ventracor

Ventracor Limited
ABN 46 003 180 372

126 Greville Street
Chatswood NSW 2067
Sydney Australia

T +61 2 9406 3100
F +61 2 9406 3101
W www.ventracor.com

6 November 2008

Dear Shareholder

Ventracor – Share Purchase Plan

On behalf of the Directors of Ventracor Limited ('Ventracor' or 'the Company'), I am pleased to offer you the opportunity to participate in a Share Purchase Plan ('Plan'). Under the Plan, Eligible Shareholders may purchase up to A$5,000 of new fully paid ordinary shares in Ventracor ('shares'). The issue price under the Plan is A$0.081 per share ('Issue Price'). This represents a 20% discount to the 5 day volume weighted average price at close of trading on ASX on 27 October 2008, and a 40% discount to the one month volume weighted average price to that date.

In addition to the Plan, Ventracor also intends to seek additional funds from institutional and other investors through a placement of up to 15% of the Company's shares (approximately 45 million) at a price to be determined by the Directors following a bookbuild process around the time of the close of the offer period for the Plan ('Placement').

Funds raised by the Plan and the Placement will be primarily used for working capital, targeting the following milestones and activities expected to be complete by mid 2009:

- Completion of the enrolment in the US Bridge to Transplant (BTT) clinical trial now expected in January 2009;
- Conduct an interim analysis of the data which may lead to an early conclusion to the BTT trial;
- Present BTT results at the key International Society of Heart and Lung Transplant congress in April 2009;
- Preparation for filing of a Pre-Market Approval Application for the VentrAssist® Left Ventricular Assist Device (LVAD) with the US Food and Drug Administration (FDA);
- Continuation of enrolment in the US Destination Therapy (DT) EVERLAST™ clinical trial; and
- Continuation of commercialisation of the VentrAssist LVAD in Europe.

The Board and Executives are very aware of the challenging financial circumstances facing the Company and many of our shareholders. As you would expect, we have responded by cutting costs where we can, without jeopardizing the most important objective - to obtain regulatory approval to market the VentrAssist LVAD in the US. Details of this cost cutting and its impact on reducing our future funding requirements are outlined later in this letter.

Historically, the Company has raised capital to achieve certain milestones, and then upon achievement of those milestones, additional capital has been sought to continue development to the next milestones. The Board is very disappointed that the Company's operational progress has not been reflected in its share price. Given the state of the international financial markets, and in recognition of its impact on our shareholders, we are now asking you to support the minimum amount we believe necessary to fund and achieve, or meaningfully advance, these key value creating activities through to the middle of 2009.

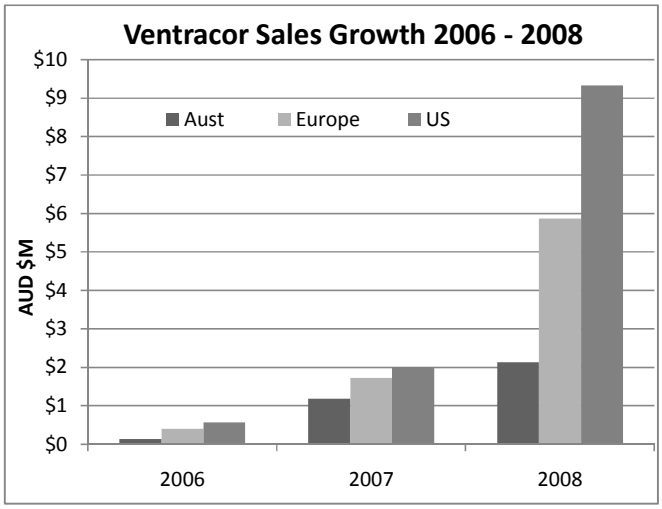
The Plan is open to all Ventracor shareholders who are on the Company's share register as at 7.00pm Australian Eastern Daylight Savings Time on Wednesday, 5 November 2008 and who have registered addresses in Australia or New Zealand.

Brokerage and other transaction costs will not be payable by participants in the Plan.

Further details on how to apply for shares under the Plan, and an outline of certain risks involved in an investment in Ventracor, are set out below in this letter. Also enclosed are the terms and conditions of the Plan. I urge you to read this letter and the enclosed document in their entirety before deciding whether to apply for shares under the Plan. Capitalised terms used in this letter may be defined in the enclosed document if not defined in this letter. If you have any concerns as to what you should do, you should consult your stockbroker, accountant or professional adviser.

Ventracor continues its solid progress

Ventracor continues to progress the commercialisation of the VentrAssist LVAD. The Company's sales growth for the last three years is illustrated in the chart below. Our business has steadily grown in Australia after Australian TGA approval in early 2007 and in Europe after European CE Mark approval in December 2006. The 100th patient to receive a VentrAssist LVAD in Europe was implanted in Germany on 29 October 2008.



