VRI BioMedical

# Facsimile

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| To: | Company Announcements Office | From: | John Frame |
| Fax: | 1300 300 021 | Pages: | 7. |
| Phone: | | Date: | 3/12/2002 |
| Re: | VRI BioMedical | CC: | |

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**Subject:**

**Share Purchase Plan**

# VRI BioMedical

3 December 2002

Dear Shareholder

**VRI BioMedical Limited (VRI) – Share Purchase Plan**

VRI is pleased to provide an opportunity for all eligible shareholders to participate in a capital raising initiative of the Company through a Share Purchase Plan **(Plan)**. This is our first fundraising since our initial public offering and we would like to reward existing shareholders, especially smaller shareholders, for their loyalty. Your company plans to raise up to $3,000,000 with capacity to accept over-subscriptions to the value of $1,000,000. The funds from the capital raising will be used to scale-up production of ProBioPCC™ and to allow sufficient working capital for distribution of ProBioPCC™ into other markets (see enclosed update for details of Pharmanex/ProBioPCC™ deal).

Your Company is pleased to announce that a panel of sophisticated investors, management and directors of the company will underwrite the Plan to the extent of $2,000,000. The Plan will be managed by DJ Carmichael Pty Limited (**DJC**) for a fee of 1%. The underwriters will be paid a fee of 3% of the amount they agree to underwrite and licensed dealers will be paid a 1% handling fee for all applications that they arrange to be lodged. In the event that there is a shortfall and any of the directors are allocated shares in their capacity as underwriters, the company will be required to seek shareholder approval for the issue of those shares.

VRI will process shareholder applications on a "first come, first served" basis – that is, priority will be given to those shareholders whose application forms and payment are received first in time by Computershare Investor Services Pty Ltd. If the payments received under the Plan reach $3 million, VRI will consider whether to accept additional applications under its $1 million over-subscription capacity. No more applications will be processed once payments received under the Plan reach $3 million (or if the over-subscription capacity is used, $4 million) and any payments received with application forms after this point will be refunded.

No brokerage, commission or other transaction costs apply to shareholders for the issue of shares under the Plan. The only cost to you is the subscription price of the shares.

The Plan provides an opportunity for all Australian and New Zealand registered ordinary shareholders on the register on 2 December 2002 to select one of the following offers to purchase fully paid ordinary shares in VRI BioMedical for the price of **60 cents** per share:

| | | | |
|---|---|---|---|
| Offer A | 5000 shares | Total amount payable @ A$0.60 per share | A$3,000.00 |
| Offer B | 6666 shares | Total amount payable @ A$0.60 per share | A$4,000.00 |
| Offer C | 8333 shares | Total amount payable @ A$0.60 per share | A$5,000.00 |

Participation in the Plan is entirely at your discretion and is subject to the Terms and Conditions enclosed. The offer price represents a 13.4% discount to the volume weighted average sale price of VRI's shares on

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ASX over the calendar month to 2 December 2002 (being the last trading day before this letter). The share price may rise or fall before the date shares are issued to you and you should therefore seek your own financial advice in relation to your participation in the Plan.

**Applications must be received prior to the close of the offer at <u>5pm on 23 December 2002</u>.** If you wish to participate, please make your cheque payable to "VRI BioMedical Limited" and forward it together with your Application Form to Computershare Investor Services Pty Limited, in the enclosed reply paid envelope.

This is an excellent opportunity for shareholders to purchase shares in the Company at a discount to market at a time when we are set to deliver more commercialisation news in the near future.

The directors have indicated that they intend to take up their maximum entitlements under the Plan.

If you have any questions in relation to the Plan, please contact John Frame at VRI on +618 9321 3655 or Robert Klug of Carmichael Capital Markets Pty Limited on +618 9263 5277.

Yours sincerely

Leon Ivory
Chairman
VRI BioMedical Limited

# VRI BIOMEDICAL LIMITED SHARE PURCHASE PLAN

Pursuant to the VRI BioMedical Limited Share Purchase Plan (**Plan**), VRI BioMedical Limited (**Company**) provides eligible shareholders the choice of one of 3 offers to acquire up to 8,333 fully paid ordinary shares in the Company (**Shares**) at A$0.60 per fully paid ordinary share (**Offer**).

**Please carefully read the Terms and Conditions relating to the Offer as you will be bound by them.**

## TERMS AND CONDITIONS

### 1. Opening and Closing Date of the Offer

The Offer opens on 3 December 2002.
The Offer closes at 5pm WST on 23 December 2002.
To participate you must send your completed application form and cheque to the Company's share registry so that it is received by the close of the Offer. No late applications will be accepted.

### 2. Eligibility

You are eligible to apply for Shares if:

- your registered address recorded in the Company's register of members is in Australia or New Zealand; and
- you were registered as a holder of fully paid ordinary shares in the Company as at 10.00pm on 2 December 2002.

The Offer to each eligible shareholder is made on the same terms and conditions.
The Offer is non-renounceable (ie you may not transfer your right to buy the Shares to anyone else).

