30 April 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 March 2018 Quarterly Report – Appendix 4C.

Overview

- Ongoing and increasing engagement with multiple pharmaceutical and trade companies.
- Positive outlook for a successful Phase I study for VB0004 based on the extensive preclinical work done to-date.
- Notices of allowance or intention to grant patents covering the T analogues for VB0004 in key jurisdictions.
- A32 and related compounds notice of allowance for the patent covering A32 and related compounds for treatment of liver fibrosis from the US patent office.
- Studies in two species have now been completed for the IND toxicology, being the immediate precursor for the Phase I clinical trial for VB0004.
- Accugen Key Opinion Leader identification and discussions with leading distributors.

Commentary

During the quarter, the Company continued with a range of activities targeting the upcoming Phase I clinical trial for its lead compound VB0004. In parallel, Vectus remains engaged with a range of pharmaceutical companies that have expressed interest in one or more of the compounds that the Company wishes to progress into human clinical trials. Furthermore, Vectus is in discussions with a variety of trade and investment entities that may wish to participate in the Company's business.

Vectus has been assessing various opportunities in China based on a significant unmet need for new therapeutic agents targeting both Idiopathic Pulmonary Fibrosis (lung) and Hepatic Fibrosis of the liver. China presents a large patient population for latter stage clinical trials, and both the Company's emerging leads, A79 and A32, present compelling medical and social targets for the Chinese authorities.

VB0004 Update

Patents

Notices of allowance or intentions to grant have been received for patents covering the T analogues of VB0004 for the jurisdictions of Europe, Japan, South Korea and Singapore. These add to the already granted jurisdictions of Australia and the US. Furthermore, a notice of allowance has been received for the patent covering A32 and related compounds for treatment of liver fibrosis from the US patent office. The rapid grant of these patents confirms the novelty of Vectus' platform of transformational anti-fibrotics and provides further validation of the Company's technology.

Investigational New Drug, (IND) Toxicology
Studies in two species have now been completed for the IND toxicology work, the immediate precursor for the Phase I clinical trial for VB0004, Vectus' lead cardiovascular and renal compound. No in-life adverse events were noted despite very high doses administered in each species. Furthermore, no significant changes in laboratory parameters were recorded.

Phase I
The Company's tendering process is well underway, with a second round from preferred applicants. The Board is now reviewing the tenders from Contract Research Organisations to enable progression of VB0004 into a Phase I First-in-Human trial, subject to appropriate funding.

Pharmaceutical Company Engagement

As previously reported, Vectus continues to engage with a number of global and regional pharmaceutical companies that have executed confidential disclosure agreements or material transfer agreements. There has been considerable interest from a number of groups in formally engaging with the Company after Vectus' successful completion of a Phase I trial of VB0004.

The Company believes that, based on the extensive preclinical work completed to-date, there is an encouraging outlook for a positive outcome for a successful Phase I trial for VB0004.

Finance

Vectus continues to receive loan funding against its Australian Taxation Office cash-back for the financial year ending 30 June 2018. Expenditure to-date, under the pre-approved research and development expenditure, is in excess of $1.2 million, with a projected refund for the full year of approximately $1.2 million. It is important to note that, subject to adhering to the requisite conditions, the cash-back for the 2017-18 financial year is now an entitlement of the Company and is expected to be received in the 2018 calendar year.

Vectus is currently assessing various options for a capital raise in the form a private placement and potentially a share purchase plan. The Company has also engaged a leading global consultancy, as previously reported, to target non-dilutive grant opportunities both in Australia and internationally.

Accugen Update

Vectus is pleased to advise that the patent covering Accugen's reagent has been granted in both Europe and China, in addition to the other major jurisdictions of Japan and the US, as well as Australia, New Zealand, Chile, Israel, Malaysia, the Philippines, Singapore and South Africa.

The Company is undertaking Key Opinion Leader identification and outreach for the Accugen consumable. It is also in discussion with distributors to assess their interest in distributing and supporting the AccuCal consumable through their marketing channels.

Accugen has been utilised by Vectus to support its fast track drug development programme. The technology is now reaching a level of commercial maturity that is

attracting interest from both potential customers and trade parties. The Company's commercial team has made significant progress in preparing the Accugen software and reagent for future commercial sale whilst offering an advanced and cost-effective solution to customers undertaking quantitative-polymerase chain reaction (q-PCR) studies, by providing absolute quantitation in a robust and reproducible manner.

Vectus Biosystems Limited

Karen Duggan
Chief Executive Officer and Executive Director

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	Quarter ended ("current quarter")
54 117 526 137	**31 March 2018**

Consolidated statement of cash flows

	1 Cash flows from operating activities	**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) patent and research expenses	(368)	(1,195)
	(b) staff costs and directors' fees	(182)	(648)
	(c) occupancy cost	(38)	(173)
	(d) corporate overheads	(39)	(212)
	(e) legal and professional fees	(49)	(80)
	(f) other operating costs, including working capital	5	(1)
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	-	(4)
1.6	Income tax refund received (including R&D Tax Offset)	-	-
1.7	Government grants and tax incentives	-	1,429
1.8	Others (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	(671)	(884)

		Current quarter $A'000	Year to date (9 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	400	1,120
3.6	Repayment of borrowings	-	(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**	400	400
4	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year	304	517
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(671)	(884)
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)	400	400
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of quarter**	**33**	**33**

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	33	304
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)**	**33**	**304**

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	56
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	56
Directors' fees paid to Non-Executive Directors:	
Graham Macdonald	-
Ron Shnier	-
Peter Bush	-
Susan Pond	-
TOTAL	-

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	-
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. -

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	300
9.2	staff costs and directors' fees	160
9.3	occupancy cost	83
9.4	corporate overheads	12
9.5	legal and professional fees	100
9.6	other operating costs, including working capital	-
9.7	**Total estimated cash outflows**	**655**

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: **30 April 2018**