



31 October 2017

Company Announcements Office  
Australian Securities Exchange

## **QUARTERLY REPORT – APPENDIX 4C**

In accordance with ASX Listing Rule 4.7B, Vectus Biosystems Limited (Vectus or the Company) attaches its September 2017 Quarterly Report – Appendix 4C.

### ***Commentary on Activities for the September 2017 Quarter***

Vectus is currently leveraging its powerful intellectual property and patent portfolio, its drug library of over 1,000 compounds, and its strong pre-clinical data, with a singular clinical focus on reversing fibrosis and therefore end organ damage.

#### **Investigational New Drug (IND) Toxicology**

The IND application enabling toxicology and pharmacokinetic studies for VB0004 continue to meet all milestones. The cardiovascular and respiratory safety studies have been completed in dogs and have received clear reports. In addition, the 28-day safety study has been completed. In this study, no adverse events occurred to a maximum dose of 600 milligrams per kilogram daily. This dose is 1 to 5,000 times the anticipated daily human therapeutic dose and indicates a very wide safety margin for VB0004.

#### **Patents**

The patent for VB0004 has now been granted in Europe. This completes the major jurisdictions for VB0004 being granted in the USA, China, Japan, South Korea and Europe, as well as Australia, New Zealand, South Africa, Singapore and the Philippines.

#### **AusBiotech 2017**

Vectus attended the AusBiotech 2017 conference in Adelaide last week, and had numerous meetings with both global and regional pharmaceutical companies. A consistent message was that there is increasing interest in anti-fibrotic agents in general and in the Company's platform anti-fibrotic technology in particular.

#### **Pharmaceutical Company Engagement**

Vectus is accelerating pharmaceutical company engagement. Follow-up to presentations made by the Company at conferences attended by industry leaders in the USA, Australia and New Zealand highlight broad and expanding levels of engagement in Vectus' key areas of interest, being cardiovascular disease, pulmonary (lung) fibrosis, non-alcoholic steatohepatitis (NASH) and alcoholic steatohepatitis (ASH) (liver disease).

#### **Phase I**

Phase I human clinical trials for VB0004 are targeted to commence in 2018, subject to funding. The tendering process is well underway, with a second round of submissions being requested from preferred clinical research organisations (CROs).

#### **Finance**

The Company continues to take steps to support the funding of its future research and development (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. The refund of approximately \$1.3 million is expected to be received in the current quarter of the 2017-18 financial year. The Company is in active dialogue with a number of brokers, potential investors and other sources of funding. As an interim measure, Vectus has received loan funding from the Company's founders, secured

by the R&D cash-back receivable. Vectus has the ability to reduce its operating expenses to quite modest levels if required. 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 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 the current quarter of the 2017-18 financial year.

#### **Annual General Meeting (AGM)**

Vectus will be providing a comprehensive update to the market and at its forthcoming AGM, to be held at 4:30pm on 16 November 2017 at Level 8, Angel Place, 123 Pitt Street, Sydney.

#### **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.

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

**Vectus Biosystems Limited**

ABN

**54 117 526 137**

Quarter ended ("current quarter")

**30 September 2017**

#### 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	(214)	(214)
(b) staff costs and directors' fees	(206)	(206)
(c) occupancy cost	(57)	(57)
(d) corporate overheads	(22)	(22)
(e) legal and professional fees	(11)	(11)
(f) other operating costs, including working capital	(5)	(5)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	-	-
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)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(516)</b>	<b>(516)</b>

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>2 Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	-	-
<b>3 Cash flows from financing activities</b>		
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	-	-
<b>4 Net increase / (decrease) in cash and cash     equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year	517	517
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(516)	(516)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>1</b>	<b>1</b>

## 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

5.1 Cash on hand and at bank

5.2 Term Deposits

5.3 Bank overdrafts

5.4 Other (provide details)

**5.5 Cash and cash equivalents at end of quarter (item 4.6)**

Current quarter \$A'000	Previous quarter \$A'000
1	517
-	-
-	-
-	-
<b>1</b>	<b>517</b>

## 6 Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

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

Directors' fees paid to Non-Executive Directors:

Graham Macdonald

Ron Shnier

Peter Bush

Susan Pond

TOTAL

Current quarter \$A'000
37
-

37
-
-
-
-
-

## 7 Payments to related entities of the entity and their associates

7.1 Aggregate amount of payments to these parties included in item 1.2

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 Group Pty Ltd of which Messrs M Stang and B Stang are Directors.

Current quarter \$A'000
-
-

-
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## 8 Financing facilities available

Add notes as necessary for an understanding of the position.

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.

Loan facility of \$150,000 was provided by Messrs M and B Stang and was drawn down in October 2017. This loan is secured by the R&D cash-back receivable and interest is payable at 8% per annum.

Total facility \$A'000	Amount drawn \$A'000
150	-
-	-
-	-

## 9 Estimated cash outflows for next quarter

9.1 patent and research expenses

9.2 staff costs and directors' fees

9.3 occupancy cost

9.4 corporate overheads

9.5 legal and professional fees

9.6 other operating costs, including working capital

9.7 Total estimated cash outflows

\$A'000
361
160
113
28
88
5
755

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

10.1 Name of entity

10.2 Place of incorporation or registration

10.3 Consideration for acquisition or disposal

10.4 Total net assets

10.5 Nature of business

Acquisitions	Disposals
n/a	n/a

## 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 2017**