### 3. Issue Price

The issue price for each Share under the Offer is A$0.60.

### 4. Rights attaching to Shares

The Shares will be issued on the same terms as the other ordinary shares in the Company quoted on the Australian Stock Exchange ("**ASX**"). The Company will apply for the Shares allotted under the Plan to be quoted on ASX.

### 5. Investment in Offer

If you are an eligible shareholder, you can purchase under the offers, up to a maximum of 8333 Shares for a consideration of $5,000. The maximum limit applies to you even if you receive more than one Offer from the Company (eg if you are both a sole and joint eligible shareholder, or if you are a shareholder with more than one holding under a separate account, you can only apply for Shares under the Plan once in total). However, if you are a shareholder who acts as trustee or nominee for one or more persons (each a "beneficiary") then each beneficiary is taken to be an eligible shareholder for the purposes of the Plan and each such beneficiary may make an application through the nominee to participate in the Offer.
No fraction of Shares will be issued.

### 6. Limit on Capital Raising

The Company is seeking to raise up to a maximum of $3,000,000 under the Offer with capacity to accept over-subscriptions to the value of an additional $1,000,000. Priority will be given to those shareholders whose application forms and payment are received first in time by Computershare Investor Services Pty Ltd. No more applications will be processed once payments received under the Plan reach $3,000,000 (or, if the over-subscription capacity is used, $4,000,000) and any payments received with application forms after this point will be refunded after the Offer closes.

### 7. Participation Costs

No brokerage, commission or other transaction costs apply to the issue of Shares under the Plan. The only cost to you is the subscription price of the Shares.

### 8. Allotment of Shares

The Shares will be allotted on 31 December 2002 or as soon as possible after that date. The Company's share registry will send you a holding statement as soon as practicable after the allotment date.

### 9. Payment for Shares

All amounts in this Offer are expressed in Australian dollars.
You must pay for the Shares by a cheque in Australian dollars made payable to "VRI BioMedical Limited". Please provide a cheque for the exact amount. If you do not provide the exact amount, the Company reserves the right to return your Acceptance Form and cheque. If that occurs, no Shares will be allotted to you.

### 10. Change of Offer

The Company may change or terminate the Plan at any time by notice to ASX. If the Company does this, it will advise ASX. Failure to notify shareholders of changes to or termination of the Plan or the non-receipt of notice will not invalidate the change or termination.
The Company reserves the right to allot no Shares or fewer shares than an eligible shareholder applies for under the Plan if the Company believes the allotment of those Shares would contravene any law or ASX Listing Rules. No interest will be paid on any money returned.

### 11. Dispute Resolution

The Company may settle any dispute in relation to the Plan in any manner it thinks fit, whether generally or in relation to any participant, application or Share. The Company's decision will be conclusive and binding.

### 12. Important information on Price Risk to Consider

The market price of the Company's shares may rise or fall between the date of this Offer and the date when the Shares are issued to you under the Plan. This means that the price you pay for a Share may be greater or less than the price of the Company's shares at the time the Shares are issued to you under this Offer. In determining whether you wish to participate in this Offer and the extent to which you participate, you should seek your own personal financial and/or taxation advice.

### 13. Waiver

The Company reserves the right to waive strict compliance with any provision of these Terms and Conditions. The powers of the Company under these Terms and Conditions may be exercised by the directors of the Company or any delegate of them.

### 14. Change in Law

The Company reserves the right to terminate or suspend the Plan at any time upon receiving notice of any change in the law or ASIC policy as it relates to the Plan or shares to be issued under the Plan.

**VRI BIOMEDICAL LIMITED**
**ACN 084 464 193**

**SHARE PURCHASE PLAN APPLICATION FORM**

**[INSERT SHAREHOLDER NAME]**
**[INSERT SHAREHOLDER ADDRESS]**
**[INSERT ADDITIONAL SHAREHOLDER ADDRESSES]**
**[INSERT ANY ADDITIONAL SHAREHOLDER INFORMATION]**

| | |
|---|---|
| Record Date: | 2 December 2002 |
| Offer closes: | 23 December 2002 |
| Purchase Price: | A$0.60 per share |

I/We wish to apply for the number of new shares as set out below at an issue price of A$ 0.60 per share issued in accordance with the Terms and Conditions of the VRI BioMedical Limited Share Purchase Plan.

I/We hereby certify that the aggregate amount payable for Shares applied for by me/us under the Share Purchase Plan or any similar arrangement in respect of VRI BioMedical in the 12 months prior to this application does not exceed A$5,000.

Please tick the appropriate box

| **OFFER A** | | **OFFER B** | | **OFFER C** | |
|---|---|---|---|---|---|
| ☐ 5000 Shares **A$3000** | OR | ☐ 6666 Shares **A$4000** | OR | ☐ 8333 Shares **A$5000** | OR |

**INSERT DETAILS OF YOUR CHEQUE OR BANK CHEQUE – PLEASE COMPLETE IN BLOCK LETTERS**

| Name of Drawer | Cheque No. | BSB | Amount |
|---|---|---|---|
| | | | |

1. If you want to participate in this Offer, please carefully read the Terms and Conditions of the Offer.

2. Complete all the required details on the Application Form, noting that all amounts are expressed in Australian dollars.

