



2020 ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of the shareholders of Vectus Biosystems Limited will be held on Monday, 30 November 2020 commencing at 11:00am (AEDT). In light of the COVID-19 pandemic and the restrictions placed in relation to public gatherings, the AGM is being held as a virtual meeting. There will not be a physical meeting held.

Shareholders will be able to join the AGM from their computer, tablet or smartphone via Zoom

using the information that has been provided to them.

Shareholders may also join the AGM by telephone using the details provided to them together with the Proxy Form.

Voting will be via Proxy Form or Shareholders will be able to vote online during the AGM using Lumi Lite, as detailed in the information provided to Shareholders with their Proxy Form.

NOTICE OF THE 2020 ANNUAL GENERAL MEETING

Notice is hereby given that the 2020 Annual General Meeting (AGM) of the shareholders of Vectus Biosystems Limited (Vectus or the Company) will be held on Monday, 30 November 2020 commencing at 11:00am (AEDT). In light of the COVID-19 pandemic and the restrictions placed in relation to public gatherings, the AGM is being held as a virtual meeting.

BUSINESS

1. **Item 1: Financial Statements and Reports**

To receive and consider the Annual Report of the Company for the year ended 30 June 2020, 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 during 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 – Dr Ronald Shnier**

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

That, Dr Ronald Shnier, 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 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 2020, as set out in the Directors' Report in the Company's 2020 Annual Report, be received, approved and adopted.

Note

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

4. **Resolution 3: To Approve the Employee Incentive Plan**

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

That, pursuant to ASX Listing Rule 7.2 (Exception 13), and for all other purposes, the Company's Employee Incentive Plan, as set out in the Explanatory Notes, be approved.

5. **Resolution 4: To Ratify the Issue of Options made on 27 July 2020**

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

That, pursuant to ASX Listing Rule 7.4, and for all other purposes, Shareholders ratify the issue made on 27 July 2020 of 500,000 options in Vectus with a \$0.50 exercise price, which will expire, if not exercised, on 24 December 2022, as set out in the Explanatory Notes.

6. Resolution 5: To Approve the Proposed Issue of Shares

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

That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue and allotment of up to 3,600,000 fully paid ordinary shares in the Company to investors that are not Related Parties of Vectus, as set out in the Explanatory Notes.

7. Resolution 6: To Approve a 10% Placement Facility

To consider and, if thought fit, to pass the following Resolution as a special resolution:

That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2, and on the terms and conditions in the Explanatory Notes.

8. To transact any other business brought forward in accordance with Vectus' 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 2** (To Adopt the Remuneration Report), 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 2020 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 Vectus' 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 **Resolution 3** (To Approve the Employee Incentive Plan), Vectus will disregard any votes cast (in any capacity) by or on behalf of any person who is a member of the KMP whose remuneration details are included in the Remuneration Report in the 2020 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** (To Ratify the Issue of Options made on 27 July 2020), the Company will disregard any votes cast in favour of the Resolution by or on behalf of any person who participated in the issue the subject of Resolution 4 or an Associate of that person (or those persons). However, this does not apply to a vote cast in favour of the Resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chairman of the AGM as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chairman to vote on the Resolution as the Chairman decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

In respect of **Resolution 5** (To Approve the Proposed Issue of Shares), Vectus will disregard any votes cast in favour of the Resolution by or on behalf of any person who is expected to 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) if Resolution 5 is passed, or an Associate of that person (or those persons). However, this does not apply to a vote cast in favour of the Resolution by:

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

In respect of **Resolution 6** (To Approve a 10% Placement Facility), Vectus will disregard any votes cast in favour of the Resolution by or on behalf of any person who is anticipated to 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), or an Associate of that person. However, this does not apply to a vote cast in favour of the Resolution by:

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

PROXIES

To be effective, Proxy Forms must be received by Vectus' Share Registrar, Boardroom Pty Limited, at least 48 hours before the time for holding the AGM:

by post to the following address:

Boardroom Pty Limited
PO Box 3993
Sydney NSW 2001 Australia; or

by facsimile on:

02 9290 9655 (within Australia) or +61 2 9290 9655 (outside Australia); or

by voting online at <https://www.votingonline.com.au/vbsagm2020> (following the instructions on the attached Proxy Form).

