



Vectus Biosystems Limited

ABN 54 117 526 137

NOTICE OF 2019 ANNUAL GENERAL MEETING

TIME: 11:00am
DATE: Friday, 22 November 2019
PLACE: The offices of Dentons Australia Limited
Level 16, 77 Castlereagh Street, Sydney NSW

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

NOTICE OF 2019 ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting (AGM or Meeting) of the shareholders of Vectus Biosystems Limited (Vectus or the Company) will be held at the offices of Dentons Australia Limited, Level 16, 77 Castlereagh Street, Sydney on Friday, 22 November 2019 commencing at 11:00am.

BUSINESS

1. Item 1: Financial Statements and Reports

To receive and consider the Annual Report of the Company for the year ended 30 June 2019, which includes the Annual Financial Report, the Directors' Report, the Directors' Declaration and the Auditor's Report.

Note: this item of business is for discussion only and is not a Resolution. However, pursuant to the Corporations Act, Shareholders will be given a reasonable opportunity at the AGM to ask questions about, or make comments in relation to, each of the aforementioned Reports during consideration of these Reports.

2. Resolution 1: To Elect a Director – Mr Peter Bush

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

That, Mr Peter Bush, who retires by rotation as a Director pursuant to clause 6.1(f) of Vectus' Constitution and, being eligible, offers himself for re-election, be elected a Director of the Company.

3. Resolution 2: To Elect a Director – Dr Susan Pond

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

That, Dr Susan Pond, who retires by rotation as a Director pursuant to clause 6.1(f) of Vectus' Constitution and, being eligible, offers herself for re-election, be elected a Director of the Company.

4. Resolution 3: To Adopt the Remuneration Report

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

That Vectus' Remuneration Report for the financial year ended 30 June 2019, as set out in the Directors' Report in the Company's 2019 Annual Report, be received, approved and adopted.

Note: the vote on this Resolution is advisory only and does not bind the Directors or Vectus.

5. Resolution 4: To Ratify the Prior Issue of Convertible Notes

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

That, for the purposes of Listing Rule 7.4, and for all other purposes, Shareholders approve and ratify the issue of 3,000,000 Convertible Notes on the terms set out in the Explanatory Notes accompanying this Notice of Meeting.

6. Resolution 5: To Approve the Proposed Issue of Convertible Notes

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

That, for the purposes of Listing Rule 7.1, and for all other purposes, Shareholders approve the proposed issue of up to 8,800,000 Convertible Notes on the terms set out in the Explanatory Notes accompanying this Notice of Meeting.

7. Resolution 6: To Approve the Issue of Convertible Notes to a Related Party – Mr Maurie Stang

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

That, for the purposes of section 195(4) of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 2,000,000 Convertible Notes to Director, Mr Maurie Stang or his nominee(s), on the terms set out in the Explanatory Notes accompanying this Notice of Meeting.

8. Resolution 7: To Approve the Issue of Convertible Notes to a Related Party – Dr Ronald Shnier

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

That, for the purposes of section 195(4) of the Corporations Act, Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 200,000 Convertible Notes to Director, Dr Ronald Shnier or his nominee(s), on the terms set out in the Explanatory Notes accompanying this Notice of Meeting.

9. To transact any other business brought forward in accordance with the Company's Constitution.

Further information in relation to the matters to be considered at the AGM is set out in the attached Explanatory Notes.

VOTING EXCLUSION STATEMENTS

In respect of Resolution 3, Vectus will disregard any votes cast (in any capacity) by or on behalf of any person who is a member of the key management personnel (KMP) whose remuneration details are included in the Remuneration Report in the Annual Report or a closely-related party of such a member. The prohibition in the Corporations Act 2001 (Cth) on the voting of members of the Company's KMP does not apply to the Chairman of the AGM as proxy for a member entitled to vote where the proxy appointment expressly authorises the Chairman of the AGM to vote. However, Vectus need not disregard any vote by any such persons if it is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

In respect of Resolution 4, Vectus will disregard any votes cast in favour of the Resolution by or on behalf of persons who participated in the issue.

In respect of Resolution 5, Vectus will disregard any votes cast in favour of the Resolution by or on behalf of persons who will participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company).

In respect of Resolution 6, Vectus will disregard any votes cast in favour of the Resolution by or on behalf of Mr Maurie Stang or his nominee(s).

In respect of Resolution 7, Vectus will disregard any votes cast in favour of the Resolution by or on behalf of Dr Ronald Shnier or his nominee(s).

