



28 April 2017

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 2017 Quarterly Report – Appendix 4C.

Following the J.P. Morgan 35th Annual Healthcare Conference in San Francisco in January 2017, Vectus continues to progress discussions and collaboration with a range of global pharmaceutical companies. The Company has a series of planned follow-up discussions and new initiatives at the 2017 BIO International Convention. Vectus has been advised by its contractor, GlycoSyn, of the successful production at scale (4.5kg) of good manufacturing practice (GMP)-certified VB0004. This pharmaceutical-grade compound will now be targeted towards the 28-day Investigational New Drug (IND) toxicology trials in rats and dogs. Subsequently, further material will be applied to the planned Phase I human safety trials.

Discussions have been initiated with certain Chinese groups with a view to bringing forward one or more of the Company's drug library candidates for application to the unmet needs for pulmonary fibrosis caused by both air pollution and industrial contamination / dust exposure, and the significant demand of the damage caused to the liver by endemic hepatitis.

Vectus has determined that it will accelerate two of its highly-prospective compounds from its library – VB4-A32 and VB4-A79 – to lead status. This could provide the Company, if successful, with three lead compounds with potential global significance, each addressing multibillion-dollar franchises in heart, liver and lung disease.

Vectus' research continues to support and drive its lead, VB0004, in a series of 'first-in-class' anti-fibrotics, which have pre-clinically demonstrated to not only slow down tissue damage, but also indeed restore normal tissue architecture in diseased organs.

During the quarter, the Company received notification of either grant, or intention to grant, further key patents underpinning Vectus' global intellectual property position deriving from its drug library of 1,000 compounds. In particular, patents covering the Company's lead compound, VB0004, have been granted in the People's Republic of China and in Japan, being the second and third largest pharmaceutical markets, as well as for in Israel and in the African Regional Intellectual Property Organization (ARIPO), being large emerging markets. This substantially secures Vectus' commercial position through a series of granted patents.

As a consequence of the Company's strong engagement with pharmaceutical companies and consultants in the field, considerable feedback has been received by Vectus that the interest in novel anti-fibrotics, and particularly, opportunities in non-alcoholic steatohepatitis (NASH) and alcoholic steatohepatitis (ASH) (liver disease) is growing strongly, and points to an attractive market opportunity for those companies successful in addressing these global needs.

Seven-day pre-clinical dose range finding studies in dogs at doses up to 2,000 mg/kg per day (> 10,000 times the expected human dose) and a seven-day IND toxicology study in a second species, rats, at doses up to 2,000 mg/kg per day have now been completed with no adverse events observed. These studies indicate strongly that VB0004 is well tolerated *in vivo*.

VECTUS BIOSYSTEMS LIMITED ABN 54 117 526 137

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The Company's Accugen platform for the real-time quantification of quantitative polymerase chain reaction (qPCR) is now entering its commercial phase, with quotes for final packaging, OEM manufacturing, distribution and logistics now being received.

During the quarter, Vectus received a successful ATO research and development (R&D) cash-back of \$1 million. Based on eligible year-to-date R&D expenditure, and pre-approvals for the Company's most significant expenditures in the financial years ending 30 June 2017 and 2018, the next R&D cash-back is likely to be materially-higher under the current guidelines.

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 current stage of investment in Accugen 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 March 2017

Consolidated statement of cash flows

1 Cash flows from operating activities

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) patent and research expenses	(396)	(1,914)
(b) staff costs and directors' fees	(250)	(905)
(c) occupancy cost	(85)	(256)
(d) corporate overheads	(113)	(364)
(e) legal and professional fees	(79)	(326)
(f) other operating costs, including working capital	3	3
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	84
1.5 Interest and other costs of finance paid	-	(5)
1.6 Income tax refund received (including R&D Tax Offset)	1,007	1,007
1.7 Government grants and tax incentives	-	-
1.8 Others (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	95	(2,677)

	Current quarter \$A'000	Year to date (9 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	1,655	4,455
4.2 Net cash from / (used in) operating activities (item 1.9 above)	95	(2,677)
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	1,750	1,750

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
1,250	155
500	1,500
-	-
-	-
1,750	1,655

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
90
-

38
18
11
12
11
52

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 Limited of which Mr M Stang is a Director.

Current quarter \$A'000
84
-

84

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
620
391
85
225
91
5
1,417

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: **28 April 2017**