31 October 2016

Company Announcements Office
Australian Securities Exchange

QUARTERLY REPORT – APPENDIX 4C

In accordance with ASX Listing Rule 4.7B, the Company attaches its September 2016 Quarterly Report – Appendix 4C.

Overview

- **Expanded and detailed engagement with a spectrum of human and animal health pharmaceutical companies.**
- **Successful extension of the proprietary Vectus drug library to over 1,000 compounds, including candidates for the treatment of several orphan indications.**
- **On schedule with the GMP synthesis of lead compound VB0004.**
- **Commencement of the pre-clinical toxicology testing programme of VB0004, ahead of schedule. Beginning of the tender process for the Phase I trial of VB0004.**
- **Strengthening focus from global pharmaceutical companies on novel treatments for fibrotic conditions, with heightened interest on the potential to treat and reverse fibrosis.**
- **Increasing focus on non-alcohol induced fibrotic liver conditions, such as non-alcoholic steatohepatitis (NASH).**
- **Positive roll-out of Accugen trial programme to multiple luminary Australian qPCR laboratories.**
- **Opportunity to leverage animal toxicology trials into multiple commercial applications targeting commercial companion animal veterinary indications.**

Commentary

Vectus Biosystems Limited (Vectus or the Company) has further expanded its proprietary drug compound library to over 1,000 discrete compounds, all of which are covered by its growing patent and intellectual property portfolio. The Company continues to be engaged with both human and animal health pharmaceutical companies that have identified Vectus' portfolio as having broad applicability across a spectrum of potentially high-value indications.

The Company continues to make pleasing progress with, and remains on schedule in respect of, the Good Manufacturing Practice (GMP) synthesis of its lead compound, VB0004. Furthermore, the preclinical toxicology testing programme for VB0004 also remains ahead of schedule.

The interest from global pharmaceutical companies on novel anti-fibrotic treatments continues to grow, with the most notable development in the area being Allergan plc's acquisition of two portfolios focussing on treating non-alcohol induced fibrotic liver conditions, such as non-alcoholic steatohepatitis (NASH). Of particular interest is the fact that one of these acquisitions, Akarna Therapeutics Ltd, was still in the pre-clinical phase of development. Notably, the Vectus compound A32 has demonstrated that it not only treats fibrosis, but indeed, reverses fibrotic and end organ damage in the liver, which is, to Vectus' knowledge, unique to its portfolio.

Since the time of Vectus' Initial Public Offering, and the extension of its proprietary drug library, the Company has had expanded and detailed engagement with a spectrum of human and animal health pharmaceutical companies. Related to this engagement, Vectus is currently undertaking a number of additional research programmes, covered by confidentiality agreements, in support of, and in

specific circumstances in collaboration with, global pharmaceutical companies. In addition to the planned human trials of VB0004, the Company is now targeting additional companion animal veterinary indications, providing the potential for reduced cost and time to market.

Vectus attended the International BioFest conference in Melbourne in late-October 2016 and has already received meeting requests from a number of international pharmaceutical companies. The Company has also arranged meetings with other potential partners to further the Accugen commercialisation process.

The pivotal path to human trials of VB0004 in Australia continues ahead of schedule, with a range of activities that are progressing positively.

Vectus' major milestones achieved to-date include:

- successful GMP synthesis of VB0004;
- the first batch of engineering synthesises of VB0004 is expected to be delivered in the next 30 days;
- animal toxicology testing for VB0004 is running ahead of schedule, with early positive results; and
- the Human Phase I trial programme is on-track, with the selection and appointment of a Contract Research Organisation after an extensive vetting and review process. Related activities continue to progress well and are supportive of the initial human trial programme.

The Company will be further updating its shareholders at its forthcoming Annual General Meeting to be held at Level 8, Angel Place, 123 Pitt Street, Sydney on Thursday, 17 November 2016. Vectus continues to gain acknowledgement in respect of both the importance of, and the progress made in relation to, its novel library of anti-fibrotic compounds. In parallel, the industry focus on these important targets is growing strongly. The Company has expanded its commercial activities, and is targeting additional individuals with international animal and human pharmaceutical market development expertise.

