



29 April 2016

Company Announcements Office
Australian Securities Exchange

QUARTERLY REPORT – APPENDIX 4C

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

Overview

- **Commencement of trading on the Australian Securities Exchange on 23 February 2016.**
- **Execution of contract for the GMP synthesis of lead compound VB0004 with GlycoSyn.**
- **First small synthesis batch of VB0004 resulted in greater-than-expected yield.**
- **Tender process for second species toxicological studies underway with a number of leading contract research organisations.**
- **The filing of two new key Patent Co-operation Treaty applications.**
- **Two patents enter international phase.**
- **Accugen Patent granted by the USA Patent and Trademark Office and granted in Japan.**
- **Peer-reviewed publication of Accugen paper.**
- **TechVoucher awarded by the NSW Department of Industry.**
- **Multi-site Alpha pre-marketing programme initiated.**
- **Increasing industry interest in novel anti-fibrotic agents.**

Commentary

Since listing, Vectus Biosystems Limited (Vectus or the Company) has strongly progressed its scientific programme across its lead candidate, drug library and Accugen Pty Limited (Accugen).

Vectus has extended its drug library, with a significant increase in the number of compounds now covered by its intellectual property (IP) portfolio.

The Company is pleased to report that after a review of its shortlisted manufacturers for the Good Manufacturing Practice (GMP) production of its lead compound, it has now signed a contract with GlycoSyn to produce no less than 5 kilograms of VB0004. This contract was awarded at a substantially-lower price than projected in Vectus' Prospectus, whilst maintaining the full scope of works within an agreed timeline. Pursuant to this contract, GlycoSyn has successfully begun the process of familiarisation and initial small-scale synthesis of VB0004, resulting in a greater-than-expected yield.

As outlined in the Company's Prospectus, Vectus has commenced the tender process with a number of contract research organisations for the toxicological studies in a second species animal model. These studies, utilising the GMP-produced compound, are a bridge to the initial human phase I / IIa trials, the successful completion of which will be a significant milestone for the Company.

During the quarter, Vectus lodged two Patent Co-operation Treaty applications:

- PCT/AU2016/000094 entitled Compositions for the treatment of kidney and / or liver disease; and
- PCT/AU2016/000095 entitled Compositions for the treatment of fibrosis and fibrosis-related conditions.

In parallel, the Company has had two additional patents enter the international phase:

- WO2015/039173 – Compositions for the treatment of hypertension and / or fibrosis (VB0004); and
- WO2015/039172 – Compositions for the treatment of hypertension and / or fibrosis (T-ring mimetics).

These patents support the extension of the drug library and provide coverage for a number of promising applications.

Vectus' wholly-owned subsidiary, Accugen, has been granted a patent by the United States Patent and Trademark Office for its platform quantitative technology useful in gene expression studies, US9,238,831, entitled: "Improved Nucleic Acid Quantitation Method". Additionally, this application has also been granted in Japan, the third largest potential market for Accugen.

In March 2016 the Company was pleased to announce, in a peer-reviewed journal, the publication of a paper entitled: "A simple, accurate and universal method for quantification of PCR".

During the quarter, Accugen was awarded a small TechVoucher by the NSW Department of Industry, Skills and Regional Development to subsidise a project in conjunction with the National Measurement Institute, and has already received a preliminary report on the project.

There continues to be favourable progress with Vectus' novel Accugen platform, resulting in the commencement of a multi-site, pre-marketing, evaluation programme.

In summary, the Company continues to be on track with the milestones outlined in its Prospectus. Vectus has extended its IP, which underpins a growing portfolio of drug candidates. These compounds address an expanding number of indications for some of the most challenging disease states in the market today. The strengthening of its patent portfolio provides additional protection for its lead compound as well as a number of emerging and novel applications.

The granting of both US and Japanese patents is an important milestone for Accugen and assists to advance its current programme of commercialising this breakthrough technology.

The Company remains on-track and on-budget, and continues to generate interest within a global market, which is showing an increasing focus on drugs that cannot only potentially slow down disease progression, but indeed provide a reversal of end organ damage.

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 will focus on an Alpha-phase test program during 2016 before moving to a commercialisation program that may include direct sales, distribution partnerships and licencing opportunities.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Name of entity

Vectus Biosystems Limited

ABN

54 117 526 137

Quarter ended ("current quarter")

31 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Revenue receipts	-	-
1.2 Payments for		
(a) staff costs	(206)	(586)
(b) occupancy cost	(85)	(255)
(c) corporate overheads	(106)	(323)
(d) legal and professional fees	(126)	(458)
(e) patent and research expenses	(273)	(841)
(f) ASX and ASIC fees	-	(98)
(f) other operating costs, including working capital	(15)	(5)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	18	34
1.5 Interest and other costs of finance paid	(5)	(17)
1.6 Income tax refund received (including R&D Tax Offset)	-	-
1.7 Other income -		
(a) Government grants	-	-
(b) Other income	-	-
Net Operating Cash Flows	(800)	(2,548)

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net Operating Cash Flows (brought forward)	(800)	(2,548)
Cash flows related to investing activities		
1.9 Payment for purchases of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(4)	(54)
(e) other non-current assets	-	-
1.10 Proceeds from sale of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(4)	(54)
1.14 Total operating and investing cash flows	(804)	(2,602)
Cash flows related to financing activities		
1.15 Repayment of convertible notes	-	-
1.16 Proceeds from shares issue (IPO)	5,174	5,174
Proceeds from exercise of options	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Share Issue Cost	(437)	(451)
Net financing cash flows	4,738	4,723
Net increase (decrease) in cash held	3,934	2,122
1.21 Cash at beginning of quarter/year	768	2,580
1.22 Exchange rate adjustments	-	-
1.23 Cash at end of quarter	4,702	4,702

Payments to directors of the entity and associates of the directors	Current quarter
Payments to related entities of the entity and associates of the related entities	\$A'000
1.24 Aggregate amount of payments to the parties included in item 1.2	92
1.25 Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

	Current quarter \$'000
Salaries paid to Karen Duggan, Executive Director and Chief Executive Officer	33
Corporate overheads, administration and laboratory supplies expenses paid to Regional Healthcare Pty Ltd of which Messrs M Stang and B Stang are Directors.	59

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	Current quarter \$'000
	-
2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	Not applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	0	0
3.2 Other credit arrangements	0	0

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	668	734
Term Deposits	4,034	34
Others	-	-
Total: cash at end of quarter (item 1.23)	4,702	768

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	n/a	n/a
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~/does not*~~ (delete one) give a true and fair view of the matters disclosed.

Sign here: *Robert Waring*

(Director/Company Secretary)

Print name: **Robert J Waring**

Date: **29 April 2016**