



30 September 2019

Company Announcements Office  
Australian Securities Exchange

### **Convertible Note Issue**

Vectus Biosystems Limited (ASX:VBS) advises that it has issued Tranche 1 of 3,000,000 Convertible Notes at \$0.50 which raised \$1,500,000. This is the first stage of a Convertible Note issue to raise a total amount of \$7,000,000. The funds will be used to complete the Phase I clinical trials for VB0004, which potentially prevents and reverses fibrosis in organs, to advance the library of VBS's other drugs and for general working capital. Tranche 1 was completed utilising the existing placement capacity under ASX Listing Rule 7.1. An Appendix 3B and Cleansing Notice are attached.

As advised on 17 September 2019, the key terms of the Convertible Notes are:

**Subscribers:** Sophisticated, experienced and professional investors, as defined in sections 708(8), 708(10) and 708(11) of the Corporations Act, predominantly clients of Gleneagle Securities (Aust) Pty Ltd.

**Notes:** 14,000,000 Convertible Notes, each with a Face Value of \$0.50 each.

**Term:** 36 months until Maturity Date.

**Interest Rate:** 6% per annum capitalised and paid on Maturity Date (or, if agreed by VBS, the investor can elect to convert any unpaid interest on their Notes at the Maturity Date into VBS shares at an issue price that is the higher of (i) \$0.50 and (ii) 10% below the relevant VWAP).

**Conversion:** Each Note will be redeemed for \$0.50 plus any unpaid interest on that Note. Each Note may be converted into one VBS ordinary share at \$0.50 per share. The investors have the right to convert their Notes at any time prior to redemption.

**Listing and Security:** The Convertible Notes will not be listed on ASX and are secured.

**Two Tranches:** The issue is being undertaken in two tranches. Tranche 1 of 3,000,000 Notes at \$0.50 to raise \$1,500,000 has now been completed. Tranche 2 of 11,000,000 Notes at \$0.50 to raise \$5,500,000 is expected to be completed, and an Appendix 3B lodged, on or about 18 November 2019. Tranche 2 is subject to shareholder approval under Listing Rule 7.1, and will be completed following shareholder approval at the VBS Annual General Meeting to be held on or about 13 November 2019.

### **Vectus Biosystems Limited**

**Robert J Waring**  
Company Secretary

**VECTUS BIOSYSTEMS LIMITED** ABN 54 117 526 137

3-11 Primrose Avenue, Rosebery, NSW 2018 Telephone: +61 2 9662 4144 Facsimile: +61 2 9697 0933  
Website: [www.vectusbiosystems.com.au](http://www.vectusbiosystems.com.au)

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  | Convertible Notes  |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued   | 3,000,000  |
| 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) | Tranche 1 of a two-tranche Convertible Note issue, at \$0.50 to raise \$1,500,000, with 36 months until Maturity Date, plus 6% interest rate per annum capitalised and paid on Maturity Date, being 27 September 2022. |

+ See chapter 19 for defined terms.

**Appendix 3B**  
**New issue announcement**

<p>4 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"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	<p>The Convertible Notes, if and when converted into fully paid ordinary shares, will rank equally with existing fully paid ordinary shares.</p>
<p>5 Issue price or consideration</p>	<p>Convertible Note issue price of \$0.50</p>
<p>6 Purpose of the issue          (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>The amount raised will help fund the Phase I clinical trials for VB0004, which potentially prevents and reverses fibrosis in organs, to advance the library of VBS's other drugs and for general working capital.</p>
<p>6a 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>	<p>No</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>Not applicable</p>
<p>6c Number of +securities issued without security holder approval under rule 7.1</p>	<p>3,000,000 Convertible Notes</p>
<p>6d Number of +securities issued with security holder approval under rule 7.1A</p>	<p>Nil</p>
<p>6e Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)</p>	<p>Nil</p>
<p>6f Number of +securities issued under an exception in rule 7.2</p>	<p>Nil</p>

+ See chapter 19 for defined terms.

