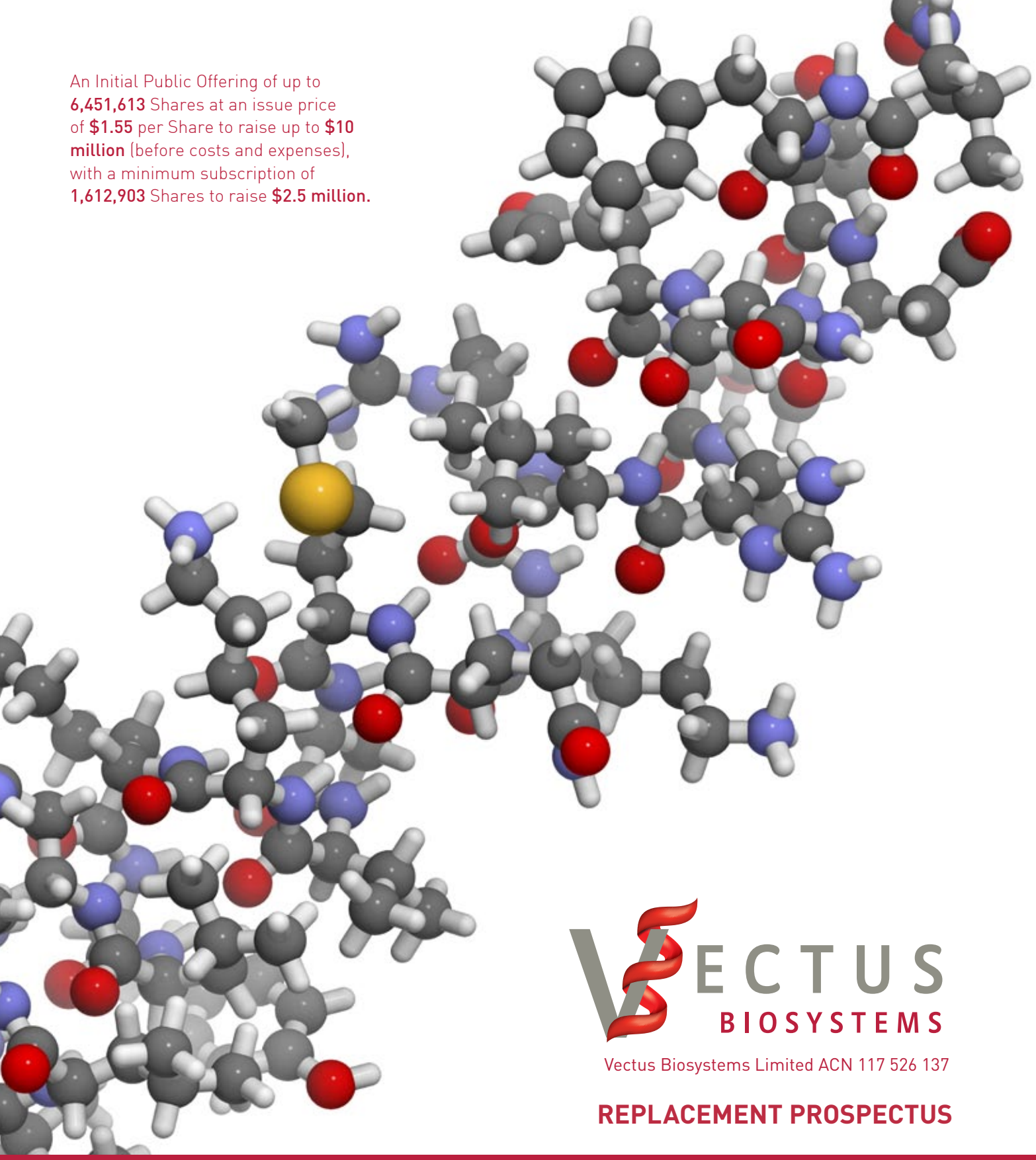
An Initial Public Offering of up to **6,451,613** Shares at an issue price of **$1.55** per Share to raise up to **$10 million** (before costs and expenses), with a minimum subscription of **1,612,903** Shares to raise **$2.5 million.**



VECTUS BIOSYSTEMS

Vectus Biosystems Limited ACN 117 526 137

REPLACEMENT PROSPECTUS

This Replacement Prospectus is an important document which you should read in its entirety. You may wish to consult your professional advisor about its contents.

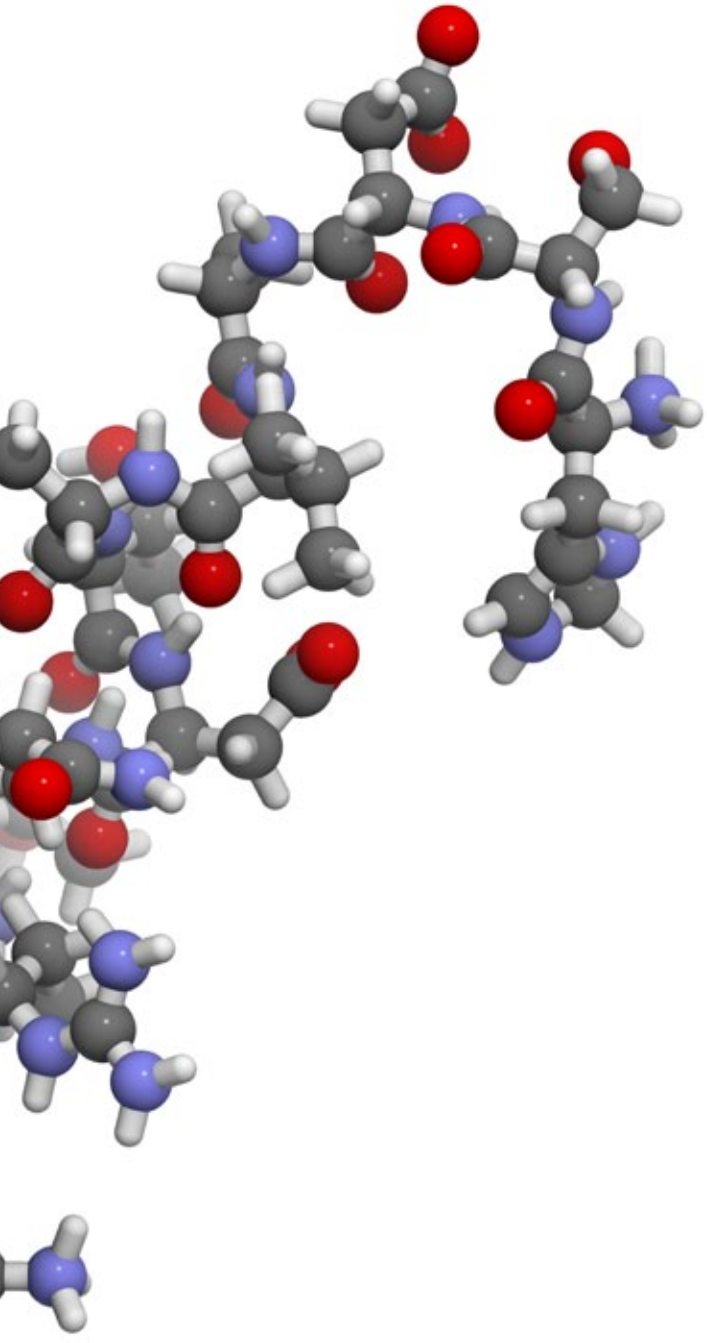
The Shares offered by this Replacement Prospectus should be considered speculative.

gleneagle securities — Lead Manager

DIBBSBARKER — Legal Advisor

IMPORTANT NOTICE

This Replacement Prospectus is an important document which should be read in its entirety before making any investment decision. You should obtain independent advice if you have questions about the matters contained in this Prospectus.



Offer

The Offer contained in this Prospectus is an invitation to acquire shares in Vectus Biosystems Limited ("Vectus", or the "Company").

Lodgement and listing

This Replacement Prospectus is dated 23 November 2015 and a copy of this Replacement Prospectus was lodged with ASIC on that date.

Vectus has applied to the ASX for admission of the Company to the Official List of ASX and for quotation of the Shares on the ASX.

Prospectus

This Replacement Prospectus replaces a prospectus dated and lodged with ASIC on 16 November 2015 (Original Prospectus). For the purposes of this document, this Replacement Prospectus will be referred to either as "this Replacement Prospectus" or "this Prospectus". This Replacement Prospectus has been issued to, amongst other matters to:

- provide additional disclosure on Vectus' proposed use of funds under the Offer;
- provide additional disclosure on Vectus' commercialisation strategy;
- provide comment to the qualified audit opinion that was issued for the FY2014 year; and
- clarify likely escrow arrangement for existing shareholders and amend the investment risk relating to the escrow and liquidity of Shares.

Neither ASIC nor ASX take any responsibility for the contents of this Prospectus nor for the merits of investing in the Company. A copy of this Prospectus has been provided to ASX. The fact that ASX may admit Vectus to the official list of ASX is not to be taken in any way as an indication of the investment merits of Vectus or the Offer.

Expiry date

No New Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

How to obtain a Prospectus and Application Form

This Prospectus is available in a paper version and in electronic form. The electronic version will be made available at www.vectusbiosystems.com.au. The information on www.vectusbiosystems.com.au does not form part of this Prospectus. The Offer constituted by this Prospectus in electronic form is available only to residents in Australia or New Zealand. Persons who access the electronic form of this Prospectus must ensure that they download and read the entire Prospectus. If you are unsure about the completeness of this Prospectus received electronically or a printout of it, you should contact the Company. Any person may obtain a paper copy of this Prospectus free of charge by contacting the Company's Offer Information Line via the Company's Share Registry, Boardroom Pty Limited, on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) between 8.30am and 5.00pm (Sydney time).

Applications for New Shares under this Prospectus may only be made on a printed copy of the Application Form attached to or accompanying this Prospectus. The Corporations Act prohibits any person from passing an Application Form on to another person unless it is attached to a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus. If this Prospectus is found to be deficient, any Applications may need to be dealt with in accordance with section 724 of the Corporations Act.

No financial advice

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its securities or any other financial product.

This Prospectus is important and should be read in its entirety prior to deciding whether to invest in the Company. There are risks associated with an investment in the Shares of the Company and the New Shares offered under this Prospectus must be regarded as a speculative investment. Some of the risks that should be considered are set out in Section 6 of this Prospectus. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues). There may also be risks in addition to these that should be considered in light of your personal circumstances.

If you do not understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional adviser before deciding whether to invest in the New Shares.

Exposure Period

The Exposure Period for this Prospectus commences on the day after this Prospectus is lodged with ASIC and will run for seven days. This period may be extended by ASIC for a further period of seven days (up to a total of 14 days). Vectus is prohibited from processing Applications under the Offer during the Exposure Period.

The purpose of the Exposure Period is to enable this Prospectus to be examined by ASIC and market participants prior to the raising of funds under the Offer. This Prospectus will be made generally available to Australian residents during the Exposure Period without the Application Form, by being posted on the following website: www.vectusbiosystems.com.au. Applications received during the Exposure Period will not be processed until after the expiry of this period. No preference will be given to any Applications received during the Exposure Period.

No Offer where Offer would be illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register the New Shares in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia or New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

Notice to New Zealand residents

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings Australia) Regulations 2008.

This Offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the Offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

Applications

Applications according to this Prospectus may only be made during the Offer Period, and on an Application Form attached to, or accompanying this Prospectus (including an electronic copy).

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings, which are set out in the Glossary. A reference to time in this Prospectus is to Sydney time, unless otherwise stated. A reference to $, A$, AUD and cents is to Australian currency, unless otherwise stated.

Forward looking statements

This Prospectus contains a number of forward looking statements. These include statements containing words such as 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan', 'considers', 'foresee', 'aim', 'will' and similar words.

Forward looking statements provided in this Prospectus are based on current expectations, estimates and projections about the Company's business and the industry in which it will operate. They may also be based on assumptions and contingencies which are subject to change without notice and/or involve known and unknown risks and uncertainties and other factors which are beyond the control of the Company. These forward looking statements should not be relied on as an indication or a guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which those statements are based because events and actual circumstances frequently do not occur as forecast and these differences may be material.

The Company has no intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, unless required by law.

Photographs and diagrams

Photographs used in this Prospectus which do not have any descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company.

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at the date of this Prospectus.

Privacy

By completing an Application Form, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications. That personal information will be collected, held and used both in and outside of Australia by the Company and the Share Registry, to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. If you do not wish to provide this information, the Company may not be able to process your Application.

If you become a Shareholder, the Corporations Act requires information about you (including your name, address, and details of New Shares you hold) to be included in the Company's public share register. This information must continue to be included in the Company's public share register even if you cease to be a Shareholder.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers (which may be located outside Australia) including those listed below or as otherwise authorised under the Privacy Act:

(a) the Share Registry for ongoing administration of the Company's public share register;

(b) printers and other companies for the purposes of preparation and distribution of documents for handling mail;

(c) market research companies for the purpose of analysing the Company's Shareholder base and for product development and planning; and

(d) legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering and advising on the Shares and for associated actions.

Under the Privacy Act, you may request access to your personal information that is held by, or on behalf of, the Company and/or the Share Registry. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Company or the Share Registry, details of which are set out elsewhere in this Prospectus. The Company aims to ensure that the personal information it retains about you is accurate, complete and up to date. To assist with this, please contact the Company or the Share Registry if any of your details you have provided change.

Disclaimers

In making your decision of whether to invest, you should rely only on the information in this Prospectus. No person is authorised to provide any information or to make any representations in connection with the Offer, which is not in this Prospectus. Any information or representations not in this Prospectus may not be relied upon as having been authorised by the Company in connection with the Offer.

No person named in this Prospectus guarantees the Company's performance or any return on investment made pursuant to this Prospectus.

Any references to information on the Company's website are provided for convenience only. No document or other information included on the Company's website is incorporated by reference into this Prospectus.

Enquiries

If you have any questions in relation to completing the Application Form please call the Offer Information Line via the Company's Share Registry, Boardroom Pty Limited, on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) between 8.30am and 5.00pm (Sydney time).

IMPORTANT DATES

Lodgement of Original Prospectus with ASX and ASIC	**Monday, 16 November 2015**
Lodgement of Replacement Prospectus with ASIC	**Monday , 23 November 2015**
Exposure Period ends	**Monday, 23 November 2015**
Offer opens	**Tuesday, 24 November 2015**
Offer closes	**5.00pm on Friday, 4 December 2015**
Expected allotment date	**Friday,11 December 2015**
Expected date for despatch of holding statements	**Monday, 14 December 2015**
Expected date for quotation of Shares (including New Shares) on ASX on a normal basis	**Tuesday, 22 December 2015**

The above timetable is indicative only. All times are Sydney time. The Company reserves the right to vary the dates and times set out above subject to the Corporations Act, the Listing Rules and other applicable laws. In particular, subject to the Listing Rules, the Company reserves the right to close the Offer early, extend the Closing Date or accept late Applications without notifying any recipients of this Prospectus or any Applicants.

Investors are encouraged to submit their Application Forms as early as possible after the Offer opens.

KEY STATISTICS OF THE OFFER

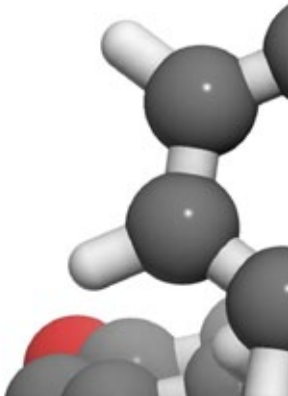
Offer Price per New Share	**$1.55**	
Number of Shares on issue before the Offer [1]	**20,031,391**	
	Minimum Subscription	**Maximum Subscription**
Total number of New Shares to be issued under the Offer	**1,612,903**	**6,451,613**
Gross proceeds to be received under the Offer	**$2,500,000**	**$10,000,000**
Total number of Shares on issue following the Offer [2][3]	**21,644,294**	**26,483,004**
Market capitalisation at Offer Price ($1.55) [4]	**$33,548,656**	**$41,048,656**

1. Excludes Performance Rights listed below, and also Performance Rights that may be issued after Listing as set out in Sections 10.7 and 10.8.

2. Excludes Shares that may be issued to Gleneagle Securities. See Section 10.4 for further details.

3. Excludes Performance Rights currently on issue and that may be issued after Listing as set out in Section 10.8. See Section 10.7 for further details on issued and unissued Performance Rights.

4. Market capitalisation is determined by multiplying the number of Shares on issue by the price at which Shares trade on the ASX from time to time. Shares may not trade at the Offer Price after Listing. If Shares trade below the Offer Price after Listing, the market capitalisation may be lower.



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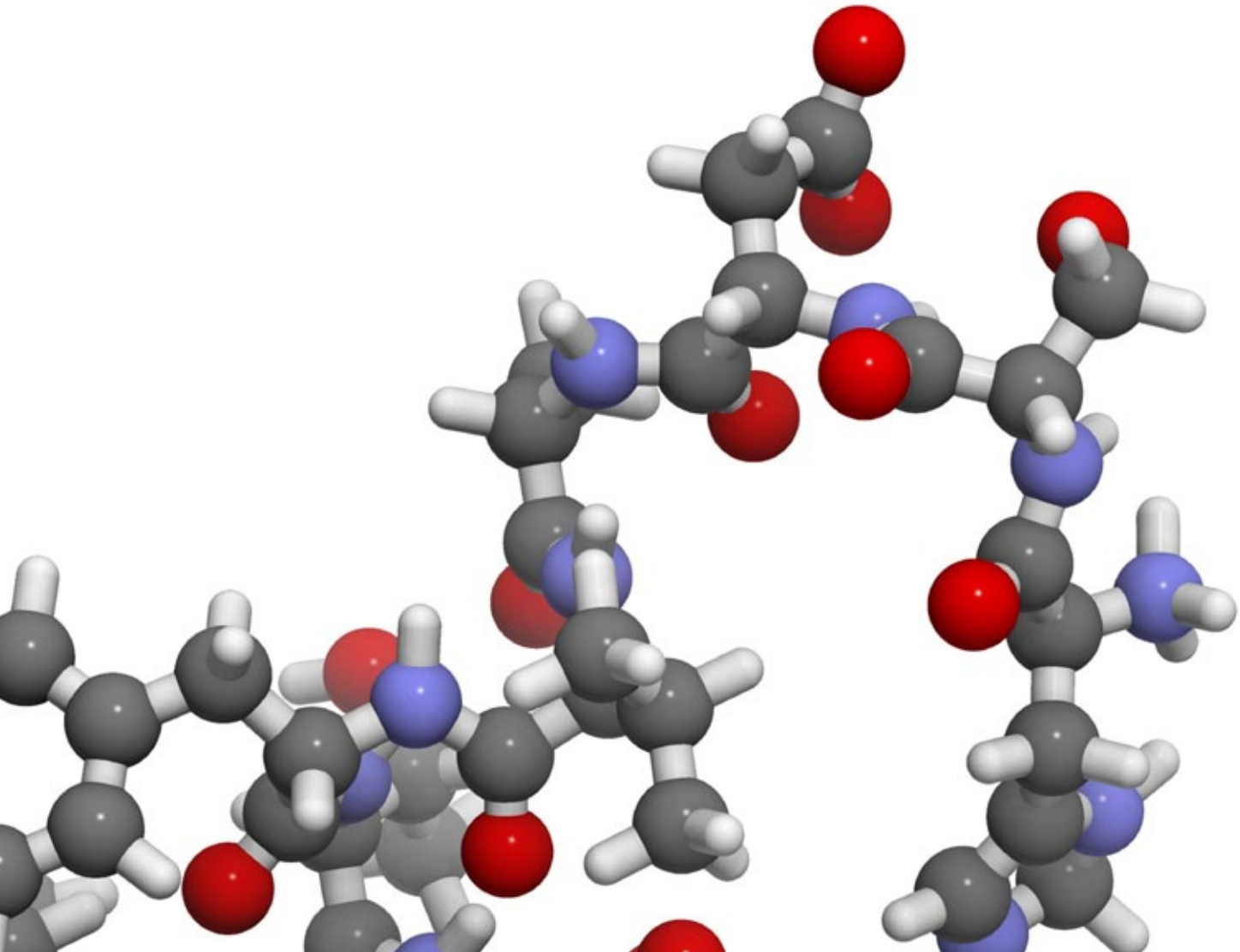


CHAIRMAN'S LETTER

23 November 2015

Dear Investor,

On behalf of the Board of Directors, I am pleased to invite you to become a shareholder of Vectus Biosystems Limited (Vectus or Company).

Vectus was founded on the ground breaking discoveries by Dr Karen Duggan and her team. Their insight into the function of the native Vasoactive Intestinal Peptide (VIP), combined with 9 years of research and testing to date, has led to the development of a new class of mimetic drug candidates and a drug library supported by a portfolio of intellectual property.

Vectus' lead compound, VB0004 is aimed at addressing two significant health challenges in a single therapeutic – these are the functional dimension of organ fibrosis, which is the hardening of muscle tissue, and hypertension (commonly known as high blood pressure).

VB0004 has, in a range of pre clinical trials, been shown to:

- materially slow down the advance of fibrosis
- potentially repair damaged cell tissue, i.e. reverse fibrosis - Vectus is targeting an ability to treat end organ damage with the aim of improving function
- materially reduce systolic hypertension.

VB0004, is now progressing towards a number of important milestones, including, pharmaceutical scale up (GMP manufacturing), and additional toxicity studies, success in which (together with adequate funding) would then provide a path to Human Phase I/IIa Clinical Trials. Vectus believes that the cost and scale of these trials will be relatively modest (by pharmaceutical standards) and could support opportunities for engagement with mid to large size pharmaceutical companies.

Pharmaceutical companies are constantly looking for new drugs which address widely prevalent disease states, and utilise a business model which can provide co funding and licencing arrangements that broaden their own drug development pipelines. Vectus' strategy, therefore, is to develop and perform early validation of our drug candidates to the point where they may become commercially attractive to potential pharmaceutical partners. Whilst progression of any drug candidate to a point where it is of commercial interest to pharmaceutical partners can take time and there is no certainty of success, the Company's compound library, pipeline and orphan drug candidates provide the potential, over time for Vectus to enter into multiple licence agreements.

The existing drug library contains compounds which we believe that, with further development and investment, may target additional disease indications which may benefit from a successful anti-fibrotic agent. Pre clinical testing has identified a number of compounds of interest, which in the Company's development program have demonstrated therapeutic potential. Since the Vectus drug development platform and program does not seek to build on existing drugs or attempt to create generic drugs, the compounds deriving from this program have the potential to achieve 'first in class' status. Vectus has included in its development program three groups of compounds which address disease states which could potentially have 'Orphan Drug' status'.

During the course of its research on the VIP peptide, fragments and mimetics, Vectus has also developed a platform technology aimed at improving the speed and accuracy of DNA and RNA amplification. This technology is owned by Accugen, a wholly subsidiary of Vectus, and provides a new and innovative way of standardising qPCR (quantitative-polymerase chain reaction), which is utilised in virtually every laboratory performing molecular biology in the world. The Accugen discovery is supported by 2 families of granted patents and patent applications and has the potential to enter the market with little impediment. The system has been successfully used in a number of beta test sites in Australian to date, and the Company is now moving to a broader number of pre-commercial alpha sites. Accugen has been the recipient of a competitive AusIndustry Commercial Ready Grant program which was successfully executed and recently presented at the prestigious qPCR and Digital PCR Congress in London.

Vectus' next stage of investment in Accugen will focus on an Alpha-phase test program during calendar year 2016, before moving to a commercialisation program which may include direct sales, distribution partnerships and licencing opportunities.

Vectus today enjoys the potential of a lead candidate together with multiple drug opportunities, targeting disease states of clinical and economic significance. Worldwide fibrosis is now recognised as an important therapeutic target and the Company is applying its resources and technology to provide innovative solutions to some of the most prevalent diseases of the 21st century.

Although an investment in Vectus involves a number of risks and must be considered speculative, I believe the offer represents an opportunity to participate in the development of a new class of drug candidates. I encourage you to consider the Prospectus in its entirety, including the risk factors set out in Section 6, before making an investment decision. On behalf of the Directors, I look forward to welcoming you as a shareholder of Vectus.

Yours faithfully

Graham Macdonald

Chairman


EXIT
Nutrition

1. INVESTMENT OVERVIEW

The information below is a summary and should be read in conjunction with the detailed information provided in this Prospectus.

Topic	Summary	Further Information
The Company		
Who is Vectus?	Vectus is a public company based at Julius Avenue, North Ryde, Sydney, Australia. Vectus is a biotechnology company which has two asset categories - the VIP Mimetics Platform and Accugen. **1. VIP Mimetics Platform:** Comprises compounds that are developed to resemble the active components of a naturally occurring peptide. Specific assets within the platform are: (a) The lead drug candidate VB0004, which has in pre-clinical trials been shown to • slow down and, reverse the advance of fibrosis and • reduce systolic blood pressure. Vectus intends to develop this drug candidate with further pre-clinical testing. If sufficient funding is raised under the offer, Vectus intends to also undertake Phase I/IIa Human Clinical Trials (See Section 4.9) (b) Vectus has 3 Orphan Drug candidates, known as "A32", "P5" and "P26" that, based on results from pre-clinical testing, could address fibrosis related diseases in the liver, kidney and lung (c) Vectus holds patents or patent applications over a library of other compounds which it believes provide potential candidates for other disease states where fibrosis or hypertension plays a role. **2. The Accugen System (Accugen)** Accugen is a platform, developed by Vectus' wholly owned subsidiary, Accugen Pty Limited, comprising reagents and software that quantitates qPCR reactions, i.e. it measures the amount of DNA or RNA in a sample. Vectus believes the Accugen system potentially offers a time, cost and accuracy benefit to more easily and precisely quantify PCR compared to currently available systems.	*Please refer to Section 4 for more detail*
Why is Vectus raising funds pursuant to the Offer?	Vectus has been funded to date by its existing shareholders and a number of Government tax incentive and funding programs. Funds from this raising will be used to further the progress of Vectus' pre clinical programs, working capital and the costs of the Offer. If sufficient funding is raised, Vectus also intends to undertake clinical programs in relation to VB0004 as outlined in Section 4.9.	*Please refer to Section 4.9 for more detail*
Key features of Vectus' business		
What is Vectus' strategy and how will it generate revenue?	With respect to the VIP Mimetic Platform, in general, and with VB0004 in particular, Vectus' strategy is to complete pre-clinical testing of its lead drug candidate VB0004. If Vectus raises sufficient funds under the offer and the pre-clinical activity is successful, Vectus will progress VB0004 through Phase I/IIa Human Clinical Trials. At this point Vectus will then licence its drug to one or more pharmaceutical companies and through these agreements potentially earn up-front, milestone and licencing revenues. In the event that only the Minimum Subscription is raised, Vectus will require additional funds in approximately 18 months to proceed to the proposed Phase I/IIa Human Clinical Trials. In this scenario, Vectus intends to raise further such additional funds on completion of the pre-clinial testing (subject to the success of that testing). With respect to Accugen, Vectus is in the process of optimising its platform for use with the most prevalent machines in the market. Accugen intends to sell and/or licence its software and consumable calibrating regents to earn up-front and recurring revenue.	*Please refer to Section 4.7 for more detail*

Topic	Summary	Further Information
What Intellectual Property underpins the business	Vectus has filed 11 families of patents and patent applications in its own right and does not licence any technology from third parties.	*Please refer to Section 4.8 for more detail*
Key strengths		
What are the Company's key strengths	**1. Lead candidate, VB0004, with broad pre-clinical validation** The Company's lead drug candidate, VB0004 has demonstrated in pre-clinical testing that it has the potential to both arrest progression of heart and kidney fibrosis and act to reverse end organ damage. **2. Potential 'Orphan Drugs'** 3 compounds in Vectus' portfolio targeting potential Orphan indications. Each of these indications, if successful, could address significant unmet medical need. **3. Extensive patented compound library** The Company has an evolving drug library with the potential to address a range of indications where hypertension and fibrosis play a role. **4. Modest cost and short duration expected for VB0004 clinical trials** Subject to raising sufficient funds, Vectus is currently planning for early Phase I/IIa Human Clinical Trials which are anticipated to be of modest cost and duration. Clinical success in this regard may have a beneficial effect in relation to the interest in other compounds in the Vectus drug library. **5. The Accugen systems now entering alpha site testing** The Accugen system potentially offers a cost effective, more accurate and faster calibration of the throughput of existing qPCR systems.	*Please refer to Section 4 for more detail*
Key risks		
What are the key risks of investing in the New Shares?	**1. Regulatory Environment** Pharmaceutical drug development, such as that conducted by Vectus, are subject to laws, regulatory restrictions and certain government directives, recommendations and guidelines relating to, amongst other things, occupational health and safety, laboratory practice, use and handling of hazardous materials, prevention of illness and injury and environmental protection. **2. Future Product Development Commercialisation** Vectus cannot guarantee that its drug pipeline, pre-clinical or clinical programs will result in the successful approval and commercialisation of its drug candidates. **3. Clinical Validation** Moving from discovery to development and subsequent commercialisation typically involves multiple and progressively larger clinical trials. Such trials can be expensive, time consuming, may be delayed or may fail.	*Please refer to Section 6.2. for more detail*

Topic	Summary	Further Information
What are the key risks of investing in the New Shares? **(continued)**	**4. Intellectual Property** One of the Company's assets is its intellectual property (IP) rights, the commercial value of which is on legal protections provided by a combination of patent, registered trade-marks, copyright, confidentiality, trade secrecy laws and other IP rights. These legal mechanisms, however, do not guarantee that the IP will be protected or that Vectus' competitive position will be maintained. **5. Manufacturing and Product Quality** Vectus' products have not yet been produced on a pharmaceutical scale. If Vectus is unable to manufacture products in sufficient quantities or at an appropriate cost level, it may not be able to conduct appropriate clinical tests to meet demand for its product, which may adversely impact clinical trials and commercial sales of the product. **6. Key Personnel** Vectus currently employs, or engages as consultants, a number of members of its management and scientific team. The loss of any of these people's services could materially and adversely affect the Company, and may impede the achievements of its research, product development and commercialisation objectives. **7. Sufficiency of Funding** The Company has limited financial resources and may need to raise additional funds (equity or debt) from time-to-time, including to conduct its clinical program in relation to VB0004 as further outlines in Section 4.9. Its ability to do so could be effected by a number of factors.	*Please refer to Section 6.2. for more detail*
Directors and key management		
Who are the Directors and officers of the Company?	**Prof Graham Macdonald** — Non Executive Chairman **Mr Maurie Stang** — Non Executive Deputy Chairman **Mr Bernard Stang** — Non Executive Director **Dr Karen Duggan** — Executive Director and Chief Executive Officer **Dr Ronald Shnier** — Non Executive Director **Mr Peter Bush** — Non Executive Director **Mr Robert Waring** — Company Secretary	*Please refer to Section 7.1 for more detail*
What will the interests of Directors and key management be in the Company following completion of the Offer?	The direct and indirect equity interests of the existing Directors of the Company following completion of the Offer are set out in the table below.	*Please refer to Section 7.6 for more detail*

	Number of Shares [1]	Performance Rights [1][2]
Prof Graham Macdonald	46,667	
Mr Maurie Stang	2,550,000	
Mr Bernard Stang	2,550,000	
Dr Karen Duggan	3,201,500	
Dr Ronald Shnier	100,000	
Mr Peter Bush	Nil	100,000

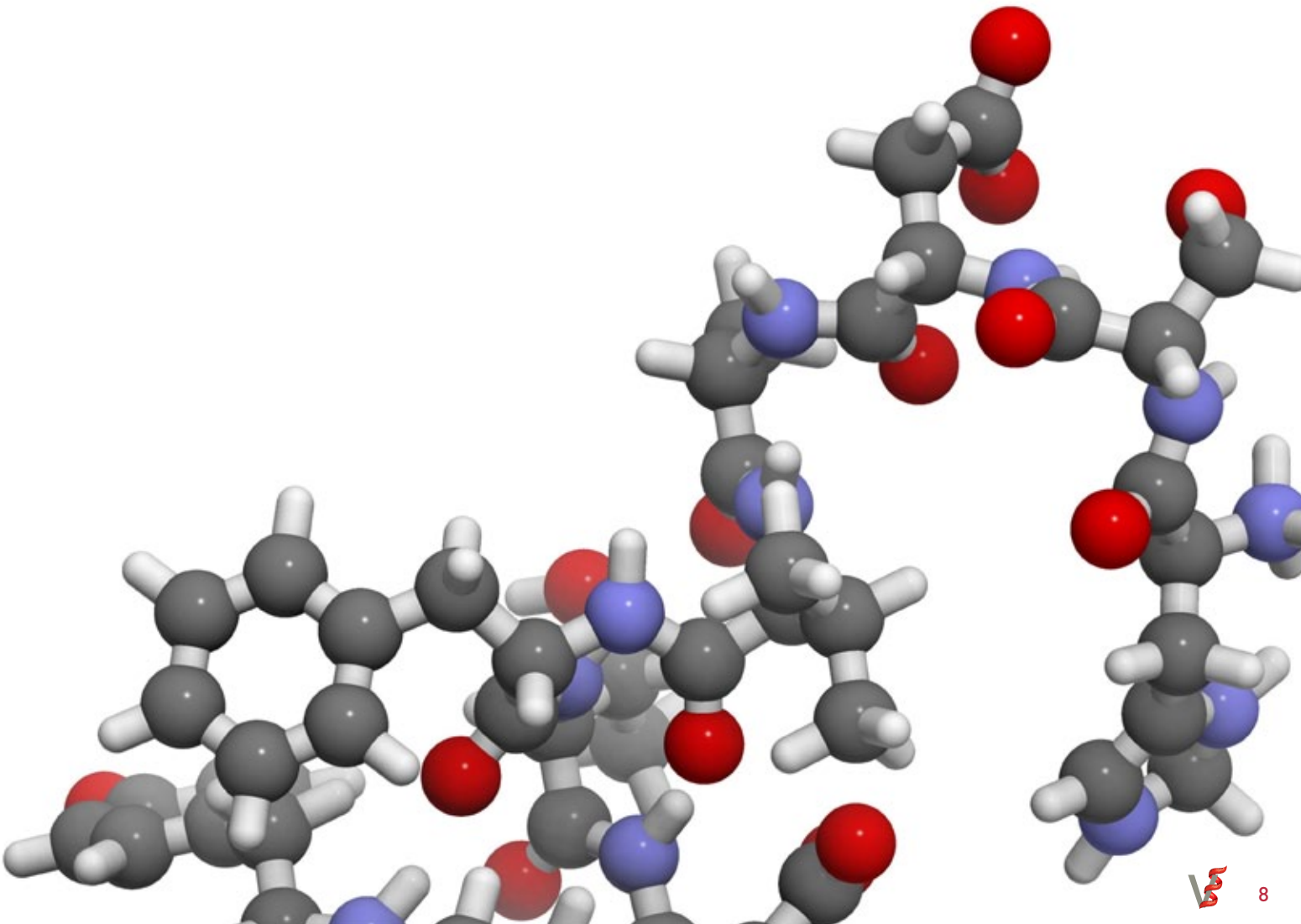
(1) Share and Performance Right numbers exclude any Performance Rights that might be issued to directors after Listing as further explained in Section 10.8.
(2) Terms and conditions of the Performance Rights issued to Peter Bush are summarised in Section 10.7.
(3) Directors may subscribe for New Shares as part of the Offer. Final Directors' holdings will be notified to the ASX on Listing.

