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30 October 2020

Company Announcements Office
Australian Securities Exchange

QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

In accordance with ASX Listing Rule 4.7B, Vectus Biosystems Limited (Vectus or the Company) presents its September 2020 Quarterly Activities Report and attaches its Quarterly Cash Flow Report – Appendix 4C.

Commentary on Activities for the September 2020 Quarter

Vectus is pleased to report strong progress towards finalising the pre-clinical activities targeted at its anticipated Phase I clinical trial for its lead compound, VB0004. This small molecule will be presented in an orally-dosed format, and seeks to address cardiac and renal fibrosis, and systolic hypertension, which are all major health issues and drivers of significant economic costs globally.

The data on the post SARS-Cov2 (COVID-19) syndromes continue to increase and show that significant fibrotic damage to organs, such as lungs, heart and kidney, may occur. In some instances, organ transplantation has been reported to be necessary to treat the more severe cases of lung and kidney damage. The Company continues to monitor such reports, as VB0004, which has demonstrated ability to reverse fibrotic damage in all three organs, may have a potential role.

Vectus' COVID-19 Safe Plan, designed to ensure the safety of its employees whilst permitting advancement of the Company's technical programme, has allowed the Vectus laboratories at North Ryde to operate successfully. Although COVID-19 closures and working constraints have somewhat impacted the time frames for its contractors, the Company is now completing the work required for its Phase I human clinical trial for VB0004. Asymchem Laboratories (Tianjin) Co Ltd (Asymchem) has completed its development of the analytical methods necessary to provide a certificate of analysis for the GMP batch to be used in the Phase I trial. The trial or demonstration 500 gram batch of VB0004 prepared by Asymchem showed a purity of 99.8%, which augurs well for the GMP batch currently in preparation. A re-analysis of some VB0004 remaining from the GlycoSyn batch prepared for the IND toxicology studies showed a purity of 99.5% providing further confirmation of the stability of VB0004 in the longer term beyond the required two-year stability study.

Synthesis of the 5 kilogram GMP batch of VB0004 is underway at Asymchem. This batch will form part of the validation syntheses for part of the FDA requirements on drug synthesis.

Research

Building on the momentum of the successful development of the VB0004 lead candidate, work continues to detail the mechanisms by which VB4-A79 is able to reverse fibrosis in the lungs. Work has also commenced on establishing cellular models of Alzheimer's and Parkinson's diseases in the Vectus laboratories. Once such models are successfully and reproducibly established, the Company will screen its compound library to determine which compounds may potentially have efficacy in these diseases.

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Patents

Vectus continues its track record of filing and successful granting of an ever-increasing range of powerful patents covering its lead and emerging compounds, whilst ringfencing the path to discovery.

The Company has received a notice of allowance from Indonesia for the VB0004 patent. The T compound patent, encompassing the treatment of cardiac and renal fibrosis, has been granted in Brazil and has received a notice of allowance from Mexico, while the patent covering the P compounds, encompassing treatment of kidney and liver fibrosis, has been granted in China and received notices of allowance from Europe, Japan, the Russian Federation and Israel. The patent covering compounds treating fibrosis in the lungs has been granted in China and notices of allowance have been received from the USA, Europe and Mexico. Finally, the patent covering the method of synthesis for VB0004 has been granted in the USA, and notices of allowance have been received from Europe and China.

Finance and Corporate

The funds expended during the quarter were largely in connection with the preparatory work for the Phase I clinical trials for VB0004, to advance the library of Vectus' other drugs and for general working capital. Payments for research, patents, staff costs and Directors' fees for the quarter amounted to $483,000. Payments to related parties during the quarter were the CEO's salary of $50,000, Non-Executive Directors' fees of $33,000 and interest of $19,000 on the $957,000 loan from Non-Executive Director Maurie Stang.

The Company will be holding its Annual General Meeting on 30 November 2020. At this Meeting Vectus will take the opportunity to seek shareholder approval to raise additional capital to accelerate work on both VB0004 and its clinical programme on its other compounds. The Company remains in active dialogue with potential trade partners, which could lead to multiple international licensing opportunities.

During the September 2020 quarter Vectus continued its discussions in respect of its commercialisation roadmap in a major international market, which, if successful, will have the potential of accelerating VB0004 and additional compounds through the pre-clinical and clinical programme.

Vectus Biosystems Limited

Karen Duggan
Chief Executive Officer and Executive Director

This announcement was authorised by the Board of Directors.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Vectus Biosystems Limited

ABN	Quarter ended ("current quarter")
54 117 526 137	**30 September 2020**

Consolidated statement of cash flows

	1 Cash flows from operating activities	**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) patent and research expenses	(308)	(308)
	(b) staff costs and directors' fees	(175)	(175)
	(c) occupancy cost	-	-
	(d) corporate overheads	(51)	(51)
	(e) legal and professional fees	(53)	(53)
	(f) other operating costs, including working capital	(57)	(57)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest and other costs of finance paid	(22)	(22)
1.6	Income tax refund received (including R&D tax offset)	-	-
1.7	Government grants and tax incentives	38	38
1.8	Others (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	(628)	(628)

Consolidated statement of cash flows	Current quarter $A'000	Year to date (3 months) $A'000
2 Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(9)	(9)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property		
(f) 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	(9)	(9)
3 Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	31	31
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
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	31	31

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Consolidated statement of cash flows	Current quarter $A'000	Year to date (3 months) $A'000
4 Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,685	2,685
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(628)	(628)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(9)	(9)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	31	31
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	**2,079**	**2,079**

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	Current quarter $A'000	Previous quarter $A'000
5.1 Cash on hand and at bank	2,024	2,630
5.2 Term Deposits	55	55
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (item 4.6)	**2,079**	**2,685**

6 Payments to related parties of the entity and their associates	Current quarter $A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	102
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

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7 Financing facilities

Note: The term "facility' includes all forms of financing arrangements available to the entity

Add notes as necessary for an understanding of the sources of finance available to the entity

		Total facility $A'000	Amount drawn $A'000
7.1	Loan facilities	957	957
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	957	957
7.5	Unused financing facilities available at quarter end		-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The terms of the original loan facility made available of $2,500,000 by Director M Stang (current advance balance of $957,000) include an interest rate of 8% per annum, and security over all of the assets of the Company to secure past and future advances pursuant to the Director loan. The loan terms included a contractual obligation on the Company to utilise its future R&D tax offset payments from the ATO to repay the loan. The Company expects the balance to be repaid in the June 2021 financial year during which time the June 2020 financial year R&D tax offset refund is received from the ATO. Therefore the discharge of the security is expected to occur in the 2020-21 financial year.

	8 Estimated cash available for future operating activities	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(628)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,079
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,079
8.5	**Estimated quarters of funding available** (item 8.4 divided by item 8.1)	**3.31**

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Not applicable

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Not applicable

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Not applicable

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.

Date: 30 October 2020

Authorised for release to the market by the Vectus Board of Directors.

Notes:

1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules isencouraged to do so

2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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