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

PROXIES

If you are unable to attend the AGM, you are requested to complete the Proxy Form enclosed with this Notice of AGM. A Shareholder entitled to attend and vote at the AGM is entitled to appoint not more than two proxies. A proxy need not be a shareholder of the Company. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights.

The Proxy Form must be signed by the Shareholder or the Shareholder's power of attorney, duly authorised in writing. Proxies given by corporations must be signed either under common seal or under the hand of its power of attorney, Director or Company Secretary. The Proxy Form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by Vectus at least 48 hours before the time for holding the AGM (as specified in the Company's Constitution) i.e. by 11:00am on Wednesday, 20 November 2019 by:

- a) **mail** to PO Box 324, Crows Nest, NSW 1585; or
- b) **hand delivery** to 3-11 Primrose Avenue, Rosebery NSW; or
- c) **facsimile** to (02) 9697 0944.

Attention is drawn to the Explanatory Notes accompanying this Notice of AGM, which sets out all information known to Vectus that is material to your decision on whether or not to vote in favour of the proposed Resolutions.

Dated in Sydney on this 17th day of October 2019.

By authority of the Board.

Robert J Waring
Company Secretary

EXPLANATORY NOTES

Introduction

These Explanatory Notes set out information designed to assist the shareholders of the Company to vote on the Resolutions outlined in the Notice of AGM. The Directors recommend that Shareholders read the accompanying Notice of AGM and these Explanatory Notes in full before making any decisions relating to the Resolutions.

BUSINESS

Item 1: Financial Statements and Reports

The 2019 Annual Financial Report, including the Directors' Reports and the Auditor's Report for the year ended 30 June 2019, will be laid before the AGM, as required by the Corporations Act. There is no requirement for Shareholders to approve the Financial Report. However, the Chairman will allow a reasonable opportunity for Shareholders to ask questions or make comments about the Financial Report and the management of Vectus. Shareholders will also be given an opportunity to ask the Auditor questions about the:

- (a) conduct of the audit;
- (b) preparation and content of the Auditor's Report;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) independence of the Auditor in relation to the conduct of the audit.

In addition to taking questions at the AGM, written questions to the Chairman about the management of Vectus, the Company's Auditor, the content of the Auditor's Report and the conduct of the audit may be submitted no later than five business days before the date of the AGM to PO Box 324, Crows Nest, NSW 1585.

Vectus' 2019 Annual Report is available on its website at:
<http://www.vectusbiosystems.com.au/investor-centre/reports-and-presentations>.

General Explanatory Notes Applying to Resolutions 1 and 2

The Company undertakes appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director and provides security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director. These include checks as to the person's character, experience, education, criminal record and bankruptcy history. Candidates for appointment or election as Non-Executive Directors provide the Board with the information above and a consent for Vectus to conduct any background or other checks the Company would ordinarily conduct. The candidate also provides details of his or her other commitments and an indication of time involved, and specifically acknowledges to Vectus that he or she will have sufficient time to fulfil his or her responsibilities as a Director. A candidate for election as a Director discloses to Vectus all interests, positions, associations and relationships that may bear on his or her independence.

Resolution 1: To Elect a Director – Mr Peter Bush

Non-Executive Director Mr Peter Bush (BCom, CA) prior to the Company listing on ASX in 2016 acted as the Chief Financial Officer and Company Secretary of Vectus and of Accugen Pty Limited. He is the Chief Executive Officer of Aeris Environmental Ltd, and an Executive Director and the Chief Financial Officer of The Regional Health Care Group and of GryphonCapital. Mr Bush began his career working for five years at BDO, a global accounting and consulting firm, and has since spent several years working in industry. He is not considered by the Board to be an independent Director of Vectus.

Directorships held in other listed entities in the past three years: Alternate Director of Aeris Environmental Ltd (ASX:AEI) since 9 May 2011.

Appointed to the Board: 9 July 2015 (i.e. a term of office of 4.3 years)

Shareholders are being asked to elect Mr Peter Bush as a Non-Executive Director at the Company's AGM.

Directors' Recommendation:

The Board, with Mr Bush abstaining, recommends that Shareholders vote in favour of Resolution 1.

