



29 October 2021

Company Announcements Office
Australian Securities Exchange

QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

In accordance with ASX Listing Rule 4.7B, Vectus Biosystems Limited (Vectus or the Company) presents its September 2021 Quarterly Activities Report and Quarterly Cash Flow Report – Appendix 4C.

Overview

- **VB0004 Phase I human clinical trial – Cohorts 1 and 2 completed, Cohort 3 in progress.**
- **Notices of grant of patents covering synthesis of VB0004, pulmonary fibrosis and the VB0002, VB0003, and VB0005 library.**

Commentary on Activities for September 2021 Quarter

During the quarter Cohort 1 of the Single Ascending Dose (SAD) study was completed and the data was reviewed by the trial safety review committee, which gave permission for dose escalation to a dose of 10mg of VB0004 to occur. Similarly Cohort 2 was completed and reviewed by the safety committee, which again gave permission for dose escalation to 30mg of VB0004 to occur. Cohort 3 is currently in progress. No significant adverse events have been observed in the Cohorts studies to-date. As the trial is being conducted by Nucleus Network at its Melbourne campus recruitment has slowed somewhat due to the significant outbreak of COVID-19 and the consequent lockdown that has occurred in Victoria.

Patents

The Company has received notices of grant of the patent covering pulmonary fibrosis for VB4-A79, and its related compounds, from Mexico and South Africa, while notification of acceptance has been received from the Republic of South Korea. These compounds have shown efficacy in treating liver fibrosis in animal models. The patents covering VB0002, VB0003, VB0005 and their associated libraries have been received, and, in total, more than 700 unique compounds have now been granted in the United States of America as well as in the Russian Federation. The patent covering the method of synthesis for VB0004 has been granted in Hong Kong.

Finance and Corporate

The funds expended during the recent quarter were largely in connection with the Phase I clinical trials for VB0004. Payments for Phase I, research, patents, staff costs and Directors' fees for the quarter amounted to \$911,000. Payments to related parties during the quarter were the Chief Executive Officer's salary of \$51,000 and Non-Executive Directors' fees of \$34,000. Interest of \$6,000 on the \$442,000 loan from Non-Executive Director Maurie Stang was paid. During the quarter, fees of \$67,000 (for corporate services, including cost re-imbursement for information technology, human resources and accounting services, in line with budget) were paid to Regional Healthcare Group Pty Ltd and Aeris Environmental Ltd, both of which Non-Executive Director Maurie Stang is a director.

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General

Numerous studies continue to elucidate the longer-term damage effects of COVID-19, which have now been reported to include fibrosis affecting the heart, lungs and kidneys. For both the lung and the kidney the damage has been sufficient to require transplantation in some instances. As a consequence, demand for effective anti-fibrotic treatments is expected to increase.

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")

30 September 2021

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
-	-
(700)	(700)
(211)	(211)
(45)	(45)
(89)	(89)
(64)	(64)
(25)	(25)
-	-
-	-
(7)	(7)
-	-
-	-
-	-
(1,141)	(1,141)

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
2 Cash flows from investing activities		
2.1 Payments to acquire or for:		
(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)	-	-
2.6 Net cash from / (used in) investing activities	-	-
3 Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
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)	-	-
3.10 Net cash from / (used in) financing activities	-	-

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	5,778	5,778
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,141)	(1,141)
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)	-	-
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	4,637	4,637

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	4,582	5,723
5.2 Term Deposits	55	55
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (item 4.6)	4,637	5,778

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	158
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

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

	Total facility \$A'000	Amount drawn \$A'000
7.1 Loan facilities	442	442
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	442	442
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.

The terms of the original loan facility made available of \$2,500,000 by Director M Stang (current advance balance of \$442,000 after the last repayment of \$515,000 in June 2021) include an interest rate of 8% per annum, and security over all of the assets of the Company to secure past and future advances pursuant to the Director loan. The loan terms included a contractual obligation on the Company to utilise its future R&D tax offset payments from the ATO to repay the loan. The Company expects to repay the balance of the loan in the June 2022 quarter when the June 2021 financial year R&D tax offset refund is received from the ATO. The security will be discharged when the loan is repaid.

8 Estimated cash available for future operating activities

	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,141)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,637
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,637
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.06

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

8.6.1 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

8.6.2 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

8.6.3 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: 29 October 2021

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.