



ABN 54 117 526 137

NOTICE OF ANNUAL GENERAL MEETING

Place

The offices of DibbsBarker Lawyers
Level 8, Angel Place
123 Pitt Street, Sydney

Date

Thursday, 17 November 2016

Time

11:00am



ABN 54 117 526 137

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting (AGM) of the Shareholders of Vectus Biosystems Limited (Vectus or the Company) will be held at the offices of DibbsBarker Lawyers, Level 8, Angel Place, 123 Pitt Street, Sydney on Thursday, 17 November 2016 commencing at 11:00am.

ORDINARY BUSINESS

1. Financial Statements and Reports

To receive and consider the Annual Report of the Company for the year ended 30 June 2016, 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 items.

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 the Company's 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 was appointed a Director since the last AGM, retires as a Director pursuant to clause 6.1(e) of the Company's 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 the Company's Remuneration Report for the financial year ended 30 June 2016, as set out in the Directors' Report in the Company's 2016 Annual Report, be received, approved and adopted.

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

SPECIAL BUSINESS

5. Resolution 4: To Approve the Issue of Performance Rights to a Director – Dr Karen Duggan

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

That approval be given for all purposes under the Corporations Act 2001 (Cth) and the ASX Listing Rules:

- a) for the issue of 100,000 Performance Rights to Executive Director of the Company, Dr Karen Duggan, under the Vectus Employee Incentive Plan (the Incentive Plan); and
- b) in consequence of the vesting of those Performance Rights, the issue of fully paid ordinary shares in the Company on the terms set out in the Explanatory Statement accompanying this Notice of AGM and in accordance with the Rules of the Incentive Plan (as amended from time-to-time).

- 6. Resolution 5: To Approve the Issue of Performance Rights to a Director – Mr Maurie Stang**
To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:
That approval be given for all purposes under the Corporations Act 2001 (Cth) and the ASX Listing Rules:
- a) for the issue of 100,000 Performance Rights to Non-Executive Director and Deputy Chairman of the Company, Mr Maurie Stang, under the Incentive Plan; and
 - b) in consequence of the vesting of those Performance Rights, the issue of fully paid ordinary shares in the Company on the terms set out in the Explanatory Statement accompanying this Notice of AGM and in accordance with the Rules of the Incentive Plan (as amended from time-to-time).
- 7. Resolution 6: To Approve the Issue of Performance Rights to a Director – Mr Peter Bush**
To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:
That approval be given for all purposes under the Corporations Act 2001 (Cth) and the ASX Listing Rules:
- a) for the issue of 100,000 Performance Rights to Non-Executive Director of the Company, Mr Peter Bush under the Incentive Plan; and
 - b) in consequence of the vesting of those Performance Rights, the issue of fully paid ordinary shares in the Company on the terms set out in the Explanatory Statement accompanying this Notice of AGM and in accordance with the Rules of the Incentive Plan (as amended from time-to-time).
- 8. Resolution 7: To Approve the Issue of Deferred Share Awards to a Director – Dr Karen Duggan**
To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:
That approval be given for all purposes under the Corporations Act 2001 (Cth) and the ASX Listing Rules:
- a) for the issue of 75,000 Deferred Share Awards to Executive Director of the Company, Dr Karen Duggan, under the Incentive Plan; and
 - b) in consequence of the vesting of those Deferred Share Awards, the issue of fully paid ordinary shares in the Company on the terms set out in the Explanatory Statement accompanying this Notice of AGM and in accordance with the Rules of the Incentive Plan (as amended from time-to-time).
- 9. Resolution 8: To Approve the Issue of Shares to a Director – Dr Karen Duggan**
To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:
That approval be given for all purposes under the Corporations Act 2001 (Cth) and the ASX Listing Rules for the issue of 2,000 Ordinary Shares to Executive Director of the Company, Dr Karen Duggan, under the Incentive Plan for her service during the 2014-15 financial year.
- 10. 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 Statement.

VOTING EXCLUSION STATEMENTS

In respect of Resolution 3, the Company 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, the Company 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 each of Resolutions 4 to 8, the Company will disregard any votes cast by all of the Directors who are eligible to participate in the Vectus Employee Incentive Plan, and any of their associates. However, the Company need not disregard a vote if it is cast by a person 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 chairing the Meeting 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.