Resolution 2: To Elect a Director – Dr Susan Pond

Non-Executive Director Dr Susan Pond (MB, BS, AM, MD, DSc, FTSE, FRACP) has a strong scientific and commercial background, having held executive positions in the biotechnology and pharmaceutical industry for 13 years, including as Chairman and Managing Director of Johnson & Johnson Research Pty Limited (2003 to 2009). She has also held Board positions such as: Director of Pharmaceutical Research at Johnson & Johnson Research Pty Limited (1997 to 2002); Non-Executive Director and Chairman of AusBiotech Limited (2006 to 2008); Director of the Australian Nuclear Science and Technology Organisation (2010 to 2014); Board member of Innovation Australia (2012 to 2015); and Vice President of the Australian Academy of Technological Sciences and Engineering Limited (2010 to 2015). Dr Pond is a Fellow of the Australian Institute of Company Directors, and the Australian Academy of Health and Medical Sciences. She obtained specialist clinical credentials in internal medicine, clinical pharmacology and clinical toxicology, and has held academic appointments at the University of California in San Francisco and the University of Queensland. No material adverse information has been revealed by the checks the Company has performed about Dr Pond, and there are no details of any interest, position, association or relationship that the Board believes might influence, or reasonably be perceived to influence, in a material respect her capacity to bring an independent judgement to bear on issues before the Board, and to act in the best interests of the Company and its security holders generally. The Board considers that Dr Pond will, if elected, qualify as an independent Director.

Directorships held in other listed entities in the past three years: Non-Executive Director of Biotron Limited (ASX:BIT).

Appointed to the Board: 4 May 2016 (i.e. a term of office of 3.5 years)

Shareholders are being asked to elect Dr Susan Pond as a Non-Executive Director at the Company's AGM.

Directors' Recommendation:

The Board, with Dr Pond abstaining, recommends that Shareholders vote in favour of Resolution 2.

Resolution 3: To Adopt the Remuneration Report

Vectus' Remuneration Report is required to be considered for adoption in accordance with the Corporations Act 2001 (Cth). The Remuneration Report is contained in the Directors' Report of the Annual Report. The vote on this Resolution is advisory only and non-binding. The Resolution gives the members the opportunity to ask questions or make comments concerning the Remuneration Report during the AGM. Under the Corporations Act 2001 (Cth), if 25% or more of votes that are cast vote against the adoption of the Remuneration Report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a spill resolution) that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director) must go up for re-election. Vectus encourages all Shareholders to cast their votes on this Resolution.

Any undirected proxies held by the Chairman of the Meeting, other Directors, other key management personnel (KMP) or any of their closely-related parties will not be included in the votes for this Resolution. However, the Company need not disregard a vote by any such persons if it is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person who is chairing the AGM as proxy for a person who is entitled to vote in accordance with a direction on the Proxy Form to vote as the proxy decides. The KMP of Vectus are the Directors of the Company, and those other persons having authority and responsibility for planning, directing and controlling the activities of Vectus, directly or indirectly. The Remuneration Report identifies the Company's KMP for the financial year to 30 June 2019. Closely-related parties are defined in the Corporations Act 2001 (Cth), and include certain family members, dependents and companies that the KMP control.

Directors' Recommendation:

The Board recommends that Shareholders vote in favour of Resolution 3. Voting exclusions apply.

Resolution 4: To Ratify the Prior Issue of Convertible Notes

Background

On 17 September 2019, the Company announced a capital raising of up to \$7 million in convertible notes (Convertible Notes) 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 (Convertible Note Placement). The initial tranche of the Convertible Note Placement was completed on 30 September 2019 with subscriptions of \$1.5 million received from investors for the issue of 3,000,000 Convertible Notes (Tranche 1). The Tranche 1 Convertible Notes were issued under Listing Rule 7.1.

The purpose of Resolution 4 is to seek Shareholder approval under Listing Rule 7.4 to approve and ratify the issue of the Tranche 1 Convertible Notes issued under Listing Rule 7.1.

Principal Terms of the Convertible Notes

The principal terms of the Convertible Notes are as follows:

Issue amount: Up to \$1.5 million in Tranche 1

Issue price: Face value of \$0.50 per Convertible Note

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).

Maturity date: The Convertible Notes have a maturity date of 27 September 2022.

Conversion Terms: 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.

Security: The Convertible Notes are secured over the assets of the Company.

ASX Listing Rules

Listing Rule 7.1 provides that, unless an exemption applies, a company must not, without prior approval of shareholders, issue or agree to issue Equity Securities if the Equity Securities will in themselves or when aggregated with the ordinary securities issued by the company during the previous 12 months, exceed 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 states that an issue by a company of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the company's members subsequently approve it. Issues made under Listing Rule 7.1A can also be ratified under Listing Rule 7.4.