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001 (Cth), the Board has determined that a person's entitlement to vote at the AGM will be the entitlement of that person set out in the Register of Shareholders as at 11:00am (AEDT) on Saturday, 28 November 2020. Share transfers registered after that time will be disregarded in determining entitlements to vote during the AGM. In addition, Australian legal requirements limit the eligibility of certain people to vote on some items of business to be considered at the AGM. This voting exclusion is designed to limit the capacity of people who stand to benefit from a Resolution to influence whether or not the Resolution is passed.

A member entitled to join and vote during the AGM is entitled to appoint not more than two persons as his / her proxy to join and vote instead of the member. A proxy need not be a member of the Company. If more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. Unless under Power of Attorney (which should have been previously noted by Vectus), a Proxy Form by a corporation should be executed under its common seal or in accordance with the Corporations Act 2001.

If a proxy is not directed how to vote on an item of business, the proxy may vote or abstain from voting on that Resolution as they think fit. Should any resolution, other than those specified in the Notice of AGM, be proposed at the AGM, a proxy may vote on that resolution as they think fit.

If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Shareholder's behalf on any poll that may take place and the Shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

Shareholders who return their Proxy Forms with a direction on how to vote, but do not nominate the identity of their proxy, will be taken to have appointed the Chairman of the AGM as their proxy to vote on their behalf. If a Proxy Form is returned, but the nominated proxy does not join the AGM, or does not vote on the Resolution, the Chairman of the AGM will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the AGM, the Company Secretary or any Director that do not contain a direction on how to vote will be used where possible to support each of the Resolutions proposed in the Notice of AGM.

Dated in Sydney on this 27th day of October 2020.

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 2020 Annual Financial Report, including the Directors' Reports and the Auditor's Report for the year ended 30 June 2020, 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' 2020 Annual Report is available on its website at:
<http://www.vectusbiosystems.com.au/investor-centre/reports-and-presentations>.

General Explanatory Notes Applying to Resolution 1

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 the Company all interests, positions, associations and relationships that may bear on his or her independence.

Resolution 1: To Elect a Director – Dr Ronald Shnier

Non-Executive Chairman Dr Ronald Shnier completed a radiology fellowship at Royal Prince Alfred Hospital (RPAH) before undertaking his neuroradiology fellowship at RPAH in 1989 and musculoskeletal fellowship at the University of California Los Angeles (UCLA) in 1991. He was a consultant specialist at RPAH between 1990 and 1993. Dr Shnier started one of Australia's first Private MRI practices in 1991 before becoming General Manager of Mayne's Diagnostic Imaging in 2007 and was its National Director for many years. He has served on several international MRI advisory boards. Dr Shnier has a strong involvement in clinical research, and

has lectured both in Australia and overseas. He is considered by the Board to be an independent Director of Vectus.

Directorships held in other listed entities in the past three years

None

Appointed to the Board

2 September 2015 (i.e. a term of office of five years)

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

Directors' Recommendation

The Board, with Dr Shnier abstaining, recommends that Shareholders vote in favour of Resolution 1.

Resolution 2: 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 the votes that are cast vote against the adoption of the remuneration report at two consecutive annual general meetings, shareholders will be required to vote at the second of those annual general meetings on a resolution (a spill resolution) that another meeting be held within 90 days at which all of a 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 AGM, other Directors, other KMP or any of their closely-related parties will not be included in the votes for this Resolution. However, Vectus 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 Vectus, 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 Vectus' KMP for the financial year to 30 June 2020. 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 2. Voting exclusions apply.

Resolution 3: To Approve the Employee Incentive Plan

ASX Listing Rule 7.1 allows the Company to issue a maximum of 15% of its expanded capital in any 12-month period without requiring shareholder approval. ASX Listing Rule 7.1 does not apply in certain cases, as set out in ASX Listing Rule 7.2, including Exception 13, where an issue under an employee incentive plan is made within three years before the date of issue that the terms of the plan are approved by shareholders. The terms and conditions of Vectus' Employee Incentive Plan (Plan) were summarised on page 95 of the Company's IPO Prospectus dated 23 November 2015. The purpose of this Resolution is to refresh the Plan in accordance with ASX Listing Rule 7.2, including Exception 13. A copy of the full rules of the Plan, as summarised below, is available to Shareholders, free of charge, on request and is on Vectus' website under the Investor Centre.