In respect of each of Resolutions 4 to 8, no person who is a member of the KMP, or a closely-related party of such a member, may vote as a proxy on the relevant Resolution unless the person does so in accordance with a direction on the Proxy Form or the person is chairing the Meeting and the proxy appointment expressly authorises the person chairing the Meeting to exercise the proxy, even if the Resolution is connected directly or indirectly with the remuneration of the KMP.

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 the Company at least 48 hours before the time for holding the AGM (as specified in the Company's Constitution) i.e. by 11:00am on 15 November 2016 at:

- a) PO Box 324, Crows Nest, NSW 1585; or
- b) 3-11 Primrose Avenue, Rosebery NSW 2018; or
- c) by facsimile (02) 9427 5928.

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

Dated in Sydney on this 10th day of October 2016.

By authority of the Board

Robert J Waring
Company Secretary

EXPLANATORY STATEMENT

Introduction

This Explanatory Statement sets out information designed to assist the Shareholders of the Company to vote on the Resolutions outlined in the Notice of Annual General Meeting (AGM). The Directors recommend that Shareholders read the accompanying Notice of AGM and this Explanatory Statement in full before making any decisions relating to the Resolutions.

ORDINARY BUSINESS

Item 1: Financial Statements and Reports

The 2016 Annual Financial Report, including the Directors' Reports and the Auditor's Report for the year ended 30 June 2016, 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 the Company. 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 the Company, 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 or by facsimile to (02) 9427 5928.

The Company's 2016 Annual Report is available on the Company's website at www.vectusbiosystems.com.au.

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 the Company 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 the Company that he or she will have sufficient time to fulfil his or her responsibilities as a director. A candidate for election as a Director of Vectus discloses to the Company 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) previously 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 one year and three months)

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) since 7 March 2012.

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

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

The Company's 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. The Company 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 the Company are the Directors of the Company, and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's KMP for the financial year to 30 June 2016. 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.

SPECIAL BUSINESS

General Explanatory Notes applying to Resolutions 4, 5 and 6

Contemplated Issue of Performance Rights to Directors under the Incentive Plan

As set out on pages 95 and 96 of the Company's Initial Public Offering (IPO) Prospectus dated 23 November 2015, the Company has allocated a "pool" of up to 300,000 Performance Rights, which may be issued to certain Directors. The Directors who are proposed to be issued Performance Rights are set out below:

Karen Duggan	100,000 Performance Rights
Maurie Stang	100,000 Performance Rights
Peter Bush	100,000 Performance Rights

The Directors entitled to be issued Performance Rights are those the Board has identified as key contributors to the Company in the period of the Vectus IPO and ASX Listing. The proposed issue of Performance Rights is designed to assist in the reward, motivation and retention of those Directors, and to recognise the abilities, efforts and contributions of those participants in Vectus' performance and success.

The Board, in conjunction with the Remuneration and Nomination Committee (excluding those Directors entitled to be issued Performance Rights), determined the allocations of Performance Rights. The Company is now seeking shareholder approval of the proposed allocations of Performance Rights in accordance with ASX Listing Rule 10.14, which requires Shareholder approval for the issue of securities to Directors under an employee incentive scheme. The terms of the Performance Rights are provided to Shareholders below.

A grant of a Performance Right will entitle the recipient to receive a fully paid ordinary Share in Vectus on the vesting date (which will be two years after the award of the Performance Rights), subject to the satisfaction of certain performance conditions. The performance conditions are:

1. the participant remains a Director of the Company, other than where he or she ceases by reason of death, disability, bona fide redundancy or other reason approved by the Board; and
2. the share price of the Company (calculated on a 30-day VWAP basis) is at least 50% higher than the \$1.55 issue price of shares under the IPO Prospectus.

The Performance Rights have no value to the recipient unless the hurdles are met and the Company's share price appreciates over the period to the vesting date. Vesting (i.e. the entitlement to convert a Performance Right award into a share) occurs only if all of the performance conditions are met. Performance Rights that do not vest will lapse immediately. There is no "re-testing" of Performance Rights or the performance conditions.