6g	If +securities issued under rule 7.1A, was issue price at least 75% 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	506,999 shares								
7	<p><b>+Issue dates</b></p> <p>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.</p> <p>Cross reference: item 33 of Appendix 3B.</p>	30 September 2019								
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Number</th> <th style="width: 70%;">+Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">23,379,996</td> <td>Fully paid ordinary shares</td> </tr> </tbody> </table>	Number	+Class	23,379,996	Fully paid ordinary shares				
Number	+Class									
23,379,996	Fully paid ordinary shares									
9	<p>Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)</p> <p>(a) 300,000 Performance Rights expired, as the Vectus share price was not at least 50% higher than the \$1.55 Initial Public Offering (IPO) price on 5 December 2018.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;"><u>Number</u></th> <th style="width: 80%;"><u>+Class</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">100,000</td> <td>Performance Rights (issued under the Vectus Employee Incentive Plan (EIP), which expire, if not converted into shares after meeting performance conditions).</td> </tr> <tr> <td style="text-align: center;">(a) Nil</td> <td>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).</td> </tr> <tr> <td style="text-align: center;">75,000</td> <td>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).</td> </tr> </tbody> </table>	<u>Number</u>	<u>+Class</u>	100,000	Performance Rights (issued under the Vectus Employee Incentive Plan (EIP), which expire, if not converted into shares after meeting performance conditions).	(a) Nil	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).
<u>Number</u>	<u>+Class</u>									
100,000	Performance Rights (issued under the Vectus Employee Incentive Plan (EIP), which expire, if not converted into shares after meeting performance conditions).									
(a) Nil	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).									

+ See chapter 19 for defined terms.

**Appendix 3B**  
**New issue announcement**

	<u>Number</u>	<u>+Class</u>
(b) 11,630 Options have been cancelled as the employee who was the Option holder has now left the Company.	(b) Nil	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 (based on key performance indicators being met).
(c) 5,000 Options have been cancelled, as three employees who were the holders of 4,500 Options have now left the Company, and the Options held by two current employees, being 333 options and 167 options, expired on 1 July 2019 when the vesting condition that the share price reach \$2 was not achieved.	(c) 1,000	Options with no consideration payable on exercise, with an expiry date of 25 January 2022. All options, issued under the EIP, are to vest over two years starting on 1 July 2017, to vest each year based on merit.
(d) 39,986 Options have been cancelled as the employees who were the Option holders have now left the Company.	(d) Nil	Options with no consideration payable on exercise, with an expiry date of 25 January 2022. All options were issued under the EIP.
(e) 4,500 Options have been cancelled, as three employees who were the holders of these Options have now left the Company.	(e) 2,000	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.
(f) 2,000 Options have been cancelled as the employee who was the Option holder has now left the Company.	(f) 5,000	Options with no consideration payable on exercise, with an expiry date of 23 August 2023. These three-year options, issued under the EIP, will vest as to one third annually over three years from 30 June 2019 based on the staff members' satisfactory work performance, as assessed in the annual review.

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

Any fully paid ordinary shares issued on the conversion of Convertible Notes 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)*

+ See chapter 19 for defined terms.

(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)**

Questions 38 to 42 are not applicable

**Appendix 3B**  
**New issue announcement**

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**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.

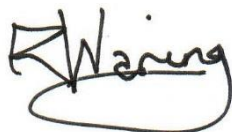
- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) 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: 30 September 2019

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

<b>Rule 7.1 – Issues exceeding 15% of capital</b>	
<b>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</b>	
<b>Insert</b> number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	23,379,996
<p><b>Add</b> the following:</p> <ul style="list-style-type: none"> <li>• Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2</li> <li>• Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval</li> <li>• Number of partly paid +ordinary securities that became fully paid in that 12 month period</li> </ul> <p><i>Note:</i></p> <ul style="list-style-type: none"> <li>• <i>Include only ordinary securities here – other classes of equity securities cannot be added</i></li> <li>• <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i></li> <li>• <i>It may be useful to set out issues of securities on different dates as separate line items</i></li> </ul>	Nil
<b>Subtract</b> the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
<b>“A”</b>	23,379,996

+ See chapter 19 for defined terms.