The securities that have been issued under the Plan since the Company listed on ASX and since trading commenced on ASX on 23 February 2016 are as follows:

- On 5 December 2016 Vectus issued a total of 300,000 Performance Rights to three of its Directors (being 100,000 Performance Rights each to Dr Karen Duggan, Mr Maurie Stang and Mr Peter Bush), and 75,000 Deferred Share Awards and 2,000 Shares to its Executive Director, Dr Karen Duggan, all of which were issued under the Plan after Shareholder approval at the Company's 17 November 2016 annual general meeting;
- On 5 June 2017 Vectus issued a total of 9,726 zero-exercise-priced Options to six of its employees as part of the Company's annual staff performance and remuneration review, all of which were issued under the Plan. These five-year options vest as to one third annually over three years based on the staff members' satisfactory work performance, as assessed in Vectus' annual review;
- On 12 October 2018 the Company issued a total of 7,000 Options to two employees, as part of Vectus' staff performance and remuneration review for the 2017-18 financial year, all of which were issued under the Plan. These Options have an expiry date of 23 August 2023, a zero exercise price, and vest over three years providing that satisfactory work performance is assessed by the Remuneration and Nomination Committee in its annual staff reviews; and
- On 3 October 2019 the Company issued a total of 12,500 options to three employees, all of which were issued under the Plan, with no cash consideration payable on exercise and an expiry date of 3 October 2024. The five-year options vest as to one third annually over three years, with one third having vested on 1 July 2020, one third vesting on 1 July 2021 and the balance vesting on 1 July 2022, based on the three staff members' satisfactory work performance, as assessed in Vectus' annual review.

Summary of the Plan

Purpose of the Plan

The Plan is designed to assist in the attraction, retention and motivation of employees, officers and contractors of the Company, and to promote the long-term success of Vectus as a goal shared by all employees.

Eligibility

The Plan is open to full-time or permanent part-time employees, officers, Executive Directors and contractors of the Company or any related body corporate of Vectus' (Employees). Key terms of the Plan are summarised below.

Types of Awards

Under the Plan the Company may issue any of the following (called Awards):

- Options to acquire Shares on terms set by Vectus in its discretion – including as to vesting and restrictions on the disposal of Shares issued on exercise of the Options;
- Performance Rights, which are rights to be issued Shares for nil exercise price upon the satisfaction of specified vesting conditions;
- Deferred Share Awards, to be issued in lieu of wages, salaries, Directors' Fees or other remuneration, or in lieu of any discretionary bonus or other incentive payment. Shares issued as Deferred Share Awards are subject to restrictions on disposal for up to 10 years; and
- Exempt Share Awards, which are Shares issued to an Employee for no cash consideration or at an issue price that is at a discount to the market price with the intention that up to \$1,000 of the total discount received by the Employee will be exempt from tax. Shares issued as Exempt Share Awards are subject to restrictions on disposal for up to three years.

Board Discretions

The Board has broad discretions under the Plan, including as to the terms of issue of Awards (such as vesting conditions and performance hurdles) and the ability to waive or shorten restrictions on disposal.

5% Limit

The total number of outstanding Awards, when added to the total number of Shares issued during the previous five years under both the Plan and any similar incentive plan, cannot exceed 5% of the Company's issued capital. The 5% limit does not include in the calculation any offers that would otherwise be exempt from the prospectus provisions of the Corporations Act.

Adjustment Terms

Employees who participate in the Plan and are issued Awards are not entitled to participate in a new issue of Shares or other securities made by Vectus to holders of its Shares without exercising their Awards before the record date for the relevant issue. If the Company makes a pro-rata bonus issue, and an Award is not exercised prior to the record date for that bonus issue, then, on exercise of the Award, the holder will receive the number of bonus Shares that would have been issued if the Award had been exercised prior to the record date. If, prior to the exercise of an Award, Vectus undergoes a re-organisation of capital (other than by way of a bonus issue or issue for cash) the terms of issued Awards will be changed to the extent necessary to comply with the ASX Listing Rules as they apply at the relevant time.

Directors' Recommendation

The Directors do not make any recommendation to Shareholders on Resolution 3 because of their personal interests in the subject matter of the Resolution.

