



30 April 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 March 2020 Quarterly Report – Appendix 4C.

##### ***Commentary on Activities for the March 2020 Quarter***

***The Vectus laboratories in North Ryde have remained largely operational through the current COVID-19 pandemic. The Company has implemented a range of risk management procedures to ensure the safety of its team whilst progressing key elements of its technical programme.***

Boron Molecular has completed synthesis and purification of 25kg of BM1495, being the regulatory starting material (RSM) for the second batch of VB0004 (under Good Manufacturing Practice (GMP)). Delivery had been expected earlier in the first quarter of 2020, but, due to COVID-19 distancing restrictions, purification of BM1495 was delayed and delivery occurred at the end of the first quarter of 2020. Vectus has additionally conducted a successful tendering process for the manufacturing of VB0004 from this RSM under GMP.

The Company has appointed Asymchem Laboratories (Tianjin) Co. Ltd (Asymchem) to conduct the second GMP synthesis. Asymchem is a leading contract development and manufacturing organisation from China with eight manufacturing sites and 4,000 employees world-wide serving the pharmaceutical and biotech industries throughout all stages of drug development – pre-IND into commercialisation. Asymchem has worked with major pharmaceutical companies such as Merck, Pfizer and Roche. Asymchem has a quality policy for all its operations to be approved manufacturing sites, to develop and produce active pharmaceutical ingredients in compliance with high quality standards fit for human consumption, as defined in current GMPs, and for The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) Q7/Q8/Q9/Q10/Q11 guidelines to meet EU and U.S. Food and Drug Administration (FDA) regulatory requirements. Asymchem has been inspected by regulatory authorities from the US, China, Australia and South Korea.

Following the conclusion of contract negotiations with Syneos, in support of Vectus' programme to bring its proprietary VB0004 compound to phase I trials, work has commenced on the Investigator Brochure and the Phase I trial protocol, and is at an advanced draft stage.

##### **Research**

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

Vectus 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 the Company believes that its research is well placed to address these emerging needs.

**Patents**

Vectus' 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. 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 Vectus' 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 (non-alcoholic steatohepatitis of the liver) and ASH (alcoholic steatohepatitis of the liver) (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 final amount of \$750,000 from the Company's December 2019 quarter capital raising was received in January 2020. This was the last part of the 14,000,000 Convertible Notes at \$0.50 each, for a total amount of \$7,000,000. 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. The Convertible Notes have a term of 36 months 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 Company continues its dialogue with a cross-section of global and mid-sized pharmaceutical companies, and feedback to-date remains positive for near-term and potentially additional significant transactions upon a successful Phase I human trial for VB0004. During the March 2020 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

This announcement was authorised by the Board of Directors.

## Appendix 4C

### Quarterly cash flow 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 March 2020**

#### 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 (9 months) \$A'000
-	-
(146)	(523)
(182)	(713)
-	(91)
(57)	(532)
(57)	(440)
(56)	(232)
-	-
1	2
(110)	(113)
-	-
-	-
-	-
(607)	(2,642)

## Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>2 Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) 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 issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	750	7,000
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(350)
3.5 Proceeds from borrowings	-	384
3.6 Repayment of borrowings	-	(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>	750	6,014

## Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>4 Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	3,272	43
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(607)	(2,642)
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)	750	6,014
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>3,415</b>	<b>3,415</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	3,415	3,272
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>3,415</b>	<b>3,272</b>

## 6 Payments to related parties of the entity and their associates

	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	198
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
6.3 Explanation necessary for an understanding of these transactions	
Salary paid to Karen Duggan, Executive Director and CEO	48
Directors' fees paid to Non-Executive Directors:	
Ron Shnier	11
Peter Bush	12
Susan Pond	10
Total	33
Paid to Aeris Environmental Ltd, of which M Stang is a Director, for financial accounting services	8
Corporate overheads, administration and laboratory supplies expenses paid to Regional Healthcare Group Pty Ltd of which M Stang is a Director	-
Interest on loan paid to Maurie Stang	109

## 7 Financing facilities

*Note: The term "facility" includes all forms of financing arrangements available to the entity*

Add notes as necessary for an understanding of the sources of finance available to the entity

	<b>Total facility \$A'000</b>	<b>Amount drawn \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Not applicable

## 8 Estimated cash available for future operating activities

	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(607)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,415
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	3,415
<b>8.5 Estimated quarters of funding available</b> (Item 8.4 divided by Item 8.1)	<b>5.63</b>

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- 1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Not applicable

- 2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Not applicable

- 3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Not applicable

## **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.

Date: **30 April 2020**

**Authorised for release to the market by the Vectus Board of Directors.**

### **Notes:**

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.