**Appendix 3B**  
**New issue announcement**

<b>Step 2: Calculate 15% of “A”</b>	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
<b>Multiply</b> “A” by 0.15	3,506,999
<b>Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used</b>	
<p><i>Insert</i> number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> <li>• Under an exception in rule 7.2</li> <li>• Under rule 7.1A</li> <li>• With security holder approval under rule 7.1 or rule 7.4</li> </ul> <p><i>Note:</i></p> <ul style="list-style-type: none"> <li>• <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i></li> <li>• <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i></li> <li>• <i>It may be useful to set out issues of securities on different dates as separate line items</i></li> </ul>	30 Sep 2019 – 3,000,000 Convertible Notes
“C”	3,000,000
<b>Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1</b>	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	3,506,999
<b>Subtract</b> “C” <i>Note: number must be same as shown in Step 3</i>	3,000,000
<b>Total</b> [“A” x 0.15] – “C”	506,999 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

## Part 2

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

+ See chapter 19 for defined terms.

**Appendix 3B**  
**New issue announcement**

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

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+ See chapter 19 for defined terms.

# Vectus Biosystems Limited (ASX:VBS)

30 September 2019

## Cleansing Notice under section 708A(12C)(e) of the Corporations Act 2001 (Cth)

**Vectus Biosystems Limited (ASX:VBS) (Vectus, or the Company)**, gives this notice under section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (the **Corporations Act**), as inserted by ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82 (**ASIC Instrument**).

On 19 September 2019, the Company entered into Convertible Note Purchase Agreements with various sophisticated and professional investors for the issue of 14,000,000 secured, unquoted convertible notes (each with a face value of \$AUD0.50 each) (**Convertible Notes**) to raise an aggregate amount of AUD\$7,000,000 (**Convertible Note Issue**).

The Convertible Note Issue is expected to complete in two tranches as follows:

1. an initial issue of 3,000,000 Convertible Notes to raise AUD\$1,500,000 (**Tranche 1**); and
2. a further issue of 11,000,000 Convertible Notes to raise an additional AUD\$5,500,000 – with such issue conditional on shareholder approval (**Tranche 2**).

A total of 3,000,000 Convertible Notes have been issued to Investors (Tranche 1 Noteholders) today after the conditions precedent for Tranche 1 were met. This issue of Convertible Note Issue raised AUD\$1,500,000 (**Tranche 1 Convertible Note Issue**).

The Tranche 1 Convertible Notes have been issued without disclosure under Part 6D.2 of the Corporations Act. The issue of this Cleansing Notice enables any Shares which may be issued by the Company to Tranche 1 Noteholders or any subsequent holders of Tranche 1 Convertible Notes following a conversion of all or part of Tranche 1 Convertible Notes, to be on-sold to retail investors without further disclosure.

The Company gives notice that:

- (a) the Tranche 1 Convertible Notes were issued without disclosure to investors under Part 6D.2 of the Corporations Act; and
- (b) this Cleansing Notice is being given in accordance with section 708A(12C)(e) of the Corporations Act (as inserted by the ASIC Instrument).

Neither ASIC nor the ASX take responsibility for the contents of this Cleansing Notice. The terms of the Tranche 1 Convertible Notes are summarised under the heading, 'Rights and liabilities attaching the Tranche 1 Convertible Notes' below.