Topic	Summary	Further Information
What is the Vectus Employee Incentive Plan?	The Company has established the Vectus Employee Incentive Plan (Plan) to encourage employees to share ownership of the Company and to assist with the attraction, retention and motivation of employees. Officers and contractors of the Company. Vectus has issued 100,000 Performance Rights under the Plan to Dillon Ventures Pty Limited, being an entity associated with Peter Bush, a non-executive Director. In addition, the Company has allocated a "pool" of up to 300,000 Performance Rights which may be issued to certain current Directors. The Directors entitled to be issued Performance Rights are those the Board has identified as key contributors to the Company in the period following IPO and Listing.	*Please refer to Sections 10.7 and 10.8 for more detail*
Are there any related party transactions?	Vectus has entered into a Corporate Services Agreement with Regional Health Care Group Pty Limited (Regional) – a company associated with directors Maurie Stang and Bernie Stang. Pursuant to the Corporate Services Agreement, Regional provides Vectus with various corporate services for a fixed monthly fee of $10,391.67 (ex GST).	*Please refer to Section 10.5 for more detail*
Summary of the Offer		
What is the Offer?	The Offer invites Applications for investors to purchase Shares in Vectus Biosystems Limited, which is proposed to be Listed on the ASX. The Shares will trade on ASX under the ticker "VBS".	*Please refer to Section 5 for more detail*
What are the terms of the Offer?	The Offer Price is $1.55 per New Share. The minimum number of New Shares to be issued under the Offer is 1,612,903 New Shares, to raise $2.5 million. The maximum number of New Shares to be issued under the offer is 6,451,613 to raise $10 million. Applications must be for a minimum of 1,300 New Shares ($2,015) and thereafter in multiples of 100 New Shares ($155.00). The Offer opens on Tuesday 24 November 2015 and closes at 5.00pm (Sydney time) on Friday, 4 December 2015. Refer to Sections 5.1 to 5.7 for more information on how to apply for New Shares.	*Please refer to Section 5 for more detail*
How will the proceeds of the Offer be used?		*Please refer to Section 4.9 for more detail*

	Minimum Subscription $ million	Maximum Subscription $ million
Raising (Minimum/ Maximum)	**$2.50**	**$10.00**
Cash at Bank (Opening)	$1.50	$1.50
ATO Cash Back (Annual)	$2.93	$5.68
Available Cash	**$6.93**	**$17.18**
Proposed Budget		
Costs in connection with the Offer	$0.50	$0.96
GMP Scale Up & Manufacturing	$1.50	$1.50
Animal Toxicology (Two Species)	$1.50	$1.50
Clinical Development (Phase I & IIa)	$0.00	$2.73
Orphan & library	$0.00	$6.06
Accugen	$0.50	$1.50
Working Capital	$2.93	$2.93
Total Expenditure	**$6.93**	**$17.18**

Topic	Summary	Further Information
How will the proceeds of the Offer be used? **(continued)**	In the event only the Minimum Subscription is raised, Vectus will have sufficient funds to complete the GMP Scale Up and Manufacture and Animal Toxicology and progress Accugen to commercialisation as further explained below. Vectus will require additional funds in approximately 18 months' time to proceed with the proposed Human Phase I & IIa Clinical Trials and to develop the orphan drugs and other compounds in the mimetic library. See Section 4.9 for more detail on the proposed use of funds if an amount is raised pursuant to the Offer is between the Minimum Subscription and Maximum Subscription. Additional detail on the proposed use of funds: **Good Manufacturing Practice (GMP) scale up & production** Vectus will invest approximately $1.5m to produce VB0004 under GMP conditions to complete its pre-clinical and Human Phases I and IIa Clinical Trials from a single batch. **Toxicology** As a requirement for human studies, specific animal toxicology experiments will be managed by an appropriate Clinical Research Organisation. These highly specific studies expected to cost approximately $1.5m. **Clinical Development: Phase I & IIa** Clinical development will proceed subject to an amount of at least $5.0m being raised pursuant to the offer. If a lesser amount is raised, Vectus will need to raise additional funds within approximately 18 months time to proceed with the clinical trials. Each of the Human Phase I and IIa Clinical Trials will have well defined end points and approximately 20 subjects per trial. Vectus anticipates that both trials will be run at a single centre in Australia and estimates the cost for both will be up to $2.73m. **Accugen** As Accugen moves through its alpha phase and subsequent commercialisation, the base budgeted expenditure is approximately $250,000 per annum Vectus believes that the funds raised under the Offer will be sufficient to fund the Company's objectives for the next 18 months if the Minimum Subscription is raised and the next two years if the Maximum Subscription is raised.	*Please refer to Section 4.9 for more detail*
What will the Company's capital structure look like post completion of the Offer?	Existing Shares (*) 20,031,391 **Minimum Subscription** / **Maximum Subscription** Offer: 1,612,903 / 6,451,613 Total number of Shares on issue following the Offer (**): 21,644,294 / 26,483,004 (*) Excludes Performance Rights (See Section 10.8) (**) Excludes Shares that may be issued to Gleneagle Securities (See Section 10.4).	*Please refer to Section 5.9 for more detail*
Is the Offer underwritten?	No, the Offer will not be underwritten.	*Please refer to Section 5 for more detail*
Will the New Shares be listed?	Yes. The Company will apply to ASX for Quotation of the New Shares on ASX (as well as the existing Shares in the Company) no later than 7 days after the date of this Prospectus.	*Please refer to Section 5 for more detail*
Is there any brokerage, commission or duty payable?	No brokerage, commission or duty is payable by an Applicant for acquisition of New Shares under the Offer.	*Please refer to Section 5 for more detail*

Topic	Summary	Further Information
Can the Offer be withdrawn	The Company reserves the right not to proceed with the Offer at any time before the Share Allotment Date. If the Offer does not proceed, Application Monies will be refunded.	*Please refer to Section 4.9 for more detail*
No interest will be paid on any refunded Application Monies.	Please refer to Section 5 for more detail.	*Please refer to Section 5 for more detail*
Is there a cooling off period?	No.	*Please refer to Section 5 for more detail*
When will I receive confirmation that my Application has been successful?	Confirmations of successful Application in the form of holding statements are expected to be despatched by post on or around 14 December 2015.	*Please refer to Section 5 for more detail*
How can I obtain further information?	To obtain further information speak to your accountant, stockbroker, financial adviser or professional adviser. If you require assistance completing the Application Form or additional copies of this Prospectus you should contact the Offer Information Line via the Company's Share Registry, Boardroom Pty Limited, on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) between 8.30am and 5.00pm (Sydney time).	



2. DRUG DEVELOPMENT INDUSTRY OVERVIEW

2.1 Understanding key terms used in the industry and in this Prospectus

(a) What is Fibrosis?

The term fibrosis describes the development of fibrous connective tissue as a reparative response to injury or damage. In response to injury this may refer to the connective tissue build-up that occurs as part of normal healing, this is called scarring. Physiologically, fibrosis acts to deposit connective tissue, which can obliterate the architecture and function of the underlying organ or tissue.

When, in for example the heart or kidney, fibrosis replaces organ tissue to the point where the organ can no longer function normally, the patient would be diagnosed with end stage heart or kidney disease, with the prognosis being likely death.

It is known that fibrosis is a significant factor leading to death all over the world, and while few statistics are kept about fibrosis specifically, it has been estimated that as much as 45% of total mortality in the western developed countries is now caused by fibrotic diseases and the mortality in underdeveloped or developing countries caused by these diseases is likely to be even much higher and to Vectus' knowledge there are few drugs on the market with explicit anti-fibrotic indications Vectus believes that the ability to reduce the advance of fibrosis and reverse existing fibrosis will be a significant advance to the field.

Diseases caused by fibrosis, and their impact, such as organ failure, are the main market opportunities for Vectus.

(b) What is Hypertension?

Hypertension, also known as high blood pressure or arterial hypertension, is a chronic medical condition in which the blood pressure in the arteries is persistently elevated.

Blood pressure is expressed by two measurements, the systolic and diastolic pressures, which are the maximum and minimum pressures, respectively, in the arterial system. The systolic pressure occurs when the left ventricle is most contracted; the diastolic pressure occurs when the left ventricle is most relaxed, prior to the next contraction. Normal blood pressure is less than 120 millimetres mercury ("mmHg") systolic and less than 80 mmHg diastolic. Hypertension is present if the blood pressure is persistently at or above 120/80 mmHg for most adults; different numbers apply to children.

Hypertension affects up to 40% of the adult population aged over 25 worldwide and is a major risk factor for heart failure, kidney disease, stroke and vascular dementia. Hypertension is a causative factor on close to 13% of total adult deaths. In a survey done by the American Heart Association, it was found that 47.5% of respondents diagnosed with high blood pressure didn't have their blood pressure effectively under control, potentially making it a major health burden. The ASH Foundation estimated that the costs associated with high blood pressure in the US alone were US$77B in 2010. By 2025, 1.56B adults will be living with high blood pressure.

High blood pressure can also lead to conditions such as stroke and heart failure Vectus believes that it is common for patients with systolic hypertension to require more than a single drug to reach target control of blood pressure as laid out in common guidelines published internationally. Nephrologists, cardiologists and general practitioners have seen compliance to a multi-drug regime as challenging.

(c) What is meant by "First in Class"?

Drugs are recognised by industry participants as "First In Class" when, for example, they use a new and unique mechanism of action for treating a medical condition. This status is highly sought after as it has the potential to positively impact speed to approval, in that the majority of these drugs meet an unmet clinical need.

(d) What is meant by "Orphan Drug Status"?

"Orphan Drug Status" is a term used by regulators and pharmaceutical companies to describe a new drug that treats a disease where:

- there are currently no or minimal treatment options i.e. "unmet medical need", or
- the drug serves a small patient population. A small patient population is defined:
- In the European Union, to be a disease expected to affect less than 1 in 2,000 persons or a maximum of 250,000 citizens in the European Union; and
- In the United States, to be a disease affecting less than 200,000 individuals in the United States.
- Most major jurisdictions provide a regulatory pathway that is directed at encouraging or supporting development of drugs for orphan indications. These policies can include:
- reduced clinical trial costs due to support in developing clinical trial protocols and/or reduced patient recruitment and shorter trial periods;
- grants to subsidise clinical trial costs; and
- enhanced patent protection and marketing rights through expanded market exclusivity periods and for drugs approved under these programs.

2.2 What steps are typically involved in developing a drug?

The development of a drug as a candidate to treat or target a disease (or indication) takes place in two significant phases. These are "Preclinical" and "Clinical".

During the Preclinical phase, a drug is tested in laboratory and animal systems designed to provide information on dosage and toxicity levels that may predict the likely safety and efficacy of the drug in humans.

If the Preclinical results are positive, a drug usually then moves into the Clinical development phase where it is tested on humans. Clinical development normally takes place in phases where:

- "Phase I" trials test human safety to confirm no adverse effects with the drug and dosage
- "Phase II" trials gather preliminary data on the drug's effectiveness and side effects
- "Phase III" trials gather large scale data about safety and effectiveness
- "Phase IV" trials marketing claims and safety in a wider population.

Phases of the Pipeline

2.3 Vectus' Position and Focus in the Drug Development Industry

Mid and large size pharmaceutical companies are increasingly relying on small and emerging biotech companies to deliver components of their future drug pipeline. Dialogue between industry participants that leads to licencing arrangements where the smaller company licences its drug to a larger pharmaceutical company are common and this path to licencing well known.

Such licencing arrangements may be entered at different stages of development of a particular drug candidate. Typically, partnering or licensing arrangements will include terms that cover remuneration, co-funding, development timetable and marketing. Whilst the general approach to these licencing agreements is common, the specific terms will vary on a case-by-case basis.

Any such arrangement will be dependent on successful testing and trials through to the point the license is entered with the pharmaceutical partner. The terms of such arrangements can include significant up-front payments to the development company at the point of licensing, together with further payments on the success of further trials, additional milestone payments including potential co-funding, and royalties on the successful commercialisation of the licensed drug.

The licencing relationship between developing companies and more established pharmaceutical companies therefore has the potential to deliver important new drugs to the pharmaceutical partner whilst mitigating the cost and risk to the drug discovery company.

Vectus is targeting its lead candidate VB0004 as a "first in class" drug candidate which may be attractive to potential pharmaceutical partners at the successful conclusion of Phase I/IIa trials. As VB0004 targets an important range of disease states, it has the potential for a pharmaceutical company to consider it appropriate to bring VB0004 into its own clinical program and undertake such regulatory and commercialisation efforts as may be required. Any such licensing or partnering agreement, in the case of VB0004, would be dependent on Vectus successfully completing its immediate objectives of GMP Synthesis and Manufacturing and animal toxicology testing as set out in Section 4.3(c). It will also be dependent on Vectus raising (whether pursuant to the offer or further capital raising) sufficient funds to undertake Phase I/IIa trials in respect of VB0004 and the success of such trials. Please refer to Section 4.9 for further details.

2.4 Specifically, which drug/disease markets is Vectus targeting?

Vectus is focusing on three of the largest diseases in the fibrotic market

- heart
- kidney
- liver.

The current global market value of medication to treat these diseases is over $70B, however the burden on the healthcare systems is estimated to be at least five times greater as it includes hospitalisation, out-patient treatment and services, carer time and disability costs.

(a) Cardiac (Heart) Fibrosis

Cardiac fibrosis causes the thickening and loss of flexibility in the heart muscle that eventually may lead to valvular dysfunction and heart failure.

Vectus is not aware of any drugs currently available that have approved clinical indications to reverse cardiac fibrosis. Considering it is an important dimension of many heart failures, the potential market size for a drug that arrests and reverses aspects of cardiac fibrosis could be significant.

(a) Renal (Kidney) Fibrosis

Renal failure is the inevitable consequence of an excessive accumulation of non-functioning tissue (sometimes called 'extra cellular matrix') that occurs in virtually every type of chronic kidney disease.

Vectus is not aware of any approved anti-fibrotic drugs targeting the reversal of renal fibrosis, therefore, it believes that as a proxy for sub-set of market size, dialysis treatment can be used as an indicator of the prevalence of chronic renal disease.

The number of patients on dialysis has trebled in the last two decades due to a soaring incidence of diabetes and high blood pressure. The direct costs of renal dialysis and associated pharmaceuticals, globally, are expected to reach $83B by 2018.

(b) Hepatic (Liver) Cirrhosis

Hepatic (liver) cirrhosis is a major health burden. Progression of liver inflammation leads to hepatic fibrosis which may then lead to cirrhosis, liver cancer and/or liver failure. Current treatments focus on treating the cause of the injury, such as with anti-viral therapy in Hepatitis-C (HCV), Hepatitis-B (HBV), induced viral hepatitis, exercise or diet control or abstaining from alcohol in alcoholic liver disease.

Deaths due to chronic liver disease and cirrhosis now account for 11.5 deaths for every 100,000 population. Prevalence varies by country, but is highest in India and Asia. Although associated with Hepatitis and alcohol consumption, diabetic

obesity, genetics and infection can also be causative factors.

In 2014, the global liver disease pharmaceutical market was US$24.5B, based mostly on existing anti-viral treatments.

2.5 Areas of Vectus' interest that may qualify for Orphan Drug Status

(a) Liver Disease – Orphan opportunity due to unmet medical need

Hepatic (liver) diseases are an important and challenging health issue in many developing countries. Hepatic cirrhosis may be cryptogenic, genetic, infectious, alcohol related, diabetic or due to obesity in origin.

The consequences are cirrhosis, liver failure and/or liver cancer.

Current treatments focus on:

- prevention/ vaccination as in Hepatitis A & B vaccines (HAV, HBV)
- abstinence to prevent further damage, weight loss, diabetes management
- anti-viral therapies such as for Hepatitis C and B (HCV or HBV) or induced viral hepatitis
- symptom relief
- transplantation.

Drug treatments aimed at treating liver fibrosis are usually too toxic for long-term use, e.g. Corticosteroids, or have unproven clinical efficacy, e.g. Colchicine. An anti-viral therapy such as Interferon is not approved for use to treat fibrosis or cirrhosis. To date, Vectus is unaware of any FDA approved therapeutics for liver fibrosis which can reduce the progression of fibrosis or cirrhosis nor for liver inflammation.

(b) Kidney Protection - Orphan opportunity due to patient population & unmet need

A side effect of certain diseases and cancer treatments is an inadvertent destruction of kidney tubule cells. When tissue is damaged, the body responds by producing fibrocytes to remodel the destroyed tissue. If the process continues to occur, the tissue will become fibrotic. If this occurs in the kidney, it can lead to renal failure.

At the moment this is a limited patient population for which no treatment options are available.

(c) Idiopathic Pulmonary Fibrosis (IPF) – Orphan opportunity due to unmet medical need

IPF in a chronic condition is characterised by damage to the lung resulting from inflammation and scarring. It affects more than 70,000 people in the US and EU and the FDA has nominated that drugs targeting this disease will be considered for Orphan Drug Status.

Global Data project that the US & EU market could be worth over $1.1B by 2017 due to the lack of other options. There is also a significant opportunity in Asian markets where there is a high incidence of lung disease.

3. OVERVIEW OF REAL-TIME QUANTITATIVE PCR

3.1 What is real time quantitative PCR?

Real time quantitative PCR (or quantitative-polymerase chain reaction or qPCR) was developed in the early 1990's as a means to accurately quantify the amount of DNA or RNA in a sample and is now a mainstay of biotech and pharmaceutical research laboratories, and has applications in commercial forensic and veterinary laboratories.

qPCR is a process in which the sample being examined is analysed by a machine with reagents which in effect cause the DNA/RNA to multiply, or "amplify", to provide sufficient material and to measure changes in the DNA/RNA being assessed.

It is fundamental to the successful application of qPCR that results are calibrated to a known standard, or validated by methods which underpin accuracy of the data being generated. Current methodologies have been openly discussed within the scientific community as being excessively variable and subject to well documented inaccuracies. Several approaches have been attempted to improve the accuracy of qPCR and it is widely recognised in the industry that better solutions are desirable.

Currently, to accurately quantify DNA or RNA in a sample, a number of controls need to be used to create a standard curve. These control samples require preparation time, can be costly to produce and some have inherent inaccuracies. The design of the standard to be used, production and stability over potentially long storage times can impact the results and even cause an experiment to be invalid which can add to costs.

3.2 The real time qPCR Market

Real time qPCR has had a significant impact on the biotechnology industry and research.

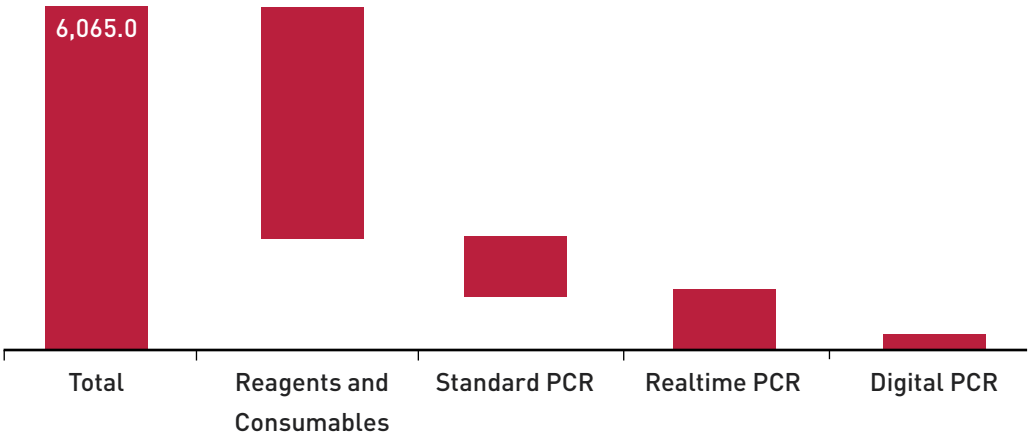
In a practical sense, by quantifying the amount of a specific gene in a sample one can tell whether and/or how much of a virus, such as HIV, or cancer proteins are present, thus guiding the clinician with regards to treatment of the patient. Industries such as food and hospital pathology are rapidly adopting the technology, and taking it in-house for quality control screening and diagnostics, respectively.

A study estimates that the global reagent market will grow to be US$4b by 2019, including the sale of kits commonly known as "Master Mixes" which bundle all the necessary components to run a qPCR test and comprise approximately US500m of the broader market

The drivers for industry growth are greater use within the existing established biotech and pharma user base as well as the adoption by new users within the clinical pathology industry that can see benefit in molecular diagnostics due to the greater precision over other testing means. A hindrance to growth remains the cost of qPCR diagnostic kits, inefficient data analysis devices and lack of skilled professionals.

Accugen is targeting a role in the reagents market through the development of its software and calibration reagents to simply and accurately quantify DNA/RNA, while also reducing the time and cost of qPCR reaction preparation and analysis.

Global PCR Market Revenue, by Product, 2012-2020 (USD Million)



Source: Transparency Market Research

4. COMPANY OVERVIEW

4.1 Introduction

Vectus is an emerging biotechnology company based in Sydney that has been developed on the inventions and findings of Dr Karen Duggan and her team.

Vectus comprises two distinct business opportunities or asset categories, the VIP Mimetics Platform and Accugen:

(a) VIP Mimetics Platform

VIP Mimetics Platform comprises drugs resembling the native VIP molecule (mimetics). Within this asset category, there are three distinct assets or asset groupings:

(i) Lead Drug Candidate – VB0004

An oral drug known as VB0004 is Vectus' lead candidate. It has been subject to a broad range of pre-clinical testing, including substantial animal testing and some human cell toxicity testing. In these pre-clinical tests, VB0004 has shown the ability to reduce hypertension more effectively than the leading drug on the market. It has also shown anti-fibrotic properties, i.e. it can slow down the advance of fibrosis and also the unique ability to reverse fibrosis. Further summary findings are presented in Section 4.3 below.

(ii) Potential Orphan Drugs

Vectus has 3 Orphan Drug candidates, known as "A32", "P5" and "P26". As Orphan Drugs there is the potential for a fast track regulatory path. Preclinical tests have been conducted in recognised in vivo (in animals) and in vitro (in test tube) models. Further summary findings are set out in Section 4.4 below.

(iii) Compound Library

Vectus holds patents or patent applications over a library of 70 other compounds which it believes provide potential candidates for other disease states where fibrosis plays a role. Pre-clinical testing has identified a number of compounds of interest that may be able to be positioned as 'First In Class', and ongoing development, similar to the path undertaken by the lead compound, VB0004, may realise a valuable portfolio addressing multiple fibrosis related disease states.

Further information about the VIP Mimetics Platform is set out in Sections 4.2 to 4.5 below.

(b) Accugen System

The Accugen System (Accugen) is a platform comprising calibrating reagents and software, that has the potential to help quantify qPCR reactions more precisely, quickly and cost effectively compared to currently available systems. Accugen was developed by Vectus' wholly owned subsidiary Accugen Pty Limited and the system is supported by two families of granted patents and pending patent applications and Accugen owns three registered trademarks relevant to the system.

Further information about Accugen is set out in Section 4.6 below.

4.2 VIP Mimetics Platform

The basis of the Vectus VIP Mimetics Platform was a discovery made by Dr Karen Duggan's research that demonstrated that a naturally occurring peptide, VIP, can reduce blood pressure in hypertensive animal models. But of greater therapeutic importance was the later discovery that organs damaged by fibrosis were deficient in VIP, indicating that supplementation with VIP may halt or even reverse fibrosis damage. VIP had been known to be an effective vasodilator (i.e. it relaxes blood vessels), but the association with fibrotic repair had not been made.

Vectus' research has identified that certain VIP synthetic fragments bind to a cellular receptor that Vectus believes has a role in fibrous tissue formation.

Fibrosis is a normal function of cellular repair to protect damaged organs, but if left unchecked, due to a chronic disease such as hypertension which is continually causing stress on organs, the process becomes pathological. In the heart for example, the stiffening around the smooth muscle in the heart will eventually prevent it from working properly. A similar mechanism of disease progression occurs in the kidney and lung.

Importantly, through continued research, Vectus has isolated and produced synthetic versions of a number of fragments of VIP that have varying combinations of activity on fibrosis and blood pressure and that have greater stability compared to the native peptide and can be delivered as an oral medication. This library of mimetic leads has promise in a number of applications.

Other drugs in the library, some of which have the prospect to be considered drugs for orphan indications, have also shown positive anti-fibrotic results.

4.3 Lead Candidate - VB0004

Vectus' lead candidate, VB0004, has undergone extensive pre-clinical in-vitro (in laboratory) and in-vivo (in animals) testing. The results of the pre-clinical testing demonstrate that VB0004 has potential to act as an anti-fibrotic and/or lower blood pressure. In cell toxicity assays, no adverse effects were observed and VB0004 has been well tolerated in the animal models used. The pre-clinical testing resulted in no negative conclusions to those described in this Prospectus and all conclusions in relation to the information and data provided in this Prospectus are presented in accordance with the Australian Code of Responsible Conduct of Research.

Vectus' potential advantage over current alternative treatments relies on a number of findings from completed trials:

- VB0004 has shown it can reduce hypertension more effectively than the leading drug on the market, Enalapril.
- VB0004 has shown it is anti-fibrotic, meaning it can materially slow down the advance of fibrosis, and
- VB0004 has shown it can repair damaged cell tissue, i.e. reverse fibrosis - Vectus is the first company that we know of to achieve this result.

VB0004 has the potential to be considered First In Class for its unique treatment of cardio and renal fibrosis.

(a) Trial Design

The key feature of VIP as a therapeutic, as recognised in the early research of Dr Duggan, which distinguished it from all currently available agents with anti-fibrotic activity, was VIP's apparent capacity to:

- reverse pre-existing fibrosis,
- restore normal tissue architecture to affected organs; and
- the lack of side effects at the dose required to achieve these effects.

It was essential therefore that the lead candidate, VB0004, which is a mimetic of VIP, appeared to emulate these features in testing. Vectus also considered it important to gain a comparison of the efficacy of VB0004 with a currently available, leading, hypertension drug to evaluate if that drug represented a viable alternative approach to arresting and reversing fibrosis.

Vectus' pre-clinical trials designs were aimed at meeting these criteria.

Accordingly, a 4 week in-vivo trial using Spontaneous Hypertensive Rat (SHR) models, aged 14 weeks and on a 2.2% salt diet, was designed.

SHR's are generally accepted to model human cardiac and renal fibrosis as well as hypertension.

SHR's, where randomly put into groups of 5 and the groups each treated as follows:

- **14 Week Control Group:** 14 week old SHR's were anaesthetized before any treatment, then had blood sampled and hearts and kidneys harvested establishing a 'starting point' to which all other groups could be compared.
- **VIP Group:** SHRs were given a VIP infusion of 5 pmol/kg/min for 4 weeks.
- **Vehicle Control** - Hartman's Solution was used as the 'vehicle' to carry the VIP in the VIP group. Therefore a control group was given Hartman's solution without any VIP for 4 weeks.
- **Enalapril Group:** SHR's were given doses of Enalapril for 4 weeks. Enalapril is a drug currently widely used to treat hypertension. The Enalapril dosage was adjusted so that the blood pressure of this group matched the blood pressure of the VIP Group.
- **VB0004 Groups:** Different SHR groups were, for 4 weeks given doses of 10, 100 or 500 pmol/kg/min of VB0004.
- **Ethanol Control Group:** VB0004 was delivered in a drinking solution which was 5% ethanol. Therefore a control group was given a drinking solution with 5% ethanol, without VB0004 for 4 weeks.
- **18 Week Control Group:** SHR's were left un-treated for 4 weeks, thus establishing an 'end-point' comparison.

The groups were weighed and had blood pressure measured twice weekly for the 4 week period. The concentrations of VB0004 in the drinking solution were adjusted twice weekly to maintain a constant dosage.

After 4 weeks treatment the 18 week old rats were anaesthetized, then had blood sampled and hearts and kidneys harvested for quantitation of fibrosis.

P values of less than 0.05 were considered significant.

Using the SHR models Vectus could therefore compare the effects of VIP, VB0004 and Enalapril to control samples.

(b) Summary of Salient Pre-Clinical Data for VB0004

The tables below summarise the findings of the VB0004 Pre-Clinical trials described above by presenting in:

(a) Table (i): Cardiac Histology (meaning cell study) and Quantitative Fibrosis (meaning measurement of fibrosis present) showing the effect VB0004 had on Cardiac Fibrosis:

(i) In the heart, the pictures showing the Cardiac Histology clearly show that after 4 weeks of treatment with either VIP or VB0004, there is no fibrotic tissue in the section and normal tissue architecture has been restored.

(ii) In the same series of photographs, it is visible that Enalapril shows some slowing of the progression of fibrosis, compared to the Control, but does not reverse existing fibrosis, like VB0004.

(b) Table (ii): Renal Histology and Quantitative Fibrosis showing the effect VB0004 had on Renal Fibrosis

(i) Similarly in the Renal Histology, VIP and VB0004 were able to reverse existing fibrosis but Enalapril was not.

(c) Table (iii): VB0004's Effect on Blood Pressure

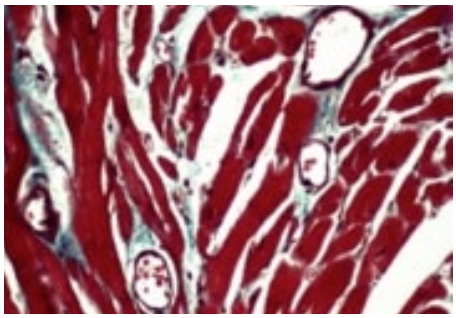
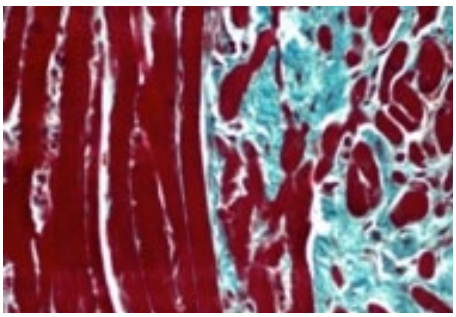
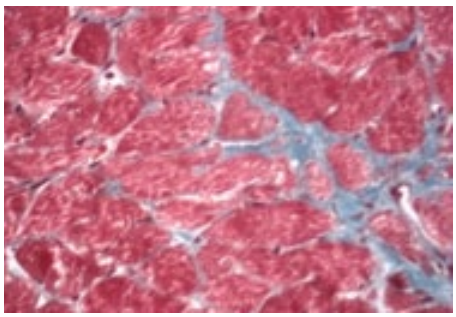
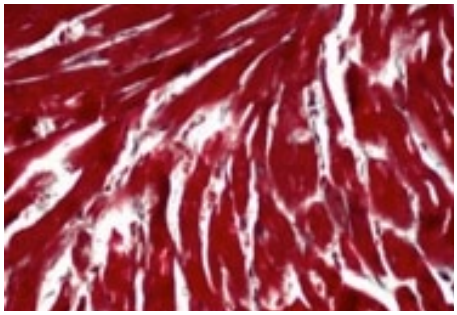
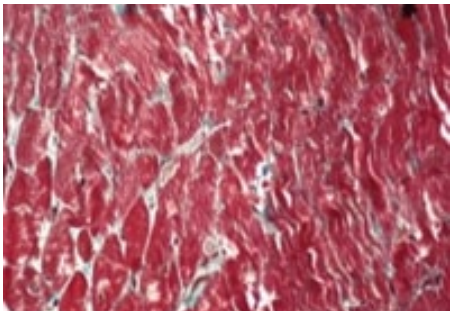
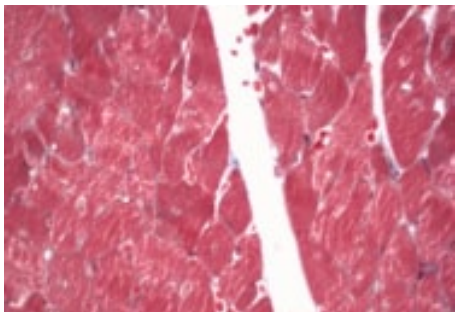
(i) In tests for effects on Hypertension, Vectus found VB0004 was able to reduce systolic blood pressure (SBP) with increasing dose in linear fashion, i.e. the greater the dose, the greater the effect on SBP.

