Rule 4.3A

Appendix 4E

Preliminary final report for the financial year ended 30 June 2018

Name of entity

Vectus Biosystems Limited ABN: 54 117 526 137

Reporting period: 30 June 2018
Previous period: 30 June 2017

Results for announcement to the market

				$A'000
Revenues from ordinary activities	down	(98%)	to	1
(Loss) from ordinary activities after tax attributable to owners	down	(32%)	to	(2,587)
(Loss) for the period attributable to owners	down	(32%)	to	(2,587)

Dividends (distributions)	Amount per security	Franked amount per security
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 incurred an operating loss after income tax of $2,587,000 in the year ended 30 June 2018 (2017: $3,795,000). Operating expenses were down from $4,868,000 in 2017 to $4,017,000 in 2018.

This Appendix 4E should be read in conjunction with the Annual Financial Report for the year ended 30 June 2018, due to be released in September 2018. It is also recommended that the Appendix 4E be considered together with any public announcements made by the Group since commencement of the 2017-18 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-18 cents**	**30-Jun-17 cents**
Net tangible asset (NTA) backing per ordinary share	(9.65)	0.49

Events occuring after the Balance Date
No matter or circumstance has arisen since 30 June 2018 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

Dividends
No dividends were paid or proposed during the financial year.

Audit or Review details
This report is based on accounts that are in the process of being audited.

Sign here: Date: **31 August 2018**
(~~Director~~/Company Secretary)
Print name: **Robert J Waring**

Preliminary Final Report – Appendix 4E

Key Achievements for the 2017-18 Financial Year

Vectus Biosystems Limited (Vectus or the Company) reports its financial results for the year ended 30 June 2018.

Highlights

Vectus continues to hit several key milestones in developing its small molecule anti-fibrotic lead compound VB0004, together with a number of emerging leads:

- VB4-A32 (liver fibrosis, including non-alcoholic steatohepatitis (NASH) and alcoholic steatohepatitis (ASH));
- VB4-A79 (pulmonary fibrosis, including idiopathic fibrosis, asbestosis and coal dust pneumoconiosis (Black Lung Disease)); and
- VB4-P5 (renal fibrosis).

Key to securing the value of its drug library using its intellectual property (IP) portfolio is the Company's ongoing success in its international patent filings and granted patents, in many cases with up to 20 years of exclusivity to run and patents granted in major jurisdictions around the world. Milestones achieved during the 2017-18 financial year include Vectus having received notification of either grant, or intention to grant, patents covering VB0004 in Canada, Hong Kong and by the African Regional Intellectual Property Organisation, and notices of allowance or intention to grant patents covering the T analogues for VB0004 in key jurisdictions.

In parallel, the Company has engaged in dialogue with a cross-section of global and mid-size pharmaceutical companies. Feedback from these industry leaders continues to be positive and suggestive of the potential for meaningful transactions upon a successful Phase I human trial for VB0004.

Vectus' lead compound, VB0004, is a completely new chemical class of drug that prevents and, unlike any known competitor in its field, is focussed on reversing fibrosis, the scarring process causing organ failure in damaged and diseased hearts and kidneys. The great benefit of VB0004 is that it not only slows disease progression, but actually restores normal tissue architecture, with the potential economic and health benefits of avoiding very costly treatments (e.g. dialysis for kidney failure or heart transplants), and potentially increases survival rates. Accordingly, VB0004 has the potential to be in a very favourable position when it comes to reimbursement. The interest of pharmaceutical and biotech companies in the Company's validated anti-fibrotic compounds continues to be strong.

Milestones towards Human Trials

- Audited Investigational New Drug (IND) toxicology reports have been received, confirming the absence of adverse events despite treatment with exceptionally-high doses of VB0004.
- Positive outlook for a successful Phase I study for VB0004 based on the extensive preclinical work done to-date.
- IND application enabling toxicology and pharmacokinetic studies for VB0004 are continuing to meet all milestones. Phase I human clinical trials are targeted to commence upon appropriate funding.
- Studies in two species have now been completed for the IND toxicology, being the immediate precursor for the Phase I clinical trial for VB0004.
- Vectus is rapidly accelerating pharmaceutical company engagement. Direct discussions continue with a significant cross-section of global and regional pharmaceutical companies.
- Dialogue is taking place with regional biotech companies and potential strategic investors.
- Presentations made by the Company at conferences attended by industry leaders in the USA, Australia and New Zealand were very well received, and highlighted broad and expanding levels of engagement in Vectus' key areas of interest, being cardiovascular disease, pulmonary (lung) fibrosis, and NASH and ASH (liver disease).
- New enquiries have been received in respect of a potential licence of VB0004 from two pharmaceutical / biotech companies.