### 1. The contents of this Cleansing Notice

This Cleansing Notice sets out the following:

- (a) in relation to the Tranche 1 Convertible Notes:
  - (i) the effect of the issue of the Tranche 1 Convertible Notes on the Company;
  - (ii) a summary of the rights and liabilities attaching to the Tranche 1 Convertible Notes; and

- (iii) a summary of the rights and liabilities attaching to the Shares which may be issued on conversion of the Tranche 1 Convertible Notes;
- (b) information relating to the Company's status as a disclosing entity; and
- (c) any information that:
  - (i) has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
  - (ii) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
    - (A) the assets and liabilities, financial position and performance, profits and losses, and prospects of the Company; and
    - (B) the rights and liabilities attaching to the securities being offered.

## 2. The effect of this issue on the Company

The principal effect of the issue of the Tranche 1 Convertible Notes on the Company will be to:

- (a) increase the cash reserves of the Company by AUD\$1,500,000 (before any expenses associated with the issue of the Tranche 1 Convertible Notes);
- (b) increase the indebtedness of the Company by the aggregate face value of the Tranche 1 Convertible Notes AUD\$1,500,000 plus all accrued and unpaid interest payable on that amount;
- (c) grant the Tranche 1 Noteholders security over the Company's assets; and
- (d) if the Tranche 1 Convertible Notes are converted into Shares, increase the number of Shares on issue in the Company, with the maximum number of Shares issued on conversion of face value and interest on the Tranche 1 Convertible Notes being no more than 3,000,000 Shares.

### Financial Impact

The pro-forma financial position of the Company, as at 30 June 2019, adjusted to take into account the Tranche 1 Convertible Note Issue, is attached as Annexure 'A'.

### Capital Structure

The capital structure of the Company will be affected by any conversion of the Tranche 1 Convertible Notes.

Assuming all face value and interest payments under the Tranche 1 Convertible Notes were converted at the conversion price of \$AUD0.50 a total of 3,000,000 Shares would be issued.

The table below sets out the Company's share capital:

- as at the date of this Cleansing Notice and before the conversion of the Tranche 1 Convertible Notes; and
- after the conversion of the Tranche 1 Convertible Notes if they are converted into the maximum number of Shares possible.

	As at date of this Cleansing Notice but before conversion of the Convertible Notes	After maximum conversion of the Convertible Notes (Face Value only)	After maximum conversion of the Convertible Notes (Face Value and all Interest payments if issued at \$0.50)
Shares	23,379,996	26,379,996	26,953,044
Outstanding options/performance rights/Deferred Share Awards	183,000	183,000	183,000
<b>TOTAL FULLY DILUTED SHARES</b>	<b>23,562,996</b>	<b>26,562,996</b>	<b>27,136,044</b>

### Dilution effect of issue of Tranche 1 Convertible Notes

The table below sets out the maximum dilution effect of the issue of the Tranche 1 Convertible Notes on the Company at the date of this Cleansing Notice.

Shareholder	Number of Shares at date of Cleansing Notice	After maximum conversion of the Convertible Notes (Face Value and all Interest payments)	Percentage
Existing shareholders	23,379,996	23,379,996	86.7%
Tranche 1 Convertible Notes	-	3,573,048	13.3%
<b>TOTALS</b>	<b>23,379,996</b>	<b>26,953,044</b>	<b>100.0%</b>

### 3. Rights and liabilities attaching to the Tranche 1 Convertible Notes

The following is a summary of the rights, privileges and restrictions attaching to the Tranche 1 Convertible Notes. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Tranche 1 Noteholders.

No.	Key term	Summary
1.	Total purchase price	AUD\$1,500,000
2.	Face Value	AUD\$0.50 face value per Tranche 1 Convertible Note
3.	Term and Maturity Date	3 years from the date of issue of the Tranche 1 Convertible Notes ( <b>Maturity Date</b> ).