Upon vesting of a Performance Right, one fully paid share in the Company will be allotted automatically to the holder at no cost.

Information Required Under ASX Listing Rule 10.15

The maximum number of Performance Rights and subsequent ordinary Shares (upon vesting) to be issued to Dr Duggan is 100,000, to Mr Stang is 100,000 and to Mr Bush is 100,000. It is intended that the Performance Rights will be issued to Dr Duggan, Mr Stang and Mr Bush within one month of the date of the AGM and in any event, no later than 12 months after the date of the AGM. No funds will be received from the issue of those Performance Rights or the subsequent issue of Shares upon vesting. The Company will apply to the ASX for official quotation of the Shares upon issue after vesting and Shares issued will rank equally with Shares then on issue. There is no loan scheme in relation to the Performance Rights or the subsequent issue of Shares upon vesting.

Value of the Grant of Performance Rights

The value of the grant of Performance Rights has been assessed applying a Binominal Approximation Option Pricing methodology. The total value of the Performance Rights granted amounts to \$405,000 (\$135,000 in respect of Dr Duggan, \$135,000 in respect of Mr Stang and \$135,000 in respect of Mr Bush). The valuations of the Performance Rights is based on the following variables: valuation date 7 October 2016, share price \$1.35,

exercise price \$0.00, risk-free rate 2.27%, and volatility of 40% (as VBS is recently listed on ASX, the volatility is based on a basket of similar companies). The resulting assessed value per performance right of \$1.35. A valuation at the date of grant, in accordance with AIFRS-2, will be undertaken and the value of these Performance Rights will be expensed in accordance with the standards.

The issue of Performance Rights to the Directors named in Resolutions 4 to 6 inclusive (Named Directors) constitutes part of their remuneration, and is designed to align their interests with those of the Company and the Shareholders. It is also intended to provide an incentive for them to further enhance the growth and value of the Company. Section 208 of Chapter 2E of the Corporations Act provides that for a public company to give a financial benefit to a related party of the public company, the company must:

- obtain the approval of the company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- 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.

A "financial benefit" is defined in the Corporations Act in broad terms and includes a public company issuing Performance Rights. For the purposes of this meeting, a "related party" includes a Director. Accordingly, the proposed issue of Performance Rights to a Director involves the provision of a financial benefit to a related party of the Company.

It is the view of the Directors that the exception to Section 208 set out in Section 211(1) applies; that the financial benefit is reasonable remuneration, given the circumstances of the Company and the Named Directors. The issue of Shares and Performance Rights set out in Resolutions 4 to 6 inclusive are considered to be reasonable remuneration for services and to align the interests of the Named Directors with those of the Company and the Shareholders in the context of the relatively conservative remuneration packages of the Named Directors.

In the current financial year the Named Directors are expected to be paid the following amounts, including statutory superannuation guarantee payments and other entitlements where relevant.

Named Director	Salary (\$)	Directors' Fees (\$)
Karen Duggan	204,000	-
Maurie Stang	-	55,000
Peter Bush	-	45,000

Accordingly, the Directors have determined not to seek Shareholder approval for the purposes of Chapter 2E of the Corporations Act for the issue of Performance Rights to the Named Directors. Shareholder approval will, however, be sought under Listing Rule 10.14. Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive plan to a Director of the entity or their associates.

General Explanatory Notes applying to Resolutions 4 to 8

As shareholder approval is being sought under ASX Listing Rule 10.11 in relation to Resolutions 4 to 8, approval is not required under ASX Listing Rule 7.1. All Directors are entitled to participate in the Incentive Plan. There were 100,000 Performance Rights issued to Director Mr Peter Bush on 21 October 2015 under the Incentive Plan, which convert to ordinary shares subject to the performance condition that he remains a Director of the Company for a period of two years until 23 February 2018, unless the Board approves an alternate performance condition. The approvals being sought in Resolutions 4 to 8 concern the first proposal for Directors to receive securities since the Company listed on ASX in February 2016. The terms of the Incentive Plan were summarised on pages 95 and 96 of the IPO Prospectus dated 23 November 2015. Details of any Performance Rights, Deferred Share Awards and Shares issued to the Directors will be provided in the Remuneration Report in each Annual Report relating to the period in which the securities have been issued, and will note that approval was obtained under ASX Listing Rule 10.14.

