

Rule 4.3A

Appendix 4E

Preliminary final report for the financial year ended 30 June 2019

Name of entity

Vectus Biosystems Limited ABN: 54 117 526 137

Reporting period: 30 June 2019

Previous period: 30 June 2018

Results for announcement to the market

				\$A'000
Revenues from ordinary activities	down	(100%)	to	-
(Loss) from ordinary activities after tax attributable to owners	down	(38%)	to	(1,597)
(Loss) for the period attributable to owners	down	(38%)	to	(1,597)

Dividends (distributions)	Amount per security	Franked amount per security
	Final dividend	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 \$1,597,000 in the year ended 30 June 2019 (2018: \$2,587,000). Operating expenses were down by 38% from \$4,017,000 in 2018 to \$2,497,000 in 2019.

This Appendix 4E should be read in conjunction with the Annual Financial Report for the year ended 30 June 2019, due to be released in September 2019. It is also recommended that the Appendix 4E be considered together with any public announcements made by the Group since commencement of the 2018-19 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-19 cents	30-Jun-18 cents
Net tangible asset (NTA) backing per ordinary share	(15.96)	(9.65)

Events occurring after the Balance Date

No matter or circumstance has arisen since 30 June 2019 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

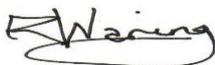
Not Applicable

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:
(Director/Company Secretary)Print name: **Robert J Waring**Date: **30 August 2019**

Preliminary Final Report – Appendix 4E

Commentary on Operations for the 2018-19 Financial Year

Vectus Biosystems Limited (Vectus or the Company) reports its financial results for the year ended 30 June 2019.

Research

During the year Vectus continued to focus on the proposed Phase I trial of its proprietary VB0004, which addressed a significant unmet need for anti-fibrotic agents for patients with cardiovascular and / or kidney disease. Aligned with the targeted anti-fibrotic activity, VB0004 has the important capability of lowering blood pressure, particularly in systolic hypertension (another unmet need), as demonstrated in the pre-clinical research to-date. A recently-received good manufacturing practices (GMP) stability report indicates that, at 24 months, VB0004 remains stable i.e. it has a very good 'shelf life'.

Earlier in the year, data on the Company's studies on its models of liver fibrosis showing important parallels to human liver cirrhosis of all aetiologies (both alcoholic and non-alcoholic) – an accumulation of both collagen IV and fibronectin – and drivers that include the intrahepatic renin angiotensin system and osteopontin, were compiled for presentation to a number of pharmaceutical companies with a view to obtaining support for further work on Vectus' VB4-A32 compound. Recent analysis utilising Accugen's technology has offered additional understanding of the mechanisms of the anti-fibrotic effect of VB4-A32 on the liver. The implication of these data, if supported by more research and clinical trials, strengthens and further validates the Company's position in the important global franchises of NASH (non-alcoholic steatohepatitis of the liver) and ASH (alcoholic steatohepatitis of the liver).

Key to Vectus' potential is the aim of not only slowing disease progression, but also reversing damage, which has the opportunity for a meaningful and positive impact on quality of life, and on health care costs. The healthcare industry's strong interest in pulmonary fibrosis has been evidenced by a recent multi-billion dollar investment by a large pharmaceutical company. Vectus believes that its own anti-fibrotic candidate (VB4-A79) holds promise of addressing a cross-section of causes of pulmonary fibrosis, including occupational, lifestyle and genetic factors.

Patents

During the 2018-19 financial year the Company's intellectual property (IP) portfolio continued to grow and strengthen, both in terms of scope and the increasing number of granted patents targeting high-value unmet needs across multiple disease states in major international territories. The patent for VB0004 has been granted in all major jurisdictions. Vectus has also received granted patents, or applied for patents, to protect its library of compounds addressing liver fibrosis, including NASH and ASH (VB4-A32), pulmonary fibrosis, including idiopathic fibrosis, asbestosis and coal dust pneumoconiosis (Black Lung Disease) (VB4-A79), and renal fibrosis (VB4-P5). This now marks the number of patents granted as 12 patents in 184 jurisdictions (including peptides) or eight patents in 59 jurisdictions (i.e. drugs, excluding peptides), being international patent applications that have successfully progressed to grant or gained acceptance without any material objections in the jurisdictions in which they have been filed. The Company continues to gain insights through its research and development (R&D) programme, which may lead to additional IP, to further support Vectus' portfolio of granted, and pending, patents. The Company's strategy has been to protect not only the compounds and their applications, but also the path to discovery via the peptides and fragments, thereby providing a robust protection of over 1,000 compounds in the drug library.