The effect of Shareholders passing Resolution 4 and ratifying the issue will be to restore the Company's ability to issue further capital to the maximum 15% limit during the next 12 months and increase the base figure (i.e. variable 'A') in which the Company's 15% annual placement capacity is calculated, which in turn will allow a proportionately higher number of securities to be issued without Shareholder approval.

Information Required by ASX Listing Rule 7.5

For the purposes of Listing Rule 7.5, the following information is provided to Shareholders in relation to the issue of Convertible Notes:

Number of securities issued

The total number of securities issued under Listing Rule 7.1 was 3,000,000 Convertible Notes. A maximum of 3,000,000 Shares will be issued on conversion of the Convertible Notes. If the Company pays all interest on the Tranche 1 Convertible Notes by the issue of further convertible notes, rather than cash, a maximum of 573,048 Interest Convertible Notes will be issued. If those Interest Convertible Notes are converted, a maximum of 573,048 Shares will be issued.

Issue price

The Convertible Notes were issued for \$0.50 per Convertible Note.

Terms of the securities

The Convertible Notes each have a face value of \$0.50 and a maturity date of 27 September 2022. A summary of the terms of the Convertible Notes is included above.

Name of person to whom securities were issued

The securities were issued to 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, none of whom are related parties.

The use (or intended use) of the funds raised

Funds raised from the issue are intended to be used, in conjunction with the funds raised as detailed in Resolution 5 below, 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, including the costs of the issue.

Voting exclusion statement

A voting exclusion statement in respect of Resolution 4 is included in the Notice.

Recommendation

The Directors believe that the ratification of this issue is beneficial for the Company as it will restore the Company's ability to issue further capital to the maximum 15% limit during the next 12 months and increase the base figure (i.e. variable 'A') in which the Company's 15% annual placement capacity is calculated, which in turn will allow a proportionately higher number of securities to be issued without Shareholder approval. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

Resolution 5: To Approve the Proposed Issue of Convertible Notes

Background

As announced on 17 September 2019, part of the total Convertible Note Placement was subject to Shareholder approval. The Company seeks to place the remaining Convertible Notes (excluding proposed subscriptions by Directors) to sophisticated and professional investors and seeks approval from Shareholders to conduct the issue under ASX Listing Rule 7.1.

ASX Listing Rules

Information on ASX Listing Rule 7.1 is set out under Resolution 4 above.

Information required by ASX Listing Rule 7.3

For the purposes of Listing Rule 7.3, the following information is provided to Shareholders in relation to the issue of Convertible Notes:

Maximum number of securities proposed to be issued

The Company proposes to issue up to a maximum of 8,800,000 Convertible Notes under Resolution 5. A maximum of 8,800,000 Shares will be issued on conversion of the Convertible Notes. If the Company pays all interest on the Convertible Notes proposed to be issued under Resolution 5 by the issue of further convertible notes, rather than cash, a maximum of 1,680,941 Interest Convertible Notes will be issued. If those Interest Convertible Notes are converted, a maximum of 1,680,941 Shares will be issued.

Date by which securities will be issued

The Convertible Notes will be issued no later than three months after the date of the meeting or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules.

Issue price

The issue price of the Convertible Notes is \$0.50 per Convertible Note.

Terms of the securities

The terms of the Convertible Notes are set out above, under Resolution 4.

Name of persons to whom securities will be issued

The securities are to be issued to 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, none of whom are related parties.

The use (or intended use) of the funds raised

Funds raised from the issue are intended to be used, in conjunction with the funds raised as detailed in Resolution 4 above, to complete the Phase I clinical trials for VB0004 to advance the library of VBS's other drugs and for general working capital, including the costs of the issue.

Issue date

The issue of Convertible Notes may occur progressively.

Voting exclusion statement

A voting exclusion statement in respect of Resolution 5 is included in the Notice.

Recommendation

Approval of the proposed issue will allow the Company to issue the Convertible Notes within three months after the Meeting without using the Company's 15% placement capacity. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolution 5.

Resolutions 6 and 7: To Approve Director Participation in the Proposed Issue of Convertible Notes

Background

Subject to Shareholder approval, two of the Directors committed to subscribe for up to \$1,100,000 in Convertible Notes under the proposed Convertible Note issue. Background information in relation to the Convertible Note Placement is set out under Resolution 5 above. Accordingly, the Company is seeking Shareholder approval pursuant to Listing Rule 10.11 for the issue of up to 2,200,000 Convertible Notes in total to two of the Directors, being Mr Maurie Stang and Dr Ronald Shnier (or their nominees) arising from their proposed participation in the issue (on the same terms as other investors). It is proposed that a current loan from Mr Stang of \$1,000,000 will be the consideration for his Convertible Notes.

