



28 February 2019

Company Announcements Office
Australian Securities Exchange

HALF-YEAR REPORT

Vectus Biosystems Limited (Vectus or the Company) reports its financial results for the half-year ended 31 December 2018.

The Vectus Group's operating costs continue to be carefully controlled, with a decrease of 39% compared to the prior corresponding period, down from \$2.3 million in the 2017 half year to \$1.4 million in the 2018 half year.

Vectus continues in the advanced stage pre-clinical development of its lead compound, VB0004, a new chemical class of drug that prevents and, unlike any known competitor in its field, reverses fibrosis, the process causing organ failure, in damaged and diseased hearts and kidneys. Several key milestones were achieved during the December 2018 half year, including the completion of studies in two species for the Investigational New Drug (IND) toxicology, being the immediate precursor for the Phase I clinical trial for VB0004. Audited IND toxicology reports were received, confirming the absence of adverse events despite treatment with exceptionally-high doses of VB0004. IND application enabling toxicology and pharmacokinetic studies for VB0004 continue to meet all milestones. Phase I (safety) human clinical trials are targeted to commence upon receipt of appropriate funding. The economic and health benefits of avoiding very costly treatments (for instance, dialysis for kidney failure or heart transplants), and of evading early death, underpin VB0004's outstanding reimbursement potential.

The Company's intellectual property portfolio continues to evolve, both in terms of scope and the increasing number of granted patents targeting high-value unmet needs across multiple disease states in major international territories. 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. Vectus has also received granted patents, or applied for patents, to protect its library of compounds addressing liver fibrosis, including non-alcoholic steatohepatitis and alcoholic steatohepatitis (VB4-A32), pulmonary fibrosis, including idiopathic fibrosis, asbestosis and coal dust pneumoconiosis (Black Lung Disease) (VB4-A79), and renal fibrosis (VB4-P5).

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

Work continues on the Accugen technology, and additional pre-commercial customer trials took place during the half-year, with the aim to evaluate, and then commence, its commercial rollout.

Vectus continues to be the recipient of the Australian Taxation Office's research and development (R&D) cash-back scheme, and is in discussions with parties targeting additional non-dilutive funding reflecting its lead compounds' potential to reduce healthcare costs in several high-cost disease states. In January 2019 the Company received an amount of \$900,000 under its 30 June 2018 R&D cash-back claim. Vectus is very confident that it will continue to be successful in securing R&D refund entitlements from the Government.

VECTUS BIOSYSTEMS LIMITED ABN 54 117 526 137

3-11 Primrose Avenue, Rosebery, NSW 2018 Telephone: +61 2 9662 4144 Facsimile: +61 2 9697 0933

Website: www.vectusbiosystems.com.au

The Vectus Group is engaged in evaluating a number of options to address its future capital requirements, including strategic discussions with potential trade partners. Vectus is in current dialogue with a number of brokers, institutional fund managers and pharmaceutical industry investors regarding its future capital requirements. As an interim measure, Vectus is utilising a loan from one of its Directors, as detailed in recent Quarterly Reports and in the 2018 Annual Report. Vectus is very focused on raising sufficient funds to complete the Phase I human trial for VB0004 and is currently actively considering a number of funding proposals before it.

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 (together the Vectus Group). 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 4D

Half Year Report for the six months ended on 31 December 2018

Name of entity

VECTUS BIOSYSTEMS LIMITED ABN: 54 117 526 137

Half year report for the six months ended on 31 December 2018 (comparatives for the six months ended on 31 December 2017).

Results for announcement to the market

Revenues from ordinary activities	down	(90.9%)	to	92
(Loss) from ordinary activities after tax attributable to members	down	(41.7%)	to	(509,071)
Net (loss) for the period attributable to members	down	(41.7%)	to	(509,071)
Dividends (distributions)	Amount per security		Franked amount per security	
Final and interim dividends	Nil ¢		Nil ¢	
Previous corresponding period	Nil ¢		Nil ¢	

Brief Explanation of figures

Refer to attached 31 December 2018 Half Year Financial Report

Net tangible assets per security with the comparative figure for the previous corresponding period.