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Commentary

Vectus has made substantial progress in the financial year towards its parallel goals of early human trials, pharmaceutical industry engagement and the expansion of its IP portfolio targeting high-value unmet needs across multiple disease states.

In early June 2018 Dr Karen Duggan (the Company's Chief Executive Officer (CEO)) attended the BIO International Convention in Boston, USA on behalf of Vectus. The Company met with a number of major pharmaceutical companies, established new engagement with a number of regional players and held ongoing discussions with several multinational pharmaceutical companies. Arising out of these meetings, there was real interest in all of Vectus' lead, and emerging lead, anti-fibrotic compounds.

The Company has accelerated the rate of its engagement with potential trade partners, with several groups having indicated that their mandate is to engage once Phase I data is available.

The audited reports on the various components of the IND toxicology studies have now been received, confirming the absence of adverse events despite treatment with exceptionally-high doses of VB0004.

During the year, Vectus continued with a range of activities targeting the upcoming Phase I clinical trial for VB0004.

The Company has been assessing various opportunities in China based on a significant unmet need for new therapeutic agents targeting both Idiopathic Pulmonary Fibrosis (lung) and Hepatic Fibrosis of the liver. China presents a large patient population for latter stage clinical trials, and both of Vectus' emerging leads, A79 and A32, present compelling medical and social targets for the Chinese authorities.

IND Toxicology

Studies in two species have now been completed for the IND toxicology work, the immediate precursor for the Phase I clinical trial for VB0004, the Company's lead cardiovascular and renal compound.

Lead Candidate VB0004

The 2017-18 year saw accelerating progress towards human clinical trials for VB0004. This potentially 'first-in-class' anti-fibrotic has pre-clinically shown to not only slow down damage, but has demonstrated a singular capability to return normal tissue architecture to diseased organs. Reversing such damage is the ultimate aim of clinicians worldwide.

The patent covering VB0004 has now been granted by Canada and Hong Kong, as well as the African Regional Intellectual Property Organisation, which covers 19 states. Furthermore, the patent that encompasses the VB0004 library has been granted in Singapore and South Korea, while a notice of allowance has been received from the USA patent office for the patent covering VB4-A32 (liver) and related compounds.

Drug Library and Commercial Activity

Vectus has a library of over 1,000 compounds, derived from the platform underpinning VB0004, and the various stages of testing are progressing well. These emerging lead compounds address some of the most significant unmet needs in medicine today, and include:

- VB4-A32 (liver fibrosis, including NASH and ASH);
- VB4-A79 (pulmonary fibrosis, including idiopathic fibrosis, asbestosis and coal dust pneumoconiosis (Black Lung Disease)); and
- VB4-P5 (renal fibrosis).

Accugen

Accugen technology is progressing through pre-commercial customer trials with an aim to evaluate its commercial rollout potential in the second half of calendar year 2018. Accugen was developed internally by the Company to address a well-known inadequacy in quantifying changes in DNA across a broad range of applications. Accucal, the core product, is unique in that it is targeted to eliminate variability and inaccuracy in the current methodology of using housekeeping genes. These housekeeper genes are currently widely used, yet are time consuming and costly, and are a potentially inaccurate method of calibrating the results from quantitative polymerase chain reaction (qPCR) analysis.

The patent covering Accugen's reagent has been granted in both Europe and China, in addition to the other major jurisdictions of Japan and the USA, as well as Australia, New Zealand, Chile, Israel, Malaysia, the Philippines, Singapore and South Africa.

Vectus is undertaking Key Opinion Leader identification and outreach for the Accugen consumable.

