

Rule 4.3A

Appendix 4E

Preliminary final report for the financial year ended 30 June 2016

Name of entity

Vectus Biosystems Limited ABN: 54 117 526 137**Reporting period:** 30 June 2016**Previous period:** 30 June 2015

Results for announcement to the market

				\$A'000
Revenues from ordinary activities	up	2400%	to	75
(Loss) from ordinary activities after tax attributable to members	up	93.90%	to	(3,211)
(Loss) for the period attributable to members	up	93.90%	to	(3,211)

Dividends (distributions)	Amount per security	Franked amount per security
	Nil ¢	Nil ¢
Final dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢
No dividends were paid or proposed during the year.		

Brief explanation of the above

The Group generated a revenue of \$75,066 and incurred an operating loss after income tax of \$3,211,325 in the year ended 30 June 2016. As at 30 June 2016 the Group had net assets of \$3,748,784 and cash and financial assets balances of \$4,454,631.

This Appendix 4E should be read in conjunction with the Annual Financial Report for the year ended 30 June 2016, due to be released in September 2016. It is also recommended that the Appendix 4E be considered together with any public announcements made by the Group since commencement of the 2015-16 financial year in accordance with the continuous disclosure obligations arising under the ASX Listing Rules and under the Corporations Act 2001.

NTA backing

	30-Jun-16 cents	30-Jun-15 cents
Net tangible asset (NTA) backing per ordinary share	16.04	10.91

Events occurring after the Balance Date

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect, the consolidated entities' operations, the results of these operations, or the consolidated entities' state of affairs in future financial years.

Details of entities over which control has been gained or lost during the period

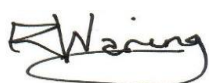
Not Applicable

Foreign Entities details

Not Applicable

Audit or Review details

This report is based on accounts that are in the process of being audited.



Sign here:
(Director/Company Secretary)
Print name: **Robert J Waring**

Date: **31 August 2016**



Preliminary Final Report – Appendix 4E

Key Achievements for the 2015-16 Financial Year

Vectus

- Substantial and growing commercial and technical engagement with multiple leading human pharmaceutical, animal health and diagnostic companies.
- Commencement of trading on the Australian Securities Exchange (ASX) on 23 February 2016.
- Expenditure is in line with budget and in line with estimates in the IPO Prospectus.
- Granting of lead compound VB0004 key US patent.
- On schedule and positive progress with crucial GMP synthesis of lead compound VB0004.
- First small synthesis batch of VB0004 resulted in greater-than-expected yield.
- Completion of the tender process for pre-clinical toxicology testing for VB0004.
- Vectus targets multiple veterinary indications with several compounds from the Vectus library.
- Pre-clinical development of novel therapies for pulmonary (lung) fibrosis.
- Broad extension of the Vectus drug library of over 200 compounds, including new potential orphan applications.
- Increasing global interest in novel anti-fibrotic agents.
- The filing of two new key Patent Co-operation Treaty (PCT) applications. Two patents enter international phase.

Accugen

- Roll-out of multi-site alpha programme targeting next phase of commercialisation.
- Accugen patent granted by the US Patent and Trademark Office (USPTO) and Japan.
- Peer-reviewed publication of Accugen paper.
- TechVoucher awarded by NSW Department of Industry.

Commentary

Since its Initial Public Offering (IPO) and the commencement of ASX trading on 23 February 2016, Vectus Biosystems Limited (ASX:VBS, Vectus or the Company) has strongly progressed its scientific programme, meeting or exceeding its internal milestones, across its lead candidate, drug library and Accugen Pty Limited (Accugen).