NTA backing

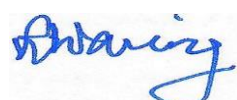
	31 Dec 2018	31 Dec 2017
Net tangible asset backing per ordinary share	(11.43) cents	(2.78) cents

Audit qualification or review

The accounts were subject to review by the Auditors and the review report is attached as part of the Half Year Report.

Other comments

Refer to attached 31 December 2018 Half Year Financial Report



Robert J Waring
Company Secretary

28 February 2019



Vectus Biosystems Limited
ACN 117 526 137

Half Year Financial Report

For the Half Year Ended
31 December 2018



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Corporate Directory

Vectus Biosystems Limited

ACN: 117 526 137
ABN: 54 117 526 137

Directors

Mr Maurie Stang	Non-Executive Deputy Chairman
Dr Karen Duggan	Executive Director and Chief Executive Officer
Mr Peter Bush	Non-Executive Director
Dr Ronald Shnier	Non-Executive Director
Prof Susan Pond	Non-Executive Director

Company Secretary

Mr Robert Waring

Registered and Principal Office

3 – 11 Primrose Avenue
Rosebery NSW 2018 Australia

Telephone: +61 2 9662 4144
Facsimile: +61 2 9662 6040
Email: info@vectusbiosystems.com.au
Website: www.vectusbiosystems.com.au

Share Registry

Boardroom Pty Limited
Level 12, Grosvenor Place, 225 George Street, Sydney NSW 2000
GPO Box 3993, Sydney NSW 2000

Telephone: +61 2 9290 9600
Facsimile: +61 2 9279 0664
Website: www.boardroomlimited.com.au
Email: enquiries@boardroomlimited.com.au

Auditor

UHY Haines Norton Sydney
Level 11, 1 York Street, Sydney NSW 2000
GPO Box 4137, Sydney NSW 2001
Telephone: + 61 2 9256 6600
Website: www.uhyhnsydney.com.au

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange (ASX Limited). ASX Code: VBS

Vectus Biosystems Limited

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Vectus Biosystems Limited (the Company) and its controlled entities together with the consolidated financial report for the half-year ended 31 December 2018.

DIRECTORS

The names and details of the Company's Directors in office during the half year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Maurie Stang (Non-Executive Deputy Chairman)
Karen Duggan (Executive Director and Chief Executive Officer)
Peter Bush (Non-Executive Director)
Ronald Shnier (Non-Executive Director)
Susan Pond (Non-Executive Director)
Graham Macdonald (Non-Executive Chairman) *Retired 31 August 2018*

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial period consisted of medical research and development.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the nature of activities of the consolidated entity during the period.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In the opinion of the Directors, no matters or circumstances have arisen since 31 December 2018 that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

REVIEW OF OPERATIONS

The Group's total net loss for the six months period to 31 December 2018 was down 42% to \$509,071 (2017 loss: \$873,933).

ROUNDING OF ACCOUNTS

The Company is of a kind referred to in Corporations Instrument 2016/191 issued by the Australian Securities and Investment Commission, relating to "rounding-off". Amounts in this report have been rounded off to the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT

The Auditor's Independence Declaration is set out in the attached statement from UHY Haines Norton and forms part of the Directors' Report for the half year ended 31 December 2018.

DIVIDENDS

No dividends were proposed, declared or paid during the half year period and to the date of this report (2017: Nil).

This report is made in accordance with a resolution of the Directors pursuant to section 306(3)(a) of the *Corporations Act 2001*.