Resolution 4: To Ratify the Issue of Options made on 27 July 2020

Background

On 27 July 2020 the Company issued 500,000 options to Gleneagle Securities (Aust) Pty Ltd (Gleneagle) for its ongoing corporate advisory and consulting services to Vectus, mainly in connection with the Company's previously-issued Convertible Notes. Work on the \$7 million capital raising in convertible notes in the Company (Convertible Notes) took place over the period of the September 2019 quarter to the March 2020 quarter. The raising was made to fund work on the Phase I clinical trials for VB0004, which potentially prevents and reverses fibrosis in organs, to advance the library of Vectus' other drugs and for general working capital. The Convertible Notes, which have an interest rate of 6% per annum, are secured over the assets of the Company and have a maturity date of 27 September 2022.

The 500,000 options issued to Gleneagle for its broking and corporate advisory work have a \$0.50 exercise price, are exercisable in whole or in part at any time during the period commencing on the date of issue and will expire, if not exercised, on 24 December 2022.

The purpose of Resolution 4 is to seek Shareholder approval under ASX Listing Rule 7.4 to approve and ratify the issue of the 500,000 unlisted options issued to Gleneagle under ASX Listing Rule 7.1.

ASX Listing Rules

ASX Listing Rule 7.1 provides that, unless an exemption applies, a company must not, without prior approval of its 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.

ASX Listing Rule 7.4 states that an issue by a company of securities made without approval under ASX Listing Rule 7.1 is treated as having been made with approval for the purpose of

ASX Listing Rule 7.1 if the issue did not breach ASX Listing Rule 7.1 and the company's members subsequently approve it. Issues made under ASX Listing Rule 7.1A can also be ratified under ASX Listing Rule 7.4.

The effect of Shareholders approving Resolution 4 and ratifying the Option issue will be to restore Vectus' ability to issue further capital to the maximum 15% limit during the next 12 months, and to 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.

The following information is provided regarding the issue of the Options under ASX Listing Rule 7.5:

- Vectus issued 500,000 Options to Gleneagle.
- The Options were not issued for cash consideration, but as part of the consideration for Gleneagle for providing broking and corporate advisory services in organising the \$7 million Convertible Notes.
- The options were issued to Gleneagle.
- The 500,000 Options issued to Gleneagle have a \$0.50 exercise price, are exercisable in whole or in part at any time during the period commencing on the date of issue and will expire, if not exercised, on 24 December 2022. Full terms of the Options are set out in Annexure A below.
- No funds were raised from the issue of the Options.
- A voting exclusion statement in respect of Resolution 4 is included in the Notice of AGM.

Directors' Recommendation

The Board recommends that Shareholders vote in favour of this Resolution. The Chairman intends to vote undirected proxies in favour of Resolution 4.

Resolution 5: To Approve the Proposed Issue of Shares

Background

As described in Resolution 4, ASX Listing Rule 7.1 prohibits a company from issuing, or agreeing to issue, Equity Securities that amount to more than 15% of its ordinary securities in any 12-month period, without shareholder approval.

Equity Securities Proposed to be Issued

Resolution 5 seeks Shareholder approval for the issue of up to 4,000,000 Shares for the purpose of ASX Listing Rule 7.1. By obtaining Shareholder approval for the Equity Securities the subject of Resolution 5, the Company will retain the flexibility to issue Equity Securities in the future of up to an additional approximate 17% placement capacity without the requirement to obtain prior Shareholder approval. Vectus regularly monitors its ongoing equity requirements for funding of the ongoing development work on its drug library and its other activities, and the need for flexibility to respond to market conditions to raise the additional equity. The passing of this Resolution will enhance the flexibility of future funding alternatives. Any decision on funding future work on the Company's drug library will depend on the results of current activities and, accordingly, at the time of issuing this Notice of AGM, no specific plans are in hand to expend the funds that could be raised if Resolution 5 is passed.

