Rule 4.3A

Appendix 4E

Preliminary final report for the financial year ended 30 June 2017

Name of entity

Vectus Biosystems Limited ABN: 54 117 526 137

Reporting period: 30 June 2017
Previous period: 30 June 2016

Results for announcement to the market

				$A'000
Revenues from ordinary activities	down	(35%)	to	49
(Loss) from ordinary activities after tax attributable to members	up	18%	to	(3,795)
(Loss) for the period attributable to members	up	18%	to	(3,795)

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢
No dividends were paid or proposed during the year.		

Brief explanation of the above
The Group generated a revenue of $49,000 and incurred an operating loss after income tax of $3,795,000 in the year ended 30 June 2017. Increase in expenditure can be mainly attributed to company's scale-up R&D activities and range of successful pre-clinical trials. As at 30 June 2017 the Group had cash balance of $517,000.

This Appendix 4E should be read in conjunction with the Annual Financial Report for the year ended 30 June 2017, due to be released in September 2017. It is also recommended that the Appendix 4E be considered together with any public announcements made by the Group since commencement of the 2016-17 financial year in accordance with the continuous disclosure obligations arising under the ASX Listing Rules and under the *Corporations Act 2001* .

NTA backing	**30-Jun-17 cents**	**30-Jun-16 cents**
Net tangible asset (NTA) backing per ordinary share	0.49	16.04

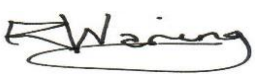
Events occuring after the Balance Date
No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect, the consolidated entities' operations, the results of these operations, or the consolidated entities' state of affairs in future financial years.

Details of entities over which control has been gained or lost during the period
Not Applicable

Foreign Entities details
Not Applicable

Dividends
No dividends were paid or proposed during the financial year.

Audit or Review details
This report is based on accounts that are in the process of being audited.



Sign here: Date: **31 August 2017**
(~~Director~~/Company Secretary)
Print name: **Robert J Waring**

Preliminary Final Report – Appendix 4E

Key Achievements for the 2016-17 Financial Year

Vectus Biosystems Limited (Vectus or the Company) is pleased to report its financial results for the year ended 30 June 2017.

Highlights

Vectus is pleased to report its continuing strong progress with the development of its lead compound VB0004, a completely new chemical class of drug that prevents and, unlike any known competitor in its field, is focussed on reversing fibrosis, the scarring process causing organ failure in damaged and diseased hearts and kidneys. The value proposition of not only slowing disease progression, but in fact restoring normal tissue architecture, with the potential economic and health benefits of avoiding very costly treatments (for instance, dialysis for kidney failure or heart transplants), and dramatically increasing survival rates, underlie the 'first-in-class' potential of VB0004, which may place it in a very favourable position when it comes to reimbursement.

Strong Milestones towards Human Trials

- The Investigational New Drug (IND) application enabling toxicology and pharmacokinetic studies for VB0004 continuing to meet all milestones. Successful animal trials continued during the 2016-17 financial year, with the Company's initial second species (dog) independent toxicology trials demonstrating, in line with Vectus' previous pre-clinical results, that no adverse effects were observed after doses of 2,000 milligrams per kilogram were administered to dogs daily for seven days. This represents an exposure more than 10,000 times the anticipated therapeutic dose in humans. Phase I human clinical trials are targeted to commence in early 2018.
- Key patents, covering VB0004, have now been granted in the USA, Singapore, the People's Republic of China, Japan, South Korea, Israel and by the African Regional Intellectual Property Organization, with good progress made in Europe and the Philippines.
- The Company is rapidly accelerating pharmaceutical company engagement. Direct discussions continue with a significant cross-section of global and regional pharmaceutical companies.
- The successful good manufacturing practice (GMP) synthesis of VB0004 was completed during the financial year, with the scale batch production demonstrating improved yields and cost efficiency per dose, with only three synthetic steps.
- Presentations made by Vectus at conferences attended by industry leaders in the USA, Australia and New Zealand were very well received, and highlighted broad and expanding levels of engagement in the Company's key areas of interest, being cardiovascular disease, pulmonary (lung) fibrosis, non-alcoholic steatohepatitis (NASH) and alcoholic steatohepatitis (ASH) (liver disease).

Commentary

Vectus has made substantial progress in the 2016-17 financial year towards its parallel goals of early human trials, pharmaceutical industry engagement and the expansion of its intellectual property (IP) portfolio targeting high-value unmet needs across multiple disease states.

The Company has identified animal health as an area where substantial unmet needs exist. The animal health market is growing at twice the rate of the human health market and a major driver of this growth is an increasing willingness by customers to pay human pharmaceutical prices for the treatment of their companion animals. A further advantage of concurrently targeting these applications is the reduced cost of development and time to market. Discussions continue with leading animal health companies with specific interest in animal fibrosis.

