



31 October 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 September 2018 Quarterly Report – Appendix 4C.

Commentary on Activities for the September 2018 Quarter

Vectus has achieved several key milestones in developing its small molecule anti-fibrotic lead compound VB0004, including:

- Studies in two species have now been completed for the Investigational New Drug (IND) toxicology, being the immediate precursor for the Phase I clinical trial for VB0004.
- Audited IND toxicology reports have been received, confirming the absence of adverse events despite treatment with exceptionally-high doses of VB0004.
- IND application enabling toxicology and pharmacokinetic studies for VB0004 are continuing to meet all milestones. Phase I human clinical trials are targeted to commence upon appropriate funding.

Patents

The patent for VB0004 has now been granted in all major jurisdictions, including in the USA, China, Japan, South Korea and Europe, as well as in Australia, New Zealand, South Africa, Singapore, the Philippines, Vietnam and Ukraine. Additionally, the 'path to synthesis' patent for VB0004 has now been accepted in the USA and the 'T analogues' patent has been accepted in Israel and the Russian Federation. The Company also has granted patents, or applied for patents, protecting its library of over 1,000 compounds, addressing:

- Liver fibrosis, including non-alcoholic steatohepatitis (NASH) and alcoholic steatohepatitis (ASH) (VB4-A32);
- Pulmonary fibrosis, including idiopathic fibrosis, asbestosis and coal dust pneumoconiosis (Black Lung Disease) (VB4-A79); and
- Renal fibrosis (VB4-P5).

Trade Engagement

Vectus is continuing its dialogue with a cross-section of global and mid-size pharmaceutical companies. Feedback from these industry leaders is suggestive of the potential for meaningful transactions upon a successful Phase I human trial for VB0004.

Finance

The Company continues to take steps to support the funding of its future research and development (R&D), and product commercialisation programme. Vectus continues to receive certain advances against its Australian Taxation Office R&D cash-back for the financial year ended 30 June 2018. 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 December 2018 quarter.

In addition, Vectus is in active dialogue with several brokers, potential investors and other sources of funding. As an interim measure the Company is utilising a Director loan. Vectus can reduce its operating expenses to quite modest levels if required.

The Company will be providing a comprehensive update at its forthcoming Annual General Meeting of shareholders to be held at the offices of Shelston IP, Level 21, 60 Margaret Street, Sydney on Wednesday, 14 November 2018 commencing at 3:30pm.

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 2018

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	(258)	(258)
(b) staff costs and directors' fees	(133)	(133)
(c) occupancy cost	-	-
(d) corporate overheads	(18)	(18)
(e) legal and professional fees	(17)	(17)
(f) other operating costs, including working capital	(28)	(28)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(30)	(30)
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)	-	-
1.9 Net cash from / (used in) operating activities	(484)	(484)

	Current quarter \$A'000	Year to date (3 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	478	478
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)	-	-
3.10 Net cash from / (used in) financing activities	478	478
4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year	42	42
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(484)	(484)
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)	478	478
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	36	36

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
36	42
-	-
-	-
-	-
36	42

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
54
-

54
-
-
-
-
-

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
240
150
60
20
60
10
540

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 2018**