(ii) Vectus also showed that post treatment blood pressure remained at the lowered level compared to the control. Vectus anticipates that, assuming the same results are achieved in human testing, the continued protective effect of the maintenance of reduced blood pressure, that is, resetting blood pressure to a lower level will be of benefit to patients that are not compliant in taking their medication consistently or that forget to take their medication for a period of time.

In the view of Vectus' Directors, the results of the pre-clinical development to date justify continued investment in VB0004 as outlined in Section 4.3(c) below.

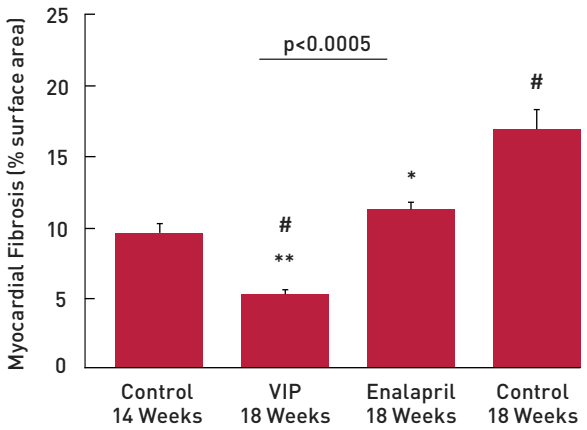
Table (i) - Cardiac Histology

Masson Trichrome Stains Of Representative Heart Sections

14 Week Control	18 week Control	5% Ethanol 18 Week Control (Vehicle Control For VB0004)
		
Fibrous tissue (blue staining) is visible around blood vessels and extending between muscle fibres	Fibrous tissue is present as large bands extending between, and surrounding some muscle fibres	Fibrous bands are visible
Heart at 18 weeks after 4 Weeks Treatment With VIP (Native Molecule)	**Heart at 18 weeks after 4 Weeks Treatment With Enalapril (705 pmol/kg/min)**	**Heart at 18 weeks after 4 Weeks Treatment With VB0004 (500pmol/Kg/Min)**
		
Minimal fibrous tissue is visible and normal tissue architecture has been restored	Fibrous tissue remains visible between many muscle fibres at a level greater than that observed at 14 weeks, showing fibrosis progression	Minimal fibrous tissue is visible and normal tissue architecture has been restored

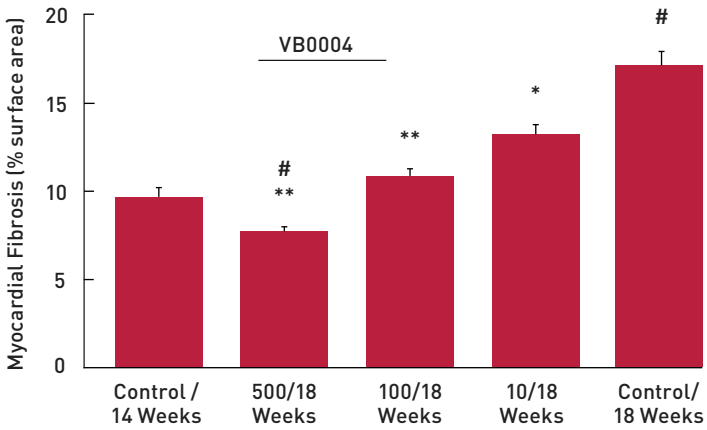
Cardiac Study: Quantitative Fibrosis

Treatment with VIP vs Enalapril



- VIP clearly reversed established fibrosis while Enalapril merely ameliorated the progression of fibrosis over the 4 week period
  * p<0. 01 **p<0.0005 vs 18 week control
  # p<0.0005 vs 14 week control

VB0004 at 3 doses

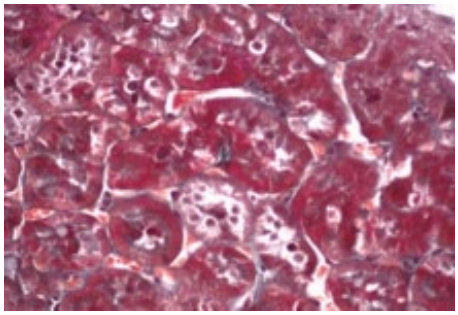


- At the highest dose (500pmol/kg/min)VB0004 reversed pre-existing fibrosis while a dose response effect on the level of fibrosis is apparent
  *p<0.005, ** p<0.0005 vs 18 week control
  # p<0.05, ## p<0.0005 vs 14 week control

Table (ii) - Renal Histology

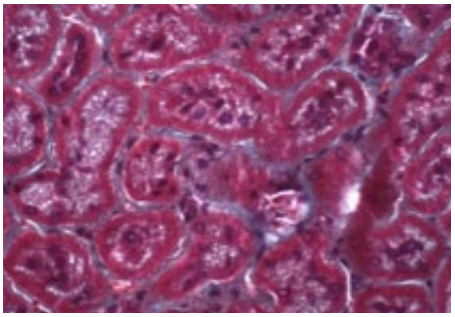
Masson Trichrome Stains Of Representative Kidney Sections

14 Week Control Fibrosis



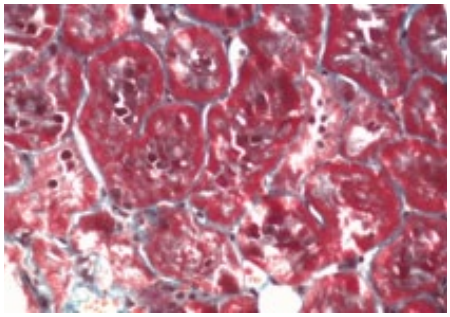
Fibrosis (blue staining) is visible between some tubules

18 Week Control



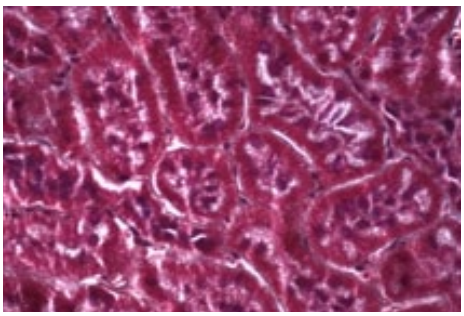
Thick bands of fibrous tissue surrounds most tubules

18 Week 5% Ethanol Control



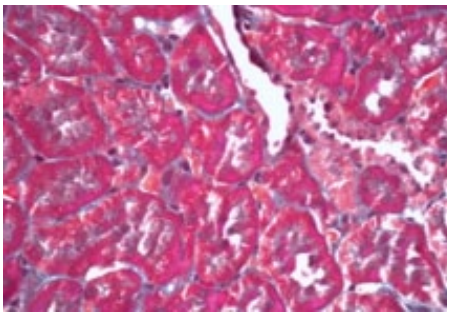
Fibrosis is visible surrounding most tubules

At 18 weeks after 4 Weeks Treatment With VIP



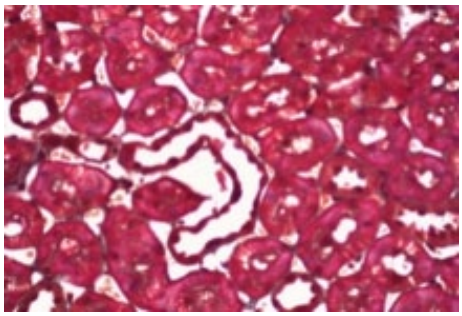
Minimal fibrosis is visible and normal architecture has been restored

At 18 weeks after 4 Weeks Treatment With Enalapril (705 pmol/kg/min)



Fibrosis has increased compared to 14 week control and remains visible around virtually all tubules

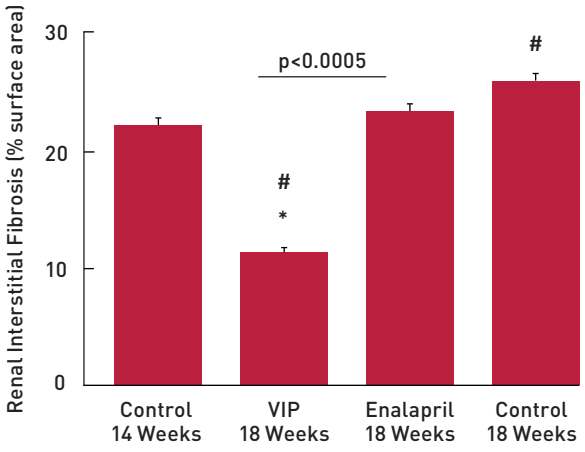
At 18 weeks after 4 Weeks Treatment With VB0004 (500pmol/Kg/Min)



Minimal fibrosis is visible normal architecture has been restored

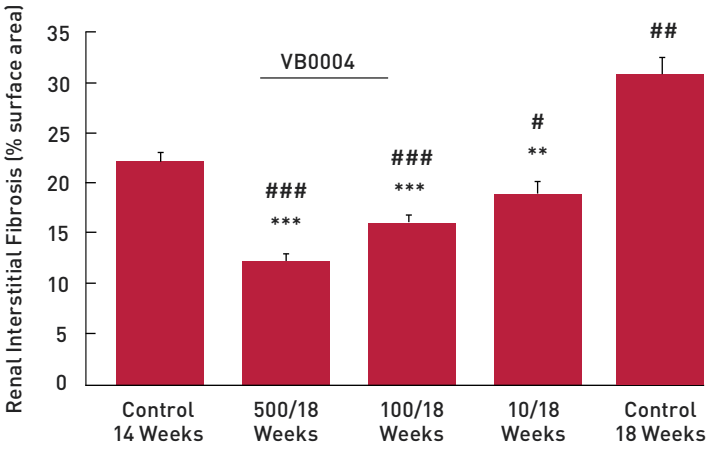
Renal Study : Quantitative Fibrosis

Treatment with VIP vs Enalapril



- Treatment with VIP clearly reversed existing fibrosis in the kidney while Enalapril provided little amelioration
  * p<0.0005 vs 18 week control
  # p<0.0005 vs 14 week control

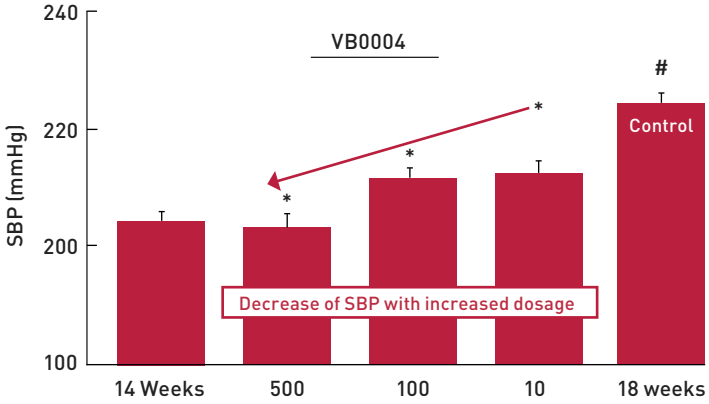
Treatment With VB0004 At 3 Doses



- At all doses VB0004 reversed pre-existing fibrosis while a dose response effect on the level of fibrosis is apparent
  ** p<0.005, ***p<0.0005 vs 18 week control
  # p<0.05, ## p<0.005, ### p<0.0005 vs 14 week control

Table (iii): VB0004 - Effects on Blood Pressure

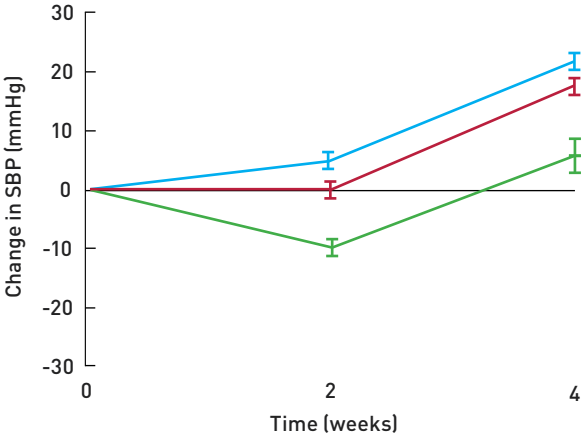
Decreased SBP After VB0004 Treatment



- VB0004 was shown, to linearly reduce systolic blood pressure (SBP) with increasing dose

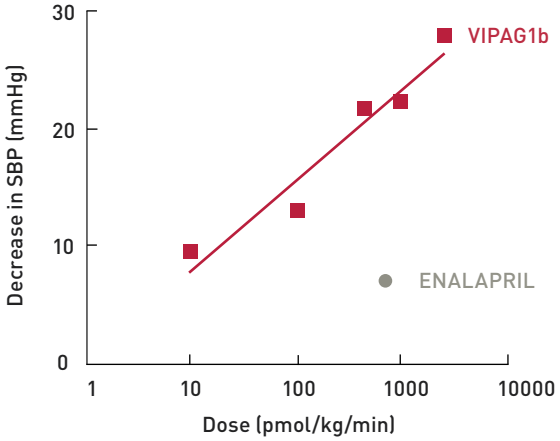
SBP Post 2 Week Dose Response Treatment With VB0004

Blue=Control; Red=1 nmol/kg/min; Green=2.5 nmol/kg/min



- Post-treatment, the blood pressure reduction is maintained as compared to the control

Extended Dose Response



- The chart alongside plots the decrease in SBP from that of controls in 18 week old SHR treated with VB0004 at 10, 100, 500, 1,000 and 2,500 pmol/kg/min for 4 weeks
- The Enalapril effect (7mmHg) is that for the 705 pmol/kg/min which was used as a comparator for VIP and is provided as a reference point
- The chart shows how SBP continued to decrease with increasing dose to 2,500 pmol/kg/min

(c) Future Development of VB0004

The process, milestones and indicative timetable for VB0004's progression is summarised in the table below:

Step	Description	Estimated Duration
GMP Synthesis and Manufacturing	Vectus intends to commission the manufacture of sufficient quantity of VB0004 for Phase I & Phase IIa studies. Refer to Section 4.9(c). The pre-requisites for completion of the GMP Synthesis and Manufacturing process are: • successful completion of the Offer • finalising contract manufacturing procedures • signing of manufacture agreement with a contract manufacturer • the contract manufacturer undertaking and completing the manufacture process.	Commencement of manufacture will commence after successful completion of the Offer and Listing and will take approximately 6 months.
Toxicology	VB0004 will undergo two animal and in vitro cellular (or tissue preparation) toxicology studies to study any potential toxic effects and the mechanism of action of VB0004 in order to determine the effective and safe dose of VB0004 in humans. Refer to Section 4.9(c). The pre-requisites for commencement of the Toxicology studies are: • successful completion of the GMP Synthesis and Manufacturing as set out above • identification and contracting with an appropriate Clinical Research Organisation (CRO) to manage the studies • completion of the studies and analysis of the outcomes.	Testing will commence following successful completion of the GMP Synthesis and Manufacturing process and will take approximately 6 months from commencement of testing.
Phase I & IIa Human Safety Trial	Phase I & IIa trials will comprise safety and dosage testing on approximately 20 human volunteers per study. Varying doses of VB0004 will be administered both orally and intravenously with no blinding. Levels of VB0004 in blood will be measured and adverse effects noted. Refer to Section 4.9(c). The pre-requisites for commencement of the trials are: • successful completion of the animal Toxicology studies as set out above • sufficient funding being obtained, either pursuant to the Offer or a future capital raising • selection of CRO to manage the studies and site location selection • finalising protocols of the trials • Human Research Ethics Committee application and approval. • identification and contracting with an appropriate CRO to manage the studies • recruitment for and completion of the trials and analysis of the outcomes.	Subject to sufficient funding being raised, trials will commence following successful completion of the Toxicology testing and trial approval and will take approximately 3-6 months for each in succession.

All estimated timelines are based on information available to Vectus at the date of this Prospectus. Timelines may be varied in accordance with expert advice taken during the scale up and programs.

4.4 Potential Orphan Drugs

(a) Compound A32

Within Vectus' library of potential drugs is a compound known as A32 which has been tested for its effect on hepatic (liver) cirrhosis. Vectus expects that A32, which is likely First In Class, could potentially be awarded Orphan Drug Status because of an unmet medical need.

To investigate the effect of A32 on hepatic cirrhosis, SHRs were given a 10% ethanol drinking solution and a high fat diet. SHRs were selected at random and placed into groups of 5 to receive either A32 (at a dose of 500 pmol/kg/min) or no drug for 6 weeks.

At the completion of the experimental period the rats were anaesthetised, blood sampled and tissues harvested.

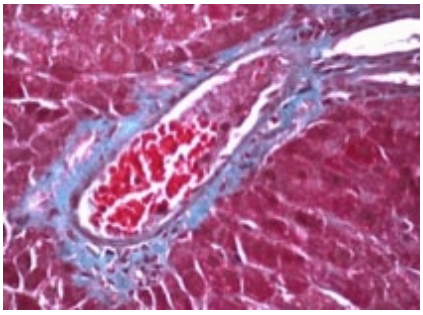
Liver function tests were performed using a Reflovet and liver sections were examined for fibrosis using Masson Trichrome stain. P values less than 0.05 were considered significant.

As shown below, A32 decreased liver cirrhosis in a rat model. Vectus is continuing to investigate A32 and a number of analogues as potential therapeutics for liver cirrhosis.

Hepatic Histology - A32

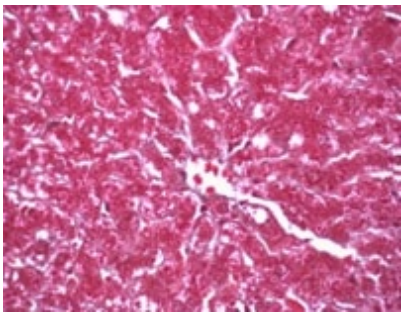
Masson Trichrome Stains of Representative Liver Sections

18 Week Control



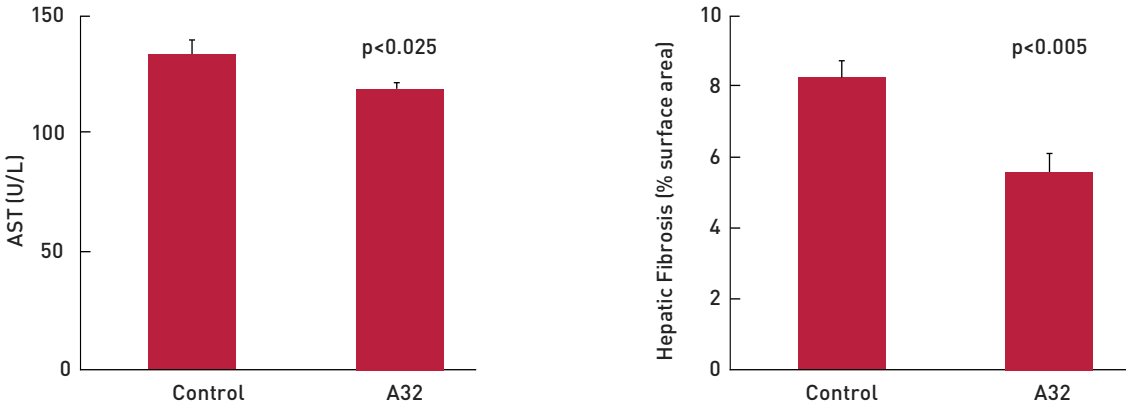
Fibrosis is visible around portal tract

At 20 weeks after 6 Weeks Treatment With A32 (500pmol/Kg/Min)



Minimal fibrosis visible, normal tissue architecture has been restored.

Hepatic Study : Quantitative Fibrosis



- Treatment with A32 for 6 weeks in a rat model of liver cirrhosis resulted in significant improvement in liver function (above left) and decreased fibrosis (above right and below).

(b) Compound P5

A side effect of certain diseases and cancer treatments is an inadvertent destruction of kidney tubule cells. When tissue is damaged, the body responds by producing fibrocytes to remodel the destroyed tissue. If the process continues to occur, the tissue will become fibrotic. If this occurs in the kidney, it can lead to renal failure.

Within Vectus' library of potential drugs is a compound known as P5 which has been tested for its effect on renal fibrosis that occurs in cases as described above. Vectus expects that P5, which is First In Class, may be granted Orphan Drug Status because of an unmet medical need and small patient population.

To investigate the effect of P5 on renal fibrosis, a 4 week in-vivo trial using SHR, aged 14 weeks and on a 2.2% salt diet, was designed.

SHR's, where randomly put into groups of 5 and the groups each treated as follows:

- **14 Week Control Group:** 14 week old SHR's were anaesthetized before any treatment, then had blood sampled and kidneys harvested establishing a 'starting point' to which all other groups could be compared.
- **P analogue Groups:** Different SHR groups were, given P5, P8, P9, P11, P22, P26, or P40 at a dose of 500 pmol/kg/min for 4 weeks .
- **Ethanol Control Group:** P compounds were delivered in a drinking solution which was 5% ethanol. Therefore a control group was given a drinking solution with 5% ethanol, without drug for 4 weeks.

The groups were weighed and had blood pressure measured twice weekly for the 4 week period. The concentrations of drug in the drinking solution were adjusted twice weekly to maintain a constant dosage.

After 4 weeks treatment the 18 week old rats were anaesthetized, then had blood sampled and kidneys harvested for quantitation of fibrosis. P values of less than 0.05 were considered significant.

This established whether P5 (and analogues) could ameliorate and/or reverse renal fibrosis.

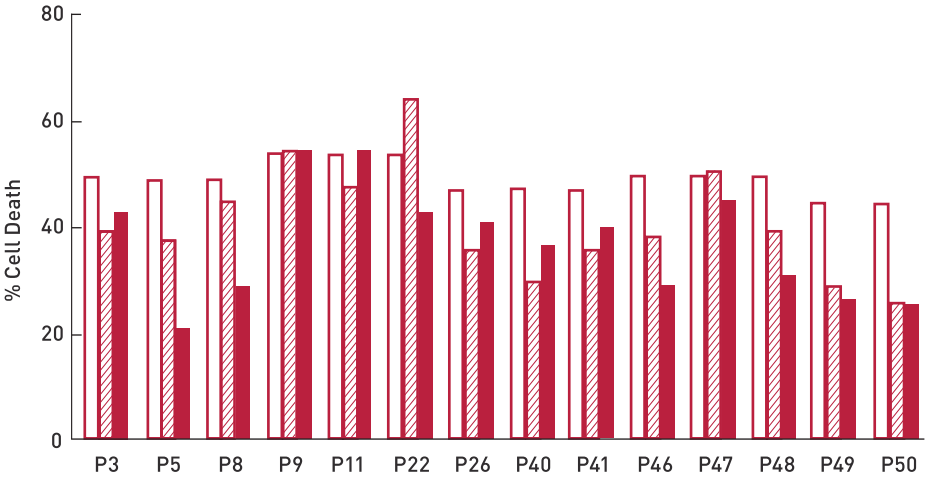
To establish whether P5 (and analogues) could effect renal tubular cell rescue, studies were conducted in NRK52e renal tubular cells. NRK52e were incubated with cis-platin alone, cis-platin plus P compound (30 ug/ml) or cis-platin plus P compound (60 ug/ml) for 24 hours then cell death was assessed using WST-8 assay.

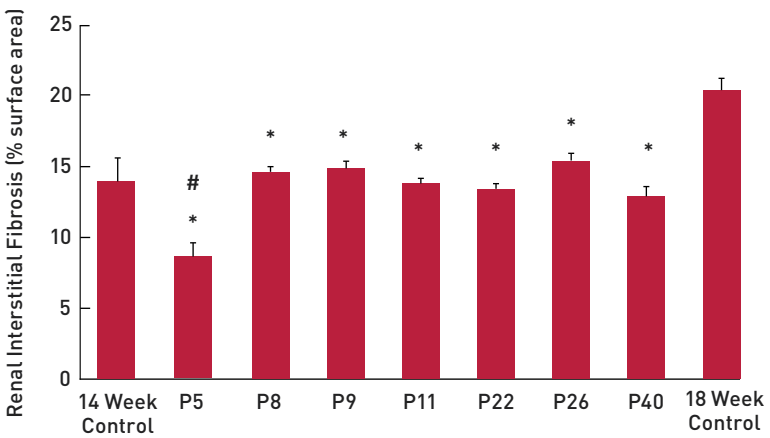
In the trials P5 showed it was able to protect the kidney from fibrosis and in cases where fibrosis had occurred, it was able to reverse it. Other P compounds were able to ameliorate fibrosis in the kidney but did not reverse existing fibrosis. In addition the cell death assays indicate that P5 and a number of analogues are able to effect tubular cell rescue. Vectus would like to continue to investigate orphan drug status for the specific mimetic as a protective agent during chemotherapy and for diseases such myeloma kidney.

(c) Compound P26 - Potential for Lung Protection

Within Vectus' library of potential drugs is a compound known as P26 which together with a number of related compounds, have, in early, in-vitro pre-clinical studies, been evaluated for their effect on Idiopathic Pulmonary Fibrosis (IPF). IPF in a chronic condition characterised by damage to the lung resulting from inflammation and scarring.

Oral Dose Response of P5 to Cis-Platin





- P5 and its library of compounds may address multiple myeloma by rescuing renal tubular cells (left panel) shows cell death in NRK52E renal tubular cells incubated with cis-platin alone (open bars) cis-platin plus drug at 30 µg/ml (hatched bars) and cis-platin plus drug at 60 ug/ml (solid bars) for 36 hrs.
- P5 and some of its analogues showed concentration dependant decreases in cell death

- P5 also reduced/reverse renal fibrosis while a number of its analogues prevent progression of fibrosis

4.5 Compound Library

The Company has developed a library of VIP fragment mimetics that have varying profiles. In some cases, the mimetics do not lower blood pressure, but are active anti-fibrotics, thus may have application in some forms of renal and liver disease, where blood pressure control is not required. These compounds are at a very early stage of development and future research development will be prioritized once VB0004 and the potential Orphan Drugs above have been advanced.

4.6 Accugen System

Accugen Pty Ltd is a 100% owned subsidiary of Vectus. It has developed a system that potentially offers a time, cost and accuracy benefit to more easily and precisely quantify PCR i.e. measure the amount of DNA and RNA in a sample.

The insight into the establishment of Accugen by Vectus occurred during the initial R&D phase of Vectus' drug development program when the Vectus team realised improvements could be made to some of the analytic tools commonly used.

Specifically the team developed the ability to more quickly and more accurately quantify the amount of DNA in a sample without the need to replace existing equipment and using currently available protocols. Accugen has developed interfaces with multiple commonly available qPCR machines and therefore, has a potential market opportunity of a significant cross section of the installed base and new machines available.

The Accugen system addresses the variability inherent in the existing systems by providing calibration reagents that are not dependent on the actual qPCR reaction. In a standard qPCR reaction the controls are amplified similarly to the gene of interest, thus if you know how much of the control you started with, you should know how much you end with. You can them plot a curve which allows you to measure the quantity of the gene of interest. The problem is that unless the control is well characterised (through proper preparation, storage, stability, elimination of background noise), the curve may not give an accurate representation of quantity. The Accugen system removes a large portion of the variability by removing the amplification step and calibrating against known quantities by using non-amplifying oligonucleotides (a DNA chain of varying length).

Accugen's calibration approach is expected to reduce preparation time and afford a more cost effective process as the reagents can be produced in bulk and do not need to be made for specific reactions. To create a calibration curve, less controls will be needed, thus reducing processing costs and time. The Accugen system has been developed to work within the same calibration range as existing calibration controls.

Accugen presented at an international qPCR meeting, pursuant to this, Vectus has completed a beta version of its interface and software with a view to continuing discussions with industry participants who have expressed interest in the Accugen technology.

Accugen intends to sell software and calibration reagents. The calibration reagents are consumable and can be utilised in every qPCR machine run utilised for purpose of quantitation. So potentially there could be a recurring revenue stream for Vectus derived from the ongoing sale of calibration reagents.

Accugen has the potential to participate in the market by licencing the technology to current vendors of Master Mix systems or be sold as discrete system competing with components within the Master Mix market.

The Accugen breakthrough is a significant commercial opportunity in itself, together with being an enabling technology and platform for the Vectus ongoing drug discovery activities.

4.7 Business model and commercialisation strategy

Vectus has a pipeline of new drug candidates, supported by an extensive portfolio of intellectual property, developed as a result of an extensive drug discovery program.

This is supplemented by the Accugen system, which offers the potential to generate commercial sales and/or licencing revenue following the near term roll out completion of an Alpha-Site program. The Alpha Site program will provide a cross section of arm's length users with both the software and reagents comprising the Accugen system for real world use on a pre-commercial basis.

(a) Lead Compound VB0004

As described above, Vectus is ready to advance the development VB0004 with commencement of GMP manufacture and commissioning additional animal and in-vitro toxicity studies. Subject to successful results in relation to the manufacturing process and toxicity studies and the raising of sufficient funds pursuant to the Offer, Vectus will then proceed with an approved clinical trial (refer to Section 4.3(c) above and Section 4.9(c) below).

Vectus expects this program and associated trials will enjoy relatively modest costs and a short timeframe because of the small numbers of subjects that will be required. Successful completion of each of these phases will represent an important milestone in the drugs development.

As part of its investigation into the market for its drugs under development Vectus has reviewed a number of announced partnership transactions involving pharmaceutical companies and drug development companies that may serve as precedents for the commercialisation of Vectus' drugs. In these transactions, the licensee pharmaceutical companies typically provide funding, milestone payments, and commonly, substantial ongoing royalties for the patented life of the drug in return for being awarded exclusive commercialisation rights.

Partnering or licensing opportunities are typically driven by a combination of factors including success in pre-clinical and clinical trials. Other factors include the particular disease state or indication that the potential drug targets, and whether it is in an area that is of interest (to the industry generally, or a particular pharmaceutical company), the potential market size opportunity and if there are existing drugs that address or potentially address the disease or indication.

Vectus has already initiated conversations with pharmaceutical companies that have shown interest in the indications targeted by Vectus' drug candidates. Assuming future trial success, Vectus aims to continue and broaden these discussions with potential partners.

(b) Orphan Compounds & Drug Library

In addition to VB0004, Vectus holds a library of patents covering over 70 prospective compounds that are targeting many high profile disease states in the fibrosis field, such as in the liver and lung.

Vectus' strategy is to progressively advance the development of these compounds through the normal drug development process as with VB0004.

Assuming successful testing, and when deemed by Vectus that the development of the respective compounds have respectively reached a suitable stage, Vectus will look to enter into an appropriate partnerships with pharmaceutical companies to further each compounds' commercialisation.

(c) Accugen

With regards to Accugen, Vectus has identified significant potential improvement to current products and methodologies, and is now optimising its qPCR platform for use with the most prevalent machines in the global marketplace.

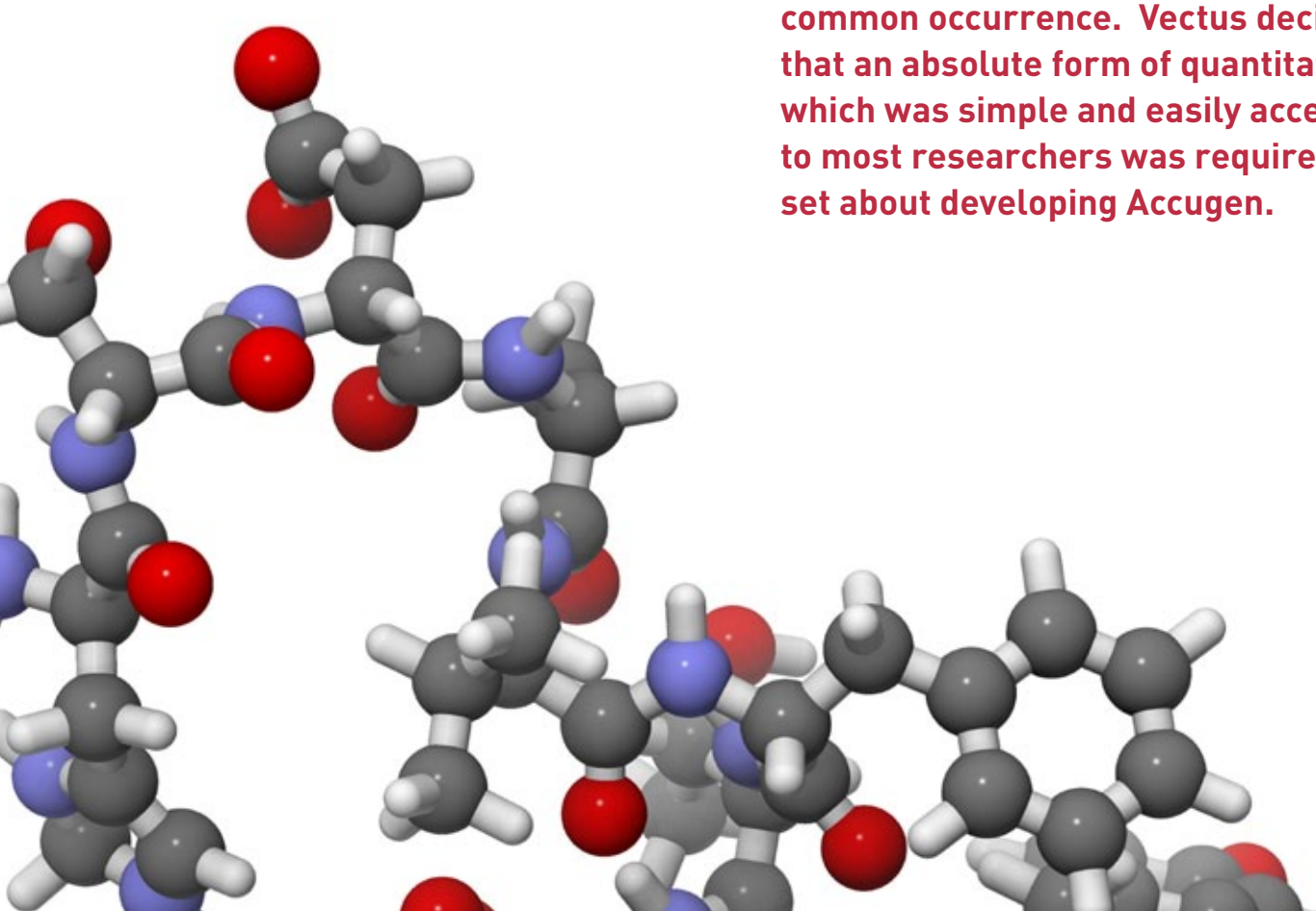
To date Accugen has been the subject of a development program to "beta-phase", meaning that independent laboratories have acquired data using the Accugen system. They then provided that data to Accugen for processing.

