



31 July 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 June 2018 Quarterly Report – Appendix 4C.

Overview

- Positive engagement made with wide range of leading pharmaceutical companies at BIO International Convention in Boston.
- Further granting of key jurisdictions for lead compound VB0004 – Canada, Hong Kong and ARIPO (covering 19 states in Africa).
- Allowance in USA for VB4-A32 (liver) and related compounds.
- Audited IND toxicology reports received – confirming absence of adverse events despite treatment with exceptionally-high doses of VB0004.
- Dialogue with regional biotech companies and potential strategic investors.
- Advanced discussions with first potential Accugen distributor.

Commentary

During early June 2018 Dr Karen Duggan (the Company's Chief Executive Officer (CEO)) attended the BIO International Convention in Boston, USA on behalf of Vectus. The Company met with a number of major pharmaceutical companies, established new engagement with a number of regional players and held ongoing discussions with several multinational pharmaceutical companies. Arising out of these meetings, there was real interest in all of Vectus' lead, and emerging lead, anti-fibrotic compounds.

The Company has accelerated the rate of its engagement with potential trade partners. Two pharmaceutical companies have expressed interest in a potential pre-clinical relationship, whilst several groups have indicated that their mandate is to engage once Phase I data is available.

The patent covering VB0004 has now been granted by Canada and Hong Kong, as well as the African Regional Intellectual Property Organisation (ARIPO), which covers 19 states. Furthermore, the patent that encompasses the VB0004 library has been granted in Singapore and South Korea, while a notice of allowance has been received from the USA patent office for the patent covering VB4-A32 (liver) and related compounds.

The audited reports on the various components of the IND toxicology studies have now been received, confirming the absence of adverse events despite treatment with exceptionally-high doses of VB0004.

VECTUS BIOSYSTEMS LIMITED ABN 54 117 526 137

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Finance

Vectus continues to receive certain advances against its ATO research and development (R&D) cash-back for the financial year ended 30 June 2018. Initial analysis of expenditure for the June 2018 year indicates that there is a pre-approved R&D expenditure of \$2,179,000 and this results in a projected refund for the year of \$946,000. It is important to note that, subject to adhering to the requisite conditions, the R&D 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 continues to assess a range of financing options to support its activities. The timing of the proposed Phase I human clinical trial for VB0004 remains dependant on the availability of appropriate funding.

Accugen Update

Accugen Pty Limited is now engaged in commercial discussions with a potential distributor in Australia for commercial sales for RealCount software and AccuCal reagents for real-time quantitation of q-PCR. It is anticipated that distributors will be evaluated for key international markets based on the outcome of this first launch in Australia.

Summary

The interest of pharmaceutical and biotech companies in the Vectus validated anti-fibrotic compounds remains strong. The Company's portfolio of granted patents continues to expand. It now provides an attractive patent library of over 1,000 potential lead compounds, supported by intellectual property that has, in many cases, up to 20 years of exclusivity to run.

Vectus Biosystems Limited

Karen Duggan

CEO 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

54 117 526 137

Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows

1 Cash flows from operating activities

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) patent and research expenses	(196)	(1,391)
(b) staff costs and directors' fees	(149)	(798)
(c) occupancy cost	-	(173)
(d) corporate overheads	(46)	(258)
(e) legal and professional fees	(57)	(137)
(f) other operating costs, including working capital	(42)	(43)
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	(14)	(18)
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	(503)	(1,387)

	Current quarter \$A'000	Year to date (12 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	512	1,632
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	512	912
4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year	33	517
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(503)	(1,387)
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)	512	912
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	42	42

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
42	33
-	-
-	-
-	-
42	33

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
50
-

50
-
-
-
-
-

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
-
-

-

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
200
150
60
50
75
-
535

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 July 2018**