Our US clinical trials have progressed well and the revenue sourced from the sale of the VentrAssist LVAD during these trials has been a key driver of our sales growth from $1.1M in 2006, to $4.9M in 2007, to $17.3M in 2008.

Clinical results of the VentrAssist LVAD have been very positive. Several papers and presentations during the last year have added to the growing body of data that demonstrates that the VentrAssist LVAD provides safe and effective therapy for end stage heart failure. The longest implant duration is now over four years. With over 370 patients implanted with the VentrAssist LVAD to date, there is more clinical experience with the VentrAssist LVAD than with all other third generation centrifugal LVADs combined.

Based on current projections, Ventracor is poised to be the first to the US market with an FDA-approved third generation device which would give a significant time to market advantage over the majority of our competitors. This places the Company in a strong position to capture a solid share of the market, projected to be approximately US$4 billion.

United States Clinical Trials

The world's largest single market for medical devices is the United States. The FDA grants Pre-Market Approval (PMA) for devices which have demonstrated safety and efficacy in clinical trials. The Company is currently conducting two clinical trials in the United States. During the clinical trials, all devices are sold.

Bridge To Transplant Trial (BTT) Trial

The BTT Trial is designed to show the safety and efficacy of the VentrAssist LVAD in patients who are on the heart transplant list but whose own heart deteriorates before a donor heart becomes available.

The pivotal trial is designed to look at the clinical results of 140 patients, and at 5 November 2008, there have been 122 patients enrolled in the BTT Trial (ie: 87% complete).

Destination Therapy (DT) Trial (EVERLAST™ Trial)

The EVERLAST Trial (Early VERsus Late ventricular ASsist devices or medical Treatment) is to evaluate the use of the VentrAssist LVAD in patients who are not candidates for a heart transplant (Destination Therapy, or DT). The trial is in two modules.

Module A tests the idea that implantation of the VentrAssist LVAD in "less sick" heart failure patients (ie: those who do not need an LVAD within the next 14 days) will yield superior results than continuing with drugs and waiting until a patient's condition has deteriorated and an LVAD is needed urgently. Module B tests the idea that the performance of the VentrAssist LVAD is at least as good as the performance of the market released Thoratec Heartmate XVE first generation pulsatile LVAD in patients who need an LVAD urgently (ie: within 14 days). Module B is very similar to the Thoratec Heartmate II Destination Therapy trial, still ongoing.

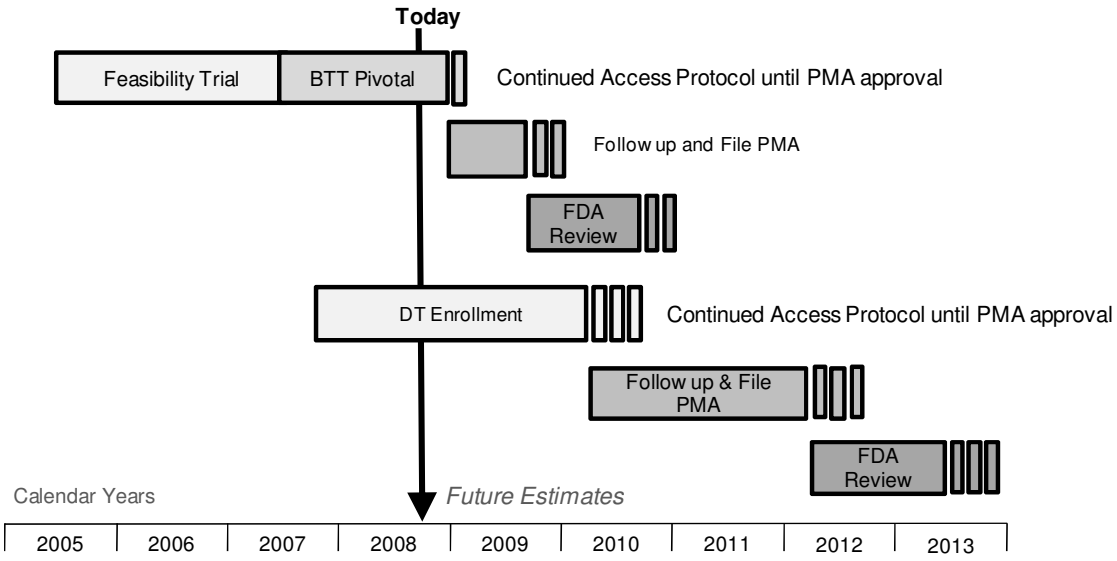
There have been 52 patients enrolled in the EVERLAST Trial at 5 November 2008. From our experience to date, it is possible that a trial end point may be reached from patients enrolled in Module B before a trial end point is reached from patients enrolled in Module A, so the Company intends to request the FDA to allow a PMA Application based on the results of whichever module reaches an end point first.