Accugen is now proposing to roll-out the "alpha-phase" test program where trial sites will utilise the Accugen system on a stand-alone basis. It is expected that this process will be completed during calendar year 2016, at which point Accugen will assess the feasibility of commercialising the system and deriving revenue by selling and/or licensing its software and consumable calibrating reagents as described in Section 4.6 above.

Accugen will continue to engage with potential customers, distributors and licensees during 2016.

Vectus' Experience – The Need For A Better qPCR System

In the early phase of investigation into the mechanisms by which VIP and its analogues reversed fibrosis Vectus used qPCR as the method of choice. Vectus investigated the effect of VIP (or analogue) on the expression of five known mediators of fibrosis using the gene NonO as reference or "house keeper", the then current methodology. This provided the somewhat incredible result that all five pro-fibrotic mediators increased with VIP (or analogue) treatment. This despite the fact that VIP (analogue) had reversed the fibrosis completely. Further investigation indicated that the house keeper NonO had itself been affected by VIP treatment and thus the purported changes in pro-fibrotic mediators were in fact inaccurate. Conversations with numerous researchers indicated that this was a common occurrence. Vectus decided that an absolute form of quantitation which was simple and easily accessible to most researchers was required and set about developing Accugen.



4.8 Intellectual Property Portfolio

(a) Patents

Vectus has filed 11 families of patent applications that if granted substantially as claimed cover the lead compound, the compound library including those potentially addressing orphan opportunities, and Accugen. The 11 patent families are owned by Vectus and Accugen Pty Limited, a fully owned subsidiary of Vectus.

The patent portfolio is summarised below. The patent applications have generally been, or will be, when the time falls due, filed under the Patent Cooperation Treaty (PCT) that allows the making of the applications in most international territories.

Patent Family, Title And Date Of Filing The First Application	Subject Matter	Related Products
1. Compositions and Methods for Treatment of Cardiovascular Disease **11 June 2004**	Prevention or treatment of myocardial fibrosis by administering Vasoactive Intestinal Protein (VIP) or fragments therein, in particular the fragments VIP(1 12) or VIP(6-28)	Covers VIP and peptide mimetics some of which could be used to develop further compounds
2. VIP Fragments and Methods of Use **9 December 2005**	VIP fragments and their use in the prevention or treatment of myocardial fibrosis and/or hypertension	Covers peptide mimetics some of which could be used to develop further compounds
3. Compositions and Methods for Treatment of Aortic Fibrosis **2 April 2009**	The use of VIP fragments in the prevention or treatment of aortic fibrosis	Covers peptide mimetics some of which could be used to develop further compounds
4. Compositions and Methods for Treatment of Kidney Disorders **17 October 2008**	the use of VIP fragments in the prevention or treatment of kidney disease, in particular kidney fibrosis	Covers peptide mimetics some of which could be used to develop further compounds
5. Compositions for the treatment of hypertension and/or fibrosis **17 September 2014**	Terphenyl compounds and their use in the prevention or treatment of myocardial fibrosis and/or hypertension	VB0004 – see section 5.3 for further information
6. Compositions for the treatment of hypertension and/or fibrosis **17 September 2014**	Terphenyl compounds and their use in the prevention or treatment of myocardial fibrosis and/or hypertension	Covers compounds under development in the VIP Compound Library – see Section 5.5 for further information
7. Compositions for the treatment of kidney disease **18 March 2015**	Terphenyl compounds and their use in the prevention or treatment of kidney disease	P5 and related compounds under development in the VIP Compound Library – see Section 5.4(b) for further information
8. Compositions for the treatment of fibrosis **18 March 2015**	Terphenyl compounds and their use in the prevention or treatment of fibrosis	A32 – see Section 5.4(a) for further information
9. Improved Nucleic Acid Quantitation Method **2 September 2009**	Methods for quantifying amplification products using a universal reference oligonucleotide that does not require amplification	Accugen reagents – see Section 6.6 for further information
10. Improved Nucleic Acid Quantitation Method **16 October 2014**	Methods for quantifying amplification products using a universal reference oligonucleotide that does not require amplification, with emphasis on the use of probes	Accugen reagents – see Section 6.6 for further information
11. Synthesis of Terphenyl Compounds **22 September 2015**	Improved methods for the synthesis of the terphenyl compounds disclosed in PCT/AU2014/000923 (Patent Family 5)	VB0004 – see section 4.3 for further information

(b) Trademarks

Vectus has registered trademarks over: "AccuCal-D", "AccuCal-P" and "RealCount".

4.9 Overview of Vectus' proposed use of IPO funds

Funds raised in the Offer will be used to advance Vectus' drug development program, continue the work on commercialising Accugen and for working capital.

In addition to proceeds from the offer, Vectus expects to be able benefit from the Government R&D tax incentive as it has done to date.

Vectus has based its budgets below on the assumption it will raise either the Minimum or Maximum Subscription amounts and will be successful in securing incentives from Government.

Vectus believes that the funds raised under the Offer will be sufficient to fund the Company's objectives for the next 18 months if the Minimum Subscription is raised and for the next two years if the Maximum Subscription is raised. Depending on the Company's progress and success in the programs outlined in this section, the Company is likely to require further capital in the future to continue with the development and commercialisation of its assets.

	Minimum Subscription ($ millions)	Maximum Subscription ($ millions)
Raising (Minimum/ Maximum Subscription)	**$2.50**	**$10.00**
Cash at Bank (Opening)	$1.50	$1.50
ATO Cash Back (Annual)(*)	$2.93	$5.68
Available Cash	**$6.93**	**$17.18**
Proposed Budget		
Costs in connection with the Offer	$0.50	0.96
GMP Scale Up & Manufacturing	$1.50	$1.50
Animal Toxicology (Two Species)	$1.50	$1.50
Clinical Development (Phase I & IIa)	$0.00	$2.73
Orphan & library	$0.00	$6.06
Accugen	$0.50	$1.50
Working Capital	$2.93	$2.93
Total Expenditure	**$6.93**	**$17.18**

(*) Amounts relate to the ATO R&D tax incentive, based on 45% refunded cash offset for eligible research and development expenditure by the Company. Amounts are based on the Directors estimates on the amounts to be received on expected expenditure at the Minimum and Maximum Subscription and historical offsets received to date. Continued receipt of the R&D tax incentive is dependent on continuation of the program by the Government.

(a) Minimum funding scenario

In the event Vectus successfully attracts and accepts subscriptions for the Minimum Subscription amount of $2,500,000 this will provide funding for approximately 18 months of development work and working capital.

Using these proceeds, and the assumed proceeds from Government incentives, Vectus intends to progress its GMP scale up and manufacturing (see Section 4.9(c)(i) below) and complete a two species animal toxicology trial (see Section 4.9(c)(ii) below) and also progress the development of Accugen to a commercial phase (See Section 4.9(c)(iii) below).

Assuming Vectus is successful in these endeavours, the Company would then need to raise additional capital to proceed with the proposed Human Phase I and IIa Clinical Trials and develop the orphan drugs and other compounds in the mimetic library.

(b) Maximum funding scenario

In the event Vectus successfully attracts and accepts subscriptions for the Maximum Subscription amount of $10,000,000 this will provide funding for approximately 24 months of development work and working capital.

Using these proceeds, and the assumed proceeds from Government incentives, Vectus intends proceed with the work described above in the minimum funding scenario and intends, with the additional funds, to commence the Human Phase I and IIa Clinical Trials for VB0004 and to further develop certain other candidates in the patent library, the Orphan Drug candidates in particular.

Vectus' strategy is to progressively advance the development of compounds in the library through the drug development process in a similar manner to that which the Company has developed VB0004 i.e. with pre-clinical testing on animals and human cells conducted in-house.

In the event Vectus raises an amount between the Minimum and Maximum Subscription amounts, Vectus intends to apply the funds above the Minimum Subscription as follows:

- if the amount raised is less than $5.0m, then Vectus will need to raise additional capital to proceed with the proposed Phase I & IIa Clinical trials;
- if an amount equal to $5.0m is raised, then Vectus expects this will provide sufficient funding to undertake the Clinical trials; or
- if an amount more than $5.0m is raised, then Vectus will undertake Clinical trials and additional funds will be applied to developing the Orphan Drug candidates and other library compounds - the amounts spent will vary depending on the amount raised.

(c) Additional detail on the proposed use of funds:

(i) Good Manufacturing Practice (GMP) Scale Up & Manufacturing

Good Manufacturing Practice describes a set of principles and procedures that when followed helps ensure that therapeutic goods are of high quality. A basic tenet of GMP is that quality control must be built into each stage and for each batch of product during the manufacturing process. Vectus has had third party work undertaken which has

provided support for the feasibility of GMP synthesis and manufacture of VB0004.

Vectus will invest approximately $1.5m to produce VB0004 with GMP approval to complete its complete its pre-clinical and Human Phase I and IIa Clinical Trials from a single batch. This represents a significant advantage in eliminating the potential for batch variability in assessing the results.

(ii) Two species animal toxicology

Toxicology studies using animals and in vitro cellular or tissue preparations are used to study the toxic effects and mechanism of action of drugs and chemicals and to determine the effective and safe dose of drugs in humans.

The information collected from these studies is vital so that safe human testing can begin. Pharmacology studies to evaluate safety typically involves two species and the most commonly used models are murine and canine, although primate and porcine are also used.

As a requirement for human studies, specific animal toxicology experiments will be managed by an appropriate Clinical Research Organisation. These highly specific studies expected to cost approximately $1.5m.

(iii) Clinical Development: Human Phase I & IIa Clinical Trials

Any use of funds on proposed Human Phase I & IIa Clinical trials is subject to the raising of sufficient funds. Vectus will only be able to proceed with its proposed Clinical Trials if an amount of $5.0m or greater is raised pursuant to the offer.

Vectus has been reviewing the requirements in relation to VB0004s first Clinical trial.

Prior to selecting a final path for the study Vectus will consider the following:

- ethical considerations
- study protocols
- site selection
- regulatory requirements.

The investment in these trials will be relatively modest by virtue of the reasonably small numbers of subjects to be recruited and the reasonably short duration of trials expected.

Each of the Human Phase I and IIa Clinical Trials will take approximately 3-6 months and will have well defined endpoints and approximately 20 subjects per trial. Vectus anticipates that both trials will be run at a single centre in Australia and estimates the cost for both will be up to $2.73M.

(iv) Orphan and library

If Vectus raises and amount of more than $5.0m pursuant to the Offer, it will utilise funds to undertake further development of the Orphan Drugs and/or other library compounds. Any development program will be undertaken internally by Vectus and similar to that outlined to date for VB0004 in Section 2.3 above - that is, via in-vivo and in-vitro testing.

The amount spent and the number of compounds progressed with vary depending on the amount raised.

(v) Accugen

As Accugen moves through its alpha phase and subsequent commercialisation, the base budgeted expenditure is approximately $250,000 per annum.

The Directors' confirm that, in their opinion, on completion of the Offer Vectus will have enough working capital to carry out its objectives as stated in this Prospectus. In relation to the proposed use of proceeds described above, it should be recognised that there will typically be differences between estimated and actual costs, because events and circumstances often do not occur as expected and the differences may be material. In this regard you should read carefully and consider the risks factors set out in Section 6 of this Prospectus.


1000 ml

5. THE OFFER

5.1 Details of the Offer

The Company offers for subscription up to 6,451,613 New Shares at the Offer Price of $1.55 per New Share to raise up to $10,000,000.

The Offer is not underwritten.

5.2 New Shares

All New Shares issued pursuant to this Prospectus will be issued as fully paid ordinary shares and will rank equally in all respects with the ordinary shares already on issue.

The rights attaching to Shares (including New Shares) are outlined in the Company's constitution and summarised in Section 10.3.

5.3 Minimum Subscription

The Minimum Subscription to be raised pursuant to the Offer under this Prospectus is $2,500,000.

If the Minimum Subscription has not been raised within four months after the date of this Prospectus, the Company will either repay the Application Monies without interest or issue a supplementary or replacement Prospectus and allow Applicants one month to withdraw their Applications and be repaid their Application Monies.

5.4 Application for New Shares under the Offer

Applications for New Shares under the Offer must be for a minimum of 1,300 New Shares ($2,015) and thereafter in multiples of 100 New Shares ($155).

An Applicant for New Shares under the Offer should complete the Offer Application Form in accordance with the instructions set out on that Application Form and return the Application Form accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to "Vectus Biosystems Limited" and crossed "Not Negotiable".

Your cheque, bank draft or money order must be:

(a) for an amount equal to $1.55 multiplied by the number of New Shares that you are applying for (being a minimum of 1,300 New Shares and thereafter in multiples of 100 New Shares); and

(b) in Australian currency drawn on an Australian branch of a financial institution.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your Offer Application Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Offer Application Form). Alternatively, your Application will not be accepted at the Company's discretion. Any Application Monies received for more than your final allocation of New Shares will be refunded. No interest will be paid on any Application Monies received or refunded.

Cash payments will **NOT** be accepted. Receipts for payment will not be issued.

The Offer closes at 5.00 pm on the Closing Date. To participate in the Offer, your payment must be received no later than this time on that date.

Applicants must mail their completed Offer Application Form together with Application Monies to:

Vectus Biosystems Limited
c/-Boardroom Pty Limited
GPO Box 3993
Sydney, NSW 2001

If an Application Form is not completed correctly, or if the accompanying payment of the Application Monies is for the wrong amount, it may still be treated as a valid Application. The Directors' decision whether to treat the Application as value and how to construe, amend or complete the Application Form is final. However, the Applicant will not be treated as having applied for more New Shares than is indicated by the sum of the cheque for the Application Monies.

5.5 Opening and Closing Dates

The proposed opening date for acceptances of the Offer is 24 November 2015, or such later date as may be prescribed by ASIC.

The Offer will remain open until **5.00pm Sydney time, 4 December 2015.**

The Company reserves the right to open and close the Offer at any other date and time, without prior notice.

Applicants are encouraged to submit their Applications as soon as possible.

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

5.6 Allotment of New Shares

Subject to admission of Vectus to the official list of the ASX, allotment of New Shares offered by this Prospectus will take place as soon as practical after the Closing Date – it is expected this will be in accordance with the timetable set out on page (v) of this Prospectus.

New Shares issued under the Offer will be allotted as soon as practicable after the Closing Date of the Offer under which the Applicant is subscribing for New Shares.

The Company will allot the New Shares applied for under the Offer at the sole discretion of the Company. The Board will allocate Applications under the Offer based on satisfying the Minimum Subscription of the Offer and to ensure an appropriate shareholder base for the Company going forward.

The Directors reserve the right to reject any Application or to allocate any Applicant fewer New Shares than the number applied for under the Offer (i.e. scale-back the Application).

In determining the ultimate allocation of New Shares to each Applicant, the Directors will allocate shares based on satisfying the Minimum Subscription of the Offer. Subject to that, the Directors will endeavour to allocate Shares on a fair and reasonable basis, having regard to the requirements of the ASX Listing Rules that the Company has a prescribed minimum number of Shareholders holding a marketable parcel of Shares.

5.7 Application Monies and Refunds

Application Monies received under the Offer will be held in special purpose trust accounts until New Shares are issued to successful Applicants. Any interest earned on Application Monies will be retained by the Company.

Application Monies will be refunded (in full or in part, as applicable) in Australian dollars where an Application is rejected, an Application is subject to a scale-back or the Offer is withdrawn or cancelled. No interest will be paid on any refunded amounts.

Refund cheques will be sent as soon as practicable following the close of the Offer.

5.8 Purpose of the Offer and use of Proceeds

The purpose of the Offer under this Prospectus is to:

(a) enable the Company to raise funds for the expansion of its business activities as detailed below;

(b) List Vectus on ASX, which will provide Vectus with additional financial flexibility to pursue growth opportunities and improved access to capital markets; and

(c) provide a liquid market for Shares and an opportunity for employees and other persons to invest in Vectus.

The Company intends to apply funds raised from the Offer in the next two years as set out in Section 4.9.

The estimate of expenditure set out in Section 4.9 is based on budgets and includes the Company's existing cash reserves. The actual level and break up of expenditure may change on an ongoing basis depending on factors which may include changes in market conditions, the development of new or existing opportunities and other factors (including the risk factors set out in Section 6).

The Directors believe that they do not have a reasonable basis to forecast future earnings or revenue. As such, the estimates of expenditure set out in Section 4.9 do not include any forecasts for revenue.

The estimate of expenditure set out in Section 4.9 is a statement of current intentions as at the date of lodgement of this Prospectus with ASIC. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

5.9 Capital structure

As at the date of this Prospectus, the Company has 20,052,876 Shares on issue. The expected capital structure of the Company following completion of the Offer is presented below.

Shares		
Existing Shares [1]	20,031,391	
	Minimum Subscription	**Maximum Subscription**
Offer	1,612,903	6,451,613
Total number of Shares on issue following the Offer [1] [2]	21,644,294	26,483,004

Notes

1. Excludes Performance Rights currently on issue, and also Performance Rights that may be issued after Listing as set out in Sections 10.7 and 10.8.
2. Excludes Shares that may be issued to Gleneagle Securities as set out in Section 10.4.

5.10 ASX Listing

Application to ASX for the admission of Vectus to the Official List of the ASX and for official quotation of the Shares will be made within seven days after the date of this Prospectus. If the Company is admitted to the official list of the ASX, quotation of Vectus' Shares will commence as soon as practicable following the issue of Clearing House Electronic Sub-register System (CHESS) statements.

If the ASX does no admit the Shares to quotation within three months of the date this Prospectus (or such period as modified by the ASIC), the Company will not issue any New Shares and will repay all application monies for the New Shares within the time prescribed under the Corporations Act, without interest.

The fact that the ASX may grant official quotation to the Company is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

5.11 ASX Clearing House Electronic Sub-register System (CHESS)

Vectus will apply to participate in CHESS, in accordance with the ASX Listing Rules and the ASX Settlement Rules. CHESS is an automated transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become CHESS approved securities, holdings of New Shares will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register. A CHESS participant, or a person sponsored by a CHESS participant, will have their shares registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Allotment, Shareholders will be sent an initial Holding Statement that sets out the number of New Shares that have been allocated. This Holding Statement will also provide details of a Share Holder Identification Number (HIN) or, where applicable, the Security holder Reference Number (SRN) of issuer sponsored holders.

Shareholders will subsequently receive statement showing any changes to their Security holding. Certificates will not be issued.

5.12 Commencement of Trading

Following the issue of New Shares, successful Applicants will receive a Holding Statement setting out the number of New Shares issued to them under the Offer. It is expected that Holding Statements will be dispatched by standard post on or about 14 December 2015. It is the responsibility of Applicants to determine their allocation prior to trading in New Shares. Applicants trading in New Shares prior to receiving a Holding Statement do so at their own risk. Vectus, the Share Registry as well as the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial Holding Statement, whether on the basis of a confirmation of allocation provided by any of them, by the Vectus Offer Information Line, by a broker or otherwise.

Shares are expected to commence trading on the ASX on a normal settlement basis on or about 22 December 2015.

5.13 Underwriting

The Offer is not underwritten.

5.14 Fees and Costs

No duty is payable by Applicants on the acquisition of New Shares under the Offer. Costs payable by the Company in connection with the Offer are summarised in Section 10.9.

5.15 Overseas Investors

No action has been taken to register or qualify this Prospectus or otherwise to permit a public offering of the New Shares in any jurisdiction outside of Australia and New Zealand.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. Persons who come into possession of this Prospectus who are not in Australia or New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

In particular, this Prospectus has not been and will not be registered under the US Securities Act of 1933, as amended (the US Securities Act) or the laws of any State of the United States and may not be offered or sold within the United States or to, or for the account or benefit of a US Person (as defined in Regulation S of the US Securities Act) except in a transaction exempt from the registration requirements of the US Securities Act or other applicable US State securities laws.

5.16 Risk Factors

You should read the whole of this Prospectus and consider all of the risk factors that could affect the performance of the New Shares and other information concerning the New Shares in light of your own particular investment objectives, financial circumstances and particular needs (including financial and taxation issues) before deciding whether to invest in the Company. Some of the risk factors that should be considered by potential investors are set out in Section 6. If you have any questions or are uncertain as to whether the New Shares are a suitable investment for you, you should seek professional advice from your stockbroker, accountant, financial planner or other professional adviser before deciding whether to invest in the Company.

5.17 Enquiries

If you have any questions in relation to completing the Application Form, please contact the Offer Information Line, via the Company's Share Registry, Boardroom Pty Limited, on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) between 8.30am and 5.00pm (Sydney time).

6. RISK FACTORS

This Section identifies some of the major risks associated with an investment in the Company. Investors should read this Prospectus in its entirety and consider the risks described in this Section. A range of risk factors may affect the operating and financial performance of the Company. While some risks can be mitigated by Vectus' plans and actions, many are beyond the control of the Company. As a consequence of these risks, Vectus' share price may rise or fall.

Investment in Vectus should be regarded as speculative and neither Vectus nor its Directors or advisors provide any guarantee that profitability will be achieved.

6.1 Nature of Investment

Any potential investor should be aware that subscribing for Shares involves various risks. Participating in the Offer should be considered speculative. The Shares to be issued under this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or future share price of Vectus.

6.2 Company Specific Risks

In addition to the general risks noted in Section 6.3 of this Prospectus, investors should be aware of the specific risks of an investment in the Company. This list is not exhaustive and should be considered in conjunction with other information disclosed in this Prospectus. Investors should consider consulting their professional advisers before deciding whether to apply for securities pursuant to this Prospectus.

(a) Product Liability

The future development and sale of Vectus' products will involve a risk of product liability claims being brought against the Company. This is inherent in the research and development, manufacturing and use of Vectus' products.

The Company intends to obtain and maintain product liability insurance and clinical trial insurance. If Vectus is unable to obtain sufficient insurance at an acceptable cost this could prevent or inhibit the commercialisation of products the Company develops. In any event a product liability claim may give rise to significant liabilities as well as damage the Company's reputation.

(b) Regulatory Environment

Pharmaceutical drug development, such as that conducted by Vectus, are subject to laws, regulatory restrictions and certain government directives, recommendations and guidelines relating to, amongst other things, occupational health and safety, laboratory practice, use and handling of hazardous materials, prevention of illness and injury and environmental protection. Any changes may increase the cost of compliance in the future.

The pharmaceutical regulatory regime, which includes pre-clinical studies and clinical trials of each product in order to establish its safety and efficacy, is uncertain, can take significant periods of time and require the expenditure of significant resources. This includes securing clinical investigators and medical institutions to enrol patients in the Company's clinical trials and other third parties to perform data collection and analysis. Different jurisdictions may have different regulatory frameworks, which will require a tailored approach for each location. All of these factors may result in increased costs of, or a delay in, commercialisation.

Data obtained from pre-clinical and clinical activities is susceptible to varying interpretations, which could delay, limit or prevent regulatory approval or clearance. Before products derived from or dependant on the Company's IP can be marketed, it must be demonstrated that the products are safe and effective and must obtain necessary approvals from market regulators (for example, the Australian Therapeutic Goods Administration and the United States Food and Drug Administration).

(c) Future Product Development and Commercialisation

Vectus is developing VB0004, its lead therapy, as well as other drug candidates in order to find new treatments for diseases and stay ahead of any emerging competition. Vectus cannot guarantee that its drug pipeline, pre-clinical or clinical programs will result in the development of any products, or even if it does, that the products will be approved or commercialised successfully.

The development and commercialisation of pharmaceutical products is subject to the inherent risk of failure, including the possibility that the products proposed to be developed by Vectus may:

- be found to be unsafe or ineffective
- fail to demonstrate any material benefit or advancement in safety and/or efficacy of an existing product
- fail to obtain necessary regulatory approvals
- be difficult or impossible to manufacture on the necessary scale
- be uneconomical to market or otherwise not commercially exploitable
- fail to be developed prior to the successful marketing of a similar product by one or more competitors
- compete with products marketed by third parties that are superior; and
- fail to achieve the support or acceptance of physicians, patients or the medical community.

In the case of VB0004, the Company intends to commence a Phase I Clinical Safety Trial in the form described in Section 4.3(c) of this Prospectus. To do so, the clinical trial protocol needs the approval of the relevant Human Research Ethics Committee (HREC) responsible for the sites where the trial will be conducted.

While the Phase I Clinical Safety Trial protocol will be developed by the Company to minimise any risk of not obtaining this approval and the Company has no reason to believe such approval will not be obtained in the ordinary course, the Company gives no guarantee as to the form of any decision that the HREC may make.

The Company gives no guarantee that further development of its intellectual property will be successful, that development milestones will be achieved, or that the intellectual property will be developed into further products that are commercially exploitable. There are many risks inherent in the development of pharmaceutical products, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit, or may cease to be viable for a range of scientific and commercial reasons.

(d) Clinical Validation

The process of securing marketing approval of a new pharmaceutical product is both costly and time consuming. Moving from discovery to development and subsequent commercialisation typically involves multiple and progressively larger clinical trials. Such trials can be expensive, time consuming, may be delayed or may fail.

Clinical trial success can be impacted by a number of factors including incomplete or slower than expected recruitment of a sufficient number of patients, failure to meet trial end points, lack of product effectiveness during the trial, safety issues and modifications to trial protocols or changes to regulatory requirements for trials.

There is no guarantee that any future trials will demonstrate that the Company's products are successful. This may delay the market adoption rate and impact the Company's future performance, including the receipt of future milestone or royalty payments in relation to any product.

(e) Intellectual Property

One of the Company's assets is its intellectual property (IP) rights that support the VIP Mimetics platform and Accugen qPCR technology, and other current and future products and technology. The commercial value of the IP is dependent on legal protections provided by a combination of patent, registered trade-marks, copyright, confidentiality, trade secrecy laws and other IP rights. These legal mechanisms, however, do not guarantee that the IP will be protected or that Vectus' competitive position will be maintained.

The grant of IP rights does not inevitably follow after making an application for such rights. Examination of patents, for example, may be expensive and time-consuming, and with no guarantee that patent rights will be secured. The scope of patent claims may vary as amendments are filed during examination if required to overcome objections raised by an examiner. The grant of patent rights does not guarantee that such rights are valid or the non-infringement of another party's patent rights. Examination in one country is not binding on another country. Patent applications lodged in each country are generally subject to an independent search and examination by local patent officers.

The publication of an invention usually takes place approximately 18 months after filing the earliest patent application for the invention. By that publication other parties will be potentially made aware of the invention, including the details of processes necessary to implement the invention, and if patent rights are not successfully secured, other parties may be free to practice this invention, informed of the details for doing so by virtue of the patent application.

No assurance can be given that others will not challenge the Company's IP rights to the technology. Vectus will make assessments on the patent protection strategies in different countries to determine whether patent protection is required and if it is available. Patent protection may not be sought in all countries either because such protection might not be commercially practical, or may be unavailable or limited in certain countries.

Vectus has conducted patent searches on publicly-available databases and details of those searches are set out in the Intellectual Property Report set out in Section 8. As outlined in the report, there are inherent limitations on such searches. Searches are dependent on the accuracy and effectiveness of the searching method used, and the accuracy and scope of the records held. Even if the accuracy of the records is guaranteed, any search strategy involves a compromise between scope and costs.

For this reason, the Company's searches were restricted to reveal the most relevant disclosures. Another limitation is that, in most major jurisdictions, patent applications are not published until 18 months from the earliest priority date. This means that, for any given search, it is generally not possible to detect patent applications filed within the previous 18 months. No search can ever be entirely inclusive or exhaustive because some forms of disclosure, such as prior public use, oral disclosure, prior commercial exploitation or prior publication in non-patent literature, cannot be searched systematically.

It is possible that third parties may assert IP infringement, unfair competition or like claims against Vectus under patent, trade secret or other laws. While the Company is not aware of any claims of this nature in relation to its IP rights, such claims, if made, may harm, directly or indirectly, Vectus' business. If the Company is forced to defend claims of IP infringement, whether they are with or without merit, or are determined in Vectus' favour, the costs of such litigation could potentially be significant and could divert management's attention from normal commercial operations. Such disputes may require the Company to develop non-infringing technology, or enter into royalty or licensing agreements. Such agreements, if necessary, may be unavailable on terms acceptable to Vectus, if at all.

Vectus' lead drug candidate, VB0004, referred to in Section 4.3 above, is protected by two pending applications for

patents. The applications are referred to as Patent Family 5 and Patent Family 11 in the Intellectual Property Report in Section 8.

Vectus' potential orphan drug candidates ("A32", "P5" and "P26"), referred to in Section 4.4 above, is protected by pending applications for patents. The applications are referred to as Patent Families 7 and 8 in the Intellectual Property Report in Section 8.

Vectus' Accugen technology, referred to in Section 4.6 above, is the subject of two families of granted patents and pending patent applications. These applications are referred to as Patent Families 9 and 10 in the Intellectual Property Report in Section 8.

The ability of the Company to successfully develop and commercialise any of its assets may be materially affected by an application for a patent in that patent family not being successful. Even if the patents are granted, there is still a risk that disputes may arise in relation to the patents resulting in the type of consequences referred to above and other parties may develop competing or superior technology impacting on the commercialisation of those patents. Further detail regarding the protection offered by patents is set out in Section 2 of the Intellectual Property Report in Section 8 of this Prospectus.

(f) Technological Development and Competition

The Company's future success will depend on its ability to market or licence its IP rights and products successfully, and develop products that are competitive in the markets where it operates. Vectus' current and potential future competitors include companies that have significantly greater resources than the Company. There is no assurance that Vectus' competitors will not succeed in developing alternative products that are safer, more effective or commercially superior to those being developed by the Company, or which could otherwise render the Company's products obsolete or otherwise uncompetitive.

(g) Manufacturing and Product Quality

Vectus' products have not yet been produced on a pharmaceutical scale. If Vectus is unable to manufacture products in sufficient quantities or at an appropriate cost level, it may not be able to conduct appropriate clinical tests to meet demand for its product, which may adversely impact clinical trials and commercial sales of the product.

(h) Health Care Insurers and Reimbursement

In both domestic and foreign markets, treatment volumes for products developed from the VIP Mimetics platform are likely to be influenced by the availability and amounts of reimbursements of patients' medical expenses by third party payer organisations, including government agencies, private health care insurers and other health care payers. There is no assurance that reimbursements for any products developed and commercialised using he Company's IP will be available to patients at all or without substantial delay. Even if such reimbursement is provided, the approved reimbursement amounts may not be sufficient to enable sale of products developed on a profitable basis. While Vectus does not expect to directly market its products, the availability and amount of reimbursement may impact Vectus' future performance, including the receipt of future milestone or royalty payments in relation to any product.

(i) Contractual Arrangements

The Company will operate through a series of contractual relationships with manufacturers and other parties it deals with. All contracts carry risks associated with the performance by the parties thereto of their obligations as to the time and quality of the work performed. All contracts, including those entered into by Vectus, carry a risk that the respective parties will not adequately or fully comply with their respective contractual rights and obligations, or that these contractual relationships may be terminated.

As Vectus moves to expand its commercialisation of the Accugen qPCR product, it will increasingly rely on its key suppliers for quality processing materials required in the Accugen qPCR product. A disruption at one of its key suppliers could cause a substantial delay in the availability of the Accugen qPCR product, leading to a delay in commercialising the business and a potential loss of sales.

(j) Limited Operating History

Vectus was incorporated in 2005 and accordingly has limited operating history. As indicated by the financial records in Section 9, the Company is not currently making an operating profit and the prospects of investing in Vectus should be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of their development, particularly in rapidly-evolving and technologically-advanced biotech and healthcare fields. .

(k) Key Personnel

Vectus currently employs, or engages as consultants, a number of members of its management and scientific team. The loss of any of these people's services could materially and adversely affect the Company, and may impede the achievements of its research, product development and commercialisation objectives.

The successful development of Vectus will require the services of additional scientific, sales and managerial staff. There can be no assurance that the Company will be able to attract and retain the services of such people, particularly given the competitive and specialised nature of the industry in which Vectus operates, and this may adversely affect the Company's prospects for success.