The global market for anti-fibrotic drugs is rapidly maturing and, to-date, Vectus is singular in positioning its drug library not only to slow disease progression, but indeed, to reverse existing organ damage. Further, Vectus has drug candidates that are orally administered and have demonstrated highly-desirable dosage response curves together with outstanding pre-clinical preliminary toxicological results. The Company's lead candidate VB0004 has demonstrated excellent capacity in manufacturability and scale-up yield, which now affords a clear path for the final two animal species toxicological studies and human trials. In parallel, Vectus is bringing forward the development of two of its potential orphan disease candidates with the aim of elevating these compounds to near-term lead status.

A more detailed operational review will be set out in the Company's upcoming Annual Report.

Vectus Biosystems Limited

Karen Duggan

Chief Executive Officer and Executive Director

About Vectus Biosystems Limited

Vectus 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 IPO on the ASX and commenced trading on the 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 programme during 2016 before moving to a commercialisation programme that may include direct sales, distribution partnerships and licencing opportunities.

Consolidated statement of profit or loss and other comprehensive income

	For the year ended	
	30-Jun-16	30-Jun-15
	\$'000	\$'000
Interest income	75	3
	<u>75</u>	<u>3</u>
Cost of goods sold		
Depreciation and amortisation expense	(57)	(145)
Employee benefits expense and Directors' remuneration	(1,835)	(1,050)
Financial expenses	(12)	(24)
Occupancy expense	(309)	(300)
Other general and administration expenses	(336)	(155)
Product registration, patents, trade marks and R&D expenditure	(1,485)	(759)
	<u>(3,959)</u>	<u>(2,430)</u>
Profit / (loss) from ordinary activities before income tax expenses		
Income tax credit relating to ordinary activities	748	774
	<u>(3,211)</u>	<u>(1,656)</u>
Loss from continuing operations after tax		
Profit / (loss) from discontinued operations	-	-
	<u>(3,211)</u>	<u>(1,656)</u>
Net loss for the period		
	<u>(3,211)</u>	<u>(1,656)</u>
Other Comprehensive Income		
Items that may be reclassified subsequently to profit or loss	-	-
Items that will not be reclassified subsequently to profit or loss	-	-
	<u>(3,211)</u>	<u>(1,656)</u>
Total Comprehensive Loss for the period		
	<u>(3,211)</u>	<u>(1,656)</u>
Loss for the period attributable to:		
Owners of Vectus Biosystems Limited	(3,211)	(1,656)
	<u>(3,211)</u>	<u>(1,656)</u>
Total comprehensive loss for the period attributable to:		
Owners of Vectus Biosystems Limited	(3,211)	(1,656)
	<u>(3,211)</u>	<u>(1,656)</u>
Earnings per share		
Basic loss per share (cents per share)	(15.17)	(10.01)
Diluted loss per share (cents per share)	(15.17)	(10.01)

Consolidated statement of financial position

	30-Jun-16 \$'000	30-Jun-15 \$'000
CURRENT ASSETS		
Cash and cash equivalents	421	2,546
Other current assets	145	50
Financial assets (term deposits)	4,034	34
TOTAL CURRENT ASSETS	4,600	2,630
NON-CURRENT ASSETS		
Plant and equipment	84	59
TOTAL NON-CURRENT ASSETS	84	59
TOTAL ASSETS	4,684	2,689
CURRENT LIABILITIES		
Trade and other payables	358	172
Other current liabilities	362	119
Provisions	179	164
Financial liabilities	5	21
TOTAL CURRENT LIABILITIES	904	476
NON-CURRENT LIABILITIES		
Provisions	32	29
Financial liabilities	-	5
TOTAL NON-CURRENT LIABILITIES	32	34
TOTAL LIABILITIES	936	510
NET ASSETS	3,748	2,179
EQUITY		
Contributed equity	17,581	12,837
Reserves	36	-
Accumulated losses	(13,869)	(10,658)
TOTAL EQUITY	3,748	2,179