ASX Listing Rule 7.3

ASX Listing Rule 7.3 requires that a notice of meeting concerning a proposed resolution to approve an issue of Equity Securities in accordance with ASX Listing Rule 7.1 must include the following information:

- the maximum number of Equity Securities that will be issued under the approval sought through Resolution 5 is 4,000,000 Shares;
- the Shares will be issued and allotted progressively, and no later than three months after the date of the AGM (or such later date as may be permitted by the Corporations Act, the

- Australian Securities and Investments Commission, or by an ASX waiver of the ASX Listing Rules);
- the issue price of the Shares will be no less than 80% of the volume weighted average price (VWAP) of Vectus' Shares for the five Trading Days prior to the date of issue calculated in accordance with ASX Listing Rule 7.3.3;
 - the Shares will be issued to sophisticated and professional investors or other eligible parties who are not Related Parties of the Company;
 - the Shares will rank equally in all respects with existing Shares;
 - funds raised by the issue of the Equity Securities will be applied as a source of funds to support the further development of the Vectus drug library, including clinical trials for VB0004, and for working capital and other general corporate purposes; and
 - a Voting Exclusion Statement is contained in the Notice of AGM.

Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 5.

Resolutions 6: To Approve a 10% Placement Facility

ASX Listing Rule 7.1A enables an eligible entity to issue Equity Securities of up to 10% of its issued share capital through placements over a 12-month period after an annual general meeting (10% Placement Facility). The 10% Placement Facility is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1. An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that:

- (a) is not included in the S&P / ASX 300 Index; and
- (b) has a market capitalisation of \$300 million or less (excluding restricted securities and securities quoted on a deferred settlement basis).

Vectus is an eligible entity for the purposes of ASX Listing Rule 7.1A.

The Company is seeking Shareholder approval by way of a special Resolution to have the ability to issue Equity Securities under the 10% Placement Facility in addition to its 15% placement capacity under ASX Listing Rule 7.1. The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2. Further information is set out in section (c) below.

The effect of Resolution 6 will be to allow the Directors to issue Equity Securities under ASX Listing Rule 7.1A during the 10% Placement Period (as defined below) without using Vectus' 15% placement capacity under ASX Listing Rule 7.1.

Resolution 6 is a special Resolution, and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Description of ASX Listing Rule 7.1A

- (a) **Shareholder Approval**
The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.
- (b) **Equity Securities**
Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the company. At the date of this Notice of AGM, the Company only has quoted Shares, unquoted Options and Convertible Notes on issue.
- (c) **Formula for Calculating 10% Placement Facility**
ASX Listing Rule 7.1A.2 provides that eligible entities that have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12-month

period after the date of an annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E; where:

A is the number of shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of fully paid ordinary shares issued in the 12 months under an Exception in ASX Listing Rule 7.2 other than Exceptions 9, 16 or 17;
- (ii) plus the number of partly paid ordinary shares that become fully paid in the 12 months on the conversion of convertible securities within ASX Listing Rule 7.2 Exception 9 where:
 - the convertible securities were issued or agreed to be issued before the commencement of the relevant period; or
 - the issue of, or agreement to issue, the convertible securities was approved, or taken under these Rules to have been approved, under ASX Listing Rules 7.1 or 7.4;
- (iii) plus the number of fully paid ordinary shares issued in the 12 months under an agreement to issue securities within ASX Listing Rule 7.2 Exception 16 where:
 - the agreement was entered into before the commencement of the relevant period; or
 - the agreement or issue was approved, or taken under these Rules to have been approved, under ASX Listing Rules 7.1 or 7.4;
- (iv) plus the number of partly paid ordinary securities that became fully paid in the relevant period;
- (v) less the number of fully paid ordinary shares cancelled in the 12 months.

Note that **A** has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rules 7.1 or 7.4.

Number of Shares on Issue

The 10% Placement is in addition to a listed entity's usual 15% placement capacity under ASX Listing Rule 7.1. At the date of this Notice of AGM, Vectus has 23,661,317 Shares on issue and therefore, in addition to any other Shares that it can issue under the permitted Exceptions to ASX Listing Rules 7.1 and 7.1A, it has the capacity to issue:

- (a) 3,549,198 Shares under ASX Listing Rule 7.1 (assuming Resolution 4 is passed); and
- (b) subject to Shareholder approval being obtained under Resolution 6, up to 2,366,132 Shares under ASX Listing Rule 7.1A.

The actual number of Shares that the Company will have the capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the Shares in accordance with the formula in ASX Listing Rule 7.1A.2.

Minimum Issue Price

The issue price of Equity Securities issued under ASX Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (a) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (b) (if the Equity Securities are not issued within five Trading Days of the date in paragraph (a) above) the date on which the Equity Securities are issued.