(l) Release from Escrow

Certain shareholders of Vectus will be subject to escrow requirements that are designed to protect the integrity of the market and allow the Company to develop a track record. This means that certain Shareholders, namely promoters, founders and associated Shareholders, will not be able to deal with escrowed Shares for a period of up to 24 months. Further details are set out in Section 10.6 below. At the end of the escrow period, these Shares will be released from escrow at the same time, which may impact the Share price of Vectus if they are sold at that time. Alternatively, the absence of such a sale by escrowed Shareholders may diminish or contribute to a diminution in the liquidity of the market for the shares.


eppendorf
Rotor-Gene Q
QIAGEN


EMAIL
AIRHANDLING
BIOLOGICAL SAFETY CABINET
CLASS II
AES Environmental Pty Ltd
PERSONNEL & ENVIRONMENT
PROTECTION AGAINST
ORDINARY AND SPECIAL
HAZARD AGENTS
DO NOT USE FLAMMABLE,
EXPLOSIVE AND HIGHLY
VOLATILE LIQUIDS OR
CYTOTOXIC DRUGS
IN THIS CABINET
ains a HEPA Filter conforming with AS 4260
the Australian StandardsMark. Use only
filters carrying the Australian StandardsMark.
DANGER

(m) Sufficiency of Funding

The Company has limited financial resources and may need to raise additional funds (equity or debt) from time-to-time. In certain circumstances, Vectus' ability to successfully operate will be subject to its ability to raise funds, which will be subject to factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy, and financial and share markets generally.

Vectus may need to raise additional funds through further offers, or rely on seeking a commercial transaction to continue its operations.

(n) No Independent Valuation

No independent valuation has been carried out on Vectus or its products, its IP or its assets. Valuations of early stage technology and intellectual property operating in new markets are imprecise and subjective.

The Directors do not believe that an independent valuation would be meaningful given the likely qualifications and limitations of such valuations, and difficulties in determining the likely commercial success of the Company and its products.

6.3 General Risks

(a) Stock Market Fluctuations

Stock market fluctuations in Australia and other stock markets around the world may negatively impact Vectus' Share price. Factors that may influence the investment climate in stocks (which may not relate to the actual performance of the Company) include the general economic outlook, movements in commodity prices, exchange rate movements, interest rates, inflation and political developments.

(b) Liquidity and Realisation Risks

There can be no guarantee that an active market for the Shares will develop or that the price of the Shares will increase. There may be relatively-few buyers or a relatively-high number of sellers of Shares on the ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which the Shareholder is able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price paid for their Shares.

(c) General Economic Conditions

Australian and world economic conditions may negatively impact Vectus' financial performance. A prolonged deterioration in economic conditions could be expected to have a material adverse impact on the Company.

(d) Accounting Standards

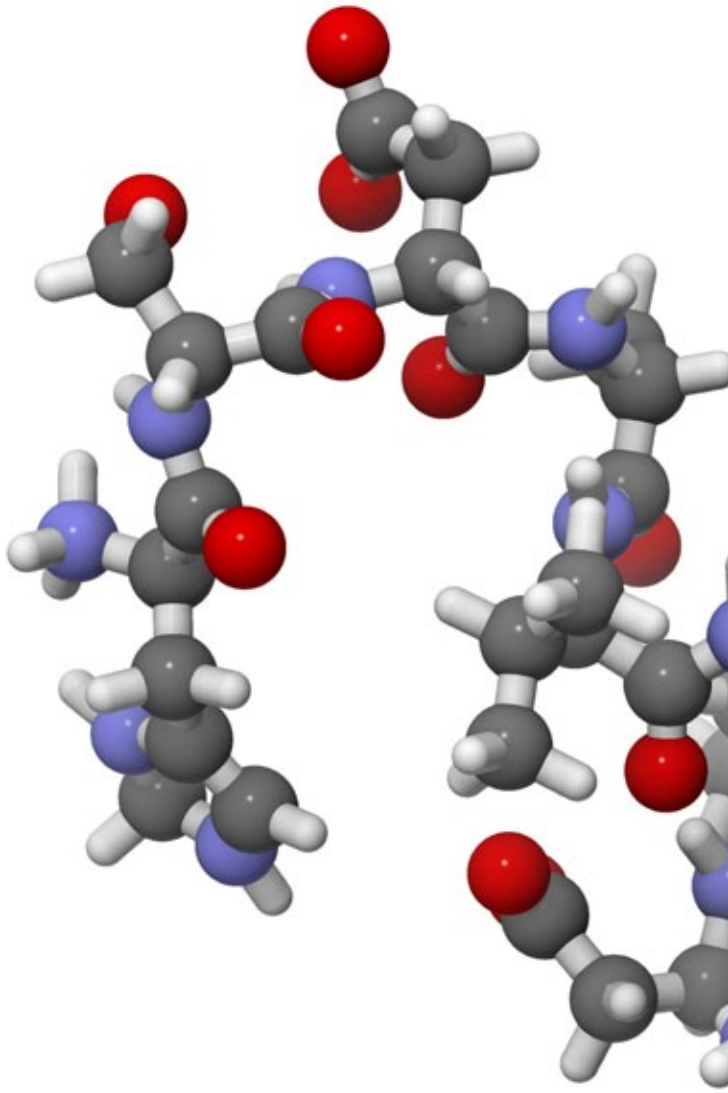
Changes in accounting standards, or the interpretation of those accounting standards that occur after the date of this Prospectus, may adversely impact Vectus' reported financial statements.

(e) Absence of Dividends

The ability of the Company to pay dividends in the future is dependent on many factors, including the outcome of Vectus' commercialisation activities. Many of the factors that will affect the Company's ability to pay dividends, and the timing of those dividends, will be outside the control of Vectus and its Directors. The Directors cannot give any assurance regarding the payment of dividends in the future.

(f) Other Risks

Other risks include those normally found in conducting business, including litigation resulting from breach of agreements or in relation to employees, or any other cause.



7. KEY PEOPLE, INTERESTS AND GOVERNANCE

7.1 Board of Directors

The Vectus Board has a broad range of experience in drug research and development and early stage biotech companies, together Australian public company, capital markets, financial and scientific expertise.

(a) Dr Karen Duggan – Chief Executive Officer

Dr Karen Duggan is a founder of Vectus and has served on the Board of Vectus since 2005. She was formally director of the Hypertension Service - South Western Sydney Area Health Service (SWSAHS), and is the immediate past chair of the National Blood Pressure and Vascular Disease Advisory Committee. She was also a member of the Cardiovascular Health Advisory Committee of the National Heart Foundation of Australia and the Post-Acute Stroke Guidelines Advisory Committee of the Australian Government Department of Health and Aging. She remains a member of the Cardiovascular Clinical Expert Reference Group of the NSW Department of Health.

In her role as Director of the Hypertension Service SWSAHS she was responsible for managing a multidisciplinary team (medical, nursing, laboratory and administrative staff), as well as developing and implementing new and innovative strategies in patient care within SWSAHS. The Hypertension Service participated in a number of clinical trials of both new therapeutics as well as evaluation of new diagnostic devices.

Her research has defined the mechanisms by which the body maintains sodium balance in the face of changing oral sodium intake as well as how these mechanisms are deranged in salt-sensitive hypertension. Her research has also defined a major mediator in the development of myocardial and renal fibrosis.

Whilst Chair of the NBP&VDAC of the NHFA and a member of the Executive of the HBPRCA she set up the Australian Ambulatory Blood Pressure Collaboration, designed a national study and helped co-ordinate data collection and analysis. This study has defined the diagnostic (Grade I, II & III) and therapeutic targets for hypertension using ambulatory blood pressure measurements which are equivalent to the clinic blood pressures. The study contained data from over 8,000 patients and now provides criteria for diagnosis and management of hypertension using ABPM both nationally and internationally. The study outcomes have been used by the NHFA as the basis for practice guidelines.

(b) Emeritus Professor Graham Macdonald (AM, MD, BS, BSc (Med), FRACP, FRCP, FANZCC) – Chairman

Graham is currently a Director and Chairman of Vectus Biosystems Pty Ltd and Director and Chairman of Stem Cells Limited.

In June 2012 Professor Macdonald received an Australian Queen's Birthday Honour in the General Division of the Order of Australia for 'service to biomedical research in the areas of hypertension and renal disease, to medical education, to the promotion and awareness raising of organ donation, and as a mentor'.

Professor Macdonald brings a wealth of experience in clinical medicine, basic biomedical science and in the field of pharmaceutical licensing and commercialisation to the Company. He has had an outstanding career first as an academic nephrologist, and then moving into the pharmaceutical industry with Merck Sharp and Dohme (Australia). During this time he successfully brokered a number of high profile agreements including a US$100 million-plus deal with AMRAD (now Zenyth Therapeutics) to develop a new asthma treatment.

Graham retired in 2007 from his former position as External Licensing Coordinator Merck Sharp & Dohme (Australia). Between 1974 and 1998, he was an academic nephrologist at the Prince Henry and Prince of Wales Hospitals Clinical School of the University of New South Wales. His research interests centred on the role of the uridine nucleotides in vascular modulation and sodium metabolism. Other significant projects included non-pharmacological control of high blood pressure and interaction of cardiovascular risk factors, psycho-social disorders in patients on dialysis with emphasis on thirst mechanisms, high blood pressure in pregnancy, the role of gut peptides in regulating renal sodium excretion, and normal and disordered regulation of angiotensin II receptors in various disease states.

(c) Mr Maurie Stang – Non-Executive Director

Maurie has a 30-year track record of building successful companies in the Australasian healthcare market and is recognised as one of its most respected business executives. Maurie has significant experience and an extensive network within the life-sciences, pharmaceutical and finance sectors, both in Australia and internationally.

Maurie is a Principal of GryphonCapital, an independent investment house that facilitates the financing and development of emerging health-care related entities. He is Chairman of Nanosonics Limited (ASX:NAN) and Aeris Environmental Limited (ASX:AEI), both Australian Stock Exchange listed public companies. He is also a Founder and Director of Henry Schein Halas, a joint venture with the NASDAQ listed Henry Schein, Inc., the leading wholesale supplier of dental products in Australasia. Maurie is a Director of Novapharm Research (Australia) Pty Ltd and of Regional Health Care Group along with other varied interests. Mr Stang is the deputy Chairman of Vectus Biosystems Limited.

(d) Mr Bernard Stang – Non-Executive Director

Mr. Bernard Stang, BArch is a Co-Founder of Regional Health Care Group of companies. Mr. Stang serves as the Chief Executive Officer of Stangcorp. Pty Ltd. Since co-founding the Regional Health Care Group, he has been instrumental in building it into one of the region's leading healthcare product suppliers, with a key joint venture in the Australasian dental market and successful operating businesses across a range of medical, pharmaceutical and consumer healthcare sectors. He manages a broad portfolio of investments in the private and listed sectors and has enjoyed over thirty year's operational leadership

in successful healthcare businesses. He has been a Non-Executive Director of Aeris Environmental Ltd., since July 24, 2002. He serves as a Director of Novapharm Research (Australia) Pty Ltd . He served as a Director of Nanosonics until March 21, 2007.

(e) Mr Peter Bush – Non-Executive Director

Mr Bush serves as a Non-Executive Director, and previously acted as the CFO and Company Secretary of Vectus and Accugen. He is also the Chief Executive Officer of Aeris Environmental Ltd, and an Executive Director and the Chief Financial Officer of The Regional Health Care Group and GryphonCapital.

Regional Health Care Group is a diversified healthcare product supplier, with successful businesses across a range of medical, pharmaceutical, consumer healthcare and research & development sectors. GryphonCapital is an independent investment house that facilitates the financing and development of emerging health-care related entities.

Mr Bush began his career working for five years at BDO, a global accounting and consulting firm then has since spent several years working in industry. He holds a degree in Commerce from Macquarie University and a graduate diploma in Chartered Accounting from the Institute of Chartered Accountants in Australia. Mr Bush holds a number of private directorships and board positions.

(f) Dr Ronald Shnier – Non-Executive Director

Dr Ronald Shnier is a Non-Executive Director of the Company. He completed a radiology fellowship at Royal Prince Alfred Hospital (RPAH) before undertaking his neuroradiology fellowship at RPAH in 1989 and musculoskeletal fellowship at the University of California Los Angeles (UCLA) in 1991. Dr Shnier was a consultant specialist at RPAH between 1990 and 1993. He started one of Australia's first Private MRI practices in 1991 before becoming General Manager of Mayne's Diagnostic Imaging in 2007 and was its National Director for many years. Dr Shnier has served on several international MRI advisory boards. He has a strong involvement in clinical research, and has lectured both in Australia and overseas.

(g) Mr Robert Waring – Company Secretary (BEc, CA, FCIS, FFin, FAICD)

Mr Waring has over 40 years' experience in financial and corporate roles, including over 25 years in Company Secretarial roles for ASX-listed companies, and over 20 years as a Director of ASX-listed companies. He has significant company secretarial experience for both listed and unlisted companies, and is currently serving as Company Secretary for ASX-listed companies Aeris Environmental Ltd, Nanosonics Limited, Acacia Coal Limited, Intec Ltd, King Solomon Mines Limited and Brain Resource Limited. Mr Waring is a Director of Oakhill Hamilton Pty Ltd, which provides secretarial and corporate advisory services to a range of listed and unlisted companies.

7.2 Director disclosures

No Director of the Company has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director of the Company or which is relevant to an investor's decision as to whether to subscribe for Shares under the Offer.

7.3 Senior management

Dr Karen Duggan – CEO (Please see details of Karen's experience above).

7.4 Employees

Vectus currently employs 7.5 FTE employees. All employees are located in Australia.

7.5 Director's interests

Other than as set out below or elsewhere in this Prospectus:

(a) no Director or proposed Director holds at the date of this Prospectus or held at any time during the last two years before the date of lodgement of this Prospectus with ASIC, any interest in:

1. the formation or promotion of the Company; or
2. any property acquired or proposed to be acquired by the Company in connection with its formation; or
3. in connection with the Offer; or
4. the Offer; and

(b) no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:

1. to a Director or proposed Director to induce him or her to become, or to qualify as, a Director; or
2. for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or in connection with the Offer.

7.6 Director's Remuneration

Non-Executive Director Remuneration

Under the Constitution, each Director is to be paid remuneration for ordinary services performed as a Director. This remuneration may be provided to a Director in cash or in any other form as is agreed between the Company and the Director. This does not include additional remuneration that may be paid for the provision of additional services or special exertions carried out by a Director at the Board's request, such as consulting services. The current maximum aggregate remuneration that may be paid to non-executive directors is $400,000 per annum. This amount may be increased by approval of the shareholders of the Company in a general meeting.

The annual Directors' fees currently payable by the Company to the Directors are set out in the following table:

Director	Director's Fees
Prof. Graham MacDonald	$65,000
Maurie Stang	$55,000
Bernard Stang	$45,000
Peter Bush	$45,000
Dr Ronald Shnier	$45,000
Total	**$225,000**

Directors may receive additional fees for services on board committees. Such fees are included in the above amounts.

The Directors may also be paid travelling and other expenses properly incurred by them in attending meetings of the Directors or any committee of Directors or general meetings of the Company or otherwise in connection with their execution of their duties as Directors.

In addition, any Director who is called upon to perform extra services or make special excursions or to undertake any executive or other work for the Company beyond his or her ordinary duties may, subject to law, be remunerated either by a fixed sum or a salary determined by the Directors. This sum may be either in addition to, or in substitution for his or her share in the remuneration for ordinary services.

Executive Remuneration

Vectus has entered into an employment contract with Dr Karen Duggan to govern her employment with Vectus.

Dr Karen Duggan is a founding shareholder and director of Vectus. Dr Duggan is engaged by Vectus as its Chief Executive Officer. Dr Duggan's employment contract with Vectus provides for a fixed base salary of $183,720 per annum and superannuation contributions of 9% (or as otherwise required by law) of her base salary. Dr Duggan is employed exclusively by Vectus and her remuneration package is reviewed annually as part of her performance review.

Dr Duggan is also eligible to participate in Vectus' employee bonus scheme under which she can earn a bonus up to 10% of her base salary which is determined having regard to Prof Duggan's performance objectives and milestones established annually. Dr Duggan is also entitled to participate in Vectus' Employee Incentive Plan, the terms of which are described in Sections 10.7 and 10.8. As set out in Section 10.8, Dr Duggan may participate in certain contemplated issues of Performance Rights to current directors of Vectus after the listing of Vectus. Vectus will seek shareholder approval prior to the issue of any Performance Rights to Dr Duggan.

Dr Duggan may terminate her employment with Vectus on 3 months' written notice. Vectus may terminate Dr Duggan's employment on three months' notice for any reason, and may summarily terminate Dr Duggan's employment for misconduct. Upon termination, if Dr Duggan is a director or officer of Vectus or a subsidiary, she must resign that office upon request.

Shareholdings of Directors

Directors are not required under the Constitution to hold any Shares.

The direct and indirect interests of each Director of the Company in the securities of the Company as at the date of this Prospectus are set out in the following table.

	Shares [1]	
	Direct	Indirect
Directors		
Prof Graham Macdonald	46,667	Nil
Dr Karen Duggan	1,500	3,200,000
Mr Maurie Stang	2,550,000	Nil
Mr Bernard Stang	2,550,000	Nil
Mr Peter Bush	Nil	Nil
Dr Ronald Shnier	Nil	100,000

	Performance Rights [1]	
	Direct	Indirect
Directors		
Prof Graham Macdonald	Nil	Nil
Dr Karen Duggan	Nil	Nil
Mr Maurie Stang	Nil	Nil
Mr Bernard Stang	Nil	Nil
Mr Peter Bush	Nil	100,000
Dr Ronald Shnier	Nil	Nil

Notes

1. Share and Performance Right numbers exclude any Performance Rights that might be issued to directors after Listing as contemplated in Section 10.8 below.
2. Terms and conditions of Performance Rights issued to Peter Bush are summarised in Section 10.7 below

The Directors may subscribe for New Shares as part of the Offer. Final Directors' security holdings will be notified to the ASX on Listing.

Other than as set out above, no Director has an interest in the Shares of the Company immediately prior to the date of this Prospectus.

Indemnification of Directors and Insurance

The Company has executed a Deed of Indemnity, Insurance and Access with each Director. In summary each Deed provides:

an ongoing indemnity (to the fullest extent permitted by law), to the Director against liability incurred by a Director as a director, employee or consultant of the Company or any related body corporate (Group Company);

that the Company will maintain an insurance policy for the benefit of the Director which insures the Director against liability for acts or omissions of the Director in the Director's capacity (or former capacity) as a director or officer of a Group Company and for a period of seven years thereafter; and

the Director with a limited right of access to books of the Group Companies relating to the period during which the Director holds office as a Director of the Group Company and for a period of seven years thereafter for the purposes of a legal proceeding to which the Director is a party, that the Director proposes in good faith to bring or that the Director has reason to believe will be brought against him.

7.7 Equity interests of key management

The direct and indirect equity interests of the key executives of the Company following completion of the Offer are set out in the table below:

	Shares [1]	
	Direct	Indirect
Person		
Dr Karen Duggan	1,500	3,200,000

1. Share numbers exclude any Performance Rights that might be issued to Karen Duggan after Listing as contemplated in Section 10.8 below.

7.8 Corporate Governance

The Board is responsible for the overall corporate governance of the Company. Issues of substance affecting the Company are considered by the full Board, with advice from Board Committees, senior management and other external advisors as required. Each Director must bring an independent view and judgement to the Board, and must promptly declare all conflicts of interest. Directors may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest unless the non-conflicted Directors have separately agreed to their participation.

The Board's role in risk oversight includes receiving regular reports from senior management, and the Audit and Risk Management Committee about material risks faced by the Company, and applicable mitigation strategies and activities. The reports detail the effectiveness of the risk management programme, and identify and address material business risks, such as strategic, business, operational, financial, human resources, product safety, and efficacy and legal / regulatory risks.

The responsibilities of the Board are set down in the Company's Board Charter, which has been prepared having regard to the third edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Recommendations). A copy of the Vectus Board Charter is available as part of the Company's Corporate Governance Compliance Manual on its website at www.vectusbiosystems.com.au .

Board Committees

The Board has established three standing Committees to assist the Board in fulfilling its responsibilities. The Board may also establish other committees from time-to-time to assist in the discharge of its responsibilities.

- Audit and Risk Management Committee
- Remuneration and Nomination Committee
- Corporate Governance Committee

Each of these Committees has the responsibilities described in the Committee Charters (which have been prepared having regard to the ASX Recommendations) adopted by the Company. A copy of the Charter for each of the above Committees is available on the Company's website.

Corporate Governance Principles

The Company has also adopted various policies, taking into account the ASX Recommendations. The following policies are available on the Company's website:

- Remuneration and Nomination Committee Charter – This policy sets out the Company's remuneration policy for Executive and Non-Executive Board members, and explains how the Board evaluates its own performance;
- Corporate Code of Conduct – This policy sets out the standards of ethical behaviour that the Company expects from its Directors, officers and employees;
- Shareholders Communications Policy – This policy describes how the Company will ensure effective communication with its Shareholders;
- Continuous Disclosure Policy – This policy describes reporting lines and decision-making processes that are designed to ensure that the Company complies with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act;
- Diversity Policy – This policy sets out the Company's commitment to promoting diversity amongst its Board, at management level and within the Group as a whole; and
- Securities Trading Policy – This policy restricts employees and Directors in dealing with the Company's shares at times when the market may not be fully informed as to the Company's progress, and explains how insider trading laws affect their dealings in the Company's Shares.

Independence

The Board considers that each of Graham Macdonald and Ronald Shnier is an independent director, free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the Director's judgement, and each is able to fulfil the role of an independent director for the purposes of the ASX Recommendations.

Karen Duggan, Maurie Stang, Bernard Stang and Peter Bush are currently considered by the Board to not be independent having regard to the indicators of independence set out in Box 2.3 of the ASX Recommendations.

7.9 Compliance with the Third Edition of the ASX Corporate Governance Council's Principles and Recommendations

Following the Company's admission to the Official List of the ASX, the Company will be required to report its compliance with and departures from the ASX Recommendations in its annual Corporate Governance Statement released to ASX and included on the Company's website.

The Company's compliance with and departures from the ASX Recommendations as at the date of this Prospectus are set out in the table on the following pages

Corporate Governance Principles and Recommendations (3rd Edition)	Comply as at the date of this Prospectus (Yes/No)	Explanation
Principle 1 – Lay solid foundations for management and oversight A listed entity should establish and disclose the respective roles and responsibilities of its boards and management and how their performance is monitored and evaluate.		
Recommendation 1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those	Yes	The functions reserved by the Board and those delegated to senior management are disclosed in the Company's Board Charter. This document is available on the Company's website at www.vectusbiosystems.com.au.
Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Partially	The Company undertakes a number of checks before appointing a person or putting forward to security holders a candidate for election as a Director and provides material information to shareholders about a candidate for election or re-election. The Company will provide further details as to its compliance with this recommendation in its future Annual Reports and Corporate Governance Statements released to ASX and on its website.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	The Company has adopted a procedure of obtaining a written agreement with each Director and senior executive setting out their terms of appointment, and is in the process of obtaining such agreements for those Directors and senior executives who currently do not have such agreements. The Company will provide an update on its compliance with this recommendation in its future Annual Reports and Corporate Governance Statements released to ASX and on its website.
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Corporate Governance Principles and Recommendations (3rd Edition)	Comply as at the date of this Prospectus (Yes/No)	Explanation
Recommendation 1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	Partially	The Company's workforce, including employees, contractors, management and the Board, is made up of individuals with diverse skills, values, backgrounds and experiences that bring to the Company the skills and expertise that are required for the Company to enhance its performance. The Company values diversity and recognises the benefit it can bring in achieving its goals. To this end, the Company has established a Diversity Policy that reflects its commitments and objectives. A copy of the Diversity Policy is available on the Company's website at www.vectusbiosystems.com.au. Due to the current early stage, size and composition of the organisation, the Board does not consider it appropriate to provide measureable objectives in relation to gender. The Company is committed to ensuring that the appropriate mix of skills, experience, expertise and diversity are considered when employing staff at all levels of the organisation, and when making new senior executive and Board appointments, and is satisfied that the composition of employees, senior executives and members is appropriate considering its size and environment. The Company will disclose the proportion of men and women on the Board, in senior executive positions and across the whole organisation in its Annual Reports and will provide further details as to its compliance with these recommendations in its future Annual Reports and in its annual Corporate Governance Statements.
Recommendation 1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Partially	The Remuneration and Nomination Committee Charter describes the role of the Committee and the process for evaluating the performance of the Board, its committees and individual Directors. These corporate governance documents are available for review on the Company's website at www.vectusbiosystems.com.au. The Company will adopt a process of completing a Board Evaluation Questionnaire and will assess the results derived from that Questionnaire on at least an annual basis as part of the process for periodically evaluating the performance of the Board, its Committees and individual Directors. The Company will provide an update on its compliance with this recommendation in its future Annual Reports and Corporate Governance Statements released to ASX and on its website.

Corporate Governance Principles and Recommendations (3rd Edition)	Comply as at the date of this Prospectus (Yes/No)	Explanation
Recommendation 1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period	Partially	The Company will adopt a process of completing an Executive Evaluation Questionnaire and will assess the results derived from that Questionnaire on at least an annual basis as part of the process for periodically evaluating the performance of the Board, its Committees and individual Directors. The Company will provide an update on its compliance with this recommendation in its future Annual Reports and Corporate Governance Statements released to ASX and on its website.
Principle 2 – Structure the board to add value A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.		
Recommendation 2.1 The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	Partially	At the date of this Prospectus, the Board of the Company has a Remuneration and Nomination Committee, which currently consists of three members, a majority of whom are independent Directors, and is chaired by an independent Director. The members of the Committee are Graham Macdonald (Committee Chairman), Maurie Stang and Ronald Shnier. The Remuneration and Nomination Committee Charter describes the role of the Committee and the process for evaluating the performance of the Board, its Committees and individual Directors. The Charter is available for review on the Company's website at www.vectusbiosystems.com.au. The Company will provide an update on its compliance with this recommendation, including the number of Committee meetings and Director attendances at these meetings, in its future Annual Reports and Corporate Governance Statements released to ASX and on its website.
Recommendation 2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	The Company has and discloses a Board Skills Matrix setting out the mix of skills and diversity that it currently has and is looking to achieve in its membership. The Skills Matrix can be found on the Company's website.

Corporate Governance Principles and Recommendations (3rd Edition)	Comply as at the date of this Prospectus (Yes/No)	Explanation
Recommendation 2.3 A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Yes	At the date of this Prospectus, the names of the Directors considered by the Board to be Independent Directors are Graham Macdonald and Ronald Shnier. The length of service of each Director is as follows: • Graham Macdonald – seven years and nine months. • Karen Duggan – nine years and three months. • Maurie Stang – nine years and 11 months. • Bernard Stang – nine years and 11 months. • Peter Bush – five months. • Ronald Shnier – three months.
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	No	At the date of this Prospectus, the Board does not have a majority of independent Directors due to the Company's size and the early stage of its development. In the coming year, the Board will re-examine its structure based on its Skills Matrix, with a view to appointing at least one additional Independent Director.
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes	The Non-Executive Chairman of the Board is an independent Director and is not, the CEO of the Company or an executive director.
Recommendation 2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Partially	The Company is developing a programme for inducting new Directors and will provide further details as to its compliance with this recommendation in its future Corporate Governance Statement to be lodged with ASX at the time the Company lodges its 2015 Annual Report.
Principle 3 – Act ethically and responsibly A listed entity should act ethically and responsibly.		
Recommendation 3.1 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	Yes	The Company has developed a Corporate Code of Conduct that has been fully endorsed by the Board, and applies to all Directors, senior executives and employees. The Code of Conduct is reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism, and the practices necessary to maintain confidence in the Group's integrity, and to take into account legal obligations and reasonable expectations of the Company's stakeholders. A copy of the Corporate Code Conduct is available on the Company's website at www.vectusbiosystems.com.au.

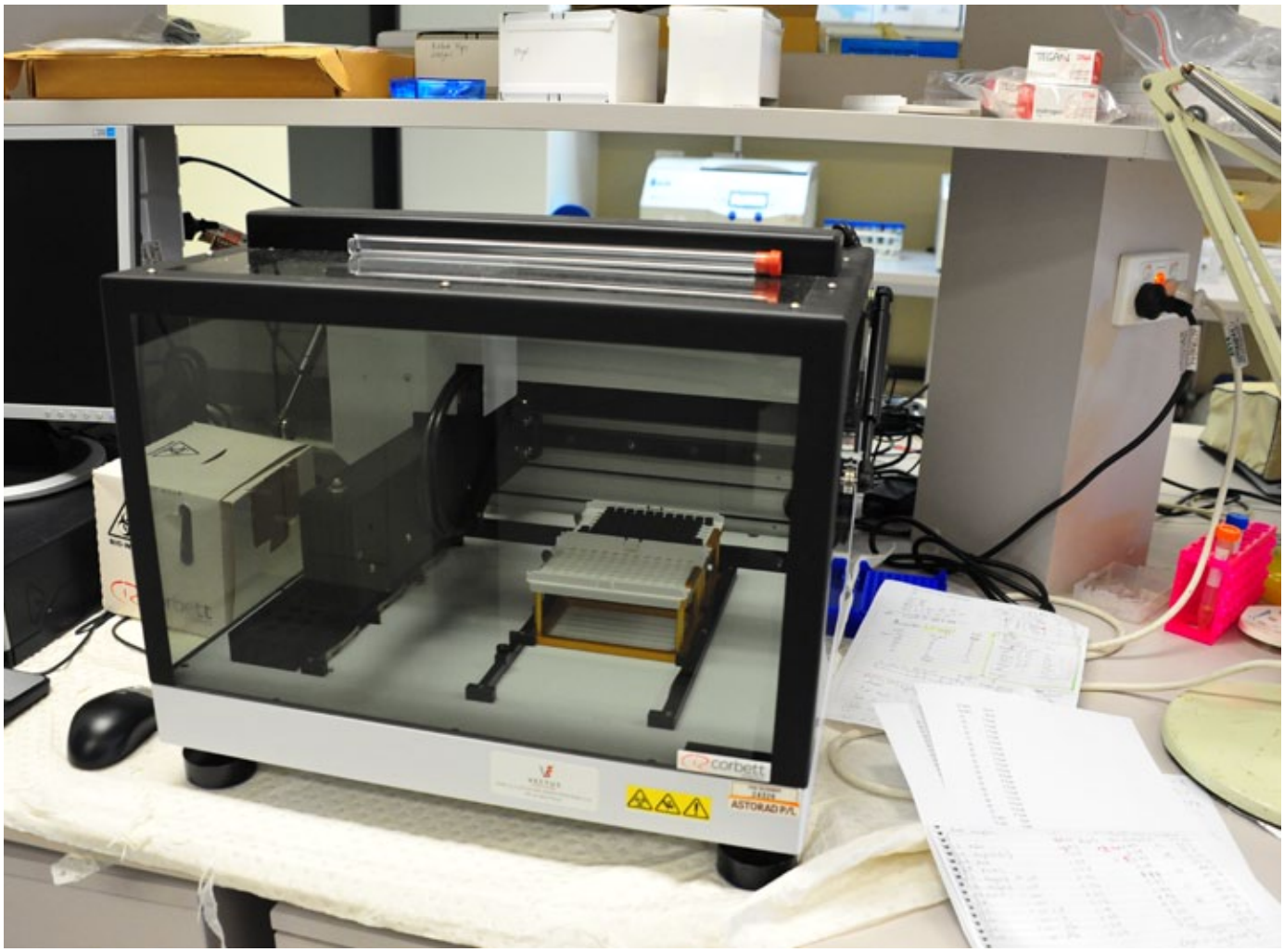
Corporate Governance Principles and Recommendations (3rd Edition)	Comply as at the date of this Prospectus (Yes/No)	Explanation
Principle 4 – Safeguard integrity in corporate reporting A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.		
Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	Partially	The Company has an Audit and Risk Management Committee which was established by the Board to review and monitor financial, audit and risk management processes and reporting. The Committee consists of three Non-Executive Directors, a majority of whom are not independent Directors. The Chairman of the Committee is not an independent Director, but he is not the Chairman of the Board. A copy of the Charter of the Committee is available on the Company's website at www.vectusbiosystems.com.au. At the date of this Prospectus, the Committee consisted of the following Directors: Maurie Stang (Committee Chairman – finance experience, but not independent), Graham Macdonald (medical background and independent) and Peter Bush (Accountant, but not independent). The relevant qualifications and experience of the members of the committee can be found in the Directors section of this Prospectus and on the Company's website. The Company will provide an update on its compliance with this recommendation, including the number of Committee meetings and Director attendances at these meetings, in its future Annual Reports and Corporate Governance Statements released to ASX and on its website.
Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	The Company has set up a procedure whereby, before it approves the Company's financial statements for a financial period, the Board receives assurance from the CEO and CFO, via a declaration, provided in accordance with section 295A of the Corporations Act 2001, that the financial records of the Company have been properly maintained, and that the financial statements comply with the appropriate accounting standards, and give a true and fair view of the financial position and performance of the Company, and that their opinion is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material aspects in relation to financial reporting risks.

Corporate Governance Principles and Recommendations (3rd Edition)	Comply as at the date of this Prospectus (Yes/No)	Explanation
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	The Company requests the external Auditor to attend the Annual General Meeting, and be available to answer shareholders' questions about the conduct of the audit, and the preparation and content of the Auditor's Report.
Principle 5 – Make timely and balanced disclosure A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.		
Recommendation 5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Yes	The Board has established a policy governing continuous disclosure, which complies with its obligations under the ASX Listing Rules and is available on the Company's website at www.vectusbiosystems.com.au. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX, as well as communicating with the ASX.
Principle 6 – Respect the rights of security holders A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.		
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	Yes	The Company provides information about itself and its Corporate Governance on its website, including all of its governance policies and other company information.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	The Company has designed and implemented an investor relations programme to facilitate effective two-way communication with investors. The Company has adopted a Shareholders Communications Policy, which is available on the Company's website at www.vectusbiosystems.com.au
Recommendation 6.3 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	The Company gives security holders the option to receive communications from, and send communications to, the Company and its security registry electronically via its website.

