



9 August 2019

Ms L Banh
Senior Adviser, Listings Compliance (Sydney)
ASX Compliance Pty Ltd
20 Bridge Street, Sydney NSW 2000

Dear Lisa

I refer to your letter of 6 August 2019 and to the issues you raised in relation to the Company's Appendix 4C Quarterly Report for the period ended 30 June 2019, and respond to each of your questions and requests for information below.

1. Does VBS expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

Yes, the Company expects that it will have negative operating cash flows for the time being, as it continues as a research-based biotechnology company and as is normal for a company of this type. As noted in previous releases to ASX, Vectus continues to advance with its drug development programme and increase the size of its drug compound library, and advance towards commercialising its Accugen product. Vectus continues to benefit from Government taxation incentives and / or funding programmes, and accordingly expects to receive an amount of approximately \$500,000 (under its 30 June 2019 research and development (R&D) cash-back claim) in December 2019. The Company is very confident that it will continue to be successful in securing R&D refund entitlements from the Government.

2. Has VBS taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Vectus is currently analysing two proposals from brokers that will satisfy the Company's capital requirements to fund its Phase I trial of its proprietary drug VB0004. As reported in the June 2019 Appendix 4C Quarterly Report, as an interim measure, the Company is utilising a Director loan, to fund its current activities. Vectus has a very supportive shareholder base, including a number of large sophisticated investors, and believes that the fundraising currently being evaluated will be well supported by new investors introduced by the broker, and by its current shareholders. The Company is very confident that the fundraising will be completed within 60 days.

3. Does VBS expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes. As mentioned above, Vectus is in current capital raising negotiations, together with certain trade industry discussions referred to in the 31 July 2019 ASX update announcement. Additionally the Company is anticipating receipt of the R&D cash-back claim referred to above, and further claims in the future.

4. **Please confirm that VBS is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that Rule that has not already been released to the market.**

The Company confirms that it is in compliance with ASX Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

5. **Please confirm that VBS's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy, or otherwise by its board or an officer of VBS with delegated authority from the board to respond to ASX on disclosure matters.**

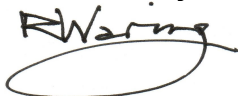
Vectus confirms that its responses to the questions above have been authorised and approved, in accordance with its published Continuous Disclosure Policy and by its Board.

Please also provide any other information that VBS considers may be relevant to ASX forming an opinion on whether VBS is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

Vectus' financial position will be materially enhanced by the proposed fundraising efforts detailed above. Vectus is actively engaged in discussions regarding collaboration agreements with pharmaceutical companies and industry investors to help jointly fund the advancement of its various programmes. The Accugen product is in the final pre-commercialisation phase of development. Much of Vectus' current level of expenditure is variable so that expenditure can be significantly reduced if there is a delay in the fundraising mentioned above.

Yours sincerely

Vectus Biosystems Limited

A handwritten signature in black ink, appearing to read 'RWaring', with a large circular flourish underneath.

Robert J Waring
Company Secretary



6 August 2019

Mr Robert Waring
Company Secretary
Vectus Biosystems Limited

By email:

Dear Mr Waring

Vectus Biosystems Limited ('VBS'): Appendix 4C Query

ASX refers to VBS's Appendix 4C quarterly report for the period ended 30 June 2019 lodged with the ASX Market Announcements Platform and released on 31 July 2019 (the 'Appendix 4C').

ASX notes that VBS has reported:

- negative net operating cash flows for the quarter of \$600,000;
- cash at the end of the quarter of \$43,000; and
- estimated cash outflows for the next quarter of \$455,000.

It is possible to conclude, based on the information in the Appendix 4C, that if VBS were to continue to expend cash at the rate indicated by the Appendix 4C, VBS may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks VBS to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does VBS expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has VBS taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does VBS expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that VBS is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that VBS's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of VBS with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that VBS considers may be relevant to ASX forming an opinion on whether VBS is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9.30 AM AEST Friday, 9 August 2019**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in VBS's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, VBS's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to VBS's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that VBS's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in VBS's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Kind regards

Lisa Banh
Senior Adviser, Listings Compliance (Sydney)