3. Write the cheque for the exact amount of the offer you select. Please make the cheque payable to "VRI BioMedical Limited".

4. Please return the Application Form, together with the cheque, to Computershare Investor Service Pty Limited in the enclosed reply paid envelope. (Australian shareholders only).

5. Ensure that your Application Form and cheque reach Computershare Investor Services Pty Ltd (where reply paid envelope is not used) by the closing date of the Offer being no later than 5.00pm WST on 23 December 2002. No late applications will be accepted.

**By accepting this Offer you agree to be bound by the Terms and Conditions of the Offer and the Constitution of the Company.**

# VRI BioMedical

## SHAREHOLDER NEWSLETTER
**December 2002**

The last few months have been particularly busy and exciting ones for your Company, with much of the hard work of your management team coming to fruition. Management is focussed on converting the Company's good science into global commercial outcomes. This is already generating recurrent revenues that will leverage greater shareholder value.

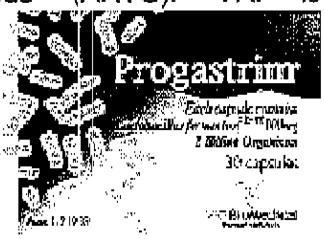
### *Pharmanex Deal*

This is our most exciting achievement to date. As announced to the ASX on 17 June 2002, VRI has signed a global supply agreement with Pharmanex, one of the world's leading producers of nutritional supplements, to market its probiotic product "ProBioPCC™". The product contains the unique and potent PCC™ probiotic strain, which helps to maintain a healthy gastrointestinal system. Pursuant to the global supply agreement, Pharmanex is placing orders with the Company for the delivery of finished product both for the roll out of this product into new markets and also for resupply.

Pharmanex launched ProBioPCC™ at its international convention in Salt Lake City, Utah in September and the product was extremely well received by Pharmanex's distributors. VRI has received positive feedback from Pharmanex in relation to the outcomes the product is producing and is anticipating strong order demand. Pharmanex has already launched ProBioPCC™ in the USA and South Korea, and now plans to individually launch in a wide range of international markets, including Asia, traditionally the largest users of probiotics, and Australasia in calendar 2003.

### *TGA Approval*

Your Company was pleased to announce recently that the Therapeutic Goods Administration (TGA) has Listed one of the Company's probiotic products, Progastrim™, on the Australian Register of Therapeutic Goods (ARTG). VRI is negotiating with prospective distributors, which will hopefully result in Progastrim being marketed in Australia as early as January 2003. This Listing is the culmination of years of work in our probiotic programme. This programme is headed by Professor Patricia Conway, a world leader in the area of probiotic research.




### *Clinical Trials Commence*

VRI has recently commenced two clinical trials to study the effects of its probiotic bacteria in the management of allergy, a condition affecting upwards of 20% of the adult population. These studies are being run at world-renowned centres of excellence at the Princess Margaret Hospital in Perth, WA, and Southampton Hospital, UK. Positive outcomes from the trials would provide a major boost to VRI's potential earnings given the size of the problem and the dramatic increase in the prevalence of allergic disease throughout the world.

### *Proteome Systems Ltd*

Further to these significant milestones, your Company recently announced the successful completion of a Heads of Agreement with Sydney-based Proteome Systems Limited (PSL), to develop innovative point-of-care diagnostic products. VRI has developed a range of in-vitro diagnostic tests for a variety of medical conditions, a number of which are designed for configuration as rapid diagnostic assays for use in a point-of-care setting. PSL has developed a proprietary diagnostic test platform that is fast, simple to use, reliable and quantitative, making it ideal for point-of-care applications. The collaboration is expected to accelerate the commercialisation of VRI's diagnostic programme.

### *Successful ADR Programme*

Following on from our success with Pharmanex and the TGA, the Securities and Exchange Commission in the USA has approved the VRI Level One ADR programme. This Level One ADR programme, which was sponsored by the Bank of New York, will enable your Company to raise its profile amongst US investors, broaden your Company's international shareholder base and underpin the globalisation of our products.

### *The Future*

Pharmanex has planned the rollout of ProBioPCC™ into North Asia, South East Asia and Australasia by June 2003. These are very exciting plans as Japan in particular is Pharmanex's strongest marketplace, both in terms of the number of distributors and annual sales and is also the largest probiotic market in the world.

Discussions with global marketing and distribution companies are advanced for a number of VRI's projects with significant commercial outcomes likely for IgAlert, OncoAlert and Pneumobiotics in the near term.

In conclusion, your Company has already shown its ability to deliver on its promises and we will continue to strive ever harder to maximise the value of your Company. We believe that VRI BioMedical has an enormous future ahead of it and commend you for joining us on this most exciting journey.

### *Contact Details*

For further details contact:

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VRI BioMedical Diagnostics

VRI BioMedical Biopharmaceuticals