Corporate Governance Principles and Recommendations (3rd Edition)	Comply as at the date of this Prospectus (Yes/No)	Explanation
Principle 7 – Recognise and manage risk A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.		
Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Partially	The Company has an Audit and Risk Management Committee was established by the Board to review and monitor financial, audit and risk management processes and reporting. The Committee consists of three Non-Executive Directors, a majority of whom are not independent Directors. The Chairman of the Committee is not an independent Director, but he is not the Chairman of the Board. A copy of the Charter of the Committee is available on the Company's website at www.vectusbiosystems.com.au. At the date of this Prospectus, the Committee consisted of the following Directors: Maurie Stang (Committee Chairman – not independent), Graham Macdonald (independent) and Peter Bush (not independent). The Company will provide an update on its compliance with this recommendation, including the number of Committee meetings and Director attendances at these meetings, in its future Annual Reports and Corporate Governance Statements released to ASX and on its website.
Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Partially	Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Management reports to the Audit and Risk Management Committee on the Company's key risks and the extent to which it believes these risks are being monitored at each Committee meeting. The Audit and Risk Management Committee reviews and monitors risk management, and internal compliance and control systems, at least annually. In the latest reporting period, such a review has taken place. The Company has not established formal policies for the oversight and management of these material business risks other than those delegated to the Audit and Risk Management Committee. Due to the size of the Company and the size of the Board, the Board monitors all key areas of the Company's risk management on an ongoing basis and, where possible, will implement policies and procedures to address such risks. The Company will provide an update on its compliance with this recommendation in its future Corporate Governance Statements released to ASX and on its website.

Corporate Governance Principles and Recommendations (3rd Edition)	Comply as at the date of this Prospectus (Yes/No)	Explanation
Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Partially	The Company does not have an internal audit function. The processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes include: the review of its actual versus budget variances in revenue and expenses; and the periodic review of source accounting documentation by someone independent of the Accounts Department and independent of the regular accounting documentation approval process. The Company will provide an update on its compliance with this recommendation in its future Corporate Governance Statements released to ASX and on its website.
Recommendation 7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	The Company believes that it does not have any material exposure to economic, environmental or social sustainability risks. The Company will provide additional comments on its compliance with this recommendation in its future Corporate Governance Statements released to ASX and on its website.
Principle 8 – Remunerate fairly and responsibly A listed entity should pay director remuneration sufficiently to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.		
Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Partially	At the date of this Prospectus, the Board of the Company has a Remuneration and Nomination Committee, which currently consists of three members, a majority of whom are independent Directors, and is chaired by an independent Director. The members of the Committee are Graham Macdonald (Committee Chairman), Maurie Stang and Ronald Shnier. The Remuneration and Nomination Committee Charter describes the role of the Committee and the process for evaluating the remuneration of the Board, its Committees and individual Directors. The Charter is available for review on the Company's website at www.vectusbiosystems.com.au. The Company will provide an update on its compliance with this recommendation, including the number of Committee meetings and Director attendances at these meetings, in its future Annual Reports and Corporate Governance Statements released to ASX and on its website.

Corporate Governance Principles and Recommendations (3rd Edition)	Comply as at the date of this Prospectus (Yes/No)	Explanation
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	The Company separately discloses these policies and practices in the Remuneration Report in its Annual Report.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Yes	The Company has an equity-based remuneration scheme with a policy that does not permit participants in the scheme to enter into transactions (whether through the use of derivatives or otherwise) that limit the economic risk of participating in the scheme. The Corporations Act prohibits the key management personnel of ASX-listed companies established in Australia, or closely-related parties of such personnel, from entering into arrangements that would have the effect of limiting their exposure to risks relating to an element of their remuneration that either has not vested or has vested but remains subject to a holding lock.



8. INTELLECTUAL PROPERTY REPORT

ABN 58 855 816 942

The Directors
Vectus Biosystems Limited
3–11 Primrose Avenue
Rosebery NSW 2018

10 November 2015

Our Ref: 53518AUM00

Dear Sirs and Madam

Intellectual Property Report
Vectus Biosystems Limited

1. INTRODUCTION

This Intellectual Property Report has been prepared by Shelston IP, Patent and Trade Mark Attorneys, for inclusion in a Prospectus to be issued by Vectus Biosystems Limited (referred to as "Vectus" below).

This report is current as at 21 July 2015, and Shelston IP is not aware of any material changes to the status of matters discussed below since that date. The information provided below is subject to the matters set out in Section 4 of this Report.

This Report is essentially directed to the patents and patent applications identified in **Annex II**, and the trade marks identified in **Annex III**.

2. OVERVIEW OF INTELLECTUAL PROPERTY PROTECTION

Intellectual property (IP) is a valuable and tangible asset which needs to be carefully and diligently protected. It encompasses statutory and common law rights which provide protection in relation to products, processes, trade names, designs, drawings, copyright and circuit layouts in industry, science or commerce. In the context of the present Report, patents are particularly relevant and are discussed in some detail below. Brief details regarding trade marks are also provided. Although other forms of IP may be of interest to Vectus, they are not discussed in any detail below.

2.1 Patents

2.1.1 General

A patent is a statutory monopoly that confers on the owner of the patent the exclusive right to make, use, or sell the invention as defined in the patent claims throughout the territory of the country granting the patent.

A patent right is obtained by filing a patent application together with a patent specification. The specification describes the invention and includes a set of claims which define the monopoly sought.

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Australian and New Zealand Patent and Trade Mark Attorneys in association with Shelston IP Lawyers

2.1.2 Provisional patent application

In most jurisdictions, including Australia, the United States and Europe, it is possible to file a provisional application in order to establish a "priority date" in respect of the invention. (This provisional application does not mature into a granted patent – rather, it forms the basis for a later filed "complete" application – see below.)

The priority date effectively sets the date up to which patent examiners search for "prior art" (ie publications or "acts", where acts include, for example, the delivery of a presentation), that may be relevant to the novelty and inventiveness of the invention. As such, publications or acts carried out after the priority date set are not relevant to the examination of novelty or inventive step/non-obviousness. Generally, the earlier the priority date, the better as later-published prior art can be avoided. However, the impetus to obtain an early priority date must be balanced with the need to provide adequate disclosure of the invention in the description of the specification and to perform experiments supporting the idea behind the invention.

In cases where additional subject matter relating to the invention described in the provisional application is included in either a second or third (later-filed) provisional application (or in the "complete" patent application – see below), the priority date for that subject matter will be the date on which the patent application containing the additional subject matter was filed.

The priority date established by the provisional application is recognised in most industrialised countries, including Australia's major trading partners, as long as a corresponding "complete" application (which may be a PCT application followed by one or more "national phase applications) is filed within 12 months from the date of filing of the provisional application.

2.1.3 Patent protection must be sought in each jurisdiction

Each country has its own national patent laws and protection must be sought in each jurisdiction i.e. there is no system under which a "world patent" can be obtained.

Further, the grant of a patent in one country does not confer rights in any other country. Hence, the patentee must choose the countries in which patent protection is to be sought. (In some jurisdictions, the process is facilitated by a group of countries agreeing to grant patents based on a single examination process eg. Europe – see below.)

Based on long-standing international conventions, a provisional patent application may be used as the first step in obtaining patent rights in other countries. Most of the major industrialised countries are bound by these conventions including Australia, the US and many of the European countries. **Annex I** attached to this Report illustrates some of the routes by which a patent may be obtained.

Commonly a single international patent application claiming priority from the provisional application is lodged under the provisions of the Patent Cooperation Treaty (PCT). A PCT application can be used to obtain patent rights in over 140 countries including in Australia, the US, many European countries, China, Japan, India and Singapore to name but a few. A PCT application is subject to an international search and International Preliminary Examination.

The PCT application does not itself become a granted patent. In order to obtain a granted patent, the PCT application must "enter national phase" in the jurisdictions in which patent protection is to be sought. National phase must be entered 30 or 31 months (depending on the jurisdiction) from the priority date set by the provisional application. The purpose of lodging a PCT application is to defer the costs of lodging individual applications in each jurisdiction (i.e. instead of lodged individual applications within 12 months of the provisional application, the deadline for doing so is extended to 30/31 months) and to obtain, in the interim, a third party opinion on patentability of the invention before incurring the expense associated with lodgement of national phase applications.

As an alternative to the PCT system, under the Paris Convention patent applications may be filed in individual countries in which protection is to be sought within 12 months of the priority date set by the

provisional application. When protection is required in only three or four jurisdictions, this route may be preferred over the PCT system as the cost of lodging a PCT application is avoided.

As a further alternative, a single patent application may be lodged in respect of the countries of the European Patent Convention (currently 38 countries). All or only some of the countries may be selected. This is called a European patent application and it may also be extended to certain other countries that are not yet full signatories to the European Patent Convention. A European patent application is examined by the European Patent Office, and once granted, must be registered and maintained in each individual country in which it is desired to have a patent.

It is common to use both the PCT and European system since they are highly compatible. Specifically, rather than entering national phase in individual European countries, a "European regional phase" application may be lodged as a "national phase" application from a PCT application.

2.1.4 Term of patent

A patent has a fixed term, which in most countries is 20 years from the date of filing of the patent application. In many countries, including Australia, the United States, Japan, and the countries of the European Patent Convention, an extension of term is available for patents covering pharmaceutical substances.

2.1.5 Examination of a patent application

A complete application is examined by the relevant patent office before it can proceed to grant. The examination process differs across jurisdictions. Generally, during examination, the patent examiner investigates whether the claims in the patent application meet the patentability standards for the relevant jurisdiction. Typically, the examiner will assess whether the invention for which the monopoly is claimed is, *inter alia*, novel, involves an inventive step/is not obvious, and is adequately described in the specification.

In order to overcome objections by the patent examiner, amendment or limitation of the original claims may be required during examination. Hence, importantly, the scope of the monopoly conferred by the patent when it is eventually granted may be different to that in the original patent application. Usually amendments are made during examination to narrow the breadth of the claimed invention and it follows, therefore, that the scope of the monopoly conferred by the patent is commonly narrowed during examination.

2.1.6 Opposition to grant of a patent/Revocation

In some countries, once the application has been allowed by the Examiner the grant of a patent may be opposed by a competing party. For example, in Australia there is a pre-grant opposition procedure in which third parties may oppose the grant of a patent after it is allowed by the examiner but before it is granted. Conversely, in Europe, grant of the patent can only be opposed post-grant. Opposition may result in refusal or revocation of the patent, or may result in further limitation of the claims.

Irrespective of whether a patent application proceeds to grant with or without having been opposed, throughout the life of a granted patent, third parties may seek revocation of the patent through the courts.

2.1.7 Assignment/licensing of patent rights

Patents and patent applications are property rights which can be sold, licensed, mortgaged etc. Patents and patent applications may be lodged in the name of one or more applicants. In the absence of a specific agreement to the contrary, it is generally assumed that joint applicants hold equal shares in the rights to the invention.

2.2 Trade marks

2.2.1 General

A trade mark is a letter, word, phrase, picture, symbol, shape, colour, sound or smell, aspect of packaging or any combination thereof which identifies a product or a service of an enterprise and distinguishes it from similar products or services of another enterprise. Trade mark registration provides the owner with legal rights to exclusive use and/or control of the use of the trade mark throughout the jurisdiction in which it is registered as a brand for the goods and services for which it is registered. The owner of a registered trade mark can generally take action to stop another enterprise using the same or a similar mark as a brand for the same or similar goods or services.

Like patents, trade marks are tradable property rights that are particularly important and valuable once a product or service enters the market. The rights in a trade mark can, for example, be sold, licensed or mortgaged.

2.2.1 Australian and overseas trade marks

An Australian trade mark provides protection only within Australia. National trade mark applications are obtained on a country by country basis and stand alone in each country. The rights granted under a National registration extend only to that jurisdiction and enforcement of the rights must be taken in that jurisdiction.

There are two different ways Australian trade mark owners can seek trade mark protection overseas: file an application directly in each country of interest, or file a single international application through the Madrid Protocol.

The Madrid Protocol is an international treaty which simplifies the procedures for the international registration of trade marks. Under the Madrid Protocol, a single application for a trade mark can be extended from an applicant's home country (known as a “base application”) to any one or more of the other member countries. If the base application ceases to be valid within 5 years of the date of the international application, or if a basic application does not lead to registration, then the international registration will also fail. If the international registration is granted protection in a designated country, the trade mark will have the same protection that would be extended to a national registration in that country.

3. VECTUS’ PATENT AND TRADE MARK PORTFOLIO

3.1 General

One purpose of this Report is to provide details of the status of the patent and trade mark portfolio of Vectus and subsidiaries, as at the date of this Report, based on the information contained in the public registers maintained by the government bodies in relevant jurisdictions responsible for the registration of patents and trade marks.

Shelston IP has been engaged by Vectus as its IP service provider in connection with the preparation, filing and prosecution of patent and trade mark applications in Australia and, in the case of patents, also in other countries.

Annex II to this Report identifies the patents and patent applications comprising the Vectus patent portfolio. **Annex III** to this Report identifies the trade marks comprising the Vectus trade mark portfolio.

Vectus’ current portfolio consists of eleven patent/patent application families and three trade marks.

All patent and patent applications are in the name of Vectus Biosystems Limited, Vectus Biosystems Pty Ltd or Accugen Pty Ltd. The trade marks are in the name of Accugen Pty Ltd. Shelston IP is advised that Accugen Pty Ltd is a wholly owned subsidiary of Vectus.

The change of name from Vectus Biosystems Pty Ltd to Vectus Biosystems Limited will need to be recorded in each jurisdiction where Vectus Biosystems Pty Ltd patents or patent applications exist. Recordal of a change of name is typically a straightforward procedure.

A brief description of the subject matter of each patent family is provided below with reference to the cases shown in **Annex II**. Full details of trade marks are provided in **Annex III**.

3.2 Family 1 – Vectus Biosystems Limited

Compositions and Methods for Treatment of Cardiovascular Disease

This patent family consists of national phase applications derived from PCT/AU2005/000835, which was filed on 10 June 2005. The patent family derives priority from Provisional Patent Application AU 2004903188, which was filed on 11 June 2004. Subject to national patent term adjustments/extensions, granted patents will expire on 10 June 2025.

The invention disclosed in this family relates to the prevention or treatment of myocardial fibrosis by administering Vasoactive Intestinal Protein (VIP) or fragments therein, in particular the fragments VIP(1-12) or VIP(6-28).

Granted patents and accepted applications have been obtained in Australia, Belgium, Canada, China, Germany, Denmark, Spain, France, United Kingdom, Hong Kong, Israel, Italy, Japan, Mexico, The Netherlands, New Zealand, The Philippines, Russian Federation, Sweden, Singapore, United States of America and South Africa.

The Korean application is currently being considered by the Appeal Board and a precautionary divisional patent application has been lodged i.e. should the original application be refused, Vectus can continue to prosecute their rights in the Republic of Korea using the divisional application. The claims under appeal are of similar scope to those granted in Europe and the US.

Examination of the Brazilian application has been requested but an examination report has not issued to date.

3.3 Family 2 – Vectus Biosystems Limited

VIP Fragments and Methods of Use

This patent family consists of national phase applications derived from PCT/AU2006/001869, which was filed on 8 December 2006. The patent family derives priority from Provisional Patent Application AU 2005906947, which was filed on 9 December 2005. Subject to national patent term adjustments/extensions, granted patents will expire on 8 December 2026.

The invention disclosed in this family relates to VIP fragments and their use in the prevention or treatment of myocardial fibrosis and/or hypertension.

Granted patents have been obtained in Australia, Belgium, Switzerland, China, Germany, Denmark, Spain, Finland, France, United Kingdom, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Republic of Korea, Mexico, The Netherlands, New Zealand, Poland, Portugal, Russian Federation, Sweden, Singapore, Turkey, Taiwan, United States of America and South Africa.

The Canadian, Indian and Philippine applications are currently under examination.

Examination of the Argentinean, Brazilian and Thai applications has been requested but examination reports have not issued to date.

Due to unity objections (objections alleging that the patent application covers more than one invention), it has been necessary to lodge divisional or continuation applications in some jurisdictions in order to pursue different groupings of the VIP fragments. Divisional or continuation applications are currently under examination in China, Europe, Republic of Korea and United States of America.

3.4 Family 3 – Vectus Biosystems Pty Ltd

Compositions and Methods for Treatment of Aortic Fibrosis

This patent family consists of national phase applications derived from PCT/AU2010/000391, which was filed on 6 April 2010. The patent family derives priority from Provisional Patent Application AU 2009901425, which was filed on 2 April 2009. Subject to national patent term adjustments/extensions, granted patents will expire on 6 April 2030.

The invention disclosed in this family relates to the use of VIP fragments in the prevention or treatment of aortic fibrosis.

Granted patents and accepted applications have been obtained in Australia, Belgium, Germany, Denmark, Spain, France, United Kingdom, Hong Kong, Italy, Japan, Mexico, The Netherlands, New Zealand, The Philippines, Russian Federation, Sweden, Singapore, Thailand, United States of America and South Africa.

The Canadian and Israeli applications are currently under examination.

Examination of the Brazilian, Indian, Korean and Malaysian applications has been requested but examination reports have not issued to date.

3.5 Family 4 – Vectus Biosystems Pty Ltd

Compositions and Methods for Treatment of Kidney Disorders

This patent family consists of national phase applications derived from PCT/AU2009/001367, which was filed on 16 October 2009. The patent family derives priority from Provisional Patent Application AU 2008905378, which was filed on 17 Oct 2008. Subject to national patent term adjustments/extensions, granted patents will expire on 16 October 2029.

The invention disclosed in this family relates to the use of VIP fragments in the prevention or treatment of kidney disease, in particular kidney fibrosis.

Granted patents and accepted applications have been obtained in Australia, Europe (to be validated in required countries), New Zealand, Russian Federation, United States of America and South Africa.

The Canadian, Chinese, Israeli, Mexican and Malaysian applications are currently under examination.

Examination of the Brazilian, Indian, Korean and Philippine applications has been requested but examination reports have not issued to date.

Examination of the Singaporean application has not been requested to date.

Due to unity objections (objections alleging that the patent application covers more than one invention), it has been necessary to lodge divisional or continuation applications in some jurisdictions in order to pursue different groupings of the VIP fragments. A divisional application is currently under examination in Israel.

Grant of the Hong Kong application will follow as a formality from grant of the European application.

3.6 Family 5 – Vectus Biosystems Pty Ltd

Compositions for the treatment of hypertension and/or fibrosis

This patent family currently consists of one PCT application, PCT/AU2014/000923, which was filed on 17 September 2014. The PCT application derived priority from Provisional Patent Application AU2013903573, which was filed on 17 September 2013. The 30-month deadline for lodgement of national phase applications is 17 March 2016.

The invention disclosed in this family relates to terphenyl compounds and their use in the prevention or treatment of myocardial fibrosis and/or hypertension

PCT/AU2014/000923 has been subjected to an International Search and Examination, and all claims have been found to be novel and inventive. While it is possible that additional prior art may subsequently be revealed in supplementary searches conducted during national phase, granted national patents may be obtained in some jurisdictions with claims of similar scope to those of PCT/AU2014/000923.

3.7 Family 6 – Vectus Biosystems Pty Ltd

Compositions for the treatment of hypertension and/or fibrosis

This patent family currently consists of one PCT application, PCT/AU2014/000922, which was filed on 17 September 2014. The PCT application derived priority from Provisional Patent Applications AU 2013903571 and AU2013903572, which were both filed on 17 September 2013. The 30-month deadline for lodgement of national phase applications is 17 March 2016.

The invention disclosed in this family relates to terphenyl compounds and their use in the prevention or treatment of myocardial fibrosis and/or hypertension.

PCT/AU2014/000922 has been subjected to an International Search and Examination, and all claims have been found to be novel, inventive and industrially applicable. While it is possible that additional prior art may subsequently be revealed in supplementary searches conducted during national phase, granted national patents may be obtained in some jurisdictions with claims of similar scope to those of PCT/AU2014/000922.

3.8 Family 7 – Accugen Pty Ltd

Compositions for the treatment of kidney disease

This patent family currently consists of one Australian Provisional Patent Application, AU 2015900978, which was filed on 18 March 2015. The deadline for lodgement of a PCT/complete application is 18 March 2016.

The invention disclosed in this family relates to terphenyl compounds and their use in the prevention or treatment of kidney disease.

A patentability search has been conducted for AU 2015900978, which did not identify any documents relevant to the novelty of the invention defined in the claims.

3.9 Family 8 – Accugen Pty Ltd

Compositions for the treatment of fibrosis

This patent family currently consists of one Australian Provisional Patent Application, AU 2015900979, which was filed on 18 March 2015. The deadline for lodgement of a PCT/complete application is 18 March 2016.

The invention disclosed in this family relates to terphenyl compounds and their use in the prevention or treatment of fibrosis.

A patentability search has been conducted for AU 2015900979, which did not identify any documents relevant to the novelty of the invention defined in the claims.

3.10 Family 9 – Accugen Pty Ltd

Improved Nucleic Acid Quantitation Method

This patent family consists of national phase applications derived from PCT/AU2010/001131, which was filed on 2 September 2010. The patent family derives priority from Provisional Patent Application

AU 2009904258, which was filed on 2 September 2009. Subject to national patent term adjustments/extensions, granted patents will expire on 2 September 2030.

The invention disclosed in this family relates to methods for quantifying amplification products using a universal reference oligonucleotide that does not require amplification.

PCT/AU2010/001131 was subject to an International Search and Examination. The claims were amended in response to a number of documents revealed in the International Search. This amendment resolved some, but not all, of the novelty and inventive step objections.

Granted patents and accepted applications have been obtained in Australia, New Zealand, Singapore, South Africa, Russia, Mexico and United States of America.

The Canadian, Chilean, Chinese, European, Israeli, Japanese, Korean and Malaysian applications are currently under examination.

Examination of the Brazilian, Indonesian, Indian, Philippine and Thai applications has been requested but examination reports have not issued to date.

Grant of the Hong Kong application will follow as a formality from grant of the European application.

3.11 Family 10 – Accugen Pty Ltd

Improved Nucleic Acid Quantitation Method

This patent family currently consists of one PCT application, PCT/AU2015/050637, and one US application, US 14/885484, both of which were filed on 16 October 2015. The 30-month deadline for lodgement of national phase applications from the PCT application is 17 April 2017. The US application is a Continuation-in-Part of US 13/393763 (Family 9).

The PCT application derives priority from Australian Provisional Patent Application AU 2014904146 and the US application derives priority from a US Provisional Patent Application US 62/065455. Both provisional applications were filed on 17 October 2014.

The invention disclosed in this family relates to methods for quantifying amplification products using a universal reference oligonucleotide that does not require amplification, with emphasis on the use of probes.

A patentability search has been conducted for AU 2014904146 and US 62/065455, which did not identify any documents relevant to the novelty of the invention defined in claims 1, 3 and 8 (when combined).

3.12 Family 11 - Vectus Biosystems Limited

Synthesis of Terphenyl Compounds

This patent family currently consists of one Australian Provisional Patent Application, AU 2015903864, which was filed on 22 September 2015. The deadline for lodgement of a PCT/complete application is 22 September 2016.

The invention disclosed in this family relates to improved methods for the synthesis of the terphenyl compounds disclosed in PCT/AU2014/000923 (Family 5).

AU 2015903864 has not been the subject of any searches or validity opinions.

4. LIMITATIONS & DISCLAIMERS

4.1 Scope of this Report

This Report was prepared using publicly available information in respect of the patent and trade mark portfolio of Vectus and subsidiaries contained in the public registers operated by the government

intellectual property offices in relevant jurisdictions. It provides information about the details and current status of the various cases in that portfolio including owner and inventor information solely as disclosed by a search of the public registers. Shelston IP provides no opinion about the commercial value of the various cases, validity, infringement risks or the likelihood that applications in progress will proceed to grant in their current form or at all.

4.2 Search limitations

4.2.1 General

The prior art (or "novelty") searches conducted by the various patent offices to determine whether a patent should be granted are limited in terms of the time periods and the geographical areas covered. Thus, the databases used in searching may not include older published documents and may not cover certain jurisdictions. Further, all searches are subject to the accuracy and scope of the material searched as well as the classification criteria adopted. Accordingly, whilst the searches conducted by various patent offices provide a reasonable indication of patentability, these and other factors make it impossible to guarantee that every relevant prior art record has been identified and considered. Hence, any conclusions regarding the validity of claims in a patent based on patent office searches should be regarded as indicative rather than conclusive

4.2.2 Unpublished documents

Searches cannot reveal potentially relevant patent documents which have not been officially published at the time of conducting the search. In most countries, publication of patent applications does not occur until 18 months from the earliest priority date and consequently, patent searches would not normally reveal applications filed in the preceding 18 months. There may also be delays between official publication and the implementation of information onto the relevant databases.

4.2.3 Forms of prior art other than patent documents

It should also be appreciated that no patent search can ever be entirely conclusive because some forms of prior art such as prior public use, prior commercial exploitation and prior publication in non-patent literature, cannot be systematically searched.

4.2.4 Commercialisation/Secret Use

The commercialization or secret use of an invention that is the subject of a patent application can affect the patentability of the invention and the validity of any patent granted on the invention. Such commercialization or secret use is unlikely to be identified by documentary searches of publicly accessible databases

4.2.5 Search results indicative but not conclusive

The searches conducted by different patent offices provide a reasonable indication of the patentability or otherwise of the inventions in the patent portfolio. However, the above and other factors make it impossible to guarantee that every conceivably relevant prior art record has been revealed. Any conclusions on validity based on these or any other searches should therefore be regarded as indicative, and not conclusive.

4.2.6 Reliance on cited prior art classification

The views expressed in relation to relevance of the prior art cited in various searching and examination reports are based on the relevant classification attributed in such reports.

4.2.7 Searching and other matters relevant to validity

Searching may not disclose other matters relevant to validity including, for example, matters relevant to obviousness (i.e. inventive step) and ownership or intention to use in the case of trade marks.

4.2.8 Searches provide no guarantee of non-infringement

Searches do not provide any guarantee that the subject inventions may be commercially exploited without risk of infringement of earlier patents.

4.3 Examination reports in one country not binding in other countries

In most countries, patent applications undergo an independent search and examination by the local Patent Office, the results of which are not binding in other jurisdictions. Similarly, international PCT search and examination reports are not binding on national patent applications during subsequent examination in the national phase. Such reports should therefore be regarded as indicative only and not determinative of patentability. It should also be appreciated that the grant of a patent in one country provides no guarantee that patents will grant in other jurisdictions.

4.4 Scope of claims may vary during examination

It is often necessary during the examination of a patent application to define the invention more specifically by amendment of the claims, so as to distinguish relevant prior art. As a result of this process, there may be variations in the claims between countries, reflecting in part the different examination procedures and threshold requirements for patentability, according to national laws. Whilst this is relatively standard procedure, in certain circumstances, such amendments may affect the scope and hence the commercial significance of the resultant patent protection.

4.5 Grant of patent or trade mark provides no guarantee of validity

Grant of a patent by a national patent office provides an indication rather than a guarantee of its validity. In most jurisdictions, a patent application is subject to substantive examination prior to grant. Although this process confers an initial presumption of validity, in most countries that “presumption” carries no binding legal weight and a patent may be challenged at any time after grant by way of revocation proceedings undertaken in a court of competent jurisdiction. In certain countries a granted patent may be subjected to re-examination by the relevant patent office, particularly if relevant prior art is identified that was not considered during initial examination of the application. The position is similar in relation to registered trade marks, where revocation action is possible on certain grounds.

4.6 Grant of patent provides no guarantee of non-infringement

The grant of a patent provides no guarantee that the patentee is entitled to commercially exploit the patented invention, since the working of an invention, even if validly patented, may infringe an earlier patent or other intellectual property rights.

4.7 Enforcement of patent rights

Upon grant of a patent, a patentee may initiate proceedings against an alleged infringer of the patent. In many jurisdictions, damages for infringement may be awarded for infringements occurring from the date of publication of the patent specification, provided certain criteria are met.

4.8 Infringement of the rights of others

As noted above, searches conducted during patent prosecution do not provide any guarantee that the subject inventions may be commercially exploited without risk of infringement of third parties. More particularly, searches focused on novelty and inventive step have different strategies from infringement searches (which seek to establish whether a specific activity is likely to infringe other parties’ patent rights).

4.9 Entitlement to priority

In order for material disclosed in a patent application to be entitled to the priority date of a corresponding provisional application, the claims must be supported by matter disclosed in the provisional specification (under current Australian patent law) or fairly based on the matter described in the provisional specification. Similar provisions apply in other jurisdictions. Subject matter that is not supported or fairly

based is not entitled to the claim to priority, which may affect patentability of the subject invention or the validity of any patent that may be granted.

4.10 Changes to patent and trade mark law

From time to time the statutory basis governing patents or trade marks in a particular jurisdiction may be amended by the relevant authority, typically the government of that jurisdiction. In addition, the practical effect of the statute may evolve by the development of case law, that is, by the interpretation of the statute by the relevant Courts. For example, the Australian government recently enacted changes to the *Patents Act (1990)*. The government's stated intention in introducing those legislative changes was to "raise the bar" on patentability requirements. The changes apply to all Australian applications for which a request for examination was filed after 15 April 2013. The changes do not apply to any Australian application for which a request for examination was filed before 15 April 2013, nor do they apply to any granted patent arising from such an application. Vectus took action prior to 15 April 2013 to ensure that, as far as was practical, the "pre-15 April 2013 legislation" rather than the new legislation is applicable to their Australian applications that had been filed prior to that date.

4.11 Reliance on information provided

The preparation of this Report has included access to and reliance on information contained in publicly available databases relevant to the patent applications in **Annex II** and the trade marks in **Annex III**. Shelston IP is not responsible for the accuracy of information available in public databases and we cannot guarantee the accuracy of those databases

4.12 Prior trade mark users

Searches of publicly available databases of trade marks cannot take account of common law rights that third parties may have acquired in trade marks which have been used without the benefit of registration. If a trade mark is already in use, the prior user is likely to have better rights in the trade mark.

5. SHELSTON IP'S INTEREST

Shelston IP currently manages the intellectual property portfolio on behalf of Vectus. Neither Shelston IP nor any of its partners has any entitlement to any securities in Vectus, or has any other interest in the promotion of Vectus.

6. SHELSTON IP'S EXPERTISE

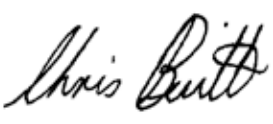
Shelston IP is an established firm of patent and trade mark attorneys with a history dating back 155 years. With over 100 professional and support staff, and extensive experience in the development of efficient and responsive case management systems and practices, Shelston IP is a leading Australasian intellectual property firm providing high quality, commercially relevant, intellectual property advice and services.

Shelston IP offers a full range of professional advice in all areas of IP law including patents, designs, trade marks, copyright and fair trading. The firm offers a wealth of technical and IP expertise and experience across all disciplines, and has specialist teams practicing in the fields of chemistry, chemical engineering, pharmaceuticals and biotechnology.

7. CONSENT

Consent for the inclusion of this Report in a Prospectus to be issued by Vectus, in the form in which it now appears, has been granted by Shelston IP and has not been revoked, as at the date of this Report.

