



Chairman's Letter

11 June 2004

Dear Shareholder

On 12 May this year VRI announced the launch of its proTract™ range of probiotics. This heralds an exciting new stage for your company as it confirms that it is one of the few biotechnology companies capable of converting its science into commercial results.

As was announced on the Australian Stock Exchange Limited on 28 May, to provide the funds needed to expedite the marketing and promotion of the proTract™ range and for working capital, the Company has agreed to make a private placement of new fully paid ordinary shares to clients of Taylor Collison Limited and Bell Potter Securities Limited. The placement will raise \$2.1 million through the issue of 21 million shares at \$0.10 per share.

The placement is subject to the conditions in the placement agreement being satisfied and also requires shareholder approval. Accordingly, VRI has convened a general meeting for Monday 12 July 2004 to seek shareholder approval for the placement. Your directors believe the Company is poised for significant growth and that the funds received under the placement will allow it to fully capitalise on the launch of the proTract™ range.

As part of the fee payable to Taylor Collison Limited for arranging the placement, the Company has agreed to issue 5,000,000 options to Taylor Collison. The directors believe this element of the fee structure is indicative of Taylor Collison's positive views of your company's potential. VRI is seeking shareholder approval for the issue of these options so that their issue does not affect VRI's future ability to issue securities if required.

Your company is also seeking shareholder approval for the ratification of two placements made throughout the last 12 months. This will refresh the Company's ability to raise capital in a cost effective and timely fashion if required in the future.

On behalf of the directors I recommend that you vote in favour of the proposed resolutions and thank you for your ongoing support.

Yours sincerely

James Grant
Chairman

VRI BioMedical Limited

ACN 084 464 193

NOTICE OF MEETING

Notice is given that a General Meeting of VRI BioMedical Limited ("the Company") is to be held in room B5 of Locomotive Workshops Bay 8, Australian Technology Park, Eveleigh NSW on Monday 12 July 2004 at 10.00am.

Resolution 1 – Ratification of issue of shares

To consider and if thought fit to pass, with or without amendment, the following resolution as an ordinary resolution:

"That in accordance with the provisions of Listing Rule 7.4 of the Listing Rules of the Australian Stock Exchange Limited (**ASX**) and for all other purposes, the shareholders ratify the previous issue of 10,953,886 ordinary shares in the capital of the Company on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting exclusion statement:

In relation to resolution 1, pursuant to ASX Listing Rule 7.5.6 the Company will disregard any votes cast by or on behalf of any person who participated in the issue or their associates. The Company however 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.
-

Resolution 2 – Placement of shares

To consider and if thought fit to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, subject to resolution 3 being duly passed, in accordance with the provisions of Listing Rule 7.1 of the Listing Rules of the ASX and for all other purposes, approval is given to the issue of up to 21,000,000 shares (**Placement Shares**) in the capital of the Company on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting exclusion statement:

In relation to resolution 2, pursuant to ASX Listing Rule 7.3.8 the Company will disregard any votes cast by or on behalf of any person who may participate in the proposed issue, and any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares if the resolution is passed or its associates. The Company however 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.
-

Resolution 3 – Issue of options in consideration of arranging placement

To consider and if thought fit pass, with or without amendment, the following resolution as an ordinary resolution:

"That, subject to resolution 2 being duly passed, in accordance with the provisions of Listing Rule 7.1 of the Listing Rules of the ASX and for all other purposes, approval is given to the issue by the Company of 5,000,000 options to acquire ordinary fully paid shares in the capital of the Company

exercisable at \$0.25 with an expiry date of 30 June 2006, to Taylor Collison Limited in consideration of Taylor Collison Limited acting as placing agent in relation to the Placement Shares.”

Voting exclusion statement:

In relation to resolution 3, pursuant to ASX Listing Rule 7.3.8 the Company will disregard any votes cast by or on behalf of Taylor Collison Limited or its associates. The Company however 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.

Entitlement to vote

Snapshot date

It has been determined that under Corporations Regulation 7.11.37, for the purposes of this Meeting, shares will be taken to be held by the persons who are the registered holders at 10.00am Sydney time on Saturday 10 July 2004. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Proxies

A shareholder entitled to attend and vote has a right to appoint a proxy. The proxy does not need to be a shareholder of the Company. A shareholder that is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.

A proxy form accompanies this Notice of Meeting and to be effective must be received at:

the Company's corporate registry:

VRI BioMedical Limited share registry
Computershare Investor Services Pty Ltd
GPO Box 4195
Sydney NSW 2001

Delivery: Level 2, 60 Carrington, Sydney

Facsimile: +61 2 9235 8220

OR at the company's registered office:

VRI BioMedical Limited
Suite G09, 1 Central Avenue
Australian Technology Park
Eveleigh NSW 1430

by no later than 10.00am (Sydney time) on Saturday 10 July 2004.

