



30 January 2017

Company Announcements Office
Australian Securities Exchange

QUARTERLY REPORT – APPENDIX 4C

In accordance with ASX Listing Rule 4.7B, the Company attaches its December 2016 Quarterly Report – Appendix 4C.

Overview

- Vectus Biosystems Limited (Vectus or the Company) attended and presented at the world's pre-eminent bio-technology partnering conference, Biotech Showcase, which forms a part of the J.P. Morgan 35th Annual Healthcare Conference held in San Francisco in January 2017.
- Vectus was recognised by a substantial cross-section of leading pharmaceutical companies as singularly offering the potential of a new class of anti-fibrotics that actually restore tissue architecture. Each and every company engaged highlighted that anti-fibrotics had moved to a class of therapeutics of the highest interest.
- The Company was selected to give a 30-minute presentation at the Biotech Showcase Conference, which resulted in third party interest for a new field of application.
- Vectus was able to confirm with leading industry players that the franchise targeted by the Company's drug library is amongst the largest and fastest growing unmet areas of need targeted by large pharmaceutical companies.
- Vectus has in place two executed Material Transfer Agreements with potential licencing partners, with others in early discussions.
- On 2 November 2016, the Company was named the winner of the Medtech and Pharma category of the Australian Technologies Competition. This award recognised that of the 39 entrants in the category, Vectus had the "greatest potential to have a global impact".
- The Company's pre-clinical trials continue ahead of schedule and on budget.
- *In vitro* comparison of the metabolism of VB0004 by rats, dogs and humans did not reveal any significant differences, confirming the choice of rats and dogs for the pre-clinical toxicology testing.
- Initial dosing with VB0004 in dogs began, with a single dose. In doses up to 2,000mg/kg, VB0004 was well tolerated. This confirms Vectus' observations in rats and no toxic effects are expected to be observed.
- The Company has been notified by Innovation Australia that it has been granted a "Certificate for Advance Finding Under Section 28A of the *Industry Research and Development Act 1986*" and a "Certificate for Overseas Finding Under Section 28C of the *Industry Research and Development Act 1986*". This confirms that the relevant scale-up of Vectus' lead compound, VB0004, together with the pre-clinical pharmacokinetic and safety trials, as well as the Phase I clinical trial are now approved for R&D cash-back purposes.
- The Company attended the International BioFest Conference in October 2016 in Melbourne and presented at Australia Biotech Invest. As a consequence of these meetings, several multinational pharmaceutical companies are progressing their evaluation of Vectus' drug library compounds for a variety of indications, including the Company's hepatic, renal and pulmonary fibrosis applications.

Commentary

Vectus participated in numerous one-on-one meetings with leading pharmaceutical, animal health and other industry participants at the J.P. Morgan 35th Annual Healthcare Conference. These meetings resulted in focused interest for a range of disease states and applications. The Company received consistent feedback that its technology was novel, impressive and well documented, with the potential to address a significant range of unmet needs.

As noted above, Vectus has recently attended two major international conferences, and engaged in meetings with the majority of the world's leading pharmaceutical companies. As a consequence, no competitive technology was identified that purports to reverse existing fibrosis beyond that which exists at the time of control (or the initiation of the experiment). It was noted at each meeting that the indications targeted by the Company in the disease states highlighted in Vectus' September 2016 Quarterly Report are some of the highest cost generators for Government and care providers in the global healthcare system. Further, the hepatic (liver) conditions of NASH and AHS generated growing interest at the JP Morgan meetings.

The Company's intellectual property (IP) portfolio continues to develop strongly and, as announced at Vectus' 2016 Annual General Meeting, a pivotal patent covering the Company's lead compound, VB0004, has been granted in the USA, further underpinning the strength and potential of the Vectus' IP portfolio.

Critically, in terms of external validation, an extensive and growing file of pre-clinical validation was provided to a number of highly-regarded pharmaceutical companies under signed confidentiality agreements for their review and feedback. In each case, this has resulted in growing interest and a desire for follow-up activity.

The Company has made impressive progress since its initial public offering. Its IP position has strengthened on an ongoing basis, industry engagement is continuing to increase and Vectus is targeting additional formal engagements across a range of its novel compounds with leading industry participants who each have specific priority disease states where reversing, rather than simply slowing, progression may underpin both high levels of commercial and social impact.

Vectus Biosystems Limited

Karen Duggan

Chief Executive Officer and Executive Director

About Vectus Biosystems Limited

Vectus Biosystems Limited (Vectus or the Company) is developing a treatment for fibrosis and high blood pressure, which includes the treatment for three of the largest diseases in the fibrotic market, namely heart, kidney and liver disease. Vectus successfully completed its Initial Public Offering (IPO) on the Australian Securities Exchange (ASX:VBS) and commenced trading on ASX on 23 February 2016, after raising A\$5.1 million. Funds from the IPO are being used to develop the Company's lead compound VB0004, which aims to treat the hardening of functional tissue and high blood pressure. Vectus has conducted a range of successful pre-clinical trials, which have shown that VB0004 slows down the advances of fibrosis, potentially repairs damaged cell tissue and reduces high blood pressure. VB0004 is now progressing towards a number of important milestones, including pharmaceutical scale-up and additional toxicity studies. Successful results will provide the Company with a clear path to Human Phase 1 and 2a Clinical Trials. Vectus' strategy is to develop and perform early validation of its drug candidates to the point where they may become commercially attractive to potential pharmaceutical partners.

The Company has also developed technology aimed at improving the speed and accuracy of measuring the amount of DNA and RNA in samples tested in laboratories. The technology, called Accugen, is owned by Vectus' wholly-owned subsidiary Accugen Pty Limited. The technology potentially offers a time, cost and accuracy benefit compared to currently-available systems. The Company's next stage of investment in Accugen following the 2016 Alpha-phase test work is a commercialisation programme that may include direct sales, distribution partnerships and licensing opportunities.



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 2016

Consolidated statement of cash flows

1 Cash flows from operating activities

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) patent and research expenses	(659)	(1,518)
(b) staff costs and directors' fees	(243)	(654)
(c) occupancy cost	(85)	(171)
(d) corporate overheads	(173)	(250)
(e) legal and professional fees	(77)	(247)
(f) other operating costs, including working capital	19	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	21	74
1.5 Interest and other costs of finance paid	-	(5)
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	(1,197)	(2,772)

	Current quarter \$A'000	Year to date (6 months) \$A'000
2 Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(28)
(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	-	(28)
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	-	-
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	-	-
4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year	2,852	4,455
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,197)	(2,772)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(28)
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 quarter	1,655	1,655

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
155	318
1,500	2,534
-	-
-	-
1,655	2,852

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
87
-

34
18
11
12
11
53

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 Aggregate amount of loans to these parties included in item 2.3

7.3 Explanation necessary for an understanding of these transactions

Corporate overheads, administration and laboratory supplies expenses paid to Regional Healthcare Pty Ltd of which Messrs M Stang and B Stang are Directors.

Current quarter \$A'000
44
-

44

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
1,140
285
85
254
69
1
1,834

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: **30 January 2017**