VECTUS BIOSYSTEMS LIMITED ABN 54 117 526 137
3-11 Primrose Avenue, Rosebery, NSW 2018 Telephone: +61 2 9662 4144 Facsimile: +61 2 9697 0933
Website: www.vectusbiosystems.com.au

Lead Candidate VB0004

The financial year saw accelerating progress towards human clinical trials for VB0004. This potentially 'first-in-class' anti-fibrotic has pre-clinically shown that it not only slows down damage, but has demonstrated a singular capability to improve normal tissue architecture in diseased organs. Reversing such damage is the ultimate aim of clinicians worldwide. Central to Vectus' development of VB0004 is the successful, and now completed, initial GMP synthesis. The scale batch production is a major milestone, demonstrating and underpinning the commercial feasibility of the Company's lead candidate by being manufacturable at large volumes and at a low cost per dose. This is a pivotal step that would enable the commercial production of an orally-dosable small molecule, which is the preferred form of delivery for all pharmaceutical companies that Vectus is currently in discussions with.

The U.S. Food and Drug Administration IND application enabling toxicology and pharmacokinetic studies for VB0004 are now in progress, with IND toxicology in-vitro (laboratory) cardiovascular safety studies showing that VB0004 is classified as **low** in terms of hERG inhibition. This critical test predicts the potential of a therapeutic candidate to cause QT prolongation and to cause significant cardiac arrhythmias. This is a further milestone towards the demonstration of human safety and is well regarded as an important attribute by the global pharmaceutical industry.

In-vivo (animal) cardiovascular safety tests are currently in progress and at this stage are consistent with the in-vitro results, with no adverse events at doses up to 2,000 milligrams per kilogram observed in two species. Respiratory safety testing has already been completed, with no adverse events observed in rats.

Phase I human clinical trials are targeted to commence in early 2018.

Drug Library and Commercial Activity

The Company has a library of over 1,000 compounds, derived from the platform underpinning VB0004, and the various stages of testing are progressing well. These emerging lead compounds address some of the most significant unmet needs in medicine today, and include:

- VB4-A32 (liver fibrosis, including NASH and ASH);
- VB4-A79 (pulmonary fibrosis, including idiopathic fibrosis, asbestosis and coal dust pneumoconiosis (Black Lung Disease)); and
- VB4-P5 (renal fibrosis).

Vectus is engaged with a series of global and regional pharmaceutical companies, and is working with expert consultants in the fields of both licencing, and research and development (R&D) collaboration, with a view to maximising the commercialisation of key pharmaceutical assets in the Company's drug library. In parallel, Vectus is receiving regular enquiries from potential partners as a consequence of the growing awareness of its data set and technical milestones achieved.

The Company recently attended Biotechnology Innovation Organization's BIO International Convention, in San Diego, California, and met with a strong cross-section of global, mid-sized and regional pharmaceutical companies. Each of the disease states addressed by candidates from the Vectus compound library represent high-profile disease states where anti-fibrotic and/or anti-hypertensive efficacy are now very much a central theme for licencing activity by the pharmaceutical industry. As a consequence of the Company's IP and pre-clinical data, an increasing number of potential partners have proceeded into confidentiality agreements with Vectus and, in several cases, due diligence.

Patent Library

Additional milestones were achieved by the Company during the financial year, with Vectus receiving notification of either grant, or intention to grant, further key patents underpinning the Company's global IP position derived from its drug library of 1,000 compounds. In particular, patents covering VB0004 have been granted in the USA, Singapore, the People's Republic of China, South Korea, Japan and Israel, and have been allowed to proceed to grant in Europe and have been accepted in the Philippines. Further, the

patent that encompasses the VB0004 library has been granted in Australia and in the USA, with a proceed-to-grant decision being issued in South Africa.

The Patent Cooperation Treaty for VB4-A79 (lung) and associated compounds compositions, and methods of use for treatment of pulmonary fibrosis, have been lodged with a view to protecting this important discovery via an additional patent family.

Accugen

Accugen technology is progressing through pre-commercial customer trials with an aim to evaluate its commercial rollout potential in calendar year 2018. Accugen was developed internally by Vectus to address a well-known inadequacy in quantifying changes in DNA across a broad range of applications. Accucal, the core product, is unique in that it is targeted to eliminate variability and inaccuracy in the current methodology of using housekeeping genes. These housekeeper genes are currently widely used, yet are time consuming and costly, and are a potentially-inaccurate method of calibrating the results from quantitative polymerase chain reaction (qPCR) analysis.