By Order of the Board

Dated: 11 June 2004

Paul B Magoffin

Company Secretary

VRI BioMedical Limited

ACN 084 464 193

EXPLANATORY MEMORANDUM

TO THE NOTICE OF MEETING TO BE HELD AT 10.00AM (SYDNEY TIME) ON MONDAY 12 JULY 2004

This Explanatory Memorandum has been prepared to assist shareholders of VRI BioMedical Limited ("the Company") in understanding the details and effects of the resolutions to be put to shareholders for their consideration, and if thought fit, approval at the forthcoming General Meeting of the Company

Resolution 1 - Ratification of issue of shares

Background

Resolution 1 has been proposed so that shareholders may consider, and if thought fit, approve for the purposes of ASX Listing Rule 7.4 the issue of a total of 10,953,886 ordinary shares by the Company which have taken place in the past 12 months. The ordinary shares issued rank equally with the Company's existing ordinary shares and were issued to fund the Company's operations. The relevant details of the issues to be approved are provided in the table below.

Subscriber	Number of ordinary shares	Date of entry into uncertificated holdings	Consideration
Various persons falling within one of the exemptions specified in section 708 of the Corporations Act 2001 (Cth) who were clients of Burdett Buckeridge Young Limited.	6,000,000	18 July 2003	\$0.25 per ordinary share
Various persons falling within one of the exemptions specified in section 708 of the Corporations Act 2001 (Cth) who were clients of Emerging Growth Capital Pty Limited.	4,953,886	5 April 2004	\$0.16 per ordinary share

Notes: The above table does not show issues which fall within the exceptions to ASX Listing Rule 7.1 such as the issue of shares under the rights issue in August 2003. Shareholder approval is not required for such issues.

ASX Listing Rules

ASX Listing Rule 7.1 restricts the number of securities the Company may issue without shareholder approval in a 12 month period to the number which is 15% of its issued capital.

In issuing the shares described in the table above, the Company has issued the maximum number of shares it can issue under ASX Listing Rule 7.1. ASX Listing Rule 7.4 allows shareholders to ratify previous issues of securities for the purposes of ASX Listing Rule 7.1. In order to replenish its capacity to issue shares in accordance with ASX Listing Rule 7.1, the Company is seeking shareholder approval of the above issues pursuant to ASX Listing Rule 7.4. This will give the Company the flexibility to raise further funds up to the 15% cap without the need to obtain shareholder approval.

Resolution 2 – Placement of shares

Background

The Company is seeking shareholder approval for the purposes of Listing Rule 7.1 for the issue of 21,000,000 ordinary shares (**Placement Shares**) at an issue price of \$0.10 to raise \$2,100,000. The Placement Shares will have the same terms as the ordinary shares currently on issue. The Placement

Shares will be issued to such persons as the Company and directors think fit and who fall within one or more of the classes of exemptions specified in section 708 of the Corporations Act 2001.

As announced on ASX on 28 May 2004, Taylor Collison Limited will act as placing agent in respect of the Placement Shares. The placement agreement provides that if the placement is successful, VRI will issue the options the subject of resolution 3 to Taylor Collison as part of the payment for Taylor Collison acting as placing agent. Accordingly, resolution 2 is conditional on resolution 3 being duly passed.

If shareholders approve resolution 2, applications for the Placement Shares will be lodged with the Company within 3 business days of the Meeting. The Company will issue the Placement Shares within 2 business days of receipt of the subscription monies for the Placement Shares.

Use of the funds raised through the placement

Business development

The Company intends to use the funds raised from the issue of the Placement Shares to expedite the marketing and promotion of its proTract™ range of probiotics, the launch of which was announced on ASX on 12 May 2004.

The proTract™ range has been developed as a family of three products:

- proTract™ for intestinal health;
- proTract™ for diarrhoea; and
- proTract™ IBS – for relief of symptoms of medically diagnosed irritable bowel syndrome.

The launch of the proTract™ range involves costs related to marketing, advertising and promotion of the range, such as the provision of point of sale material for pharmacies, educational programs for health industry professionals, media advertising and public relations. The Company is also building inventory of the proTract™ range in order to be able to satisfy orders following the launch.

The proceeds of the placement will also be used to build inventory to supply ProBio PCC™ under the Company's agreement with Pharmanex Inc and Progastrim™ under the Company's agreement with Life-Span Holdings Pty Limited.

In addition, the Company has as a priority the securing of other distribution and licensing agreements for its probiotic, vaccine and diagnostic products with Australian and international partners. This requires senior management to be involved in marketing, promotion and exchange of information with attendant costs of legal fees, regulatory documentation, market research, travel for attendance at formal meetings and provision of samples.