Regulatory Process and Timing

Once the required number of patients in the clinical trial has reached an end point, the Company must complete the data collection and analysis process, and file a PMA Application with the FDA for each trial.

The FDA has approved our application for a Continued Access Protocol (CAP) for the BTT Trial for an additional 95 patients. As with the pivotal trial, all devices implanted in the US during the CAP are sold. If the VentrAssist LVAD receives Pre-Market Approval by the FDA, the Company will have the freedom to market the VentrAssist LVAD in the US, with no limit to the number of hospitals or the number of patients for patients with the indication pertaining to the approval.

In the diagram on the next page, the Company sets out indicative timelines for the BTT and the EVERLAST DT clinical trials.



The vertical lines at the end of the time line bars for each element indicate the range of anticipated times of completion of each element. The following matters should be noted about the anticipated timetable:

- These timelines have been prepared based on the Company's own estimates and the regulatory experience known to the Company of other LVADs undergoing similar clinical and regulatory processes.
- A number of clinical trial and regulatory steps to be taken are outside of the direct control of the Company and may ultimately follow a course which is different from historical precedents upon which the chart is based. In addition, unforeseen circumstances might impact upon envisaged timeframes for both the clinical trials and the regulatory approval processes.
- Module A of the EVERLAST DT Trial is the first clinical trial of an LVAD in the US on a "less sick" patient population. As such, the Company is breaking new clinical and regulatory ground, with unknown results. The Company is at an early stage of enrolment in the EVERLAST Trial, and it is possible that enrolment may not be as fast as planned or anticipated.
- There are risks associated with an investment in Ventracor and in its business. Investors should refer to the "Key Risk Factors" section below in this letter. The anticipated timetable above assumes Ventracor is able to secure the future funding it requires to undertake these steps. There is no guarantee that it will be able to do so.

Revised expenditure and funding requirements

In light of current economic and financial market conditions, Ventracor, in common with many other companies, has taken steps to significantly reduce operating expenditure, including those listed below:

- Deferral of research and development on advanced products, including the fully implantable VentrAssist LVAD, until additional capital is available or until the R&D can be funded from current income;
- Reduction of some marketing activities to allow focus on the highest priority of achieving FDA approval to market in the US.

- Ongoing careful monitoring of manufacturing ramp up and reduction of finished goods stock and work-in-progress; and
- Further deferral of some capital equipment expenditure, such as some items needed for advanced preparation for increased manufacturing capacity.

Ventracor had cash reserves of A$11.8 million at 30 September 2008.

Having regard to the above and the Company's revised budget, the Directors currently believe that the Company needs to raise funds of approximately $10 million to meet its planned expenditure and cash funding requirements to 30 June 2009 based on underlying assumptions concerning US trial enrolment rates, European and Australian sales, foreign exchange rates and other factors. This represents a material reduction in the amount expected to be required to fund planned expenditure requirements for this period compared with the amount announced when the Company released its preliminary final report to ASX on 28 August 2008.

The Directors retain the discretion under the Plan rules to decide whether the Company will accept all, some or none of the total amount subscribed for under the Plan. If the total amount raised under the Plan and Placement, together with any other committed funding available to the Company (considering then current projected revenue and any revised planned expenditure requirements) is not sufficient to fund the Company's operations to 30 June 2009, the Board will not allot any shares under the Plan and all application moneys paid by Eligible Shareholders under the Plan will be fully refunded (without interest).

Further funding will be required to continue commercialisation of the VentrAssist LVAD beyond 30 June 2009. The Company is assessing, and will continue to assess, an optimal future capital raising program to fund its business, and is continuing to explore both strategic partnering and strategic investor opportunities. To the extent possible, this program will leverage off the key milestones achieved at that time.

Timetable

The timetable for the Plan (and Placement) is as follows:

Event	Date
Record Date (for determining entitlements to participate in the Plan)	(7pm AEDST time) Wednesday, 5 November 2008
Opening Date of the Offer period for the Plan	Tuesday, 11 November 2008
Closing Date of the offer period for the Plan	(5pm AEDST time) Tuesday, 2 December 2008
Placement conducted	Thursday, 4 December 2008
Settlement of Placement	Tuesday, 9 December 2008
Issue of shares under the Plan and Placement	Wednesday, 10 December 2008
Expected ASX quotation of SPP and Placement shares	Thursday, 11 December 2008

Please note that these dates are indicative only and that the Directors of Ventracor reserve the right without notice to vary or extend any or all relevant dates and times, including the Plan offer period and other dates referred to above, and to conduct or withdraw the Plan (and/or the Placement or other capital raisings). Subject to law or as otherwise determined by the Directors, applications under the Plan are irrevocable.