The Company's technology is based on a consumable and related software product, with broad applicability for a wide range of machines in the world market. Vectus is now moving into the early commercial production stage of Accucal, and is evaluating, both regionally and globally, the preferred path to market for this disruptive technology platform. The market opportunity for the Accugen system includes over 100,000 laboratories, and whilst this market is inherently conservative when adopting new technology, Accucal offers the potential for both increased accuracy and cost savings.

Finance

The Company continues to take steps to support the funding of its future R&D and product commercialisation work. Vectus is entitled to an R&D cash-back taxation refund based on its activities for the 2016-17 financial year, which have been approved by AusIndustry, and the refund of approximately $1.3 million is expected to be received in the current half of the 2017-18 financial year. In addition, the Company is in active dialogue with a number of brokers, potential investors and other sources of funding for an initial amount in excess of $2 million. As an interim measure, Vectus is in negotiation for an external loan of $1.3 million, but has the ability to reduce its operating expenses to quite modest levels if required. In parallel, the Company is actively engaged in discussions regarding collaboration agreements with pharmaceutical companies to help jointly fund the advancement of its key programmes.

Vectus is also finalising an agreement with an international consulting firm that specialises in non-dilutive fundraising, particularly grant funding. This firm has advised the Company that Vectus' core programmes may well be suited to achieving success in grant applications and that it will be commencing its efforts on behalf of the Company in September 2017.

Summary

Vectus is now leveraging its powerful IP and patent portfolio, its drug library of over 1,000 compounds, and its strong pre-clinical data targeting a range of high-profile unmet needs, with a singular clinical potential to reverse fibrosis and therefore end organ damage. With its lead candidate, VB0004, progressing to early human clinical trials (subject to funding) the Company is now in a window that is typical of material inflection of value and an increasingly-common stage for trade transactions.

A more detailed operational review will be set out in Vectus' upcoming Annual Report.

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 through a number of important milestones, including pharmaceutical scale-up and additional toxicity studies. Successful results are providing the Company with a clear path to Human Phase I and IIa 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 offers a time, cost and accuracy benefit compared to currently-available systems. The Company's current stage of investment in Accugen is a commercialisation programme that may include direct sales, distribution partnerships and licensing opportunities.

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017

	30-Jun-17 $'000	30-Jun-16 $'000
Sales revenue	6	-
Interest income	43	75
	49	75
Depreciation and amortisation expense	(28)	(57)
Employee benefits expense and Directors' remuneration	(1,558)	(1,467)
Financial expenses	(2)	(12)
Occupancy expense	(310)	(309)
Other general and administration expenses	(713)	(704)
Product registration, patents, trade marks and R&D expenditure	(2,257)	(1,485)
Loss from ordinary activities before income tax expenses	(4,819)	(3,959)
Income tax credit relating to ordinary activities	1,024	748
Loss from continuing operations after tax	(3,795)	(3,211)
Profit / (loss) from discontinued operations	-	-
Net loss for the period	(3,795)	(3,211)
Other Comprehensive Income		
Total Comprehensive Loss for the period	(3,795)	(3,211)
Loss for the period attributable to:		
Owners of Vectus Biosystems Limited	(3,795)	(3,211)
	(3,795)	(3,211)
Total comprehensive loss for the period attributable to:		
Owners of Vectus Biosystems Limited	(3,795)	(3,211)
	(3,795)	(3,211)
Earnings per share		
Basic loss per share (cents per share)	(16.24)	(16.13)
Diluted loss per share (cents per share)	(16.24)	(16.13)

Consolidated statement of financial position as at 30 June 2017

	30-Jun-17 $'000	30-Jun-16 $'000
CURRENT ASSETS		
Cash and cash equivalents	517	421
Other current assets	137	145
Financial assets	-	4,034
TOTAL CURRENT ASSETS	654	4,600
NON-CURRENT ASSETS		
Plant and equipment	66	84
TOTAL NON-CURRENT ASSETS	66	84
TOTAL ASSETS	720	4,684
CURRENT LIABILITIES		
Trade and other payables	95	358
Other current liabilities	254	362
Provisions	245	179
Financial liabilities	-	5
TOTAL CURRENT LIABILITIES	594	904
NON-CURRENT LIABILITIES		
Provisions	11	32
TOTAL NON-CURRENT LIABILITIES	11	32
TOTAL LIABILITIES	605	936
NET ASSETS	**115**	**3,748**
EQUITY		
Contributed equity	17,591	17,581
Reserves	188	36
Accumulated losses	(17,664)	(13,869)
TOTAL EQUITY	**115**	**3,748**