Finance

The Vectus Group incurred an operating loss after income tax of $2,587,000 in the year ended 30 June 2018 (2017: $3,795,000). Operating expenses were down from $4,868,000 in 2017 to $4,017,000 in the 2017-18 year. The Company has commenced work on its claim for an ATO research and development (R&D) cash-back for the financial year ended 30 June 2018. Initial analysis of expenditure for the June 2018 year indicates that there is a pre-approved R&D expenditure of $2,179,000 and this results in a projected refund for the year of $946,000. It is important to note that, subject to adhering to the requisite conditions, the R&D cash-back for the 2017-18 financial year is now an entitlement of Vectus and is expected to be received in the December 2018 quarter.

The Company continues to take steps to support the funding of its future R&D and product commercialisation programme. Vectus is in active dialogue with several brokers, potential investors and other sources of funding. As an interim measure the Company is utilising a Director loan of $912,000. Vectus has the ability to reduce its operating expenses to quite modest levels if required. The Company is actively engaged in discussions regarding collaboration agreements with pharmaceutical companies to help jointly fund the advancement of its key programmes.

Vectus has secured an outstanding IP position, strong pre-clinical validation, and a number of emerging drug candidates in addition to its lead compound VB0004, which have the potential to stop disease progression, and reverse existing damage with an opportunity for first-in-class reimbursement with a low cost of manufacture and which are, pre-clinically, extremely well tolerated when dosed orally.

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 Biosystems Limited (ASX:VBS) (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 on the Australian Securities Exchange (ASX) and commenced trading on ASX on 23 February 2016, after raising $5.1 million. Funds raised 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 through several important milestones, including pharmaceutical scale-up and additional toxicity studies. Successful results are providing the Company with a clear path to Human Phase I and IIa 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 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 licencing opportunities.

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018

	Note	30-Jun-18 $'000	30-Jun-17 $'000
Sales revenue		-	6
Interest income		1	43
		1	49
Depreciation and amortisation expense		(20)	(28)
Employee benefits expense and Directors' remuneration		(1,368)	(1,558)
Financial expenses		(22)	(2)
Occupancy expense		(299)	(310)
Other general and administration expenses		(705)	(713)
Product registration, patents, trade marks and R&D expenditure		(1,603)	(2,257)
Loss from ordinary activities before income tax expenses		(4,016)	(4,819)
Income tax credit relating to ordinary activities		1,429	1,024
Loss from continuing operations after tax		(2,587)	(3,795)
Profit / (loss) from discontinued operations		-	-
Net loss for the period		(2,587)	(3,795)
Other Comprehensive Income, net of tax		-	-
Total Comprehensive Loss for the period		(2,587)	(3,795)
Loss for the period attributable to:			
Owners of Vectus Biosystems Limited		(2,587)	(3,795)
		(2,587)	(3,795)
Total comprehensive loss for the period attributable to:			
Owners of Vectus Biosystems Limited		(2,587)	(3,795)
		(2,587)	(3,795)
Earnings per share			
Basic loss per share (cents per share)	2	(11.07)	(16.24)
Diluted loss per share (cents per share)	2	(11.07)	(16.24)

Consolidated statement of financial position as at 30 June 2018

	30-Jun-18 $'000	30-Jun-17 $'000
CURRENT ASSETS		
Cash and cash equivalents	42	517
Other current assets	108	137
TOTAL CURRENT ASSETS	150	654
NON-CURRENT ASSETS		
Plant and equipment	46	66
TOTAL NON-CURRENT ASSETS	46	66
TOTAL ASSETS	196	720
CURRENT LIABILITIES		
Trade and other payables	981	95
Other current liabilities	298	254
Provisions	249	245
Borrowings	912	-
TOTAL CURRENT LIABILITIES	2,440	594
NON-CURRENT LIABILITIES		
Provisions	13	11
TOTAL NON-CURRENT LIABILITIES	13	11
TOTAL LIABILITIES	2,453	605
NET (LIABILITIES) / ASSETS	**(2,257)**	**115**
EQUITY		
Contributed equity	17,600	17,591
Reserves	394	188
Accumulated losses	(20,251)	(17,664)
TOTAL (DEFICIT) / EQUITY	**(2,257)**	**115**

