



31 January 2020

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 December 2019 Quarterly Report – Appendix 4C.

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

Following shareholder approval of the recent capital raising at its Annual General Meeting (AGM) held on 22 November 2019, Vectus has commissioned Boron Molecular to undertake the manufacture of 25kg of the Regulatory Starting Material (RSM) that is required for the second 5kg batch of VB0004 (under Good Manufacturing Practice (GMP)). Based on Boron Molecular's timetable for this synthesis, delivery of the RSM is expected to be received in the first quarter of the 2020 calendar year. The Company is now tendering for its manufacturing under GMP of the material to be used for the forthcoming clinical trial and will provide further details to the market when this tender is awarded.

Contract negotiations are progressing with Syneos to formalise the agreement for preparing the Investigator Brochure, and the Phase 1 trial protocol and work is commencing.

### **Research**

The detailed investigation into the mechanisms involved in the development of hepatic fibrosis in the rat model of fibrosis used by Vectus has now been completed. This demonstrated significant parallels with human disease and a manuscript is being prepared for publication. Work has continued on the investigation of the mechanisms by which VB4-A32 reverses hepatic fibrotic damage.

The Company continues to undertake investigations into both new applications of its existing compounds and the potential for additional candidates in its broader library. The recognition of the potential of anti-fibrotic agents continues to grow and Vectus believes that its research is well placed to address these emerging needs.

### **Patents**

The Company's patent portfolio continues to strengthen, with the number of patents granted being 12 patents in 184 jurisdictions (including peptides) or eight patents in 59 jurisdictions (i.e. drugs, excluding peptides), i.e. 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' 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 its drug library. The patents covering VB0004 and its related compound library (the T compounds) have been granted in all major jurisdictions. Other patents cover NASH and ASH (VB4-A32 and related compounds), pulmonary fibrosis, including idiopathic fibrosis, asbestosis and coal dust pneumoconiosis (Black Lung Disease) (VB4-A79 and related compounds), and renal fibrosis (VB4-P5 and related compounds). The Company continues to gain insights through its research and development programme. This may lead to additional intellectual property to further support Vectus' portfolio of granted and pending patents.

**Accugen**

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

**Finance**

The recently-completed capital raising of 14,000,000 Convertible Notes at \$0.50 each, for an amount of \$7,000,000, was a significant development in the Company's progress. The funds raised are being 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 were predominantly clients of Gleneagle Securities (Aust) Pty Ltd. The 14,000,000 Convertible Notes issued have a term of 36 months until the maturity date and an interest rate of 6% per annum, which is 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 volume-weighted average price). 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 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 each, was completed following shareholder approval at the Company's 22 November 2019 AGM. Following approval at the AGM, Non-Executive Director Maurie Stang subscribed for Notes with a face value of \$1,000,000 pursuant to the Capital Raising and Vectus used this \$1,000,000 to partially repay his Director loan.

The Company continues its dialogue with a cross-section of global and mid-size pharmaceutical companies, and feedback to-date remains positive for the potential of significant transactions upon a successful Phase I human trial for VB0004. During the December 2019 quarter Vectus continued its discussions in respect of its clinical programme and commercialisation roadmap in a major international market. If successful, this will have the potential of accelerating additional compounds through the pre-clinical and clinical programme.

**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")

**31 December 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 (6 months) \$A'000
-	-
(164)	(377)
(382)	(531)
(91)	(91)
(468)	(475)
(319)	(383)
(94)	(176)
-	-
1	1
(2)	(3)
-	-
-	-
-	-
(1,519)	(2,035)

	Current quarter \$A'000	Year to date (6 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>3 Cash flows from financing activities</b>		
3.1 Proceeds from issue of shares	-	-
3.2 Proceeds from issue of convertible notes	4,750	6,250
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(350)	(350)
3.5 Proceeds from borrowings	-	384
3.6 Repayment of borrowings	(1,020)	(1,020)
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>	3,380	5,264
<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	1,411	43
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,519)	(2,035)
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)	3,380	5,264
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>3,272</b>	<b>3,272</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

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
3,272	1,411
-	-
-	-
-	-
<b>3,272</b>	<b>1,411</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:

Ron Shnier

Peter Bush

Susan Pond

TOTAL

Current quarter \$A'000
355
-
76
90
99
90
279

## 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 Explanation necessary for an understanding of these transactions

Paid to Aeris Environmental Ltd, of which M Stang is a Director, for financial accounting services

Corporate overheads, administration and laboratory supplies expenses paid to Regional Healthcare Group Pty Ltd of which M Stang is a Director

Current quarter \$A'000
434
51
383

## 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
175
300
-
30
75
100
<b>680</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.
- 3 This Report has been approved by the Board of Vectus Biosystems Limited.

Sign here: *Robert Waring*

(Director/Company Secretary)

Print name: **Robert J Waring**

Date: **31 January 2020**