10% Placement Period

Shareholder approval of the 10% Placement Facility under ASX Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires the earlier to occur of:

- (a) the date that is 12 months after the date of the annual general meeting at which approval is obtained; or
- (b) the date of the approval by shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main understanding); or
- (c) the time and date of the company's next annual general meeting; or
- (d) such longer period if allowed by ASX.

Specific Information required by ASX Listing Rule 7.3A

In accordance with ASX Listing Rule 7.3A, the following information is provided in relation to the approval of the 10% Placement Facility:

- (a) **Minimum Issue Price**

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for Vectus' Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:

 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) (if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (i) above) the date on which the Equity Securities are issued.
- (b) **Dilution to Existing Shareholdings**

If Resolution 6 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in Vectus will be diluted as shown in the below table. There is a risk that:

 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the AGM; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for Vectus' Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.
- (c) The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A.2 as at the date of this Notice. The table also shows:
 - (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro-rata entitlements issue or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
 - (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

			Variables		
			50% Decrease in Issue Price	Issue Price	100% Increase in Issue Price
Issue Price Examples			\$0.48	\$0.95	\$1.90
Variable 'A' in ASX Listing Rule 7.1A.2	Number of Shares Examples				
Current Variable A	23,661,317	10% Voting Dilution	2,366,132	2,366,132	2,366,132
		Funds Raised	\$1,123,913	\$2,247,825	\$4,495,650
50% Increase in Current Variable A	35,491,976	10% Voting Dilution	3,549,198	3,549,198	3,549,198
		Funds Raised	\$1,685,869	\$3,371,738	\$6,743,475
100% Increase in Current Variable A	47,332,634	10% Voting Dilution	4,732,263	4,732,263	4,732,263
		Funds Raised	\$2,247,825	\$4,495,650	\$8,991,300

- (d) The table above has been prepared on the following assumptions:
- (i) Vectus issues the maximum number of Equity Securities available under the 10% Placement Facility.
 - (ii) No Options are exercised before the date of the issue of the Equity Securities. There are 509,999 unquoted Options on issue at the date of this Notice of AGM.
 - (iii) The Convertible Note, which is convertible into 14,000,000 fully paid ordinary shares, is not converted before the date of the issue of the Equity Securities.
 - (iv) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (v) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the AGM.
 - (vi) The table shows only the effect of issues of Equity Securities under ASX Listing Rule 7.1A, not under the 15% placement capacity under ASX Listing Rule 7.1.
 - (vii) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
 - (viii) The issue price is \$0.95, being the closing price of the Shares on the ASX on 27 October 2020.
- (e) **Date by which Securities may be Issued**
The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 6 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).
- (f) **Shareholder approval under ASX Listing Rule 7.1A does not lapse if Vectus' market capitalisation subsequently exceeds \$300 million or if it is included in the S&P / ASX 300 Index at some time during that period provided that the Company meets those criteria on the date of the AGM.**
- (g) **Purpose of the 10% Placement**
Vectus may seek to issue the Equity Securities for the purpose of obtaining cash consideration in order to allocate the funds towards additional working capital to fund the Company's progress in the development of its VB0004 drug or other compounds in its drug library and its other activities.

- (h) Allocation Policy
Vectus will comply with the disclosure obligations under ASX Listing Rule 7.1A.4 upon the issue of any Equity Securities. The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility.
- (i) The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors, including, but not limited to, the following:
 - (i) the methods of raising funds that are available to Vectus, including, but not limited to, a pro-rata rights issue or other issue in which existing security holders can participate;
 - (ii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iii) the financial situation and solvency of Vectus; and
 - (iv) advice from corporate, financial and broking advisers (if applicable).
- (j) The allottees under the 10% Placement Facility have not been determined as at the date of this Notice, but may include existing substantial Shareholders and / or new Shareholders who are not Related Parties or Associates of a Related Party of the Company.
- (k) Further, if Vectus is successful in acquiring new resources, assets or investments, it is likely that the allottees under the 10% Placement Facility will be vendors of the new resources, assets or investments.
- (l) Previous Approval
The Company did not previously obtain Shareholder approval under ASX Listing Rule 7.1A in the 12 months preceding the date of this AGM and, accordingly, has not issued any Shares under that approval in the previous 12 months.
- (m) Voting Exclusion
A voting exclusion statement is included in this Notice of AGM. At the date of the Notice of AGM, Vectus has not approached any particular existing Shareholder or security holder, or an identifiable class of existing security holder, to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice of AGM.

Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of the approval of the 10% Placement Facility.

DEFINITIONS

In these Explanatory Notes:

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

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.

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 ASX Listing Rules.

Explanatory Notes means the explanatory notes accompanying the Notice of AGM.

Listing Rules means the listing rules of the ASX.

Notice means the notice convening the AGM accompanying these Explanatory Notes.

Proxy Form means the form of proxy accompanying this Notice of AGM.

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

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

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

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

ANNEXURE A

Terms and Conditions of Options

Resolution 4 – To Ratify the Issue of Options made on 27 July 2020

Each of the 500,000 options entitles the option holder to subscribe for one fully paid ordinary share in Vectus at the exercise price of \$0.50 and an expiry date of 24 December 2022 at 5:00pm (Sydney time).

The options are transferable and may be transferred by an instrument in the form commonly used to transfer options.

Subject to any adjustment referred to below, the option holder is entitled on payment of the exercise price to one share in the capital of the Company for each option exercised.

Each option is exercisable at the exercise price, subject to any adjustments referred to below.

The option holder may exercise the options by completing an option exercise notice and giving it to Vectus together with payment of the full amount of the exercise price for the options exercised.

All payments of the exercise price for options must be made by cheque or bank draft made out in favour of the Company or by wire transfer of immediately-available funds in Australian currency.

Subject to the ASX Listing Rules, Vectus must issue, to the option holder, the shares the subject of the options exercised within five business days after the date on which the options are exercised.

The shares issued following the exercise of an option will, from the issue date, rank equally in all respects (including for dividends having a record date after the issue date) with the other shares on issue at that date.

If the Company's shares are listed for quotation on the ASX, Vectus will apply for quotation on ASX of the shares to be issued to any option holder in accordance with the ASX Listing Rules.

An option holder will not be entitled to participate in a new issue of shares or other securities made by the Company to holders of its shares unless the option holder exercises options and the shares are issued before the record date for determining entitlements to the issue.

If Vectus makes a rights issue, the exercise price of the options on issue will be adjusted according to the formula in the ASX Listing Rules.

If there is a re-organisation of the capital of the Company, the number of options and / or the exercise price of the options will be correspondingly reorganised in a manner, which is permissible under, or necessary to comply with, the ASX Listing Rules in force at the relevant time, but so that the option holder will not receive a benefit that holders of shares do not receive.

Unless exercised prior, the options will lapse on the expiry date, or upon the liquidation or dissolution of Vectus.



All Correspondence to:

- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
- 📠 **By Fax:** +61 2 9290 9655
- 💻 **Online:** www.boardroomlimited.com.au
- ☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 11:00am (AEDT) on Saturday, 28 November 2020.**

🖥 TO VOTE ONLINE

- STEP 1: VISIT** <https://www.votingonline.com.au/vbsagm2020>
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC):**

📱 BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the Meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the Company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the Meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the Company's securities registry or you may copy this Form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that Form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both Forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the Meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the Company's securities registry.

STEP 3 SIGN THE FORM

The Form **must** be signed as follows:

Individual: This Form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this Form when you return it.

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

STEP 4 LODGEMENT

Proxy Forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the Meeting, therefore by **11:00am (AEDT) on Saturday, 28 November 2020.** Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the enclosed Reply Paid Envelope or:

🖥 **Online** <https://www.votingonline.com.au/vbsagm2020>

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Vectus Biosystems Limited

ABN 54 117 526 137

Your Address

This is your address as it appears on the Company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this Form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Vectus Biosystems Limited** (Company) and entitled to attend and vote hereby appoint:

the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below:

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held **virtually on Monday, 30 November 2020 at 11:00am (AEDT)** and at any adjournment of that Meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration-related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 2 and 3, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 2 and 3 are connected with the remuneration of members of the key management personnel of the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all items of business (including Resolutions 2 and 3). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that Resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	To Elect a Director – Dr Ronald Shnier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	To Adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	To Approve the Employee Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	To Ratify the Issue of Options made on 27 July 2020	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	To Approve the Proposed Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	To Approve a 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDERS

This Form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2020