No.	Key term	Summary
4.	Interest	6.0% per annum payable on the Maturity Date.
5.	Payment of interest	<p>Interest is payable on the Maturity Date.</p> <p>The Company may pay interest due on a Tranche 1 Convertible Note in cash, Shares or a combination thereof.</p> <p>The Company may only satisfy an interest payment in Shares with the consent of a Tranche 1 Noteholder. Similarly, a Tranche 1 Noteholder's request for an interest payment to be paid in Shares must be agreed to by the Company.</p> <p>If interest is paid in Shares, the issue price of the Shares will be the greater of 90% of the average VWAP for the 10 trading days preceding the date of issue of the Shares, and AUD\$0.50.</p> <p>The Company at this time has not decided whether it intends to make interest payments in cash.</p>
6.	Security	<p>The obligations of the Company under the Tranche 1 Convertible Notes are secured under a General Security Agreement.</p> <p>Subject to certain common permitted security interests, the Tranche 1 Noteholders have an equal first ranking security interest over all of the Company's assets. The security interest of the Tranche 1 Noteholders ranks equally with the General Security Agreement to be granted to Maurie Stang and to be announced to the ASX on finalisation and execution of the loan facility agreement with the lender on or about 3 October 2019. The security interest will also rank equally with the holders of Tranche 2 Convertible Notes, once issued.</p>
7.	Prepayment	<p>Subject to the Tranche 1 Noteholders' right to convert the Tranche 1 Convertible Notes at any time, the Company may, at any time, with the consent of the Noteholders who together hold Convertible Notes representing a majority of the aggregate unpaid principal amount of all Convertible Notes outstanding (<b>Majority Holders</b>), elect to redeem some or all of the Convertible Notes (<b>Redemption Notes</b>) by payment of the aggregate face value of the Redemption Notes plus all accrued but unpaid interest on the Redemption Notes.</p>
8.	Conversion terms	<p>A Tranche 1 Noteholder may at any time up to the Maturity Date convert some or all of its Tranche 1 Convertible Notes into Shares. There are no conditions that have to be met before the Tranche 1 Convertible Notes can be converted.</p> <p>The number of Shares issuable on conversion of the Tranche 1 Convertible Notes is determined by the quotient obtained by dividing the aggregate Face Value of all Tranche 1 Convertible Notes being converted by the Conversion Price (defined below).</p>

No.	Key term	Summary
		The maximum number of Shares into which the Convertible Notes may convert is discussed in detail below.
9.	Conversion Price	AUD\$0.50
10.	Key covenants	While the Tranche 1 Convertible Notes are outstanding, the Company must comply with certain covenants including procuring that no event of default occurs and performing any action necessary to maintain the quotation of its Shares on the ASX.
11.	Change of Control	If a change of control of the Company or delisting is likely to occur, the Company must, unless otherwise agreed in writing by the Majority Holders, redeem all Tranche 1 Convertible Notes by paying to each Tranche 1 Noteholder the aggregate Face Value of Tranche 1 Convertible Notes plus all accrued but unpaid interest thereon.
12.	Events of Default	<p>If an Event of Default (defined below) occurs at any time prior to the Maturity Date and is continuing, the Tranche 1 Noteholder may require the Company to redeem all of the Tranche 1 Convertible Notes it holds.</p> <p>Each of the following is an Event of Default:</p> <ul style="list-style-type: none"> <li>• if the Company fails to pay any part of the face value of the Tranche 1 Convertible Notes and all accrued but unpaid interest on the date on which it is due and payable and such failure is not remedied within 10 business days after the due date for payment;</li> <li>• if the Company fails to comply with any provision of the terms of the Tranche 1 Convertible Notes or the General Security Agreement and such failure is not remedied within 10 business days after its occurrence; and</li> <li>• an insolvency event occurs in relation to the Company.</li> </ul>
13.	Reorganisation of capital	In a reorganisation of capital of the Company, the Tranche 1 Convertible Notes must be treated in accordance with the ASX Listing Rules at the time of the reorganisation.
14.	Voting	No voting rights attach to the Tranche 1 Convertible Notes.
15.	New issues	The Tranche 1 Convertible Notes do not confer any rights to participate in any new issues of securities by the Company.
16.	Quotation	The Tranche 1 Convertible Notes will not be listed on the ASX or any other public exchange.
17.	Governing law	New South Wales, Australia.