Maurie Stang
Non-Executive Deputy Chairman

Sydney, 28 February 2019

Vectus Biosystems Limited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2018

	Notes	December 2018 \$	December 2017 \$
Revenue and other income	2	92	1,010
Administration and corporate expenses		(297,651)	(348,325)
Financial expenses	3	(62,828)	(4,500)
Depreciation and amortisation expense	3	(10,965)	(10,050)
Employee benefits expense and Directors' remuneration	3	(595,932)	(702,194)
Occupancy expenses	3	(151,259)	(147,445)
Research & Development expenses	3	(285,194)	(1,073,514)
Travel expenses		(5,276)	(18,040)
Loss before income tax expense		(1,409,013)	(2,303,058)
Income tax benefit (R&D tax rebate)		899,942	1,429,125
Net loss for the period		(509,071)	(873,933)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss		-	-
TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR		(509,071)	(873,933)
Total comprehensive loss for the half year attributable to members of Vectus Biosystems Limited		(509,071)	(873,933)
EARNINGS PER SHARE		Cents	Cents
Basic loss per share	7	(2.18)	(3.74)
Diluted loss per share	7	(2.18)	(3.74)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Vectus Biosystems Limited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	December 2018 \$	June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents	4	9,992	41,811
R&D grant receivable		899,942	-
Other current assets	5	85,076	108,295
TOTAL CURRENT ASSETS		995,010	150,106
NON-CURRENT ASSETS			
Plant and equipment		46,791	46,177
TOTAL NON-CURRENT ASSETS		46,791	46,177
TOTAL ASSETS		1,041,801	196,283
CURRENT LIABILITIES			
Trade and other payables		1,033,932	997,814
Other current liabilities		495,008	281,153
Provisions		277,079	248,706
Borrowings		1,892,860	912,000
TOTAL CURRENT LIABILITIES		3,698,879	2,439,673
NON-CURRENT LIABILITIES			
Provisions		7,757	13,009
Borrowings		6,433	-
TOTAL NON-CURRENT LIABILITIES		14,190	13,009
TOTAL LIABILITIES		3,713,069	2,452,682
NET LIABILITIES		(2,671,268)	(2,256,399)
EQUITY			
Issued capital		17,600,420	17,600,420
Reserves		487,954	393,752
Accumulated losses		(20,759,642)	(20,250,571)
TOTAL DEFICIT		(2,671,268)	(2,256,399)

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Vectus Biosystems Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the half-year ended 31 December 2018

	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Total Equity \$
Balance at 1 July 2018	17,600,420	(20,250,571)	393,752	(2,256,399)
Total Comprehensive Income				
Loss for the period	-	(509,071)	-	(509,071)
Total comprehensive loss for the period	-	(509,071)	-	(509,071)
Transaction with owners in their capacity as owners				
Share-based payment	-	-	94,202	94,202
Balance at 31 December 2018	17,600,420	(20,759,642)	487,954	(2,671,268)
Balance at 1 July 2017	17,591,420	(17,663,275)	188,418	116,563
Total Comprehensive Income				
Loss for the period	-	(873,933)	-	(873,933)
Total comprehensive loss for the period	-	(873,933)	-	(873,933)
Transaction with owners in their capacity as owners				
Share-based payment	-	-	107,956	107,956
Balance at 31 December 2017	17,591,420	(18,537,208)	296,374	(649,414)

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Vectus Biosystems Limited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2018

	December 2018 \$	December 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from government grants (inclusive of GST)	-	1,429,125
Payments to suppliers and employees (inclusive of GST)	(1,008,911)	(1,642,947)
Interest received	92	755
Net cash used in operating activities	(1,008,819)	(213,067)
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing of loans	977,000	720,000
Repayment of loans	-	(720,000)
Net cash provided by financing activities	977,000	-
Net decrease in cash held	(31,819)	(213,067)
Cash at the beginning of the half year	41,811	516,913
Cash at the end of the half year	9,992	303,846

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Vectus Biosystems Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

1 Statement of Accounting Policies

(a) Financial Reporting Framework

This Half Year Financial Report is a general purpose financial report that has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations and authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

The Half Year Financial Report should be read in conjunction with the annual financial report of Vectus as at 30 June 2018. It is also recommended that the Half Year Financial Report be considered together with any public announcements made by the Company during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The Half Year Financial Report does not include all notes of the type normally included within the annual financial report, and therefore cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the Group as the full Financial Report.

