



31 July 2019

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 2019 Quarterly Report – Appendix 4C.

Commentary on Activities for the June 2019 Quarter

Research

Vectus continues to focus on a proposed Phase I trial of its proprietary VB0004, addressing a significant unmet need for anti-fibrotic agents for patients with cardiovascular and / or kidney disease. Aligned with the targeted anti-fibrotic activity, VB0004 has the important capability of lowering blood pressure, particularly in resistant systolic hypertension, as demonstrated in the pre-clinical research to-date. A recently-received good manufacturing practices (GMP) stability report indicates that, at 24 months, VB0004 remains stable i.e. it has a very good 'shelf life'.

Recent analysis utilising Accugen's technology has offered further insight into the mechanisms of the anti-fibrotic effect of A32 on the liver. The implication of these data, if supported by further research and clinical trials, strengthens the Company's position in the important global franchises of NASH (non-alcoholic steatohepatitis of the liver) and ASH (alcoholic steatohepatitis of the liver).

Current interest in pulmonary fibrosis has been demonstrated by a recent multi-billion dollar investment by a large pharmaceutical company. Vectus believes that its own anti-fibrotic candidate (A79) holds promise of addressing a cross-section of causes of pulmonary fibrosis, including occupational, lifestyle and genetic factors. Key to the Company's potential is the aim of not only slowing disease progression, but also reversing damage, which has the opportunity for a meaningful and positive impact on quality of life and on health care costs.

Patents

As previously announced, Vectus' all-important patent portfolio continues to strengthen, with the recent acceptance of the Company's Australian patent for Pulmonary Fibrosis (VB4-A79). This now marks the number of patents granted as 12 patents in 184 jurisdictions (including peptides) or eight patents in 59 jurisdictions (i.e. drugs, excluding peptides), being international patent applications that have successfully progressed to grant or gained acceptance without any material objections in the jurisdictions in which they have been filed.

Vectus continues to gain insights through its research and development (R&D) programme, which may lead to additional intellectual property, to further support the Company's portfolio of granted, and pending, patents. Vectus' strategy has been to protect not only the compounds and their applications, but also the path to discovery via the peptides and fragments, thereby providing a robust protection of over 1,000 compounds in the drug library.

Capital and Trade Engagement

As previously advised, the Company is in material discussions both in relation to its capital needs, and the opportunity to commercialise its lead and emerging compounds into strategic vertical and geographical partnerships.

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Vectus has recently provided information under signed confidential disclosure agreements to a number of parties that have expressed interest in the material disclosed. These discussions target both capital resources and strategic partnerships that may progress one or more of the Company's compounds in certain geographic markets.

Accugen

Accugen kits are now being made available to several key opinion leader sites for their evaluation and potential endorsement. Vectus is currently reviewing opportunities that may be available for the Company's proprietary AccuCal™ and RealCount™ products for applications related to food safety, which is a large and growing market.

Finance

Vectus has received several proposals for potential funding, which it is currently evaluating, and has now referred to its advisors for review. As an interim measure, the Company is utilising a loan from one of its Directors, which is secured against, and is to be partially repaid upon, the receipt of the R&D cash-back. It is important to note that, subject to adhering to the requisite conditions, the R&D cash-back for the 2018-19 financial year is now an entitlement of Vectus and is expected to be received in the December 2019 quarter. Additional R&D refund entitlements are being generated in the current financial year.

Vectus Biosystems Limited

Karen Duggan

Chief Executive Officer and Executive Director

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 2019

Consolidated statement of cash flows

1 Cash flows from operating activities

1.1 Receipts from customers

1.2 Payments for

(a) patent and research expenses

(b) staff costs and directors' fees

(c) occupancy cost

(d) corporate overheads

(e) legal and professional fees

(f) other operating costs, including working capital

1.3 Dividends received

1.4 Interest and other items of a similar nature received

1.5 Interest and other costs of finance paid

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

Current quarter \$A'000	Year to date (12 months) \$A'000
-	-
(262)	(927)
(135)	(547)
-	-
(15)	(86)
(42)	(97)
(17)	(87)
-	-
-	-
(129)	(200)
-	900
-	-
-	-
(600)	(1,044)

	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	641	1,796
3.6 Repayment of borrowings	-	(750)
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	641	1,046
4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year	2	42
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(600)	(1,044)
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)	641	1,046
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	43	43

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
43	2
-	-
-	-
-	-
43	2

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
32
-

32
-
-
-
-
-

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 Interest on loans paid to M Stang included in item 1.5

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
-
116

-

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
250
140
-
15
40
10
455

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 2019**