



31 January 2018

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 December 2017 Quarterly Report – Appendix 4C.

Commentary on Activities for the December 2017 Quarter

During the quarter, in addition to its technical programme, Vectus engaged with several regional and international pharmaceutical companies in discussions aimed at potential commercial and licencing relationships. The global interest in anti-fibrotic agents continues to strengthen and the Company's lead candidate, VB0004, is well placed to enter human clinical trials, subject to appropriate funding. Additionally, Vectus is receiving interest in its A32 compound for liver fibrosis, including non-alcoholic steatohepatitis (NASH) and alcoholic steatohepatitis (ASH) (liver disease), and its A79 compound for pulmonary fibrosis, including idiopathic pulmonary fibrosis (IPF), asbestosis and coal dust pneumoconiosis (Black Lung Disease).

The Company recently attended an international trade exhibition in Dongguan in South China, where it was featured on the Australian technology pavilion. Vectus is currently assessing several opportunities to enter into later-stage clinical trials in China, subject to successful phase I/IIa trials in Australia for its lead compound and additional anti-fibrotic compounds if they progress to lead status. China provides a large pool of potential patients in the targeted areas of cardiovascular, liver (NASH and ASH) and lungs (IPF) diseases because of air pollution, industrial contamination and general environmental factors.

Investigational New Drug (IND) Toxicology

The 28-day bone marrow toxicity study has now been completed, with no adverse events noted during the in-life phase. This is in keeping with other 28-day studies performed during the IND toxicology work.

The draft of the audited report for the 28-day dog study has been received. This report provides further evidence of the lack of toxic effects of VB0004. Haematological, biochemical, gross pathological and histological examinations all demonstrated normal findings in doses up to 500mg/kg per day, confirming the in-life observations of no toxicity for VB0004.

Patents

As previously reported, the major jurisdictions for VB0004 have now been granted, and the Company has a broad range of small molecule drug candidates in its library, which are supported by additional intellectual property.

Finance

During the quarter, Vectus received a series of loans from Directors and shareholders. In December 2017 the Company received an ATO cash-back refund of \$1.429 million and was able to discharge these liabilities. As previously reported, Vectus has pre-approved status for ATO R&D cash-back. It currently has approximately \$1 million in entitlements for the period from 1 July 2017 and is accruing further receivables on current R&D expenditure. The Company continues to explore a range of options in relation to its funding requirements, including non-dilutive grants. Vectus has organised a standby monthly line of credit to cover the Company's overheads. The Company is also in advanced discussions with several parties on a capital raising.

Vectus Biosystems Limited

Karen Duggan

Chief Executive Officer and Executive Director

VECTUS BIOSYSTEMS LIMITED ABN 54 117 526 137

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About Vectus Biosystems Limited

Vectus Biosystems Limited (ASX:VBS) (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 on the Australian Securities Exchange (ASX) and commenced trading on ASX on 23 February 2016, after raising \$5.1 million. Funds raised 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 licencing 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")

31 December 2017

Consolidated statement of cash flows

1 Cash flows from operating activities

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) patent and research expenses	(612)	(827)
(b) staff costs and directors' fees	(260)	(466)
(c) occupancy cost	(78)	(135)
(d) corporate overheads	(151)	(173)
(e) legal and professional fees	(20)	(31)
(f) other operating costs, including working capital	(1)	(6)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	1
1.5 Interest and other costs of finance paid	(5)	(4)
1.6 Income tax refund received (including R&D Tax Offset)	-	-
1.7 Government grants and tax incentives	1,429	1,429
1.8 Others (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	303	(213)

	Current quarter \$A'000	Year to date (6 months) \$A'000
2 Cash flows from investing activities		
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)	-	-
2.6 Net cash from / (used in) investing activities	-	-
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	720	720
3.6 Repayment of borrowings	(720)	(720)
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	1	517
4.2 Net cash from / (used in) operating activities (item 1.9 above)	303	(213)
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	-	-
4.6 Cash and cash equivalents at end of quarter	304	304

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
304	1
-	-
-	-
-	-
304	1

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
153
-

49
33
23
25
23
104

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
51
-

51

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.

Not Applicable

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

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
260
150
83
12
29
-
534

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 January 2018**