

8 March 2018

Company Announcements Office
Australian Securities Exchange

Release of Securities from Escrow, and Issue of Shares and Options

On 24 January 2018 Vectus Biosystems Limited (ASX:VBS) (Vectus or the Company) advised that 8,521,387 fully paid ordinary shares and 100,000 Performance Rights, all of which were classified by ASX as restricted securities, were to be released from escrow on 23 February 2018. The Company now applies for quotation of these shares and Performance Rights, as required by ASX Listing Rule 2.8.2.

Vectus also advises that it has today issued 5,226 shares under employment contracts with staff and 11,630 options to an employee, as part of the Company's staff performance and remuneration review. The options have been issued under the Company's Employee Incentive Plan.

The Appendix 3B is attached.

Vectus Biosystems Limited

Robert J Waring
Company Secretary

Notice under Section 708A(5)(e)

As at 8 March 2018, Vectus gives notice under section 708A(5)(e) of the Corporations Act 2001 (Cth) (Corporations Act) that:

1. the Company issued the abovementioned securities without disclosure to investors under Part 6D.2 of the Corporations Act.
2. the Company has complied with the provisions, as they apply to the Company, of Chapter 2M of the Corporations Act and with Section 674 of the Corporations Act; and
3. there is no information:
 - a. that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; or
 - b. that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of the assets and liabilities, financial performance, profits and losses, and prospects of Vectus, or the rights and liabilities attaching to Vectus' ordinary shares.

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Vectus Biosystems Limited (ASX:VBS)

ABN

54 117 526 137

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|--|
| 1 | +Class of +securities issued or to be issued | (a) Application for quotation of 8,521,387 fully paid ordinary shares and 100,000 Performance Rights, all of which were classified by ASX as restricted securities. Refer Part 3 below.

(b) Issue of fully paid ordinary shares

(c) Issue of Options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | (b) 5,226 fully paid ordinary shares

(c) 11,630 options |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | (b) Fully paid ordinary shares issued under employment contracts

(c) Options (expiry date 11 September 2020, with zero exercise price, vesting over three years if key performance indicators are met) issued under the Company's Employee Incentive Plan (EIP) |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

4	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Yes, the fully paid ordinary shares rank equally with existing fully paid ordinary shares.</p> <p>No, the options (expiry date 11 September 2020) have a zero exercise price and vest over three years if key performance indicators are met.</p>
5	Issue price or consideration	Nil cash consideration
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	<p>(b) Fully paid ordinary shares issued under employment contracts</p> <p>(c) The options were issued to a Vectus employee under the Company's EIP.</p>
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	No
6b	The date the security holder resolution under rule 7.1A was passed	Not applicable
6c	Number of +securities issued without security holder approval under rule 7.1	Not applicable
6d	Number of +securities issued with security holder approval under rule 7.1A	Not applicable
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Not applicable
6f	Number of +securities issued under an exception in rule 7.2	Not applicable

+ See chapter 19 for defined terms.

6g	If +securities issued under rule 7.1A, was issue price at least 75 ⁰ % of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	Not applicable	
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	Not applicable	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Not applicable	
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.	8 March 2018	
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	Number	+Class
		23,379,996	Fully paid ordinary shares

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

	<u>Number</u>	<u>+Class</u>
9 Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	100,000	Performance Rights (issued under the Vectus Employee Incentive Plan (EIP), which expire, if not converted into shares after meeting performance conditions, on 23 February 2019).
	300,000	Performance Rights, issued under the EIP (vest and automatically convert into fully paid ordinary shares on 5 December 2018, providing the Director remains a Director of the Company and providing the Vectus share price is at least 50% higher than the \$1.55 IPO price).
	75,000	Deferred Share Awards, issued under the EIP (expiry date of 17 November 2019 if not converted into fully paid ordinary shares after meeting performance conditions).
	11,630	Options with no consideration payable on exercise, with an expiry date of 11 September 2020. All options, issued under the EIP, to vest over three years, with the first one third vesting on 11 September 2018 (if key performance indicators are met).
	6,000	Options with no consideration payable on exercise, with an expiry date of 25 January 2022. All options, issued under the EIP, to vest over three years starting on 1 July 2017, with one third to vest if the share price exceeds \$2.00 (10-day VWAP) and two thirds to vest each year based on merit.
	39,986	Options with no consideration payable on exercise, with an expiry date of 25 January 2022. All options, issued under the EIP, vest after three years from the date of issue, with 50% to vest based on the achievement of corporate goals and 50% based on the personal achievement of goals set for each individual employee.
	6,500	Options with no consideration payable on exercise, with an expiry date of 29 May 2022. These five-year options, issued under the EIP, will vest as to one third annually over three years from the date of issue based on the staff members' satisfactory work performance, as assessed in the annual review.

+ See chapter 19 for defined terms.

- 10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)

All fully paid ordinary shares issued have full participation in any future dividends. Any fully paid ordinary shares issued on the exercise of options or the conversion of performance rights will have full participation in any future dividends.

Part 2 - Pro rata issue

Questions 11 to 33 are not applicable

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of ⁺securities
(tick one)

(a) ☒ ⁺Securities described in Part 1

(b) ☒ All other ⁺securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders
- 36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 ☐ A copy of any trust deed for the additional ⁺securities

Entities that have ticked box 34(b)

- 38 Number of ⁺securities for which ⁺quotation is sought

8,521,387 fully paid ordinary shares and 100,000 Performance Rights, all of which were classified by ASX as restricted securities.

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

39	+Class of +securities for which quotation is sought	Fully paid ordinary shares and Performance Rights.				
40	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none">the date from which they dothe extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest paymentthe extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	<p>Yes, the 8,521,387 shares rank equally in all respects with the Company’s existing quoted fully paid ordinary shares.</p> <p>The 100,000 Performance Rights will rank equally in all respects with the Company’s existing quoted fully paid ordinary shares if they convert into ordinary shares in the future.</p>				
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another +security, clearly identify that other +security)</p>	End of 24-month restriction period				
42	Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	<table><tr><th>Number</th><th>+Class</th></tr><tr><td>23,379,996</td><td>Fully paid ordinary shares</td></tr></table>	Number	+Class	23,379,996	Fully paid ordinary shares
Number	+Class					
23,379,996	Fully paid ordinary shares					

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

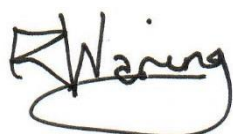
- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:
(~~Director~~/Company Secretary)

Date: 8 March 2018

Print name: Robert J Waring

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	The Company has not sought shareholder approval at an Annual General Meeting under ASX Listing Rule 7.1A.
Add the following: <ul style="list-style-type: none">• Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2• Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval• Number of partly paid +ordinary securities that became fully paid in that 12 month period Note: <ul style="list-style-type: none">• <i>Include only ordinary securities here – other classes of equity securities cannot be added</i>• <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i>• <i>It may be useful to set out issues of securities on different dates as separate line items</i>	
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	
“A”	

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued: <ul style="list-style-type: none"> Under an exception in rule 7.2 Under rule 7.1A With security holder approval under rule 7.1 or rule 7.4 Note: <ul style="list-style-type: none"> <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
“C”	
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	
Total [“A” x 0.15] – “C”	<i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	Not Applicable
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of ⁺ equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
“E”	

⁺ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	
Total [“A” x 0.10] – “E”	 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.