#### **4. Rights and liabilities attaching to the Shares**

The Shares to be issued to Tranche 1 Noteholders on conversion of the Tranche 1 Convertible Notes will rank equally in all respects with all of the Company's existing Shares.

The rights attaching to the Shares are set out in the Constitution. The rights are also subject to the ASX Listing Rules in all respects while the Company maintains its listing on the ASX.

Set out below is a summary of the rights and liabilities under the Constitution, the ASX Listing Rules and the Corporations Act, which attach to the Shares of the Company. This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of holders of Shares under the Constitution.

All Shares issued on conversion of Tranche 1 Convertible Notes will, from the time of issue, rank equally with all the Company's existing Shares.

##### ***Meeting and voting***

Each shareholder is entitled to receive notice of, and attend and vote at, general meetings of the Company. At a general meeting, every shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.

##### ***Notices***

Each shareholder is entitled to receive all notices, accounts and other documents required to be given to shareholders under the Constitution of the Company, the Corporations Act and the ASX Listing Rules.

##### ***Dividends***

The Directors of the Company are authorised to make all decisions, including as to method and time for payment, regarding dividends in respect of Shares which are permitted under the Corporations Act.

##### ***Winding up***

Subject to the terms of issue of Shares, on a winding up of the Company, a liquidator may with the sanction of a special resolution of the Company divide the surplus assets of the Company remaining after payment of its debts among shareholders in proportion to the number of Shares held by them (with partly paid Shares counted as fractions of fully paid Shares).

##### ***Transfer***

Subject to the Constitution of the Company, the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Shares are freely transferable.

##### ***Creation and issue of further Shares***

The allotment and issue of any additional Shares will be under the control of the Directors of the Company, subject to any restrictions on the allotment of Shares imposed by the Constitution, the Corporations Act and the ASX Listing Rules.

##### ***Variation of rights***

The rights, privileges and restrictions attaching to ordinary Shares can be altered with the approval of a resolution passed at a separate general meeting of the holders of ordinary Shares, by a 75% majority of those holders who, being entitled to do so, vote at the general

meeting or, with the written consent of the holders of at least 75% of the ordinary Shares on issue.

Shares to be issued on conversion of the tranche 1 Convertible Notes will be fully paid ordinary Shares. There is no liability on a holder of Shares to contribute any further amount to the Company. Copies of the Company's Constitution are available for inspection at the registered office of the Company.

## 5. Compliance with disclosure obligations

The Company is a 'disclosing entity' under the Corporations Act and, as such, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify the ASX of information about specific events and matters as they arise. In particular, the Company is obliged to continuously disclose to the market promptly and without delay any information which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Company is required to prepare and lodge with ASIC yearly financial statements, accompanied by a directors'. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- (a) the annual financial report most recently lodged by the Company with ASIC, being the financial report of the Company for the year ended 30 June 2019 in the Preliminary Final Report Appendix 4E. The 2019 Annual Financial Report is scheduled to be lodged with ASX on 30 September 2019; and
- (b) any continuous disclosure documents given by the Company to ASX after the lodgement of the annual financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure documents given by the Company to ASX after the lodgement of the financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX is set out in the table below. All of these documents will be provided, free of charge, to any person on request.

Date	ASX Announcement
30 Aug 2019	Preliminary Final Report Appendix 4E
17 Sep 2019	Convertible Note Issue
24 Sep 2019	Response to ASX Price Query

## No excluded information

As at the date of this Cleansing Notice, the Company advises that it has complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act and, in particular, there is no information which the Company has excluded from any of its continuous disclosure

notices given in accordance with the ASX Listing Rules and the Corporations Act as at the date of this Cleansing Notice which it would be reasonable for investors and their professional advisors to require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the Tranche 1 Convertible Notes and the Shares that may be issued on a conversion under the Tranche 1 Convertible Notes.

