	☐

* 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).

IVX PRX2301N

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 virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at registrars@linkmarketservices.com.au prior to admission in accordance with the Notice of General 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 **2:00pm (AEST) on Tuesday, 4 April 2023,** 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

https://investorcentre.linkgroup.com

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" - Shareholder Reference Number (SRN) or Holder Identification Number (HIN).

BY MAIL

Invion Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX

+61 2 9287 0309

BY HAND

delivering it to Link Market Services Limited*
Parramatta Square
Level 22, Tower 6
10 Darcy Street
Parramatta NSW 2150

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