Product development

The Company will continue to conduct research and clinical trials to expand the range of probiotic products on offer and to prove the utility of its products for other applications.

The Company views high quality randomised double-blind, placebo controlled clinical trial data as essential for product development and as a means of differentiating the Company from its competitors. Generating this data entails enlisting the support of clinicians, enrolling and reimbursement of patient costs, production of documentation and clinical trial material to the highest standards of quality assurance, performance of laboratory based assays, analysis of data publication and promotion of results to media, consumers and customers.

The Company is developing novel product opportunities for its probiotic strains in functional foods and animal applications, involving a number of pilot studies, laboratory testing and prototype development.

The Company also intends to expedite the identification of licencing opportunities for its vaccine projects, Candivax™ and Pneumobiotics™ (for chronic bronchitis) with the aim of attracting a partner or partners to take them through the later stages of development and to the market or sell the projects at their present stage of development.

Regulatory and patent expenditure

Although the Company has streamlined its intellectual property portfolio to focus on protecting those projects with the greatest commercialisation expenditure, further expenditure will be incurred in the filing and, if necessary, the defence of international patents. The funds raised will also be used to obtain the requisite regulatory approvals to market the products of the Company.

Corporate costs and administration

As well as the above costs, the funds raised from the placement will be used to fund expenditure relating to the corporate costs of operating a public company such as salaries, rent, legal, audit and general administration.

ASX Listing Rules

ASX Listing Rule 7.1 restricts the number of securities the Company may issue in a 12 month period without shareholder approval to the number which is 15% of its issued capital.

The placement will involve the issue of approximately 25% of the Company's issued capital. As this amount is greater than the 15% specified by ASX Listing Rule 7.1, the Company is seeking shareholder approval for the issue of the Placement Shares.

If shareholders approve the issue of the Placement Shares, this will also preserve the Company's ability to issue shares in accordance with ASX Listing Rule 7.1 in the event that funds are required to be raised in the future.

Resolution 3 – Issue of options in consideration of arranging placement

Background

The Company is seeking shareholder approval for the purposes of Listing Rule 7.1 for the issue of 5,000,000 options (**Options**) over unissued ordinary shares in the capital of Company to Taylor Collison Limited in consideration of Taylor Collison Limited acting as placing agent for the Placement Shares the subject of resolution 2. This resolution is conditional on resolution 2 being duly passed.

The Options will be unquoted have an expiry date of 30 June 2006 and each option will have an exercise price of \$0.25. With the exception of the exercise price, expiry date, and the fact the options will be unquoted, the terms of the options will be the same as the options currently listed on the ASX. On exercise of the Options the Company will apply to ASX for quotation of the shares issued. A detailed summary of the terms of the Options is provided in the annexure to this Explanatory Memorandum.

The Company will issue the Options to Taylor Collison Limited within 2 business days of receipt of the subscription monies for the Placement.

ASX Listing Rules

ASX Listing Rule 7.1 allows the Company to issue up to 15% of its issued capital in a 12 month period without obtaining shareholder approval. By seeking shareholder approval to issue the Options under ASX Listing Rule 7.1, the Company is seeking to preserve its ability to issue securities to raise funds without obtaining shareholder approval.

Annexure - Summary of terms of options to be issued to Taylor Collison

The terms and conditions of the Options are set out below.

(a) Consideration

No consideration is payable for the issue of the Options.

(b) Issue of Options

Upon the issue of any Options, the Option holder will be:

- registered as the holder of the Options in a register of option holders in accordance with Chapter 2C of the Corporations Act; and
- issued an option certificate and pro-forma notice of exercise (**Exercise Notice**) in respect of the Options.

(c) Option

Each Option gives the Option holder the right to subscribe for one Share.

(d) Quotation of Options on ASX

The Options will not be quoted on the ASX.

(e) Exercise Price

The exercise price payable upon exercise of each Option will be \$0.25 adjusted in accordance with the formula set out in paragraph (m) in the circumstances described in paragraph (m).

(f) Exercise Period

Each Option will automatically lapse at 5pm on 30 June 2006 (**Expiry Date**). Any or all of the Options may be exercised at any time during the period beginning on the date of the issue of the Options and ending on the Expiry Date (**Exercise Period**).

(g) Exercise of Options

Options must be exercised by lodging with the Company during the Exercise Period:

- an Exercise Notice specifying the number of Options which are being exercised; and
- a cheque for the Exercise Price for the Options being exercised.