Yours sincerely
Shelston IP



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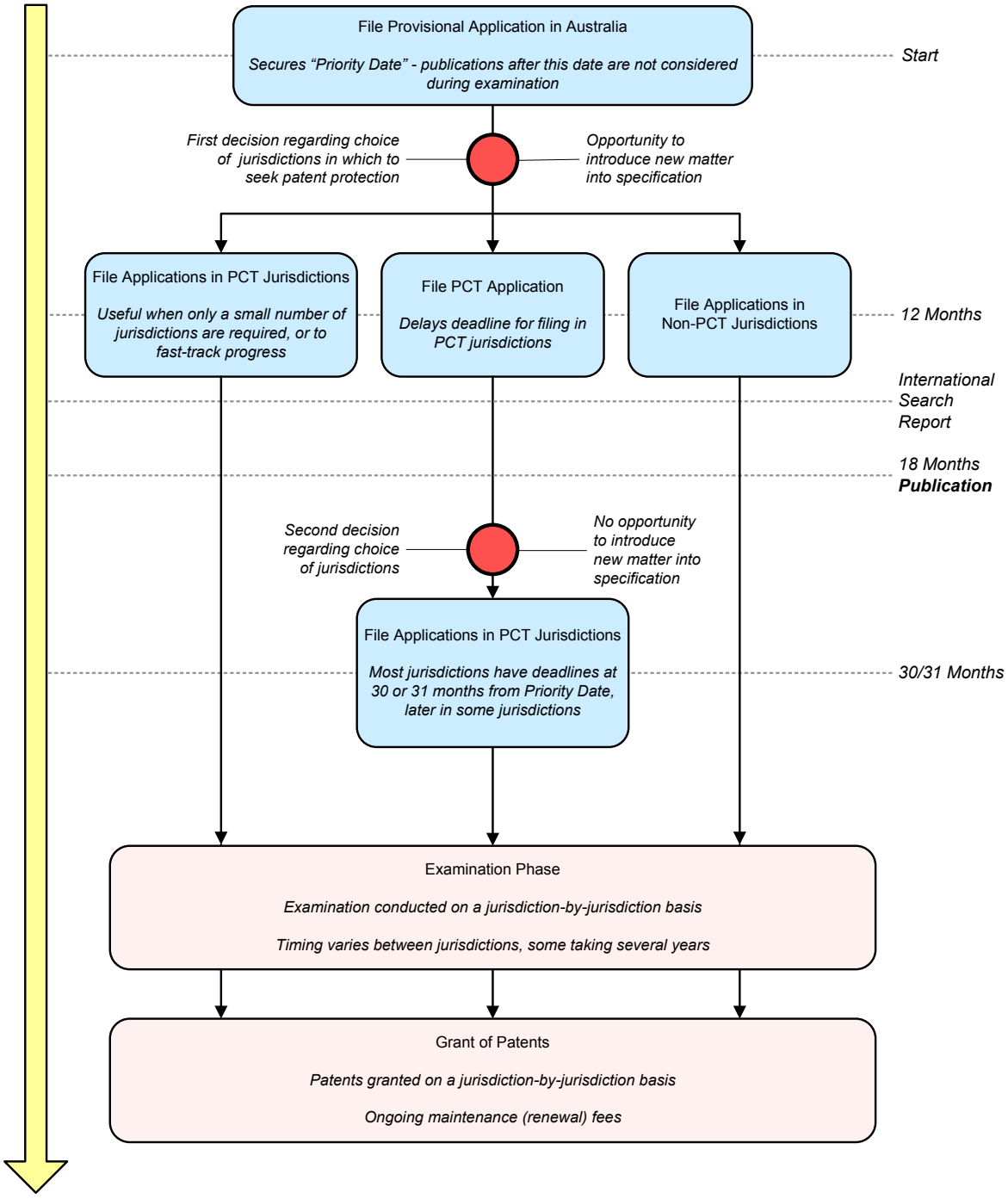
Partner
Email: *ChrisBevitt@ShelstonIP.com*

Annex I: Overview of patent filing process



Annex II: Vectus Biosystems Limited Patent Portfolio

Family 1

Applicant: Vectus Biosystems Limited
Inventor: Karen Duggan
Title: Compositions and Methods for Treatment of Cardiovascular Disease
Priority: AU 2004903188 (filed 11 Jun 2004)
PCT: PCT/AU2005/000835 (filed 10 Jun 2005)
Expiry date: 10 June 2025 (subject to national patent term adjustments/extensions)

Official No.	Country	Case Status
2005251386	Australia	Granted (26 Aug 2010)
1768689	Belgium	Granted (20 Aug 2014)
PI0511367-9	Brazil	Pending
2573439	Canada	Granted (9 Dec 2014)
200580026012.0	China	Accepted (3 Feb 2015)
05749305.8	Germany	Granted (20 Aug 2014)
05749305.8	Denmark	Granted (20 Aug 2014)
1768689	Spain	Granted (20 Aug 2014)
1768689	France	Granted (20 Aug 2014)
1768689	United Kingdom	Granted (20 Aug 2014)
07110799.5	Hong Kong	Granted (27 Mar 2015)
179931	Israel	Granted (30 Nov 2013)
05749305.8	Italy	Granted (20 Aug 2014)
4824682	Japan	Granted (16 Sep 2011)
10-2007-7000641	Republic of Korea	Pending
10-2014-7011249	Republic of Korea	Pending
287994	Mexico	Granted (1 Jul 2011)
05749305.8	The Netherlands	Granted (20 Aug 2014)
552130	New Zealand	Granted (11 Feb 2010)
1-2006-502491	The Philippines	Granted (29 Jun 2011)
2387454	Russian Federation	Granted (27 Apr 2010)
1768689	Sweden	Granted (20 Aug 2014)

Official No.	Country	Case Status
130223	Singapore	Granted (31 Dec 2007)
7951777	United States of America	Granted (31 May 2011)
2007/00070	South Africa	Granted (28 May 2010)

Family 2

Applicant: Vectus Biosystems Limited
Inventor: Karen Duggan
Title: VIP Fragments and Methods of Use
Priority AU 2005906947 (filed 9 Dec 2005)
PCT: PCT/AU2006/001869 (filed 8 Dec 2006)
Expiry date: 8 December 2026 (subject to national patent term adjustments/extensions)

Official No.	Country	Case Status
060105452	Argentina	Pending
2006322656	Australia	Granted (21 Jun 2012)
1976548	Belgium	Granted (2 Jul 2014)
PI0620566-6	Brazil	Pending
2632581	Canada	Pending
1976548	Switzerland	Granted (2 Jul 2014)
200680046384.4	China	Granted (18 Sep 2013)
201310356642.0	China	Pending
60 2006 042 161.3	Germany	Granted (2 Jul 2014)
1976548	Denmark	Granted (2 Jul 2014)
14170486.6	Europe	Pending
1976548	Spain	Granted (2 Jul 2014)
1976548	Finland	Granted (2 Jul 2014)
1976548	France	Granted (2 Jul 2014)
1976548	United Kingdom	Granted (2 Jul 2014)
1976548	Greece	Granted (2 Jul 2014)
09102915.9	Hong Kong	Granted (20 Mar 2015)
1976548	Ireland	Granted (2 Jul 2014)

Official No.	Country	Case Status
192046	Israel	Granted (1 Jul 2014)
224609	Israel	Granted (29 Sep 2014)
230534	Israel	Granted (1 Apr 2015)
2668/KOLNP/2008	India	Pending
50737 BE 2014	Italy	Granted (2 Jul 2014)
5449778	Japan	Granted (10 Jan 2014)
2012-133977	Japan	Granted (17 Apr 2015)
2013-269991	Japan	Accepted (29 Oct 2015)
10-1404561	Republic of Korea	Granted (30 May 2014)
10-2014-7006727	Republic of Korea	Pending
307740	Mexico	Granted (7 Mar 2013)
1976548	The Netherlands	Granted (2 Jul 2014)
569401	New Zealand	Granted (9 Jul 2012)
597677	New Zealand	Granted (3 Sep 2013)
604248	New Zealand	Granted (29 Oct 2014)
623674	New Zealand	Granted (29 Oct 2014)
1-2008-501322	The Philippines	Pending
1976548	Poland	Granted (2 Jul 2014)
1976548	Portugal	Granted (2 Jul 2014)
2466738	Russian Federation	Granted (20 Nov 2012)
1976548	Sweden	Granted (2 Jul 2014)
143408	Singapore	Granted (28 Feb 2011)
0601006157	Thailand	Pending
2014/11537	Turkey	Granted (2 Jul 2014)
I402273	Taiwan, R.O.C.	Granted (21 Jul 2013)
8470778	United States of America	Granted (25 Jun 2013)
8916523	United States of America	Granted (23 Dec 2014)
14/542929	United States of America	Pending

Official No.	Country	Case Status
2008/05837	South Africa	Granted (29 Jun 2011)

Family 3

Applicant: Vectus Biosystems Pty Ltd
Inventor: Karen Duggan
Title: Compositions and Methods for Treatment of Aortic Fibrosis
Priority: AU 2009901425 (filed 2 April 2009)
PCT: PCT/AU2010/000391 (filed 6 April 2010)
Expiry date: 6 April 2030 (subject to national patent term adjustments/extensions)

Official No.	Country	Case Status
2010230862	Australia	Granted (31 Jul 2014)
2413954	Belgium	Granted (26 Feb 2014)
PI1006748-5	Brazil	Pending
2757076	Canada	Pending
60 2010 013 790.2	Germany	Granted (26 Feb 2014)
2413954	Denmark	Granted (26 Feb 2014)
2413954	Spain	Granted (26 Feb 2014)
2413954	France	Granted (26 Feb 2014)
2413954	United Kingdom	Granted (26 Feb 2014)
12105842.5	Hong Kong	Granted (6 April 2010)
215460	Israel	Pending
8224/DELNP/2011	India	Pending
49317-BE/2014	Italy	Granted (26 Feb 2014)
2012-502396	Japan	Granted (30 Jan 2015)
10-2011-7025945	Republic of Korea	Pending
MX/a/2011/0010341	Mexico	Accepted (24 April 2014)
PI2011004649	Malaysia	Pending
2413954	The Netherlands	Granted (26 Feb 2014)
595726	New Zealand	Granted (1 Oct 2013)
1-2011-501955	The Philippines	Accepted (29 April 2015)

Official No.	Country	Case Status
2011142268	Russian Federation	Granted (22 Oct 2014)
2413954	Sweden	Granted (26 Feb 2014)
174966	Singapore	Granted (23 Jul 2014)
1101002444	Thailand	Accepted (25 Aug 2015)
8729020	United States of America	Granted (20 May 2014)
2011/07820	South Africa	Granted (25 Sep 2013)

Family 4

Applicant: Vectus Biosystems Pty Ltd
Inventor: Karen Duggan
Title: Compositions and Methods for Treatment of Kidney Disorders
Priority: AU 2008905378 (filed 17 Oct 2008)
PCT: PCT/AU2009/001367 (filed 16 Oct 2009)
Expiry Date 16 Oct 2029 (subject to national patent term adjustments/extensions)

Official No.	Country	Case Status
2009304595	Australia	Granted (21 May 2015)
PI0914504-4	Brazil	Pending
2740989	Canada	Pending
200980141074.4	China	Pending
09820116.3	Europe	Accepted (16 Oct 2015)
12100865.8	Hong Kong	Pending
212353	Israel	Pending
235888	Israel	Pending
3377/DELNP/2011	India	Pending
10-2011-7011192	Republic of Korea	Pending
MX/a/2011/004031	Mexico	Pending
PI 2011001651	Malaysia	Pending
592612	New Zealand	Granted (30 Apr 2013)
603602	New Zealand	Granted (7 Jan 2014)
608270	New Zealand	Granted (1 Oct 2013)

Official No.	Country	Case Status
1-2011-500723	The Philippines	Pending
2519124	Russian Federation	Granted (11 Apr 2011)
10201501316V	Singapore	Pending
8569235	United States of America	Granted (29 Oct 2013)
14/034706	United States of America	Accepted (18 Sep 2015)
2011/03572	South Africa	Granted (25 Jan 2012)

Family 5

Applicant: Vectus Biosystems Pty Ltd
Inventor Karen Duggan
Title: Compositions for the treatment of hypertension and/or fibrosis
Filed: 17 September 2014
Priority: AU 2013903573 (filed 17 Sep 2013)

Official No.	Country	Case Status
PCT/AU2014/000923	PCT	Awaiting national phase entry

Family 6

Applicant: Vectus Biosystems Pty Ltd
Inventor Karen Duggan
Title: Compositions for the treatment of hypertension and/or fibrosis
Filed: 17 September 2014
Priority: AU 2013903571 and AU2013903572 (both filed 17 Sep 2013)

Official No.	Country	Case Status
PCT/AU2014/000922	PCT	Awaiting national phase entry

Family 7

Applicant: Accugen Pty Ltd
Inventor: Karen Duggan
Title: Compositions for the treatment of kidney disease
Filed: 18 March 2015

Official No.	Country	Case Status
2015900978	Australia - provisional	Awaiting filing of PCT application

Family 8

Applicant Accugen Pty Ltd
Inventor: Karen Duggan
Title: Compositions for the treatment of fibrosis
Filed: 18 March 2015

Official No.	Country	Case Status
2015900979	Australia - provisional	Awaiting filing of PCT application

Family 9

Applicant: Accugen Pty Ltd
Inventors: Karen Duggan, Hong Ha & George Hodge
Title: Improved Nucleic Acid Quantitation Method
Priority: AU 2009904258 (filed 2 Sep 2009)
PCT: PCT/AU2010/001131 (filed 2 September 2010)
Expiry date: 2 September 2030 (subject to national patent term adjustments/extensions)

Official No.	Country	Case status
2010291867	Australia	Granted (27 Nov 2014)
11 2012 004788 4	Brazil	Pending
2772770	Canada	Pending
0569-2012	Chile	Pending
201080048692.7	China	Pending
10813163.2	Europe	Pending
12107442.5	Hong Kong	Pending
W00 2012 01237	Indonesia	Pending
214783	Israel	Pending
762/KOLNP/2012	India	Pending
2012-527157	Japan	Pending
10-2015-7023025	Korea	Pending
MX/a/2012/002734	Mexico	Accepted (10 April 2015)
PI 2012000971	Malaysia	Pending
598876	New Zealand	Granted (29 Oct 2014)
1-2012-500449	Philippines	Pending
2012111733	Russian Federation	Accepted (26 May 2015)
201201499-9	Singapore	Granted (9 Sep 2014)
1201000931	Thailand	Pending

Official No.	Country	Case status
13/393763	United States of America	Accepted (9 Oct 2015)
2012/02210	South Africa	Granted (25 Jun 2014)

Family 10

Applicant Accugen Pty Ltd
Inventors: Karen Duggan & Nicola Boulter
Title: Improved Nucleic Acid Quantitation Method
Filed: 16 October 2015
Priority: AU 2014904146 or US 62/065455 (both filed 17 October 2014)

Official No.	Country	Case status
PCT/AU2015/050637	PCT	Awaiting national phase entry
14/885484	USA	Pending

Family 11

Applicant Vectus Biosystems Limited
Inventor: Anthony Kaye, Nurul Quazi, George Feast & Marshnil Lakshman
Title: Synthesis of terphenyl compounds
Filed: 22 September 2015

Official No.	Country	Case Status
2015903864	Australia - provisional	Awaiting filing of PCT application

Annex III: Vectus Biosystems Limited Trade Mark Portfolio

Trade mark No: **1653294**

Word	AccuCal-D
Owner	Accugen Pty Ltd
Lodgement Date:	20 Oct 2014
Registered From:	20 Oct 2014
Date of Acceptance:	29 Jan 2015
Entered on Register:	13 May 2015
Status:	Registered/Protected
Type of Mark:	Word

Classes:

1 Chemicals for scientific use; chemicals for use in scientific analysis; chemicals for use in scientific research; primers (chemicals); substances for scientific use; substances for laboratory use; diagnostic substances, other than for medical use; chemicals for use in medical apparatus.

5 Laboratory chemicals for medical use; chemicals for use in analysis (medical); substances for medical use; diagnostic substances for medical use; biochemical substances for medical use; biological substances for medical use.

9 Apparatus for laboratory use; apparatus for analysing substances (other than for medical use); detection apparatus for chemical substances (other than for medical use); scientific apparatus and instruments; scientific apparatus for use in diagnostic applications (other than for medical use); scientific apparatus for diagnostic testing of biological samples (other than for medical use); scientific apparatus for use in effecting biochemical reactions (other than for medical use); scientific apparatus for use in analytical tests (other than medical); kits comprising scientific apparatus and instruments (other than for medical use); kits comprising laboratory apparatus and instruments (other than for medical use); calibrators.

10 Medical apparatus and instruments; medical apparatus for diagnostic purposes; kits comprising medical apparatus and instruments for diagnostic, analysis and research purposes; apparatus for analysing substances (medical use); detection apparatus for medical use for chemical substances; scientific apparatus for use in laboratories (medical diagnosis); scientific apparatus for use in diagnostic applications (medical use); scientific apparatus for diagnostic testing of biological samples (medical use); scientific apparatus for laboratory purposes and use (medical diagnosis); scientific apparatus for use in analytical tests (medical diagnosis); scientific apparatus for effecting, controlling, monitoring or recording biochemical reactions (medical use); calibrators for medical use.

16 Printed matter; instructional and teaching material (except apparatus); instructional and teaching materials (except apparatus) in relation to scientific apparatus and instruments, laboratory apparatus and instruments, medical apparatus and instruments, chemicals for scientific use, chemicals for medical use, chemicals for laboratory use, substances for scientific use, substances for medical use, substances for laboratory use, scientific research, laboratory research, medical research, diagnostic services and methods, analytical services and methods, calibrators.

42 Scientific research; scientific advisory services; scientific and technical analysis; scientific consultancy services; scientific laboratory services; advisory services relating to scientific products and research; scientific research for medical purposes; provision of information relating to scientific products and research.

Trade mark No: **1653295**

Word	AccuCal-P
Owner	Accugen Pty Ltd
Lodgement Date:	20 Oct 2014
Registered From:	20 Oct 2014
Date of Acceptance:	29 Jan 2015
Entered on Register:	13 May 2015
Status:	Registered/Protected
Type of Mark:	Word

Classes:

1 Chemicals for scientific use; chemicals for use in scientific analysis; chemicals for use in scientific research; primers (chemicals); substances for scientific use; substances for laboratory use; diagnostic substances, other than for medical use; chemicals for use in medical apparatus.

5 Laboratory chemicals for medical use; chemicals for use in analysis (medical); substances for medical use; diagnostic substances for medical use; biochemical substances for medical use; biological substances for medical use.

9 Apparatus for laboratory use; apparatus for analysing substances (other than for medical use); detection apparatus for chemical substances (other than for medical use); scientific apparatus and instruments; scientific apparatus for use in diagnostic applications (other than for medical use); scientific apparatus for diagnostic testing of biological samples (other than for medical use); scientific apparatus for use in effecting biochemical reactions (other than for medical use); scientific apparatus for use in analytical tests (other than medical); kits comprising scientific apparatus and instruments (other than for medical use); kits comprising laboratory apparatus and instruments (other than for medical use); calibrators.

10 Medical apparatus and instruments; medical apparatus for diagnostic purposes; kits comprising medical apparatus and instruments for diagnostic, analysis and research purposes; apparatus for analysing substances (medical use); detection apparatus for medical use for chemical substances; scientific apparatus for use in laboratories (medical diagnosis); scientific apparatus for use in diagnostic applications (medical use); scientific apparatus for diagnostic testing of biological samples (medical use); scientific apparatus for laboratory purposes and use (medical diagnosis); scientific apparatus for use in analytical tests (medical diagnosis); scientific apparatus for effecting, controlling, monitoring or recording biochemical reactions (medical use); calibrators for medical use.

16 Printed matter; instructional and teaching material (except apparatus); instructional and teaching materials (except apparatus) in relation to scientific apparatus and instruments, laboratory apparatus and instruments, medical apparatus and instruments, chemicals for scientific use, chemicals for medical use, chemicals for laboratory use, substances for scientific use, substances for medical use, substances for laboratory use, scientific research, laboratory research, medical research, diagnostic services and methods, analytical services and methods, calibrators.

42 Scientific research; scientific advisory services; scientific and technical analysis; scientific consultancy services; scientific laboratory services; advisory services relating to scientific products and research; scientific research for medical purposes; provision of information relating to scientific products and research.

Trade mark No: **1653299**

Word	RealCount
Owner	Accugen Pty Ltd
Lodgement Date:	20 Oct 2014
Registered From:	20 Oct 2014
Date of Acceptance:	28 Jan 2015
Entered on Register:	13 May 2015
Status:	Registered/Protected
Type of Mark:	Word

Classes:

9 Computer software; application software; computer software (programs); computer software products; software packages; software for use in connection with calibrators, including integrated software; computer software for use in the operation of calibrators; computer software for use in the operation of scientific apparatus and instruments; computer software for use in the operation of laboratory apparatus and instruments; computer software for use in the operation of medical apparatus and instruments; software for use in scientific analysis, research and diagnosis; software for use in medical analysis, research and diagnosis

UHY Haines Norton Corporate Finance Pty Limited

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sydney@uhyhn.com.au
www.uhyhnsydney.com.au

Investigating Accountant's Report and Financial Services Guide

20th November 2015

The Board of Directors
Vectus Biosystems Limited
3-11 Primrose Avenue
Rosebery, NSW 2018

Dear Directors

Part 1 - Investigating Accountant's Report on the Historical Financial Information and Pro Forma Historical Financial Information

1. Introduction

We have prepared this Investigating Accountants Report (the "Report") on the historical and Pro Forma historical financial information of Vectus Biosystems Limited ("Vectus") for inclusion in the Replacement Prospectus ("Prospectus") to be dated on or about 23rd November 2015, and to be issued by Vectus, in respect of the Initial Public Offer of Vectus' equity ("the Offer").

Expressions defined in the Prospectus have the same meaning in this Report.

UHYHN Corporate Finance Pty Ltd ("UHYHNCF") holds an Australian Financial Services Licence (AFS Licence Number 269158). Michael Coughtrey is a director of UHYHNCF. We have included our Financial Services Guide as Part 2 of this Report.

2. Scope

UHYHNCF has been requested to prepare this Report to cover the following financial information:

Historical Financial Information

The historical financial information, detailed in Appendix 2 of this report comprises:

- The consolidated statement of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2015 ("FY15"), 30 June 2014 ("FY14") and 30 June 2013 ("FY13"); and
- The consolidated statement of Financial Position as at 30 June 2015, 30 June 2014 and 30 June 2013.

(Hereafter the "Historical Financial Information").

The historical financial information for FY15, FY14 and FY13 have been extracted from the audited statutory financial statements, which were audited by UHY Haines Norton and on which an unqualified audit opinion has been issued for FY15 and FY13. In FY 14, a qualified audit opinion was issued in relation to the material uncertainties as to the going concern. However, subsequently Vectus raised funds by issuing 3,306,584 shares at $1.20 to fund the ongoing operations in FY15.

Pro Forma Historical Financial Information

The Pro Forma historical financial information detailed in Appendix 1 of this report comprises:

- The Pro Forma consolidated statement of Financial Position as at 30 June 2015.

  (Hereafter the "Pro Forma Historical Financial Information").

The Pro Forma Historical Financial Information assumes completion of the proposed transactions outlined in Appendix 1 and Appendix 3 (Notes 2, 4 and 5) to this Report.

(Collectively, the "Financial Information").

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosure required by Australian Accounting Standards applicable to general purpose financial reports.

3. Directors' Responsibility for the Financial Information

The Directors of Vectus have prepared and are responsible for the preparation and presentation of the Financial Information. The Directors are also responsible for the determination of the Pro Forma adjustments as set out in Appendix 3 (Notes 2, 4 and 5) to this Report.

4. Our Responsibility

Our responsibility is to express a conclusion on the Historical Financial Information and Pro Forma Historical Financial Information based on our review.

We have conducted an independent review of the Historical Financial Information and the Pro Forma Historical Financial Information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

a. The Historical Financial Information does not present fairly:
   - The consolidated statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2015 ("FY15"), 30 June 2014 ("FY14") and 30 June 2013 ("FY13"); and
   - The consolidated statements of Financial Position as at 30 June 2015, 30 June 2014 and 30 June 2013.

   in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of Australian Accounting Standards.

b. The Pro Forma transactions do not provide a reasonable basis for the Pro Forma Historical Financial Information;

c. The Pro Forma Historical Financial Information has not been prepared on the basis of the transactions / assumptions set out in Appendix 1 and Appendix 3 (Notes 2, 4 and 5) to this Report;
d. The Pro Forma Historical Financial Information does not present fairly the consolidated statement of Financial Position as at 30 June 2015 in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of Australian Accounting Standards as if the Pro Forma transactions set out in Appendix 1 and Appendix 3 (Notes 2, 4 and 5) to this Report had occurred as at 30 June 2015.

Our independent review of the Historical Financial Information and Pro Forma Historical Financial Information has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. Our procedures consist of reading of relevant Board Minutes, reading of relevant contracts and inquiries of management personnel and Directors of Vectus, and analytical and other procedures applied to Vectus' accounting records. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical Financial Information or the Pro Forma Historical Financial Information.

5. Conclusion

Review conclusion on Historical Financial Information and Pro Forma Historical Financial Information

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that:

a. The Historical Financial Information does not present fairly:
   - The consolidated statements of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015 ("FY15"), 30 June 2014 ("FY14") and 30 June 2013 ("FY13"); and
   - The consolidated statements of Financial Position as at 30 June 2015, 30 June 2014 and 30 June 2013.

   in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of Australian Accounting Standards and the accounting policies adopted by Vectus as summarised at Appendix 3 of this Report;

b. The Pro Forma transactions do not provide a reasonable basis for the Pro Forma Historical Financial Information;

c. The Pro Forma Historical Financial Information has not been prepared on the basis of the transactions / assumptions set out in Appendix 1 and Appendix 3 (Notes 2, 4 and 5) to this Report;

d. The Pro Forma Historical Financial Information does not present fairly the consolidated statement of Financial Position as at 30 June 2015 in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of

Australian Accounting Standards as if the Pro Forma transactions set out in Appendix 1 and Appendix 3 (Notes 2, 4 and 5) to this Report had occurred at 30 June 2015.

We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared. This Report should be read in conjunction with the Prospectus.

6. Consent

UHYHNCF has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is included.

7. Independence or Disclosure of Interest

UHYHNCF does not have any pecuniary interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. UHY Haines Norton provides audit and other advisory services to Vectus, and UHYHNCF will receive a professional fee for the preparation of this report.

Yours faithfully

Michael Coughtrey
Director
20th November 2015
Sydney

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INVESTIGATING ACCOUNTANT'S REPORT

PART 2 – FINANCIAL SERVICES GUIDE

1. UHY Haines Norton Transaction Advisory Services

UHY Haines Norton Corporate Finance Pty Ltd ("UHYHNCF" or "we" or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Accountant's Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice for the following classes of financial products:
  (i) securities to retail and wholesale clients

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is $35,000 (exclusive of GST).

Except for the fees and benefits referred to above, UHYHNCF, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of our Report.

6. Associations with product issuers

UHYHNCF and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of UHYHNCF is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the below details. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of the Corporations Act 2001.

Contacting UHYHNCF	Contacting the Independent Dispute Resolution Scheme:
The Director UHY Haines Norton Corporate Finance Pty Ltd Level 11, 1 York Street Sydney NSW 2001 Telephone: (02) 9256 6600	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 367 287

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

Appendix 1 - Historical and Pro Forma Statements of Financial Position

Consolidated Pro Forma Statements of Financial Position

The table below sets out the historical Statement of Financial Position as at 30 June 2015 and Pro Forma adjustments that have been made to the Historical Statement of Financial Position as at 30 June 2015. The Pro Forma adjustments reflect the impact of the offer as if they had occurred at 30 June 2015. The Pro Forma Historical Financial Information is provided for illustrative purposes only and is not represented as being necessarily indicative of Vectus' view of its future financial position.

	30-Jun-15 $	Note	Pro Forma Offer Proceeds $2.5m $	Note	Pro Forma Offer Proceeds $10m $
Current Assets					
Cash	2,545,985	4	4,542,985	4	11,584,985
Receivables	50,014		50,014		50,014
Financial Assets	33,992		33,992		33,992
Total Current Assets	**2,629,991**		**4,626,991**		**11,668,991**
Non Current Assets					
Property, plant and equipment	59,586		59,586		59,586
Total Non Current Assets	**59,586**		**59,586**		**59,586**
Total Assets	**2,689,577**		**4,686,577**		**11,728,577**
Current Liabilities					
Trade and other payables	172,353		172,353		172,353
Other current liabilities	119,084		119,084		119,084
Provisions	163,682		163,682		163,682
Financial liabilities	20,831		20,831		20,831
Total Current Liabilities	**475,950**		**475,950**		**475,950**
Non Current Liabilities					
Provisions	29,245		29,245		29,245
Financial liabilities	5,377		5,377		5,377
Total Current Liabilities	**34,622**		**34,622**		**34,622**
Total Liabilities	**510,572**		**510,572**		**510,572**
Net Assets	**2,179,005**		**4,176,005**		**11,218,005**

Appendix 1 - Historical and Pro Forma Statements of Financial Position cont'd

Consolidated Pro Forma Statements of Financial Position

Shareholders' Equity					
Issued Capital	12,836,702	5	14,833,702	5	21,875,702
Retained Profits (Losses)	(10,657,697)		(10,657,697)		(10,657,697)
Total Shareholders' Equity	**2,179,005**		**4,176,005**		**11,218,005**

Appendix 2 - Historical Financial Information

Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Audited 30-Jun-15 $	Audited 30-Jun-14 $	Audited 30-Jun-13 $
Revenue			
R&D Grant	773,774	730,831	535,179
DIISR Grant	-	116,564	124,538
Interest Received	2,951	24,835	32,979
Total Revenue	**776,725**	**872,230**	**692,696**
Expenses			
Employee benefits expenses	847,834	958,546	858,561
Depreciation and amortisation expense	145,208	55,702	64,993
Finance costs	23,472	5,433	11,947
Other expenses from ordinary activities	1,416,061	1,334,656	995,085
Total Expenses	**2,432,575**	**2,354,337**	**1,930,586**
Profit/ (Loss) before income tax	(1,655,850)	(1,482,108)	(1,237,890)
Income tax expense	-	-	-
Profit/(loss) attributable to members of the company	(1,655,850)	(1,482,108)	(1,237,890)
Other comprehensive income			
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year attributable to the owners of Vectus Biosystems Limit	**(1,655,850)**	**(1,482,108)**	**(1,237,890)**

Appendix 2 - Historical Financial Information cont'd

Historical Consolidated Statements of Financial Position

		Audited 30-Jun-15 $	Audited 30-Jun-14 $	Audited 30-Jun-13 $
Current Assets				
Cash and cash equivalents	(1)	2,545,985	70,063	96,599
Receivables		50,014	50,830	17,354
Financial Assets		33,992	401,695	1,161,018
Total Current Assets		**2,629,991**	**522,588**	**1,274,972**
Non Current Assets				
Property, plant and equipment		59,586	195,392	217,002
Total Non Current Assets		**59,586**	**195,392**	**217,002**
Total Assets		**2,689,577**	**717,980**	**1,491,974**
Current Liabilities				
Trade and other payables		172,353	302,428	152,207
Other current liabilities		119,084	108,712	156,501
Provisions		163,682	157,782	107,964
Financial liabilities		20,831	20,822	40,089
Total Current Liabilities		**475,950**	**589,744**	**456,761**
Non Current Liabilities				
Provisions		29,245	46,498	33,035
Financial liabilities		5,377	26,208	26,138
Total Current Liabilities		**34,622**	**72,706**	**59,174**
Total Liabilities		**510,572**	**662,450**	**515,935**
Net Assets		**2,179,005**	**55,530**	**976,038**
Shareholders' Equity				
Issued Capital	(1)	12,836,702	9,057,376	8,495,776
Retained Earnings/(Losses)		(10,657,697)	(9,001,846)	(7,519,738)
Total Shareholders' Equity		**2,179,005**	**55,530**	**976,038**

(1) The increase in the cash balance is due to the issue of 3,306,584 new shares at $1.20 ($3,967,000) in FY15, this is also reflected in the movement of issued capital.

Appendix 3 – Notes to and Forming Part of the IAR

1. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with the recognition and measurement requirements (but not all the disclosure requirements) of the Australian Accounting Standard and Interpretations issued by the Australian Accounting Standards Board ('AASB') as appropriate for for-profit oriented entities.

The Company's financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment, and derivative financial instruments.

The Pro Forma consolidated Statement of Financial Position as at 30 June 2015 represents the reviewed financial position adjusted for the transactions discussed in Note 2 to this report. The Pro Forma Consolidated Statement of Financial Position should be read in conjunction with the notes set out in this report.

Accounting Policies

a) Property, Plant and Equipment

Property, plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carry amount is written down immediately to its estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

Depreciation

The depreciable amount of all fixed assets is depreciated on a prime cost method over the assets useful life to the company commencing from the time the asset is held ready for use. Depreciation is recognised in the profit and loss. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant & Equipment	20% - 40%
Computer Equipment	50% - 67%
Fixtures & Fittings	10% - 20%
Office Equipment	20% - 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within the short-term borrowings in current liabilities in the statement of financial position.

c) Revenue and Other Income

Revenue is measured at the value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. For this purpose, deferred consideration is not discounted to present values when recognising revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All grant income is recognised when received.

All revenue is stated net of the amount of goods and services tax.

d) Trade Receivables and Other Receivables

Trade receivables and other receivables, are recognised at the nominal transaction value without taking into account the time value of money.

If required, a provision for doubtful debts has been created.

e) Trade Creditors and Other Payables

Trade and other payables represent the liabilities for goods and services received by the company during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from the ATO is included with other receivables in the statement of financial position.

Cash Flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities are recoverable, or payable to, the ATO are presented as operating cash flows

g) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

h) Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight- line basis over the term of the lease

i) Financial Instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sells the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised immediately as expenses in profit or loss.

Classification and subsequent measurement
Financial Instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Financial assets at fair value through profit or loss
Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management and investment strategy.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the companies intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or
losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognized

(iv) Available-for-sale investments
Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise of investments in equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale assets are classified as current assets.

(v) Financial Liabilities
Non-derivative financial liabilities other than financial guarantees are subsequently measured at the amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

(j) Issued Capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of the new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(k) Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when; it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

(l) Intangible Assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are
subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit

Patents and trademarks
Patents are in relation to research and are not capitalised, the costs associated with patents have been included as an expense.

2. Actual and Proposed Transactions to Arrive at the Pro Forma Financial Information

The proforma financial information has been included for illustrative purposes to reflect the position of Vectus Biosystems Limited on the assumption that the following transactions had occurred as at 30 June 2015:

Based on offer proceeds of $2,500,000

i. Issue of 1,612,903 Shares in Vectus Biosystems for $1.55 per Share pursuant to the Prospectus
ii. Prospectus offer costs of $503,000 pursuant to Prospectus ($503,000 to be recognised directly against equity)

Based on offer proceeds of $10,000,000

i. Issue of 6,451,613 Shares in Vectus Biosystems for $1.55 per Share pursuant to the Prospectus
ii. Prospectus offer costs of $961,000 pursuant to Prospectus ($961,000 to be recognised directly against equity)

3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The method in which depreciation is calculated has been adjusted in the current year from Dimishing Value to Prime Cost. The change to the method in which depreciation is being calculated has led to an adjustment in the current year of $103,754 in additional depreciation being applied.

