



31 October 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 September 2019 Quarterly Report – Appendix 4C.

#### ***Commentary on Activities for the September 2019 Quarter***

##### **Research**

During the quarter Vectus continued 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 validated that VB0004 has excellent stability and a projected shelf life in excess of 24 months.

Work continues on analysis of the mechanisms of the anti-fibrotic effect of **A32** on the liver. The Company's studies on pre-clinical models of liver fibrosis utilising Accugen's technology have provided data that show important parallels to human liver cirrhosis of all aetiologies (both alcoholic and non-alcoholic), accumulation of both collagen IV and fibronectin. The implication of these data, if supported by further research and clinical trials, strengthens Vectus' position in the important global franchises of NASH (non-alcoholic steatohepatitis of the liver) and ASH (alcoholic steatohepatitis of the liver). Current work will augment the Company's existing discussions with several pharmaceutical companies with a view to obtaining support for further work on VB4-A32.

Key to Vectus' potential value is the target of not only preventing 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. The healthcare industry's strong interest in pulmonary fibrosis has been evidenced by a recent multibillion-dollar investment by a large pharmaceutical company. The Company believes that its own anti-fibrotic candidate (**VB4-A79**) holds promise of addressing a cross-section of causes of pulmonary fibrosis, including occupational, lifestyle and genetic factors.

##### Investigator Brochure (IB) and Trial Protocol for Phase I for VB0004

Syneos Health Australia (formerly INC Research) has been appointed by Vectus to prepare the Investigator Brochure (IB) and Trial Protocol for Phase I for VB0004. Syneos Health Australia is based in Adelaide and has more than 20 years' experience in conducting Phase I Clinical trials in Australia. Its early phase pharmacology team has completed more than 400 protocols for various Phase I and clinical pharmacology studies. Further, Syneos Health Australia has an Early Phase Australia team dedicated only to Phase I studies and conducts some 40 to 50 Phase I studies annually.

##### Scientific Publication

A publication entitled "Vasoactive Intestinal Peptide Infusion Reverses Existing Myocardial Fibrosis in the Rat" (<https://doi.org/10.1016/j.ejphar.2019.172629>) appeared in the European Journal of Pharmacology, the official journal of The Federation of European Pharmacological Societies, published by Elsevier. In this fundamental, peer-reviewed publication of preclinical data in a model of cardiac fibrosis, researchers from the Company uniquely demonstrated the ability to reverse fibrotic damage that was already present at the time Vasoactive Intestinal Peptide (VIP) therapy commenced. This provides a distinct therapeutic advantage compared with currently available anti-fibrotic agents.

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## Patents

Vectus' all-important patent portfolio continues to strengthen, with 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. Coverage includes NASH and ASH (VB4-A32), pulmonary fibrosis, including idiopathic fibrosis, asbestosis and coal dust pneumoconiosis (Black Lung Disease) (VB4-A79), and renal fibrosis (VB4-P5).

The Company continues to gain insights through its research and development (R&D) programme. This may lead to additional intellectual property, to further support Vectus' portfolio of granted and pending, patents. The patent for VB0004 has been granted in all major jurisdictions. The Company's 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.

## Accugen

Vectus is actively involved in following up the results obtained using the Accugen kits that were made available to several key opinion leader sites for their evaluation and potential endorsement. The Company continues to review opportunities that may be available for Vectus' proprietary AccuCal™ and RealCount™ products for applications related to food safety, which is a large and growing market.

## Finance and Capital Raising

As previously reported, the Company is pleased to confirm a successful capital raising, with Tranche 1 of 3,000,000 Convertible Notes at \$0.50, which raised \$1,500,000, completed on 30 September 2019. This is the first stage of a Convertible Note issue to raise a total amount of \$7,000,000. The funds will be used to complete the Phase I clinical trials for VB0004, to advance the library of Vectus' other drugs and for general working capital. The subscribers were sophisticated, experienced and professional investors, and predominantly clients of Gleneagle Securities (Aust) Pty Ltd. There will be 14,000,000 Convertible Notes, each with a face value of \$0.50 each, issued in total, with a term of 36 months until maturity date. The interest rate is 6% per annum capitalised and paid on the maturity date (or, if agreed by the Company, the investor can elect to convert any unpaid interest on their Notes at the maturity date into Vectus shares at an issue price that is the higher of (i) \$0.50 and (ii) 10% below the relevant VWAP). On conversion each Note will be redeemed for \$0.50 plus any unpaid interest on that Note. The investors have the right to convert their Notes at any time prior to redemption. The Convertible Notes will not be listed on ASX and are secured. The second and final part of the raising, being Tranche 2 of 11,000,000 Notes at \$0.50 to raise \$5,500,000, will be completed following shareholder approval at the Company's Annual General Meeting (AGM) to be held on 22 November 2019.

Vectus has expanded its dialogue with a cross-section of global and mid-size pharmaceutical companies. Feedback from these industry leaders remains very positive for the potential for significant transactions upon a successful Phase I human trial for VB0004. The Company is currently in discussions in respect of its clinical programme and commercialisation roadmap in a major international market. If successful, this would have the potential of accelerating additional compounds through the pre-clinical and clinical programme.

Vectus will be providing a comprehensive update at its forthcoming AGM of shareholders to be held at the offices of Dentons Australia Limited, Level 16, 77 Castlereagh Street, Sydney on Friday, 22 November 2019 commencing at 11:00am.

## 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 September 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 (3 months) \$A'000
	-	-
	(213)	(213)
	(149)	(149)
	-	-
	(7)	(7)
	(64)	(64)
	(82)	(82)
	-	-
	-	-
	(1)	(1)
	-	-
	-	-
	-	-
	(516)	(516)

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>2 Cash flows from investing activities</b>		
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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>
<b>3 Cash flows from financing activities</b>		
3.1 Proceeds from issue of shares	-	-
3.2 Proceeds from issue of convertible notes	1,500	1,500
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	384	384
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>1,884</b>	<b>1,884</b>
<b>4 Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year	43	43
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(516)	(516)
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)	1,884	1,884
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>1,411</b>	<b>1,411</b>

## 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	1,411	43
5.2 Term Deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (item 4.6)</b>	<b>1,411</b>	<b>43</b>

## 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
70
-
70
-
-
-
-
-

## 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
-
-
-

## 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
200
-
15
75
100
<b>640</b>

## 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 2019**