Resolution 4: To Approve the Issue of Performance Rights to a Director – Dr Karen Duggan

As detailed above, this Resolution is to seek shareholder approval for the issue of 100,000 Performance Rights to Executive Director of the Company Dr Karen Duggan under the Incentive Plan and, in consequence of the vesting of those Performance Rights, the issue of fully paid ordinary shares in the Company.

Directors' Recommendation:

The Board, with Dr Duggan abstaining, recommends that Shareholders vote in favour of Resolution 4.

Resolution 5: To Approve the Issue of Performance Rights to a Director – Mr Maurie Stang

As detailed above, this Resolution is to seek shareholder approval for the issue of 100,000 Performance Rights to Deputy Chairman and Non-Executive Director of the Company Mr Maurie Stang under the Incentive Plan and, in consequence of the vesting of those Performance Rights, the issue of fully paid ordinary shares in the Company.

Directors' Recommendation:

The Board, with Mr M Stang abstaining, recommends that Shareholders vote in favour of Resolution 5.

Resolution 6: To Approve the Issue of Performance Rights to a Director – Mr Peter Bush

As detailed above, this Resolution is to seek shareholder approval for the issue of 100,000 Performance Rights to Non-Executive Director and former Chief Financial Officer of the Company Mr Peter Bush under the Incentive Plan and, in consequence of the vesting of those Performance Rights, the issue of fully paid ordinary shares in the Company.

Directors' Recommendation:

The Board, with Mr Bush abstaining, recommends that Shareholders vote in favour of Resolution 6.

Resolution 7: To Approve the Issue of Deferred Share Awards to a Director – Dr Karen Duggan

This Resolution is to seek Shareholder approval for the issue of 75,000 Deferred Share Awards to Executive Director of the Company Dr Karen Duggan under the Incentive Plan and, in consequence of the vesting of those Deferred Share Awards, the issue of fully paid ordinary shares in the Company on the terms set out below and in accordance with the Rules of the Incentive Plan.

As part of the Remuneration and Nomination Committee review, and the Board review of Dr Duggan's performance for the year ended 30 June 2016, the Board approved \$100,000 as a short-term incentive for Dr Duggan, payable as 75,000 Deferred Share Awards under its Incentive Plan. This short-term incentive payment represents approximately 33% of her total remuneration and was awarded because of her exceptional scientific work during the year under review, and based on her performance during the Company's IPO. The Deferred Share Awards will vest in equal tranches over three years and convert into ordinary Shares, providing that Dr Duggan remains employed by Vectus. The three-year vesting period commences from the date of the AGM. The value of the 75,000 Deferred Share Awards, using the valuation methodology discussed above in Resolutions 4, 5 and 6 above, is \$101,250 at the assessed value per Deferred Share Award of \$1.35.

Information Required Under ASX Listing Rule 10.15

The maximum number of Deferred Share Awards and subsequent ordinary Shares to be issued to Dr Duggan is 75,000. It is intended that the Deferred Share Awards will be issued to Dr Duggan within one month of the date of the AGM and in any event, no later than 12 months after the date of the AGM. No funds will be received from the issue of those Deferred Share Awards or the subsequent issue of Shares upon vesting. The Company will apply to the ASX for official quotation of the Shares upon issue after vesting and Shares issued will rank equally with the Shares then on issue. There is no loan scheme in relation to the Deferred Share Awards or the subsequent issue of Shares upon vesting.

Directors' Recommendation:

The Board, with Dr Duggan abstaining, recommends that Shareholders vote in favour of Resolution 7.

Resolution 8: To Approve the Issue of Shares to a Director – Dr Karen Duggan

This Resolution seeks Shareholder approval for the issue of 2,000 fully paid ordinary Shares to Executive Director of the Company Dr Karen Duggan under the Incentive Plan for her service during the 2014-15 financial year.