The Half Year Financial Report has been prepared on the basis of historical costs and does not take into account changing money values or fair values of assets.

The accounting policies that have been adopted in the preparation of this Financial Report have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2018 Financial Report. The adoption of new and amended standards is set out below.

Going Concern

The Company has made operating losses of \$509,071 for the half year to 31 December 2018 (2017: \$873,933). The net assets position has gone down from (\$2,256,399) as at 30 June 2018 to (\$2,671,268) on 31 December 2018.

The operating cash burn rate for the half-year ended 31 December 2018 was \$1,008,819 (31 December 2017: \$213,067). The cash balance as at 31 December 2018 was \$9,992 (30 June 2018: \$41,811).

The Company has been the beneficiary of the Research and Development (R&D) cash back from Australian Taxation Office, with a refund of \$899,942 received in January 2019. Vectus also has options of drawing certain cash advances which can be provided to the company for repayment from the R&D grants.

Vectus is evaluating capital market transactions, trade and strategic discussions and certain proposals for the funding of clinical trials in large scale potential markets. The Company has the ability to vary certain expenditure, by either accelerating or deferring clinical trial related investments as required.

Directors are of the opinion that the Group will be successful in implementing these initiatives and, accordingly, have prepared the financial report on a going concern basis. Notwithstanding this belief, there is a risk that the Group may not be successful in implementing these initiatives or the implementation of alternative options which may be available to the Group. As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

(b) Changes in Accounting Policies

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half-year.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

(c) Impact of Standards issued but not yet applied by the Group

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Vectus Biosystems Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

	December 2018 \$	December 2017 \$
2 Other Income		
Interest received	92	755
Realised exchange variance	-	255
Total revenue	<u>92</u>	<u>1,010</u>
3 Expenses		
Loss from ordinary activities before income tax expense includes:		
Financial expenses		
Interest and bank fees paid	59,987	4,500
Realised foreign exchange loss	2,841	-
Total financial expenses	<u>62,828</u>	<u>4,500</u>
Depreciation and amortisation expense	10,965	10,050
Employee benefits expense and Directors' remuneration		
Base salary and fees	439,705	527,183
Superannuation expenses	30,606	36,155
Share based payment expense	94,202	107,957
Other employee expenses	8,297	23,891
Transfers from employee entitlements provisions	23,122	7,008
Total employee benefits expense and Directors' remuneration	<u>595,932</u>	<u>702,194</u>
Occupancy expenses	151,259	147,445
Research and development		
Research and development expense	133,313	625,987
Patent costs	151,881	447,527
Total research and development expense	<u>285,194</u>	<u>1,073,514</u>
	December 2018 \$	June 2018 \$
4 Cash and Financial Assets		
Cash and Cash Equivalents		
Cash at bank and on hand	<u>9,992</u>	<u>41,811</u>
	<u>9,992</u>	<u>41,811</u>
5 Other Current Assets		
Prepayments	60,998	82,815
Other receivables	24,078	25,480
	<u>85,076</u>	<u>108,295</u>

6 Operating Segments

The consolidated group operates only in one reportable segment which is 'Research and Development'.

Vectus Biosystems Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

7 Earnings per Share

	December 2018 \$	December 2017 \$
Basic loss per share (cents)	(2.18)	(3.74)
Diluted loss per share (cents)	(2.18)	(3.74)
Weighted average number of ordinary shares outstanding during the half year used in the calculation of basic EPS	23,379,996	23,374,770
Weighted average number of ordinary shares outstanding during the half year used in the calculation of diluted EPS	23,379,996	23,374,770

8 Related Party Transactions

A number of specified Directors, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arms-length basis.