Chapter 2E of the Corporations Act

For a public company to give a financial benefit to a related party of the public company, the public company must:

- (a) obtain the approval of the public company's shareholders 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.

Participation in the Placement will result in the issue of Convertible Notes which constitutes giving a financial benefit. Mr Maurie Stang and Dr Ronald Shnier are related parties of the Company by virtue of being Directors.

The Directors (other than Mr Stang who has a material personal interest in Resolution 6) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 6 because the Convertible Notes will be issued to Mr Stang on the same terms as Convertible Notes issued to non-related party participants in the Convertible Note issue.

The Directors (other than Dr Shnier who has a material personal interest in Resolution 7) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of Resolution 7 because the Convertible Notes will be issued to Dr Shnier on the same terms as Convertible Notes issued to non-related party participants in the Convertible Note issue.

ASX Listing Rules

Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

As participation involves the issue of Convertible Notes to related parties of the Company, Shareholder approval pursuant Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances.

Information Required by ASX Listing Rule 10.13

For the purposes of Listing Rule 10.13, the following information is provided to Shareholders in relation to the proposed issue of Securities to Directors under the Placement:

ASX Listing Rule 10.13 information requirements	Information
The name of the persons to whom the securities will be issued	Maurie Stang (Resolution 6); and Ronald Shnier (Resolution 7); or their respective nominees.
The maximum number of securities to be issued	2,000,000 Convertible Notes (Resolution 6). A maximum of 2,000,000 Shares will be issued on conversion of the Convertible Notes; and 200,000 Convertible Notes (Resolution 7). A maximum of 200,000 Shares will be issued on conversion of the Convertible Notes.
The date by which the securities will be issued	The Convertible Notes will be issued no later than one month after the date of the Meeting or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules.
The issue price of the securities	\$0.50 per Convertible Note subscribed for, being the same issue price for all other Convertible Notes issued under the issue. It is proposed that a current loan from Mr Stang of \$1,000,000 will be the consideration for his 2,000,000 Convertible Notes.
The terms of the issue	A summary of the terms of the Convertible Notes is included above in Resolution 4.
Voting exclusion statement	Voting exclusion statements for Resolutions 6 and 7 are included in the Notice.
The intended use of the funds raised	An amount of existing debt of \$1,000,000 of owing to Mr Stang will be the consideration for his Convertible Notes (Resolution 6) and the \$100,000 received under Resolution 7 will be used as part of the funding towards completing the Phase I clinical trials for VB0004, to advance the library of VBS's other drugs and for general working capital, including the costs of the issue.

Additional Information

If the Company elects to pay all interest on the Convertible Notes proposed to be issued under Resolutions 6 and 7 by the issue of further convertible notes, rather than cash, then subject to further Shareholder approval, a maximum of 420,235 Interest Convertible Notes will be issued. If those Interest Convertible Notes are converted, a maximum of 420,235 Shares will be issued.

Approval for the issue of Convertible Notes under Resolutions 6 and 7 pursuant to Listing Rule 7.1 is not required as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of Convertible Notes to Mr Maurie Stang and Dr Ronald Shnier (or their nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

Recommendation

The Directors, other than Mr Stang and Dr Shnier, believe that the ratification of this issue is beneficial for the Company as it will restore the Company's ability to issue further capital to the maximum 15% limit during the next 12 months and increase the base figure (i.e. variable 'A') in which the Company's 15% annual placement capacity are calculated, which in turn will allow a proportionately higher number of securities to be issued without Shareholder approval. Accordingly, the Directors, other than Mr Stang and Dr Shnier, recommend that Shareholders vote in favour of Resolutions 6 and 7.

Definitions

In these Explanatory Notes:

ASX means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires.

Board means the Board of Directors of the Company.

Convertible Note means a convertible note issued by the Company, the terms of which are described in Resolutions 4 to 7.

Company or **Vectus** means Vectus Biosystems Limited ABN 54 117 526 137.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Notes means the explanatory notes accompanying the Notice of Annual General Meeting.

Annual General Meeting or **AGM** means the meeting of the Shareholders convened for the purposes of considering the Resolutions contained in the Notice of Annual General Meeting.

Interest Convertible Note means a convertible note issued by the Company in lieu of interest on the Convertible Notes, issued at the same price and on the same terms and conditions as the Convertible Notes.