Consolidated statement of changes in equity

	Equity	Reserves	Accumulated Losses	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	9,058	-	(9,002)	56
Loss for the year	-	-	(1,656)	(1,656)
Total comprehensive loss for the year	-	-	(1,656)	(1,656)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during the year	3,973	-	-	3,973
Share issue costs	(194)	-	-	(194)
Balance at 30 June 2015	12,837	-	(10,658)	2,179
Loss for the year	-	-	(3,211)	(3,211)
Total comprehensive loss for the year	-	-	(3,211)	(3,211)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during year	5,500	-	-	5,500
Share issue costs	(756)	-	-	(756)
Value of employee services (share-based)	-	36	-	36
Balance at 30 June 2016	17,581	36	(13,869)	3,748

Consolidated statement of cash flows

	For the year ended	
	30-Jun-16	30-Jun-15
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
R&D tax offset	748	774
Payment to suppliers and employees	(3,550)	(2,394)
Financial receipts	17	2
Interest paid	(1)	(23)
Net cash from operating activities	<u>(2,786)</u>	<u>(1,641)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in term deposits	(4,034)	(34)
Purchase of assets	(82)	(9)
Net cash used in investing activities	<u>(4,116)</u>	<u>(43)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of Shares	5,173	3,974
Share issue expenses	(409)	(195)
Loan repayments	(21)	(21)
Net cash provided by (used in) financing activities	<u>4,743</u>	<u>3,758</u>
Net increase (decrease) in cash held	(2,159)	2,074
Cash and cash equivalents at the beginning of the financial year	2,580	472
Cash and cash equivalents at the end of the financial year	<u>421</u>	<u>2,546</u>
Reconciliation of cash balance	30-Jun-16	30-Jun-15
	\$'000	\$'000
Cash on hand and at bank	421	2,546
	<u>421</u>	<u>2,546</u>

Reconciliation of operating loss after income tax to net cash flows from operating activities

	2016 \$'000	2015 \$'000
Operating loss after Income Tax	(3,211)	(1,656)
Non-cash / non-operating items included in profit and loss		
Depreciation and amortisation	57	145
Share-based payments	36	-
Changes in assets and liabilities		
(Increase) / decrease in other assets	(95)	1
Increase / (decrease) in trade creditors	174	(121)
Increase / (decrease) in employee entitlement provision	18	(11)
Increase / (decrease) in other creditors and accruals	235	1
Net cash used in operating activities	(2,786)	(1,641)

Earnings per share (EPS)

Calculation of the following is in accordance with AASB 133: Earnings per Share

	30-Jun-16	30-Jun-15
Net profit / (loss) - \$'000 (used to calculate basic EPS)	(3,211)	(1,656)
Net profit / (loss) - \$'000 (used to calculate diluted EPS)	(3,211)	(1,656)
Weighted average number of ordinary shares used in the calculation of the Basic EPS	21,162,243	16,550,887
Convertible share options	-	-
Weighted average number of ordinary shares used in the calculation of the Diluted EPS	21,162,243	16,550,887
Basic EPS – loss per share (cents)	(15.17)	(10.01)
Diluted EPS – loss per share (cents)	(15.17)	(10.01)

Notes to the consolidated financial statements

NOTE 1: Basis of Preparation

This Financial Report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This Financial Report has been prepared on an accruals basis, and is based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

NOTE 2: Going Concern Basis

This Financial Report has been prepared on a going concern basis. The Directors consider that the Group has adequate funding and therefore, no adjustments have been made to the Financial Report that might be necessary should the Group not continue as a going concern.

NOTE 3: Accounting Policies

This Appendix 4E does not include notes of the type normally included within an Annual Financial Report, and therefore cannot be expected to provide a full understanding of the financial performance and financial position of the Group as in the full Annual Financial Report. The Appendix 4E should be read in conjunction with the Annual Financial Report, due to be released in September 2016, for the year ended 30 June 2016. It is also recommended that the Preliminary Final Report be considered together with any public announcements made by Vectus Biosystems Limited during the year ended 30 June 2016 in accordance with the continuous disclosure obligations under the ASX Listing Rules and under the Corporations Act 2001.