



11 November 2016

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

Dear Luxmy

I refer to your letter of 8 November 2016 and to the issues you raised in relation to the Company's Appendix 4C Quarterly Report, and respond to each of your questions and requests for information below.

1. Does the Company 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 continue as a research-based biotechnology company and will have negative operating cash flows for the time being, as is normal for a company of this type. As noted in the Statement of Commitments released to ASX on 22 February 2016, the funds raised during the Company's Initial Public Offering (IPO) under its Prospectus dated 23 November 2015 are being used, as anticipated, to advance Vectus' drug development program, to continue the work on commercialising the Accugen product and on advancing the Company's drug compound library. Vectus is benefiting from Government taxation incentives and / or funding programs, and accordingly expects to receive an amount of \$1.014 million under its 30 June 2016 research and development (R&D) cash-back claim in December 2016 or January 2017. The Company is confident that it will continue to be successful in securing funding incentives from the Government.

2. Has the Company 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 has been in dialogue with a number of brokers and institutional fund managers regarding the Company's future capital requirements. In one instance a proposal has been put forward and remains under consideration.

Vectus was recently announced as the winner of the Medtech and Pharma category of the Australian Technologies Competition and, as a consequence, continues to gain profile in the investment market.

The Company is also in discussions with a number of pharmaceutical companies, who are proposing to fund one or more of its projects. These discussions were mentioned in the June 2016 Quarterly Report released to ASX on 31 October 2016.

Vectus has a very supportive shareholder base, including a number of large sophisticated investors, and believes that a placement in the first quarter of 2017 would be well supported.

The Company also has the ability to reduce the funds that may be required to quite modest levels and, as referred to above, already has a proposal from a US-based fund manager to cover this additional capital.

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

Yes, Vectus does expect to be able to continue its operations to meet its core operating requirements through 2017 and beyond, as summarised in the Prospectus and subsequent releases to ASX.

4. Please provide any other information that the Company considers may be relevant to ASX forming an opinion on whether the Company is in compliance with Listing Rule 12.2 (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).

The Company's current financial position is in line with projections set out in its Prospectus dated 23 November 2015, and its current funds will be supplemented by the receipt of \$1.014 million under its 30 June 2016 R&D cash-back claim in December 2016 or January 2017 and by the proposed fundraising mentioned above.

Vectus is actively engaged in discussions regarding collaboration agreements with pharmaceutical companies to help jointly fund the advancement of its various programs. The Accugen product is in the final pre-commercialisation phase of development. It is noted that the Company has no net debt and no creditors with balances beyond normal trading terms.

Much of the Vectus' current level of expenditure is variable so that expenditure can be significantly reduced if there is a delay in the fundraising mentioned above.

5. Please confirm that the Company is in compliance with 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.

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.

6. Please confirm that the Company'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 the Company 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, by its Board.

Yours sincerely
Vectus Biosystems Limited

A handwritten signature in blue ink, appearing to read 'R. Waring'.

Robert J Waring
Company Secretary



8 November 2016

Mr Robert Waring
Company Secretary
Vectus Biosystems Limited
3-11 Primrose Avenue
Rosebery NSW 2018

By Email

Dear Mr Waring,

Vectus Biosystems Limited (the “Company”): Appendix 4C Query

I refer to the Company’s Appendix 4C quarterly report for the period ended 30 September 2016 lodged with ASX Market Announcements Platform and released on 31 October 2016 (the “Appendix 4C”).

ASX notes that the Company has reported:

- negative net operating cash flows for the quarter of \$1,575,000;
- cash at the end of the quarter of \$2,852,000; and
- estimated cash outflows for the next quarter of \$2,011,000.

It is possible to conclude, based on the information in the Appendix 4C, that if the Company were to continue to expend cash at the rate indicated by the Appendix 4C, the Company may not have sufficient cash to continue funding its operations. In view of that, ASX asks the Company to respond separately to each of the following questions and requests for information:

1. Does the Company expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has the Company 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 the Company expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please provide any other information that the Company considers may be relevant to ASX forming an opinion on whether the Company is in compliance with Listing Rule 12.2 (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).

5. Please confirm that the Company is in compliance with 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.
6. Please confirm that the Company'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 the Company with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9.30am AEDT on Monday, 14 November 2016. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Company'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, the Company'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. 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

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 the Company'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 the Company'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 the Company's securities under Listing Rule 17.1.

If you wish 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*.

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

Yours sincerely,

[Sent electronically without signature]

Lux Wigneswaran

Principal Adviser, Listings Compliance (Sydney)