The exercise of any Option is only effective when the Company receives the full amount of the Exercise Price for the Option being exercised in cleared funds. Delivery of an Exercise Notice will constitute a warranty from the Option holder that the issue of Shares upon exercise of the Options will not result in a breach of the takeovers provisions in the Corporations Act.

(h) Shares allotted and issued upon exercise of Option

Within 10 Business Days of receipt of an Exercise Notice accompanied by the Exercise Price, the Company will allot and issue the number of Shares specified in the notice.

(i) Shares allotted to rank pari passu

All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares from the date of allotment and issue. The Company will apply to ASX for quotation of the Shares issued upon exercise of Options.

(j) Capital reorganisation

In the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company before the Expiry Date, the rights of an Option holder will be changed to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

(k) No participating rights

There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options (whether by way of bonus issue, rights issue or other pro-rata to Shareholders).

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 days after the issue is announced. This will give Option holders the opportunity to exercise the Options which they are entitled to exercise pursuant to these terms and conditions before the date for determining entitlements of Shareholders to participate in any issue.

(l) Bonus Issues

If before the expiry of any Options, the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves (other than in lieu of a dividend) (bonus issue), the number of Shares over which an Option is exercisable will be increased in respect of those Options in relation to which the Option Holder did not participate in the bonus issue, by the number of Shares which the Option holder would have received if the Option had been exercised before the record date (as that term is defined in the Listing Rules) for the relevant bonus issue. For the purpose of this clause (l), the number of Shares over which an Option is exercisable will include any additional Shares to which the Option holder is entitled under any previous bonus issue.

(m) Pro rata issue

If there is a pro rata rights issue (other than a bonus issue) to Shareholders, the Exercise Price of any unexercised Options as at the date of the rights issue, will be reduced in respect of those Options, according to the following formula:

$$O' = O - \frac{E [P - (S + D)]}{N + 1}$$

O' = the new exercise price of the Option

O = the old exercise price of the Option

E = the number of underlying securities into which one Option is exercisable.

P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price for a security under the pro rata issue

D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

(n) Notice of adjustment

The Company must give notice to the Option holder of any adjustment to the number of Shares which the Option holder is entitled to subscribe for or be issued on exercise of the Options or the Exercise Price in accordance with the Listing Rules.

(o) No right to dividends

For the avoidance of doubt, an Option will not give any right to participate in dividends until a Share is allotted pursuant to the exercise price of that Option.

(p) Rounding

Before an Option is exercised under clause (g), all adjustment calculations are to be carried out including all fractions (in relation to each of the number of Options, the number of Shares and the Exercise Price of the Option), but on exercise the number of Shares issued is rounded up to the next whole number and the Exercise Price is rounded up to the next higher cent.

Mark this box with an 'X' if you have made any changes to your address details (see reverse)



All correspondence to:
 Computershare Investor Services Pty Limited
 GPO Box 7045 Sydney
 New South Wales 2001 Australia
 Enquiries (within Australia) 1300 855 080
 (outside Australia) 61 3 9415 4000
 Facsimile 61 2 8234 5050
 www.computershare.com

Appointment of Proxy

I/We being a member/s of VRI BioMedical Limited and entitled to attend and vote hereby appoint



the Chairman
 of the Meeting
 (mark with an 'X')

OR

Write here the name of the person you are
 appointing if this person **is someone other than** the
 Chairman of the Meeting.

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting 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) at the General Meeting of VRI BioMedical Limited to be held in room B5 of Locomotive Workshops Bay 8, Australian Technology Park, Eveleigh NSW on Monday 12 July 2004 at 10:00am and at any adjournment of that meeting.

IMPORTANT: FOR ITEMS 1 TO 3 BELOW



If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Items 1 to 3 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of those items and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 1 to 3 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of each of these items.

Voting directions to your proxy - please mark to indicate your directions

Item 1. Ratification of issue of shares

Item 2. Placement of shares

Item 3. Issue of options in consideration of arranging placement

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.

* 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 votes will not be counted in computing the required majority on a poll.

PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf 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

/ /

How to complete this Proxy Form

1 Your Address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three 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 voting rights are to be voted on any item by inserting the percentage or number of securities 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 your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or 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.
- (b) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, all of the securityholders should sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 10:00am (Sydney time) on Saturday 10 July 2004. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged using the reply paid envelope or:

- by posting, delivery or facsimile to VRI BioMedical Limited share registry at the address opposite, or
- by delivery to the Registered Office of VRI BioMedical Limited being
Suite G09, 1 Central Avenue
Australian Technology Park,
Eveleigh NSW 1430

VRI BioMedical Limited share registry
Computershare Investor Services Pty Limited
GPO Box 4195
Sydney NSW 2001
Delivery: Level 2, 60 Carrington Street, Sydney
Facsimile 61 2 9235 8220