Key risk factors

In assessing this offer, shareholders should consider the risks associated with an investment in Ventracor. Some of the risk factors that should be considered are summarised below:

Funding risk	The Company may be unable to secure on acceptable terms, or at all, the future funding it requires to commercialise the VentrAssist LVAD, particularly given the current uncertain and volatile economic climate and equity markets. Failure to secure further funding will have a material adverse impact on investments in Ventracor.
Investment risk	An investment in Ventracor should be considered speculative and is subject to risks associated with general share market conditions, economic conditions, inflation, currency fluctuation, interest rates, supply and demand and changes to legislation and other such commercial factors. The share price of Ventracor may move up or down.
Regulatory risk	There is no guarantee that the necessary regulatory approvals will be obtained or that there will not be a delay in obtaining such approvals. Delays could arise from increased competition for clinical trial sites and patients which inhibits the recruitment rate in the Ventracor's trials. Delay in FDA regulatory approval will adversely affect the Company's ability to generate significant revenues in the United States.
Product risk	There is a risk that the VentrAssist LVAD may not meet the performance objectives necessary for regulatory approval, or may be subject to design or manufacturing issues which could result in a recall or suspension of sales.
Clinical risk	The conduct of a clinical trial requires the engagement of many hospitals, and clinicians at those hospitals, and good patient selection, all which are out of Ventracor's control. Adverse events with a patient in a clinical trial may also be incorrectly ascribed to Ventracor's products. Failure of a physician to follow the instructions for use of Ventracor's products may also result in adverse clinical outcomes. A number of clinical trial and regulatory steps to be taken are outside of the direct control of the Company and may ultimately follow a course which is different from historical precedents upon which the chart is based. In addition, unforeseen circumstances might impact upon envisaged timeframes for both the clinical trials and the regulatory approval processes. Module A of the EVERLAST DT Trial is the first clinical trial of an LVAD in the US on a "less sick" patient population. As such, the Company is breaking new clinical and regulatory ground, with unknown results. The Company is at an early stage of enrolment in the EVERLAST Trial, and it is possible that enrolment may not be as fast as planned or anticipated.
Risk that market for LVADs does not develop	The anticipated market for LVADs may not grow to a size whereby Ventracor can achieve a commercial return from funds provided by its shareholders.
Competition	Competition from other medical device companies or other technology which may provide a substitute for Ventracor's product(s) may affect the viability of Ventracor as a business.

The occurrence of any or all of the matters referred to above, and others, could have a material adverse impact on an investment in Ventracor.

You should also be aware that the market price of Ventracor shares may rise or fall between the date of this offer and the date when shares are issued to you under the Plan, any such change in the market price of shares will not affect the Issue Price under the Plan or the number of shares offered to you under the Plan, and the Issue Price may be either higher or lower than the price of Ventracor's shares at the time the shares are issued to you under the Plan.

How to apply for shares under the Plan

Participation in the Plan is voluntary. The right to participate in the Plan is not transferable.

If you wish to participate in the Plan, you may subscribe for shares up to a maximum of A$5,000 per shareholder. You can do this in one of two ways depending upon whether you wish to pay for the shares by cheque or by using BPay®.

If you choose to pay by cheque, you must complete the personalised Application Form accompanying this letter and return it before 5.00pm (Sydney time) on **Tuesday, 2 December 2008** together with your cheque for the total value of shares for which you have subscribed. Alternatively, if you choose to make payment using BPay®, please follow the instructions on your personalised Application Form and arrange payment before 5.00pm (Sydney time) on **Tuesday, 2 December 2008**.

Ventracor may choose to scale back applications under the Plan in the manner determined by the directors. If this occurs, you may be allocated fewer shares than you have subscribed for.

If Ventracor withdraws the Plan or otherwise does not proceed with the issue of all shares applied for by you under the Plan, your application moneys (or such lesser amount as applicable) will be refunded to you without interest.

If you have any concerns as to what you should do, you should consult your stockbroker, accountant or professional adviser. If you have any queries regarding the Plan, please contact Link Market Services on our dedicated shareholder numbers for the Share Purchase Plan, 1300 551 756 (toll free within Australia) or +61 2 8280 7782 (outside Australia).

All Directors that are eligible to participate in the Plan will apply for their full entitlement of shares.

Ventracor has appreciated the loyal support of its shareholders and we look forward to your continued support as the Company continues its progress towards commercialisation of the VentrAssist LVAD. On behalf of the Directors of Ventracor, I invite you to consider this opportunity.

Yours faithfully

John Ward

Chairman