In late 2015 the Board agreed to delay the 2015 equity award part of the staff remuneration reviews for the 2014-15 financial year until after the IPO. As part of this remuneration review process 2,000 shares were awarded to Dr Duggan, subject to Shareholder approval. The Vectus Share price at the date of this Notice of AGM is \$1.35, and this compares to a high of \$1.35 per Share and a low of \$1.32 per Share in the month leading up to this Notice of AGM. The assessed value of the 2,000 fully paid ordinary Shares is \$2,700 at \$1.35 per share, using the valuation methodology referred to above in Resolutions 4, 5, 6 and 7 above.

Information Required Under ASX Listing Rule 10.15

The maximum number of fully paid ordinary Shares to be issued to Dr Duggan is 2,000. It is intended that the Shares will be issued to Dr Duggan within one month of the date of the AGM and in any event, no later than 12 months after the date of the AGM. No funds will be received from the issue of those Shares. The Company will apply to the ASX for official quotation of the Shares upon issue. The Shares issued will rank equally with Shares then on issue. There is no loan scheme in relation to the Shares.

Directors' Recommendation:

The Board, with Dr Duggan abstaining, recommends that Shareholders vote in favour of Resolution 8.

GLOSSARY

In this Notice of AGM and Explanatory Statement, the following expressions have the meaning set out in this Glossary:

Annual General Meeting, AGM or Meeting mean the annual general meeting of the Company convened by this Notice.

ASX means the Australian Securities Exchange.

Company means Vectus Biosystems Limited ABN 54 117 526 137.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Deferred Share Awards under the Plan are Shares in lieu of any discretionary cash bonus or other incentive payment, such as a Short-Term Incentives.

Director means a director of the Company as elected from time-to-time.

Explanatory Statement means the explanatory statement accompanying this Notice of AGM.

Key Management Personnel or KMP has the same meaning given in the accounting standards. Broadly speaking this includes the Directors, and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The 2016 Annual Financial Report identifies the Key Management Personnel for the financial year ended 30 June 2016.

Listing Rules means the ASX Listing Rules as published by the ASX from time-to-time.

Participant means a person who holds a Performance Right, a Deferred Share Award or an Option under the terms of the Plan from time-to-time.

Performance Conditions means conditions that must be satisfied before a Performance Right, a Deferred Share Award or an Option vests or is exercisable under the Plan.

Performance Rights means an entitlement to a Share subject to satisfaction of certain conditions (including the Performance Conditions).

Plan or Incentive Plan mean the Vectus Employee Incentive Plan.

Plan Rules means the rules of the Plan.

Resolution means a resolution proposed in this Notice of AGM.

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

Shareholder means a holder of a Share.

Short-Term Incentive or STI is a component of remuneration for the Company's executives payable in cash or equity as determined by the Board, and awarded based on achieving growth and performance targets. The deferred equity component remains 'at risk' until vesting.

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 sees fit) at the Annual General Meeting (AGM) of the shareholders of the Company to be held at the offices of DibbsBarker Lawyers, Level 8, Angel Place, 123 Pitt Street, Sydney on 17 November 2016 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 Resolutions

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 Resolutions 3 to 8 (except where I / we have indicated a different voting intention below) even though Resolutions 3 to 8 are connected directly or indirectly with the remuneration of a member 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 Resolutions 3 to 8 by marking the appropriate box below.

ORDINARY BUSINESS

Resolution 1 – To Elect a Director – Mr Peter Bush

Resolution 2 – To Elect a Director – Dr Susan Pond

Resolution 3 – To Adopt the Remuneration Report

For Against Abstain

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SPECIAL BUSINESS

Resolution 4 – To Approve the Issue of Performance Rights to a Director – Dr Karen Duggan

Resolution 5 – To Approve the Issue of Performance Rights to a Director – Mr Maurie Stang

Resolution 6 – To Approve the Issue of Performance Rights to a Director – Mr Peter Bush

Resolution 7 – To Approve the Issue of Deferred Share Awards to a Director – Dr Karen Duggan

Resolution 8 – To Approve the Issue of Shares to a Director – Dr Karen Duggan

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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 2016

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.

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.

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 the Company at least 48 hours before the time for holding the AGM (as specified in the Company's Constitution) i.e. by 11:00am on 15 November 2016, at:

- a) PO Box 324, Crows Nest, NSW 1585; or
- b) 3-11 Primrose Avenue, Rosebery NSW 2018; or
- c) by facsimile (02) 9427 5928.