For more information, please contact:

**Vectus Biosystems Limited**

**Robert J Waring**  
Company Secretary

**About Vectus Biosystems Limited**

Vectus Biosystems Limited (**Vectus** or the **Company**) is developing a treatment for fibrosis and high blood pressure, which includes the treatment for three of the largest diseases in the fibrotic market, namely heart, kidney and liver disease. Vectus successfully completed its initial Public Offering (**IPO**) on the Australian Securities Exchange (**ASX: VBS**) and commenced trading on ASX on 23 February 2016, after raising A\$5.1 million. Funds from the IPO were used to develop the Company's lead compound VB0004, which aims to treat the hardening of functional tissue and high blood pressure. Vectus has conducted a range of successful pre-clinical trials, which have shown that VB0004 slows down the advances of fibrosis, potentially repairs damaged cell tissue and reduces high blood pressure. VB0004 is now progressing through a number of important milestones, including pharmaceutical scale-up and additional toxicity studies. Successful results are providing the Company with a clear path to Human Phase I and IIa Clinical Trials. Vectus' strategy is to develop and perform early validation of its drug candidates to the point where they may become commercially attractive to potential pharmaceutical partners.

The Company has also developed technology aimed at improving the speed and accuracy of measuring the amount of DNA and RNA in samples tested in laboratories. The technology, called Accugen, is owned by Vectus' wholly-owned subsidiary Accugen Pty Limited. The technology offers a time, cost and accuracy benefit compared to currently available systems. The Company's current stage of investment in Accugen is a commercialisation programme, where a combination of direct sales, distribution partnerships and licensing opportunities are being evaluated.

**VECTUS BIOSYSTEMS LIMITED**  
**AND CONTROLLED ENTITIES**  
**PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 30 June 2019**

	30-Jun-19 \$	Notes	Movements \$	Pro-forma \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	43,172	1	1,500,000	1,543,172
Other current assets	115,807		-	115,807
<b>TOTAL CURRENT ASSETS</b>	<u>158,979</u>		<u>1,500,000</u>	<u>1,658,979</u>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	35,129		-	35,129
<b>TOTAL NON-CURRENT ASSETS</b>	<u>35,129</u>		<u>-</u>	<u>35,129</u>
<b>TOTAL ASSETS</b>	<u>194,108</u>		<u>1,500,000</u>	<u>1,694,108</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	1,136,727		-	1,136,727
Other current liabilities	527,053		-	527,053
Provisions	298,146		-	298,146
Borrowings	-		-	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,961,926</u>		<u>-</u>	<u>1,961,926</u>
<b>NON-CURRENT LIABILITIES</b>				
Provisions	-		-	-
Financial Liabilities	-		-	-
Borrowings	1,957,500		-	1,957,500
Other non-current liabilities	4,503		75,000	79,503
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>1,962,003</u>		<u>75,000</u>	<u>2,037,003</u>
<b>TOTAL LIABILITIES</b>	<u>3,923,929</u>		<u>75,000</u>	<u>3,998,929</u>
<b>NET LIABILITIES</b>	<u>(3,729,821)</u>		<u>1,425,000</u>	<u>(2,304,821)</u>
<b>EQUITY</b>				
Issued Capital	17,600,420		-	17,600,420
Convertible Notes	-	2	1,500,000	1,500,000
Reserves	516,610		-	516,610
Retained Earnings/Accumulated Losses	(21,846,851)	3	(75,000)	(21,921,851)
<b>TOTAL DEFICIT</b>	<u>(3,729,821)</u>		<u>1,425,000</u>	<u>(2,304,821)</u>

**Notes**

1. Cash subscription for 3,000,000 Convertible Notes at \$0.50 per Note amounting to \$1,500,000, being Tranche 1 issue.
2. A total of 3,000,000 Tranche 1 Convertible Notes issued at \$0.50 per Note amounting to \$1,500,000.
3. Costs of Issue on Tranche 1 Convertible Note amounting to \$75,000 .