Listing Rules means the listing rules of the ASX.

Notice means the notice convening the Annual General Meeting accompanying these Explanatory Notes.

Proxy Form means the form of proxy accompanying this Notice of Annual General Meeting.

Related Party means a party so defined by section 228 of the Corporations Act.

Resolution means a resolution proposed to be passed at the Annual General Meeting and contained in the Notice of Annual General Meeting.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a person entered in the Company's register as a holder of a Share.



ABN 54 117 526 137

PROXY FORM

I / We (full name in block letters)

of (address)

being a Shareholder / Shareholders of Vectus Biosystems Limited (the Company) appoint:

..... (name of proxy holder)

or failing the person so named (or if no person is named) the Chairman of the Meeting as my / our proxy to vote in accordance with the following directions (or if no directions have been given, as the proxy or the Chairman see fit) at the Annual General Meeting (AGM) of the shareholders of the Company to be held at the offices of Dentons Australia Limited, Level 16, 77 Castlereagh Street, Sydney on Friday, 22 November 2019 commencing at 11:00am, and at any adjournment.

Exercise of Proxy by Chairman

For undirected proxies, the Chairman intends to vote in favour of each of the Resolutions.

Chairman Authorised to Exercise Undirected Proxies on Remuneration-Related Resolution

Where I / we have appointed the Chairman of the Meeting as my / our proxy (or the Chairman becomes my / our proxy by default), I / we expressly authorise the Chairman to exercise my / our proxy on Resolution 3 (except where I / we have indicated a different voting intention below) even though Resolution 3 is connected directly or indirectly with the remuneration of members of key management personnel, which includes the Chairman.

Important Note

If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 3 by marking the appropriate box below. If you desire to direct your proxy / proxies how to vote (or to abstain from voting) on any Resolution, please insert an X in the appropriate box. If you do not direct your proxy / proxies, the proxy holder may vote as they think fit or may abstain from voting.

BUSINESS

Table with 3 columns: For, Against, Abstain. Rows include Resolution 1-7 with checkboxes.

Executed in accordance with section 127 of the Corporations Act:

Signature of shareholder (This section MUST be signed to enable your directions to be implemented. Companies are to execute under seal or director's signature if applicable.)

Dated this day of 2019

Signing Instructions

You must sign this Proxy Form, in the spaces provided, as follows:

Individual: Where the holding is in one name, the holder must sign.

Joint Holding: Where the holding is in more than one name, all of the shareholders should sign.

Power of Attorney: If you are signing under a Power of Attorney, you must lodge an original or certified photocopy of the appropriate Power of Attorney with your completed Proxy Form.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this Proxy 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 Proxy Form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by completing the information in the appropriate place.

If a representative of a company shareholder or a company proxy is to attend the AGM the appropriate Appointment of Corporate Representative Certificate should be produced prior to admission. This form may be obtained from the Company.

If Appointing a Second Proxy

State here the percentage of your voting rights: %

or

the number of shares applicable to this Proxy Form: Shares

Name of Second Proxy Holder

Insert your daytime telephone number:

Note: for your proxy to be entitled to vote your shares at the AGM, the Company must receive the completed Proxy Form not later than 48 hours prior to the AGM.

Proxy Information

Additional Proxy Forms will be supplied by the Company on request. A body corporate may appoint a representative to attend, vote at and otherwise act for it at the AGM in accordance with section 250D of the Corporations Act 2001.

1. A Shareholder entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in their place. A proxy need not be a Shareholder of the Company.
2. When more than one proxy is appointed, each proxy must be appointed to represent a specified number of shares held by the Shareholder. Neither proxy may then vote by a show of hands.
3. Proxies must be appointed in writing under the hand of the Shareholder or the Shareholder's attorney, or if the Shareholder is a company under its common seal or the hand of a duly authorised attorney and in accordance with the Corporations Act.
4. To be effective, proxies, and the Power of Attorney if applicable, must be lodged with the Company not less than 48 hours before the appointed time for the holding of the AGM.

To be effective, the Proxy Form and the Power of Attorney or other authority (if any) under which it is signed (or a certified copy) must be received by Vectus at least 48 hours before the time for holding the AGM (as specified in the Company's Constitution) i.e. by 11:00am on Wednesday, 20 November 2019, by:

- a) **mail** to PO Box 324, Crows Nest, NSW 1585; or
- b) **hand delivery** to 3-11 Primrose Avenue, Rosebery NSW; or
- c) **facsimile** to (02) 9697 0944.