Vectus Biosystems Limited

Karen Duggan
Chief Executive Officer and Executive Director

About Vectus Biosystems Limited

Vectus Biosystems Limited (Vectus or the Company) is developing a treatment for fibrosis and high blood pressure, which includes the treatment for three of the largest diseases in the fibrotic market, namely heart, kidney and liver disease. Vectus successfully completed its Initial Public Offering (IPO) on the Australian Securities Exchange (ASX:VBS) and commenced trading on ASX on 23 February 2016, after raising A$5.1 million. Funds from the IPO are being used to develop the Company's lead compound VB0004, which aims to treat the hardening of functional tissue and high blood pressure. Vectus has conducted a range of successful pre-clinical trials, which have shown that VB0004 slows down the advances of fibrosis, potentially repairs damaged cell tissue and reduces high blood pressure. VB0004 is now progressing towards a number of important milestones, including pharmaceutical scale-up and additional toxicity studies. Successful results will provide the Company with a clear path to Human Phase 1 and 2a Clinical Trials. Vectus' strategy is to develop and perform early validation of its drug candidates to the point where they may become commercially attractive to potential pharmaceutical partners.

The Company has also developed technology aimed at improving the speed and accuracy of measuring the amount of DNA and RNA in samples tested in laboratories. The technology, called Accugen, is owned by Vectus' wholly-owned subsidiary Accugen Pty Limited. The technology potentially offers a time, cost and accuracy benefit compared to currently-available systems. The Company's next stage of investment in Accugen will focus on an Alpha-phase test programme during 2016 before moving to a commercialisation programme that may include direct sales, distribution partnerships and licensing opportunities.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

Vectus Biosystems Limited

ABN	Quarter ended ("current quarter")
54 117 526 137	**30 September 2016**

Consolidated statement of cash flows

	1 Cash flows from operating activities	**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) patent and research expenses	(859)	(859)
	(b) staff costs and directors' fees	(411)	(411)
	(c) occupancy cost	(85)	(85)
	(d) corporate overheads	(77)	(77)
	(e) legal and professional fees	(171)	(171)
	(f) other operating costs, including working capital	(19)	(19)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	53	53
1.5	Interest and other costs of finance paid	(5)	(5)
1.6	Income tax refund received (including R&D Tax Offset)	-	-
1.7	Government grants and tax incentives	-	-
1.8	Others (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	(1,575)	(1,575)

		Current quarter $A'000	Year to date (3 months) $A'000
2	**Cash flows from investing activities**		
2.1	Payments to acquire:		
(a)	property, plant and equipment	(28)	(28)
(b)	businesses (item 10)	-	-
(c)	investments	-	-
(d)	intellectual property	-	-
(e)	other non-current assets	-	-
2.2	Proceeds from disposal of:		
(a)	property, plant and equipment	-	-
(b)	businesses (item 10)	-	-
(c)	investments	-	-
(d)	intellectual property	-	-
(e)	other non-current assets	-	-
2.3	Loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	(28)	(28)
3	**Cash flows from financing activities**		
3.1	Proceeds from issue of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	-	-
4	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year	4,455	4,455
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,575)	(1,575)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(28)	(28)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**2,852**	**2,852**

5 Reconciliation of cash and cash equivalents

	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	318	421
5.2	Term Deposits	2,534	4,034
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (item 4.6)**	**2,852**	**4,455**

6 Payments to directors of the entity and their associates

		Current quarter $A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	233
6.2	Aggregate amount of loans to these parties included in item 2.3	-

6.3 Explanation necessary for an understanding of these transactions

Salaries paid to Karen Duggan, Executive Director and Chief Executive Officer	37
Directors' fees paid to Non-Executive Directors:	
Graham Macdonald	77
Ron Shnier	49
Peter Bush	54
Susan Pond	16
TOTAL	196

7 Payments to related entities of the entity and their associates

		Current quarter $A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	31
7.2	Aggregate amount of loans to these parties included in item 2.3	-

7.3 Explanation necessary for an understanding of these transactions

Corporate overheads, administration and laboratory supplies expenses paid to Regional Healthcare Pty Ltd of which Messrs M Stang and B Stang are Directors. 31

8 Financing facilities available

Add notes as necessary for an understanding of the position.

		Total facility $A'000	Amount drawn $A'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Not applicable

9 Estimated cash outflows for next quarter	**$A'000**
9.1 patent and research expenses	1,208
9.2 staff costs and directors' fees	371
9.3 occupancy cost	30
9.4 corporate overheads	296
9.5 legal and professional fees	97
9.6 other operating costs, including working capital	9
9.7 Total estimated cash outflows	**2,011**

10 Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)

		Acquisitions	Disposals
10.1	Name of entity	n/a	n/a
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: Robert Waring

(~~Director/~~Company Secretary)

Print name: **Robert J Waring** Date: **31 October 2016**