Details of these transactions are shown below:

Regional Healthcare Group Pty Ltd

	December 2018 \$	December 2017 \$
The Company and its controlled entities incurred cost for services provided by Regional Healthcare Group Pty Ltd.		
Corporate and administration expenses	96,797	96,767
	<u>96,797</u>	<u>96,767</u>
	December 2018 \$	June 2018 \$
Outstanding Balance at the end of the reporting period *	266,195	169,398

* Mr M Stang is Director and shareholder of Regional Healthcare Group Pty Ltd.

Aeris Environmental Ltd

	December 2018 \$	December 2017 \$
The Company and its controlled entities incurred cost for services provided by Aeris Environmental Ltd.		
Accounting expenses	9,695	12,886
	<u>9,695</u>	<u>12,886</u>
	December 2018 \$	June 2018 \$
Outstanding Balance at the end of reporting period *	33,245	23,550

* Mr M Stang is Director and shareholder of Aeris Environmental Ltd and Mr P Bush is the CEO.

Vectus Biosystems Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

	December 2018 \$	June 2018 \$
9 Commitments		
(a) Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable for the laboratory facility at North Ryde:		
Within one year	25,210	36,789
One to five years	-	-
	<u>25,210</u>	<u>36,789</u>
(b) Lease commitments - finance		
Committed at the reporting date but not recognised as liabilities, payable for the laboratory facility at North Ryde:		
Within one year	3,860	68,845
One to five years	6,433	-
	<u>10,293</u>	<u>68,845</u>
(b) Operating commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
<i>Research and development expenses</i>		
Within one year	-	184,889
One to five years	-	-
	<u>-</u>	<u>184,889</u>
(c) Capital expenditure commitments		
There are no capital expenditure commitments.		

10 Events Subsequent to Reporting Date

There have been no matters or circumstances that have arisen since 31 December 2018 that have significantly affected, or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2018, of the consolidated entity;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial years subsequent to 31 December 2018, of the consolidated entity.

Vectus Biosystems Limited

DIRECTORS' DECLARATION

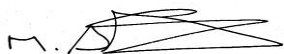
Directors' Declaration

In the Directors' opinion:

- 1 the attached financial statements and notes thereto comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- 2 the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- 3 there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Maurie Stang

Non-Executive Deputy Chairman

Sydney, 28 February 2019

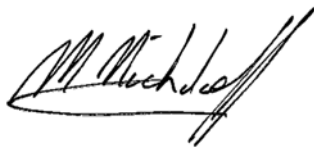
**Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001**

To the Directors of Vectus Biosystems Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2018, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Vectus Biosystems Limited and the entity it controlled during the half-year ended 31 December 2018.

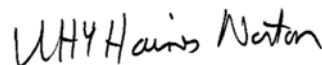


Mark Nicholaeff

Partner

Sydney

Dated: 28 February 2019



UHY Haines Norton

Chartered Accountants

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Vectus Biosystems Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Vectus Biosystems Limited ("the company"), which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vectus Biosystems Limited and the entity it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of \$509,071 during the half year ended 31 December 2018 and, as of that date, the consolidated entity's net deficit balance was \$2,671,268.

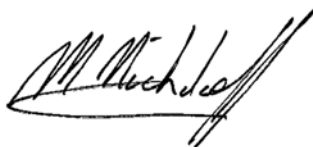
The consolidated entity's ability to continue as a going concern is dependent on the ability of the consolidated entity to successfully implement various fund raising initiatives. There is a risk that the consolidated entity may not be successful in implementing these initiatives or the implementation of alternative options which may be available to the consolidated entity. These conditions together with other matters described in Note 1, indicate material uncertainty that may cast doubt on the consolidated entity's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Our conclusion is not modified in respect of this matter.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Vectus Biosystems Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

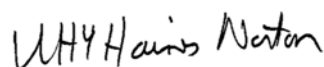


Mark Nicholaeff

Partner

Sydney

Date: 28 February 2019



UHY Haines Norton

Chartered Accountants