Consolidated statement of changes in equity for the year ended 30 June 2017

	Equity	Reserves	Accumulated Losses	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2015	**12,837**	**-**	**(10,658)**	**2,179**
Loss for the year	-	-	(3,211)	(3,211)
Total comprehensive loss for the year	-	-	(3,211)	(3,211)
Transactions with owners in their capacity as owners:				
Shares issued during the year	5,500	-	-	5,500
Share issue costs	(756)	-	-	(756)
Value of employee services (share-based)	-	36	-	36
Balance at 30 June 2016	**17,581**	**36**	**(13,869)**	**3,748**
Loss for the year	-	-	(3,795)	(3,795)
Total comprehensive loss for the year	-	-	(3,795)	(3,795)
Transactions with owners in their capacity as owners:				
Shares issued during year	10	-	-	10
Value of employee services (share-based payments)	-	152	-	152
Balance at 30 June 2017	**17,591**	**188**	**(17,664)**	**115**

Consolidated statement of cash flows for the year ended 30 June 2017

	30-Jun-17 $'000	30-Jun-16 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	6	-
R&D tax offset	1,024	748
Payment to suppliers and employees	(5,014)	(3,550)
Financial receipts	90	17
Interest paid	(5)	(1)
Net cash from operating activities	(3,899)	(2,786)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Investments in) / Disposals of term deposits	4,034	(4,034)
Purchase of assets	(39)	(82)
Net cash used in investing activities	3,995	(4,116)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of Shares	-	5,173
Share issue expenses	-	(409)
Loan repayments	-	(21)
Net cash provided by / (used in) financing activities	-	4,743
Net increase / (decrease) in cash held	96	(2,159)
Cash and cash equivalents at the beginning of the financial year	421	2,580
Cash and cash equivalents at the end of the financial year	**517**	**421**

Reconciliation of cash balance	30-Jun-17 $'000	30-Jun-16 $'000
Cash on hand and at bank	517	421
	517	**421**

Reconciliation of operating loss after income tax to net cash flows from operating activities

	2017 $'000	2016 $'000
Operating loss after Income Tax	(3,795)	(3,211)
Non-cash / non-operating items included in profit and loss		
Depreciation and amortisation	28	57
Share-based payments	152	36
Changes in assets and liabilities		
Decrease / (Increase) in other assets	8	(95)
(Decrease) / Increase in trade creditors	(215)	174
Increase in employee entitlement provision	43	18
(Decrease) / Increase in other creditors and accruals	(120)	235
Net cash used in operating activities	**(3,899)**	**(2,786)**

Earnings per share (EPS)

Calculation of the following is in accordance with AASB 133: Earnings per Share

	30-Jun-17	30-Jun-16
Net profit / (loss) - $'000 (used to calculate basic EPS)	(3,795)	(3,211)
Net profit / (loss) - $'000 (used to calculate diluted EPS)	(3,795)	(3,211)
Weighted average number of ordinary shares used in the calculation of the Basic EPS	23,372,978	19,904,750
Convertible share options	-	-
Weighted average number of ordinary shares used in the calculation of the Diluted EPS	23,372,978	19,904,750
Basic EPS – loss per share (cents)	(16.24)	(16.13)
Diluted EPS – loss per share (cents)	(16.24)	(16.13)

Notes to the consolidated financial statements

NOTE 1: **Basis of Preparation**
This Financial Report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* .

This Financial Report has been prepared on an accruals basis, and is based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

NOTE 2: **Going Concern**
The Group has incurred an operating loss of $3,795,000 for the year ended 30 June 2017 and has net assets of $115,000. The operating cash burn rate for the year ended 30 June 2017 was $3,899,000. The cash balance as at 30 June 2017 was $517,000. If the 2017 cash burn rate continues during the year ended 30 June 2018, which it is not budgeted to do, there may be an uncertainty in relation to the Company's ability to continue as a going concern.

The Company is in negotiation for an external loan of $1,300,000. Additionally, Vectus is in active dialog with a number of brokers, potential investors and other sources of funding, for an additional initial amount in excess of $2,000,000. The Company also has the ability to reduce its operating expenses to quite modest levels if required.

As a consequence of the above, the Directors are of the opinion that the Company will have adequate resources to continue to be able to meet its obligations as and when they fall due. For this reason they continue to adopt the going concern basis in preparing the Annual Financial Report.

NOTE 3: **Accounting Policies**
This Appendix 4E does not include notes of the type normally included within an Annual Financial Report, and therefore cannot be expected to provide a full understanding of the financial performance and financial position of the Group as in the full Annual Financial Report. The Appendix 4E should be read in conjunction with the Annual Financial Report, due to be released in September 2017, for the year ended 30 June 2017. It is also recommended that the Preliminary Final Report be considered together with any public announcements made by Vectus Biosystems Limited during the year ended 30 June 2017 in accordance with the continuous disclosure obligations under the ASX Listing Rules and under the *Corporations Act 2001.*