Consolidated statement of changes in equity for the year ended 30 June 2018

	Equity	Reserves	Accumulated Losses	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2016	**17,581**	**36**	**(13,869)**	**3,748**
Loss for the year	-	-	(3,795)	(3,795)
Total comprehensive loss for the year	-	-	(3,795)	(3,795)
Transactions with owners in their capacity as owners:				
Shares issued during the year	10	-	-	10
Value of employee services (share-based payments)	-	152	-	152
Balance at 30 June 2017	**17,591**	**188**	**(17,664)**	**115**
Balance at 1 July 2017	**17,591**	**188**	**(17,664)**	**115**
Loss for the year	-	-	(2,587)	(2,587)
Total comprehensive loss for the year	-	-	(2,587)	(2,587)
Transactions with owners in their capacity as owners:				
Shares issued during year	9	(9)	-	-
Value of employee services (share-based payments)	-	215	-	215
Balance at 30 June 2018	**17,600**	**394**	**(20,251)**	**(2,257)**

Consolidated statement of cash flows for the year ended 30 June 2018

	Note	30-Jun-18 $'000	30-Jun-17 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	6
R&D tax offset		1,429	1,024
Payment to suppliers and employees		(2,799)	(5,014)
Interest received		1	90
Interest paid		(18)	(5)
Net cash used in operating activities	1	(1,387)	(3,899)
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals of term deposits		-	4,034
Purchase of assets		-	(39)
Net cash provided by investing activities		-	3,995
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan borrowings		1,632	-
Loan repayments		(720)	-
Net cash provided by financing activities		912	-
Net (decrease) / increase in cash held		(475)	96
Cash and cash equivalents at the beginning of the financial year		517	421
Cash and cash equivalents at the end of the financial year		**42**	**517**

Reconciliation of cash balance	30-Jun-18 $'000	30-Jun-17 $'000
Cash on hand and at bank	42	517
	42	**517**

NOTE 1

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

	2018 $'000	2017 $'000
Operating loss after income tax	(2,587)	(3,795)
Non-cash / non-operating items included in profit and loss		
Depreciation and amortisation	20	28
Share-based payments	215	152
Changes in assets and liabilities		
Decrease in other assets	29	8
Increase / (decrease) in trade creditors	886	(215)
Increase in employee entitlement provision	6	43
Increase / (decrease) in other creditors and accruals	44	(120)
Net cash used in operating activities	**(1,387)**	**(3,899)**

NOTE 2

Earnings per share (EPS)

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

	30-Jun-18	30-Jun-17
Net profit / (loss) - $'000 (used to calculate basic EPS)	(2,587)	(3,795)
Net profit / (loss) - $'000 (used to calculate diluted EPS)	(2,587)	(3,795)
Weighted average number of ordinary shares used in the calculation of the Basic EPS	23,376,414	23,372,978
Convertible share options	-	-
Weighted average number of ordinary shares used in the calculation of the Diluted EPS	23,376,414	23,372,978
Basic EPS – loss per share (cents)	(11.07)	(16.24)
Diluted EPS – loss per share (cents)	(11.07)	(16.24)

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**
The Group has incurred an operating loss of $2,587,000 for the year ended 30 June 2018 (2017: $3,795,000) and its net assets position has gone down from $115,000 as at 30 June 2017 to a deficit of ($2,257,000) as at 30 June 2018. The operating cash burn rate for the financial year ended 30 June 2018 was $1,387,000 (2017: $3,899,000). The cash balance as at 30 June 2018 was $42,000. If the cash burn rate for the financial year ended 30 June 2018 continues during the financial year ending 30 June 2019, which it is not budgeted to do, there may be an uncertainty in relation to the Group's ability to continue as a going concern.

The Group has been able to bring down the operating expenses considerably during the financial year ended 30 June 2018 and also expects to receive R&D cash back of about $950,000 in the second quarter of 2019 financial year. Additionally, Vectus is in active dialogue with a number of brokers, potential investors and other sources of funding and capital raising. The Group also has the ability to reduce its operating expenses further to quite modest levels if required.

As a consequence of the above, the Directors are of the opinion that the Company will have adequate resources to continue to be able to meet its obligations as and when they fall due. For this reason they continue to adopt the going concern basis in preparing the Annual Financial Report.

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 2018, for the year ended 30 June 2018. 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 2018 in accordance with the continuous disclosure obligations under the ASX Listing Rules and under the *Corporations Act 2001.*