4. Cash and Cash Equivalents

	Reviewed Pro Forma	30 June 2015
a. Offer proceeds of $2,500,000		
Cash on Hand	1,660	1,660
Cash at Bank	2,544,325	2,544,325
Issue of Shares	2,500,000	-
Share issue costs	(503,000)	-
	4,542,985	2,545,985
a. Offer proceeds of $10,000,000		
Cash on Hand	1,660	1,660
Cash at Bank	2,544,325	2,544,325
Issue of Shares	10,000,000	-
Share issue costs	(961,000)	-
	11,584,985	2,545,985

5. Issued Capital

Issued Capital	Reviewed Pro Forma	30 June 2015
a. Offer proceeds of $2,500,000		
As at balance date	12,836,702	12,836,702
Issue of Shares	2,500,000	-
Share issue costs	(503,000)	-
	14,833,702	12,836,702
a. Offer proceeds of $10,000,000		
As at balance date	12,836,702	12,836,702
Issue of shares	10,000,000	-
Share issue costs	(961,000)	-
	21,875,702	12,836,702

6. Related party transactions

The following transactions occurred with related parties	30 June 2015
Payment for services from associate Regional Health Care Group Pty Limited	195,775

All transactions were made on normal commercial terms and conditions and at market rates

7. Commitments

	30 June 2015
Lease commitments - finance	
Committed at the reporting date and recognised as liabilities:	
Within one year	20,831
One to five years	5,375
	26,209
Operating Commitments	
Committed at the reporting date and recognised as liabilities:	
Within one year	139,250
One to five years	-
	139,250

10. ADDITIONAL INFORMATION

10.1 Incorporation

The Company was incorporated in New South Wales as a public company limited by shares on 12 December 2005. It converted to a proprietary company on 22 June 2007 and reconverted to a public company on 9 November 2012.

10.2 Balance Date

The accounts of the Company are made up to 30 June each year.

10.3 Rights attaching to Shares

The rights attaching to the Shares are set out in the Constitution. Those rights will also be subject to the ASX Listing Rules in all respects while the Company maintains its listing on the ASX.

Set out below is a summary of the rights and liabilities under the Constitution, the ASX Listing Rules and the Corporations Act, which will attach to the Shares of the Company. This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders under the Constitution.

All New Shares issued under this Prospectus will, from the time of issue, rank equally with all the Company's existing Shares.

Meeting and voting

Each Shareholder will be entitled to receive notice of, and attend and vote at, general meetings of the Company. At a general meeting, every Shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and, on a poll, one vote for each Share held.

Notices

Each Shareholder will be entitled to receive all notices, accounts and other documents required to be given to shareholders under the Constitution of the Company, the Corporations Act and the ASX Listing Rules.

Dividends

The Directors are authorised to make all decisions, including as to method and time for payment, regarding dividends in respect of Shares which are permitted under the Corporations Act.

Winding up

Subject to the terms of issue of shares, on a winding up of the Company, the liquidator may with the sanction of a special resolution of the Company divide the surplus assets of the Company remaining after payment of its debts among Shareholders in proportion to the number of Shares held by them (with partly paid Shares counted as fractions of fully paid Shares).

Transfer

Subject to the Constitution of the Company, the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the New Shares will be freely transferable.

Creation and issue of further Shares

The allotment and issue of any additional Shares will be under the control of the Directors, subject to any restrictions on the allotment of Shares imposed by the Constitution, the Corporations Act and the ASX Listing Rules.

Variation of rights

The rights, privileges and restrictions attaching to ordinary Shares can be altered with the approval of a resolution passed at a separate general meeting of the holders of ordinary Shares, by a 75% majority of those holders who, being entitled to do so, vote at the General Meeting or, with the written consent of the holders of at least 75% of the ordinary Shares on issue.

New Shares offered under this Prospectus are fully paid ordinary Shares. There is no liability on a holder of Shares to contribute any further amount to the Company.

Copies of the Company's Constitution are available for inspection at the registered office of the Company.

10.4 Summary of material contracts

The Directors consider that the agreements described below **(Material Agreements)** are material to the Company or are of such a nature that an investor may wish to have particulars of them when making an assessment of whether to apply for the New Shares.

CSIRO licence agreement

- Vectus entered into a licence agreement for the use of premises at with CSIRO dated 11 September 2015. The agreement is for an initial term of one year, commencing on 1 August 2015.
- Pursuant to the agreement, Vectus pays a licence fee for the use of the office and five car spaces of $310,141.90 per annum, excluding GST. A service fee is incorporated into the licence fee payable by Vectus.
- Vectus may use the premises for research only and must make good any damages to the reasonable satisfaction of the CSIRO.
- Either party may terminate the agreement on 3 months prior notice for any reason

Agreement with Lead Manager

Gleneagle Securities (Aust) Pty Limited has agreed to provide certain capital raising and corporate advisory services to Vectus and to act as Lead Manager and Broker to the Offer.

Vectus has agreed to pay to Gleneagle Securities:

- a Management Fee of $75,000; and
- a Capital Raising Fee equal to 6% of total funds raised pursuant to the Offer.

In addition, Vectus may pay, at its discretion, an additional fee equal to 1% of funds raised by third party brokers. If such amount is paid Gleneagle Securities must on-pay the additional amount to the third party broker.

25% of the total fee payable to Gleneagle Securities (excluding amounts on-paid by Gleneagle to third party brokers) may, at Vectus' option, be paid in fully paid Shares in Vectus at a price equivalent to the Offer price. These Shares (if issued) will be issued immediately prior to the Listing of Vectus and will be subject to a 24 month escrow period.

Vectus is also required to reimburse Gleneagle Securities for all travel, accommodation and other out of pocket expenses incurred on behalf of Vectus.

Other than as provided above, Gleneagle Securities will pay third party agents and brokers engaged in connection with the Offer out of the fee they receive from Vectus in respect of the Offer.

10.5 Related party transactions

Related parties of the Company relevantly include Directors and entities controlled by Directors. Chapter 2E of the Corporations Act prohibits a public company or an entity that it controls from giving a financial benefit to a related party of the public company unless either the giving of the financial benefit falls within one of the nominated exceptions to the prohibition, or shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

One of the nominated exceptions to the prohibition is where the financial benefit is reasonable in the circumstances if the public company or entity and the related party were dealing at arm's length.

Except where indicated below, the following contracts or transactions with related parties have been determined by Directors who do not have a material personal interest in the matter to fall within the arm's length exception.

Regional Health Care Group Corporate Services Agreement

- Vectus has entered into a corporate services agreement with Regional Health Care Group Pty Limited (Regional) dated 1 July 2013. Pursuant to the agreement, Regional provides Vectus with various corporate support services (including accounting, human resources, IT, payroll administration and property management services) for a fixed monthly fee of $10,391.67 per month (excluding GST). Regional must refund Vectus any service fees paid if it fails to meet certain specified service levels.
- Vectus' directors, Maurie Stang and Bernie Stang are also directors of Regional and hold indirect shareholdings in Regional. The extent of the financial benefit which Maurie Stang and Bernie Stang are likely to receive as a direct result of the agreement with regional is not possible to quantify for present purposes. Vectus' director, Peter Bush, is an employee of Regional.
- All intellectual property rights of either party remain the sole property of that party. The services to be provided under the Corporate Services Agreement includes certain IT functions; these are limited to software, hardware and network maintenance, procurement of technology hardware and software, management of third party service providers, and management of shared software contracts. Vectus retains ownership of any material provided by Vectus to Regional for the purposes of the agreement, and any copies of or derivatives of those materials (Customer Material). Regional must return to Vectus all Customer Material on termination of the agreement, and use, copy, supply or reproduce Customer Material only for the purpose of the Corporate Service Agreement and in accordance with any conditions or restrictions imposed in writing by Vectus.

10.6 Capital structure, substantial shareholders and escrow arrangements

Capital structure

The capital structure of the Company as at the date of this Prospectus and following completion fo the Offer, based on the Minimum Subscription, is set out below:

Class of security	On date of Prospectus	Following completion of the Offer
Ordinary Shares[1]	20,031,391	21,644,294
Performance Rights [2]	100,000	100,000

Notes

1. Excludes Shares that may be issued to Gleneagle Securities. See Section 10.4 for further details.
2. Terms of Performance Rights are set out in Section 10.7 below. Number does not include Performance Rights that may be issued after Listing as set out in Sections 10.7 and 10.8.
3. Excludes Performance Rights currently on issue and that may be issued after Listing as set out in Section 10.8. See Section 10.7 for further details on issued and unissued Performance Rights.

Substantial shareholders

On Listing, it is expected that the following Directors and other shareholders will have a substantial holding in Vectus, based on the Minimum Subscription:

Name	Shares [1]	% Interest
Karen Duggan[2]	3,201,500	14.79%
Maurie Stang	2,550,000	11.78%
Bernard Stang	2,550,000	11.78%
Clara He	1,200,000	5.54%

1. The above shareholders may apply for New Shares pursuant to the Offer. Final holdings of all substantial shareholders will be notified to the ASX on Listing.
2. Shares are held as follows - 3,200,000 by Ajjika Technologies Pty Ltd (a related party to Karen Duggan) and 1,500 by Karen Duggan directly.

Escrow arrangements

Certain of the Directors, existing Shareholders of the Company and Gleneagle Securities (if issued Shares as contemplated in Section 10.4 above) will be subject to mandatory escrow arrangements under the ASX Listing Rules and will be required to be held in escrow either for a period of 12 months from the date they were issued or 24 months from the date of Listing.

The escrow arrangements will result in approximately 10,970,963 Shares (representing approximately 50% of the Shares immediately post Offer based on the Minimum Subscription) being subject to escrow. Of these escrowed Shares, 10,241,387 will be held in escrow for 24 months from the Listing, with the balance of 729,576 being held in escrow for 12 months from the date of issue of those Shares.

10.7 Employee incentive arrangements

The Company has established the Vectus Employee Incentive Plan (Plan) to encourage employees to share ownership of the Company and to assist in the attraction, retention and motivation of employees, officers and contractors of the Company.

Eligibility

The plan is open to full-time or permanent part-time employees, officers and Directors of the Company or any related body corporate of the Company (Employees). The key terms of the Plan are summarised below.

Types of Awards

Under this Plan the Company may issue any of the following **(Awards):**

- Options to acquire Shares on terms determined by the Company in its discretion – including as to vesting and restrictions on disposal of Shares issued on exercise of the Options;
- Performance Rights, which are rights to be issued Shares for nil exercise price upon the satisfaction of specified vesting conditions;
- Deferred Share Awards, to be issued in lieu of wages, salary, Directors' Fees, or other remuneration or in lieu of any discretionary bonus or other incentive payment. Shares issued as Deferred Share Awards are subject to restrictions on disposal for up to 10 years; and
- Exempt Share Awards, which are Shares to an Employee for no cash consideration or at an issue price that is at a discount to market price with the intention that up to $1,000 of the total discount received by the Employee will be exempt from tax. Shares issued as Exempt Share Awards are subject to restrictions on disposal for up to three years.

Board Discretions

The Board has broad discretions under the Plan, including as to the terms of issue of Awards (such as vesting conditions and performance hurdles) and the ability to waive or shorten restrictions on disposal.

5% limit

The total number of outstanding Awards, when added to the total number of Shares issued during the previous five years under both this Plan and any similar incentive plan (including pursuant to the Director Performance Share Rights Scheme discussed below), cannot exceed 5% of the Company's issued capital. The 5% limit does not include in the calculation any offers that would otherwise be exempt from the Prospectus provisions of the Corporations Act.

Adjustment Terms

Employees who participate in the Plan and are issued Awards are not entitled to participate in a new issue of Shares or other securities made by the Company to holders of its Shares without exercising their Awards before the record date for the relevant issue.

If the Company makes a pro-rata bonus issue, and an Award is not exercised prior to the record date for that bonus issue, then, on exercise of the Award, the holder will receive the number of bonus Shares that would have been issued if the Award had been exercised prior to the record date.

If, prior to the exercise of an Award, the Company undergoes a reorganisation of capital (other than by way of a bonus issue or issue for cash) the terms of issued Awards will be changed to the extent necessary to comply with the ASX Listing Rules as they apply at the relevant time.

Details of awards under Plan as at date of Prospectus

Vectus has issued 100,000 Performance Rights under the Plan to Dillon Ventures Pty Limited, which is a corporate trustee of The Dillon Trust, being an entity associated with Peter Bush, a Director of Vectus. Under the terms of the Performance Rights granted, Dillon Ventures Pty Limited is entitled to receive a fully paid ordinary share in Vectus on the date 3 years after Vectus is Listed on the ASX subject to performance condition that Peter Bush remains a director of the Company for a period of not less than two years after Vectus is Listed on the ASX, other than where he ceases by reason of by reason of death, disability, bona fide redundancy or other reason approved by the Board.

10.8 Contemplated issue of Performance Rights to Directors under the Plan

The Company has allocated a "pool" of up to 300,000 Performance Rights which may be issued to certain current directors. The directors who are entitled to be issued Performance Rights are set out below.

Directors entitled to be issued Performance Rights from "pool"
Graham McDonald
Maurie Stang
Karen Duggan
Peter Bush

The directors entitled to be issued Performance Rights are those the Board has identified as key contributors to the Company in the period following IPO and Listing. The proposed issue of Performance Rights is designed to assist

in the reward, motivation and retention of those Directors and to recognise the abilities, efforts and contributions of those participants in Vectus' performance and success.

The Board (excluding those directors entitled to be issued Performance Rights) will determine allocations of Performance Rights within 6 months of Listing. The Company will seek shareholder approval of such proposed allocations of Performance Rights in accordance with ASX Listing Rule 10.14, which requires shareholder approval for the issue of securities to Directors. Full terms of the Performance Rights will be provided to shareholders in connection with that approval.

A grant of a Performance Right will entitle the recipient to receive a fully paid ordinary share in Vectus on the vesting date (which will be two years after award), subject to the satisfaction of certain performance conditions. The performance conditions will include:

- the participant remains a director of the Company, other than where he or she ceases by reason of by reason of death, disability, bona fide redundancy or other reason approved by the Board; and
- the share price of the Company (calculated on a 30 day VWAP basis) is at least 50% higher than the issue price of shares under this Prospectus.

The Performance Rights have no value to the recipient unless the hurdles are met and the Company's share price appreciates over the period to the vesting date. Vesting (i.e. the entitlement to convert a Performance Right award into a share) occurs only if all of the performance conditions are met. Performance Rights that do not vest will lapse immediately. There is no "re-testing" of Performance Rights or the performance conditions.

Upon vesting of a Performance Right, one fully paid share in the Company will be allotted automatically to the holder at no cost. .

10.9 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no person performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has had, within the 2 years before lodgement of this Prospectus with ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion; or

(c) any property acquired or proposed to be acquired by the Company in connection with the Offer of the Shares under this Prospectus.

The Company has paid fees to Gleneagle Securities and Research Laboratories Pty Ltd in connection with previous capital raisings undertaken by the Company. For the two years prior to the date of this Prospectus the following amounts have been paid:

Recipient	Amount
Gleneagle Securities (Aust) Pty Ltd	$214,031
Research Laboratories Pty Ltd(1)	$72,883

Note

1. The amount paid to Research Laboratories Pty Ltd was satisfied by the issue of 65,424 Shares rather than payment of cash

Other than as set out in this Prospectus, no amounts or benefits have been paid or agreed to be paid for services rendered by the person performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus.

It is estimated that the Company will pay the following costs in connection with the preparation and issue of this Prospectus and the making of the Offer:

Item	Minimum $[1]	Maximum $[1]
ASIC and ASX fees	91,000	99,000
Capital raising fees	225,000	675,000
Legal Fees	120,000	120,000
Investigating accountant's fees	35,000	35,000
Patent report from Shelston IP	20,000	20,000
Share registry fees	12,000	12,000
Total offer costs	**503,000**	**961,000**

These costs will be paid by Vectus from the proceeds of the Offer.

Note

1. Offer costs are net of estimated recoverable GST.

10.10 Legal proceedings

To the knowledge of the Directors, there is no material current, pending or threatened litigation with which the Company is directly or indirectly involved.

10.11 Compliance

Vectus converted to a public company on 9 November 2012. Following conversion, Vectus failed to comply with requirements under the Corporations Act in connection with the appointment of its auditor as well as in relation to the lodging of accounts with ASIC and holding AGM's within the required time frames under the Corporations Act for each of the financial years ended 30 June 2013 and 30 June 2014. Those omissions have now been remedied.

As part of the process of preparing for its proposed admission to the Official List of the ASX, Vectus has implemented policies and procedures to ensure its future compliance with all corporate governance requirements under the Corporations Act and the ASX Listing Rules.

10.12 Consents

Each of the parties who are named below:

- has not made any statement that is included in this Prospectus, or any statement on which a statement is made in this Prospectus is based, other than as specified in this section;
- has not authorised or caused the issue of any part of this Prospectus;
- makes no representations or warranty, express or implied, as to the fairness, accuracy or completeness
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements made in, or omissions from, this Prospectus, other than as specified in this section, and excludes and disclaims all liability for any damage, loss (including direct, indirect or consequential loss), cost or expense that may be incurred by an investor as a result of this Prospectus being inaccurate or incomplete in any way or for any reason.

DibbsBarker has given, and as at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in this Prospectus as the legal advisers to the Offer, in the form and context in which it is named.

UHY Haines Norton Corporate Finance Pty Ltd has given, and as at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in this Prospectus as the Investigating Accountant in connection with the Offer and to the inclusion of the Investigating Account's Report on the historical and pro forma historical financial information in the form and context in which it appears in Section 9.

UHY Haines Norton has given, and as at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in this Prospectus as auditor to the Company and to the inclusion of historical financial information in the form and context in which it appears in Section 9.

Shelston IP has given, and as at the time of lodgement of this Prospectus, has not withdrawn its consent to the inclusion in this Prospectus if its Intellectual Property Report in Section 8 and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Gleneagle Securities (Aust) Pty Ltd has given, and as at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in this Prospectus as the Lead Manager and Broker to the Offer, in the form and context in which it is named.

Boardroom Pty Limited has given, and as at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in this Prospectus as the Share Registry of the Company, in the form and context in which it is named.

10.13 Inspection of documents

Copies of the following documents will be available for inspection free of charge at the registered office of the Company for at least 13 months after lodgement of this Prospectus:

- the written consents to the issue of this Prospectus; and
- the Constitution of the Company.

10.14 Reliance on Class Orders

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with ASIC and the issue of Shares in response to an electronic Application Form, subject to compliance with certain provisions.

If you have received this Prospectus as an Electronic Prospectus please ensure you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company by calling +61 2 9290 9600 and we will send to you free of charge either a hard copy, a further electronic copy of the Prospectus or both.

Vectus reserves the right not to accept an Application Form from a person if it has reason to believe that when the person was given access to the electronic Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement Prospectus or any of these documents were incomplete or altered. In such case the application moneys received will be dealt with in accordance with section 722 of the Corporations Act.

10.15 Working capital statement

The Directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.

10.16 Governing law

This Prospectus, the Offer and the contracts formed on acceptance of Applications under the Offer are governed by the laws in force in the State of New South Wales and each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales.

10.17 Authorisation

Each Director has authorised the issue of this Prospectus. Each Director has consented (and has not withdrawn their consent) to the lodgement of this Prospectus with ASIC.

Graham Macdonald

Chairman

Vectus Biosystems Limited

11. GLOSSARY

In this Prospectus, unless the context requires otherwise, the following terms have the meaning set out below.

$ means Australian dollars.

Applicant means a person or entity who submits a valid Application and required Application Monies under this Prospectus.

Application means an application to subscribe for New Shares under this Prospectus.

Application Form or **Offer Application Form** means the application form having that title attached to or accompanying this Prospectus for investors to apply for New Shares under the Offer.

Application Monies means the amount accompanying an Application Form submitted by an Applicant.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the financial market known as the Australian Securities Exchange it operates, as the context requires.

ASX Listing Rules means the official listing rules of the ASX, as amended or waived from time to time.

ASX Settlement Operating Rules means the operating rules of ASX Settlement Pty Limited ACN 008 504 532, as amended or waived from time to time.

Australian Accounting Standards means the accounting standards issued by the Australian Accounting Standards Board.

Board means the Board of Directors of the Company.

Broker means a participant of the ASX.

Closing Date means the date on which the Offer is expected to close, being 5.00 pm Sydney time on 4 December 2015. This date may be varied without prior notice.

Company or Vectus means Vectus Biosystems Limited ACN 117 526 137.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company.

Group means the Company and any subsidiary and Group Company means any one of them.

GST means Goods and Services Tax in Australia.

Key Management Personnel (or **KMP**) has the same meaning as in accounting standards. The term broadly includes those persons with the authority and responsibility for planning, directing and controlling the activities of the Company (whether directly or indirectly), and includes any Director.

Lead Manager means Gleneagle Securities (Aust) Pty Ltd.

Listing means the admission of Vectus to the official list of ASX.

Maximum Subscription means the maximum amount being sought by the Company under the Offer, being $10,000,000.

Minimum Subscription means the minimum amount being sought by the Company under the Offer, being $2,500,000.

New Share means a Share issued pursuant to this Prospectus.

Offer means the Offer described as such in Section 5.

Offer Period means the period during which investors may subscribe for Shares under the Offer, being: the period commencing on the date the Offer opens until the Closing Date (inclusive of each date).

Official List means the official list of the ASX.

Original Prospectus means the Prospectus dated 16 November 2015 and lodged with ASIC on that date (which is replaced by this Prospectus).

Orphan Drug or **Orphan Drug Status** is a term used by regulators and pharmaceutical companies to describe specific new drugs and is further explained in Section 2.1(d).

Privacy Act means the Privacy Act, 1988 (Cth).

Prospectus or Replacement Prospectus means this Prospectus dated 23 November 2015 for the issue of New Shares to raise between the Minimum Subscription and the Maximum Subscription, and any replacement or supplementary Prospectus.

qPCR means quantitative-polymerase chain reaction and is further explained in Section 3.1.

Section means a section of this Prospectus unless otherwise specified.

Security means a security issued or to be issued in the capital of the Company, including a Share or an Option.

Share means a fully paid ordinary share in the capital of the Company.

Share Allotment Date means a date on which New Shares are allotted under the Offer.

Share Registry means Boardroom Pty Limited.

Shareholder means a holder of a Share.

Vectus or **Company** means Vectus Biosystems Limited ACN 117 526 137

VIP Mimetics Platform means drugs resembling the native VIP molecule as further explained in Sections 4.1(a) and 4.2.

APPLICATION FORM

Broker Reference – Stamp Only

Broker Code

Advisor Code

Vectus Biosystems Limited
ACN 117 526 137

Application Form

This is an Application Form for Shares in Vectus Biosystems Limited (**Company**) on the terms set out in the Replacement Prospectus dated 23 November 2015 (Prospectus). Defined terms in the Prospectus have the same meaning in this Application Form. You may apply for a minimum of 1,300 New Shares and multiples of 100 Shares thereafter. This Application Form and your cheque or bank draft must be received by **5.00pm (AEDST) on 4 December 2015**.

This Application Form is important. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus dated 23 November 2015 and contains information relevant to a decision to invest in the Shares of the Company and you should read the entire Prospectus carefully before applying for Shares.

The Company's Privacy Policy (**Privacy Policy**) also sets out important information relating to the collection, use and disclosure of all personal information that you provide to the Company. Please ensure that you and all relevant individuals have read the Privacy Policy carefully before submitting this Application Form. The Privacy Policy can be found on our website www.vectusbiosystems.com.au

To meet the requirements of the *Corporations Act 2001* (Cth), this Application Form must not be distributed to another person unless included in, or accompanied by the Prospectus dated 23 November 2015. A person who gives another person access to this Application Form must, at the same time and by the same means, give the other person access to the Prospectus. The Company will send you a free paper copy of the Prospectus if you have received an electronic prospectus and you ask for a paper copy.

PLEASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.

A **Number of Shares you are applying for**

Minimum of 1,300 Shares to be applied for and thereafter in multiples of 100 Shares

x $1.55 per Share =

B **Total amount payable**

$

C **Write the name(s) you wish to register the Securities in *(see reverse for instructions)***

Applicant #1

Name of Applicant #2 or <Account Designation>

Name of Applicant #3 or <Account Designation>

D **Write your postal address here**

Number/Street

Suburb/Town

State

Postcode

E **CHESS participant – Holder Identification Number (HIN)**

X

Important please note *if the name and address details above in sections C and D do not match exactly with your registration details held at CHESS, any Securities issued as a result of your Application will be held on the Issuer Sponsored subregister.*

F **Enter your Tax File Number(s), ABN, or exemption category**

Applicant #1

Applicant #2

Applicant #3

G **Cheque payment details –** PIN CHEQUE(S) HERE

Please enter details of the cheque(s) that accompany this application.

Name of drawer of cheque | Cheque no. | BSB no. | Account no. | Cheque Amount A$

H **Contact telephone number (daytime/work/mobile)**

I **Email address**

Declaration

By submitting this Application Form with your Application Amount, I/we declare that I/we:

- have read the prospectus in full;
- have read the Privacy Policy (available at www.vectusbiosystems.com.au) in full;
- have received a copy of the electronic Prospectus or a print out of it;
- have this Application Form in accordance with the Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are complete and accurate;
- agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Privacy Policy (available at www.vectusbiosystems.com.au) ;
- where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company and have provided that individual with a copy of, or details as to where to obtain, the Privacy Policy;
- acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- acknowledge that my/our application may be rejected by the Company in its absolute discretion;
- authorise the Lead Manager and the Company and their respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Securities to be allocated to me/us;
- am/are over 18 years of age;
- agree to be bound by the constitution of the Company;
- acknowledge that neither the Company nor any person or entity guarantees any particular rate of return on the Securities, nor do they guarantee the repayment of capital;
- represent, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person; and
- represent, warrant and agree that I/we have not received this Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia unless the Securities may be offered in my/our jurisdiction without contravention of the security laws of the jurisdiction or any need to register the Prospectus, the Securities or the Offer.

Guide to the General Offer Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

A If applying for Shares insert the ***number*** of Share for which you wish to subscribe at Item **A** (not less than 1,300 Shares and then in multiples of 100 Shares). Multiply by A$1.55 to calculate the total Application Amount for Shares and enter the ***A$amount*** at Item **B**.

C Write your ***full name***. Initials are not acceptable for first names.

D Enter your ***postal address*** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. **NB: your registration details provided must match your CHESS account exactly.**

F Enter your Australian ***tax file number*** (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.

G Complete ***cheque details*** as requested. Make your cheque payable to Vectus Biosystems Limited. Cross it and mark it 'Note negotiable'. Cheques must be in Australian currency, and cheques must be drawn on an Australian bank.

H Enter your ***contact details*** so we may contact you regarding your Application Form or Application Monies.

I Enter your ***email address*** so we may contact you regarding your Application Form or Application Amount or other correspondence.

Correct Form of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgment

Mail your completed Application Form with your cheque(s) or bank draft attached to one of the following addresses:

Mailing address:
Vectus Biosystems Limited
C/-Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

Delivery address:
Vectus Biosystems Limited
C/-Boardroom Pty Limited
Level 12, 225 George Street
SYDNEY NSW 2000

The Offer closes at 5.00pm (AEDST) 4 December 2015

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on 1300 737 760 within Australia and + 61 2 9290 9600 outside Australia.

Privacy Statement

Vectus Biosystems Limited advises that Chapter 2C of the Corporations Act requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold Shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form. Our privacy policy is available on our website (http://www.vectusbiosystems.com.au).

The Corporations Act requires some of this information to be included in the Company's Shareholder register, which will be accessible by the public. The Company will collect, use, hold, and disclose your personal information in accordance with the Privacy Policy. For more detail on how the Company collects, stores, uses and discloses your information, please refer to our Privacy Policy. Alternatively contact the Company and the Company will send you a copy. It is recommended that you obtain a copy of the Privacy Policy and read it carefully.

Vectus Biosystems Limited

ACN 117 526 137

Application Form

Broker Reference – Stamp Only

Broker Code

Advisor Code

This is an Application Form for Shares in Vectus Biosystems Limited (**Company**) on the terms set out in the Replacement Prospectus dated 23 November 2015 (Prospectus). Defined terms in the Prospectus have the same meaning in this Application Form. You may apply for a minimum of 1,300 New Shares and multiples of 100 Shares thereafter. This Application Form and your cheque or bank draft must be received by **5.00pm (AEDST) on 4 December 2015**.

This Application Form is important. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus dated 23 November 2015 and contains information relevant to a decision to invest in the Shares of the Company and you should read the entire Prospectus carefully before applying for Shares.

The Company's Privacy Policy (**Privacy Policy**) also sets out important information relating to the collection, use and disclosure of all personal information that you provide to the Company. Please ensure that you and all relevant individuals have read the Privacy Policy carefully before submitting this Application Form. The Privacy Policy can be found on our website www.vectusbiosystems.com.au

To meet the requirements of the *Corporations Act 2001* (Cth), this Application Form must not be distributed to another person unless included in, or accompanied by the Prospectus dated 23 November 2015. A person who gives another person access to this Application Form must, at the same time and by the same means, give the other person access to the Prospectus. The Company will send you a free paper copy of the Prospectus if you have received an electronic prospectus and you ask for a paper copy.

PLEASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.

A **Number of Shares you are applying for**

Minimum of 1,300 Shares to be applied for and thereafter in multiples of 100 Shares

x $1.55 per Share =

B **Total amount payable**

$

C **Write the name(s) you wish to register the Securities in *(see reverse for instructions)***

Applicant #1

Name of Applicant #2 or <Account Designation>

Name of Applicant #3 or <Account Designation>

D **Write your postal address here**

Number/Street

Suburb/Town

State

Postcode

E **CHESS participant – Holder Identification Number (HIN)**

X

Important please note *if the name and address details above in sections C and D do not match exactly with your registration details held at CHESS, any Securities issued as a result of your Application will be held on the Issuer Sponsored subregister.*

F **Enter your Tax File Number(s), ABN, or exemption category**

Applicant #1

Applicant #2

Applicant #3

G **Cheque payment details –** PIN CHEQUE(S) HERE

Please enter details of the cheque(s) that accompany this application.

Name of drawer of cheque | Cheque no. | BSB no. | Account no. | Cheque Amount A$

H **Contact telephone number (daytime/work/mobile)**

I **Email address**

Declaration

By submitting this Application Form with your Application Amount, I/we declare that I/we:

- have read the prospectus in full;
- have read the Privacy Policy (available at www.vectusbiosystems.com.au) in full;
- have received a copy of the electronic Prospectus or a print out of it;
- have this Application Form in accordance with the Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are complete and accurate;
- agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Privacy Policy (available at www.vectusbiosystems.com.au) ;
- where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company and have provided that individual with a copy of, or details as to where to obtain, the Privacy Policy;
- acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- acknowledge that my/our application may be rejected by the Company in its absolute discretion;
- authorise the Lead Manager and the Company and their respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Securities to be allocated to me/us;
- am/are over 18 years of age;
- agree to be bound by the constitution of the Company;
- acknowledge that neither the Company nor any person or entity guarantees any particular rate of return on the Securities, nor do they guarantee the repayment of capital;
- represent, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person; and
- represent, warrant and agree that I/we have not received this Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia unless the Securities may be offered in my/our jurisdiction without contravention of the security laws of the jurisdiction or any need to register the Prospectus, the Securities or the Offer.

Guide to the General Offer Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

Instructions

A If applying for Shares insert the ***number*** of Share for which you wish to subscribe at Item **A** (not less than 1,300 Shares and then in multiples of 100 Shares). Multiply by A$1.55 to calculate the total Application Amount for Shares and enter the ***A$amount*** at Item **B**.

C Write your ***full name***. Initials are not acceptable for first names.

D Enter your ***postal address*** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. **NB: your registration details provided must match your CHESS account exactly.**

F Enter your Australian ***tax file number*** (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.

G Complete ***cheque details*** as requested. Make your cheque payable to Vectus Biosystems Limited. Cross it and mark it 'Note negotiable'. Cheques must be in Australian currency, and cheques must be drawn on an Australian bank.

H Enter your ***contact details*** so we may contact you regarding your Application Form or Application Monies.

I Enter your ***email address*** so we may contact you regarding your Application Form or Application Amount or other correspondence.

Correct Form of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

Lodgment

Mail your completed Application Form with your cheque(s) or bank draft attached to one of the following addresses:

Mailing address:
Vectus Biosystems Limited
C/-Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

Delivery address:
Vectus Biosystems Limited
C/-Boardroom Pty Limited
Level 12, 225 George Street
SYDNEY NSW 2000

The Offer closes at 5.00pm (AEDST) 4 December 2015

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on 1300 737 760 within Australia and + 61 2 9290 9600 outside Australia.

Privacy Statement

Vectus Biosystems Limited advises that Chapter 2C of the Corporations Act requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold Shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form. Our privacy policy is available on our website (http://www.vectusbiosystems.com.au).

The Corporations Act requires some of this information to be included in the Company's Shareholder register, which will be accessible by the public. The Company will collect, use, hold, and disclose your personal information in accordance with the Privacy Policy. For more detail on how the Company collects, stores, uses and discloses your information, please refer to our Privacy Policy. Alternatively contact the Company and the Company will send you a copy. It is recommended that you obtain a copy of the Privacy Policy and read it carefully.

CORPORATE DIRECTORY

Directors

Prof Graham Macdonald – Non-Executive Chairman

Mr Maurie Stang – Non-Executive Deputy Chairman

Mr Bernard Stang – Non-Executive Director

Dr Karen Duggan – Executive Director and Chief Executive Officer

Mr Peter Bush – Non-Executive Director

Dr Ronald Shnier - Non-Executive Director

Company Secretary

Mr Robert Waring

Share Registry

Boardroom Pty Limited

GPO Box 3993

Sydney NSW 2000

Tel: (61 2) 9290 9600

Fax: (61 2) 9279 0664

Email: enquiries@boardroomlimited.com.au

Lead Manager

Gleneagle Securities (Aust) Pty Ltd

Level 27, 25 Bligh Street

Sydney NSW 2000

Legal Advisor

DibbsBarker

Level 8, 123 Pitt Street

Sydney NSW 2000

Investigating Accountant

UHY Haines Norton Corporate Finance

Level 11, 1 York Street

Sydney NSW 2000

Auditor

UHY Haines Norton

Level 11, 1 York Street

Sydney NSW 2000


VECTUS
BIOSYSTEMS