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Accugen

A number of new researchers were signed up from key opinion leaders earlier in the year to incorporate Accugen's AccuCal™ and RealCount™ into their experiments as part of the pre-marketing evaluations. Vectus received feedback from users that was positive. Accugen kits have been made available to several key opinion leader sites for their evaluation and potential endorsement. Opportunities that may be available for the Company's proprietary AccuCal™ and RealCount™ products for applications related to food safety, which is a large and growing market, are currently being evaluated. Commercialisation work for Accugen's products continues.

Capital and Trade Engagement

Vectus maintains its dialogue with a cross-section of global and mid-size pharmaceutical companies. Feedback from these industry leaders remains very positive for the potential for significant transactions upon a successful Phase I human trial for VB0004. The Company continues its material discussions both in relation to its capital needs, and the opportunity to commercialise its lead and emerging compounds into strategic vertical and geographical partnerships.

During the year, Vectus provided information under signed confidential disclosure agreements to a number of parties that have expressed interest in the material disclosed. These discussions are targeting both capital resources and strategic partnerships that may progress one or more of the Company's compounds in certain geographic markets.

Finance

The Vectus Group incurred an operating loss after income tax of \$1,597,000 in the year ended 30 June 2019 (2018: \$2,587,000). Operating expenses were down from \$4,017,000 in 2018 to \$2,497,000 in the 2018-19 financial year.

In January 2019 the Company received its R&D cash-back for the 2017-18 financial year of \$899,943. Subject to adhering to the requisite conditions, the R&D cash-back for the 2018-19 financial year is now a Vectus entitlement and is expected to be received in the December 2019 quarter. Initial analysis of expenditure for the year ended 30 June 2019 indicates a projected refund for the year of \$470,000. Additional R&D refund entitlements are being generated in the 2019-20 financial year. As an interim measure, the Company is utilising a loan from one of its Directors, which is secured against, and is to be partially repaid upon, the receipt of the R&D cash-back.

Vectus continues to evaluate a number of options to address its future capital requirements, and the funding of its future R&D and product commercialisation programme. The Company remains in active dialogue with potential investors, and a number of brokers and providers of other sources of funding, and is in strategic discussions with potential trade partners. As previously noted, Vectus can reduce its operating expenses to quite modest levels if required. The Company maintains a dual focus on raising additional working capital, together with sufficient funds to complete the Phase I human trial for VB0004, which, if successful, could lead to multiple international licensing opportunities. Vectus has received several proposals for potential funding and, following favourable evaluation, one proposal has been referred to its advisors for final review.

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 (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 were 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 has progressed through a number of important milestones, including pharmaceutical scale-up and additional toxicity studies. Successful results have provided 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, where a combination of direct sales, distribution partnerships and licensing opportunities are being evaluated.

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Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	Note	30-Jun-19 \$'000	30-Jun-18 \$'000
Ordinary revenue		-	1
		<u>-</u>	<u>1</u>
Depreciation and amortisation expense		(23)	(20)
Employee benefits expense and Directors' remuneration		(1,125)	(1,368)
Financial expenses		(126)	(22)
Occupancy expense		9	(299)
Other general and administration expenses		(520)	(705)
Product registration, patents, trade marks and R&D expenditure		(712)	(1,603)
		<u>(2,497)</u>	<u>(4,016)</u>
Loss from ordinary activities before income tax expenses		(2,497)	(4,016)
Income tax credit relating to ordinary activities		900	1,429
		<u>(1,597)</u>	<u>(2,587)</u>
Loss from continuing operations after tax		(1,597)	(2,587)
Profit / (loss) from discontinued operations		-	-
		<u>-</u>	<u>-</u>
Net loss for the period		(1,597)	(2,587)
Other Comprehensive Income, net of tax		-	-
Total Comprehensive Loss for the period		<u>(1,597)</u>	<u>(2,587)</u>
Loss for the period attributable to:			
Owners of Vectus Biosystems Limited		(1,597)	(2,587)
		<u>(1,597)</u>	<u>(2,587)</u>
Total comprehensive loss for the period attributable to:			
Owners of Vectus Biosystems Limited		(1,597)	(2,587)
		<u>(1,597)</u>	<u>(2,587)</u>
Earnings per share			
Basic loss per share (cents per share)	2	(6.83)	(11.07)
Diluted loss per share (cents per share)	2	(6.83)	(11.07)

Consolidated statement of financial position as at 30 June 2019

	30-Jun-19	30-Jun-18
	\$'000	\$'000
CURRENT ASSETS		
Cash and cash equivalents	43	42
Other current assets	116	108
TOTAL CURRENT ASSETS	<u>159</u>	<u>150</u>
NON-CURRENT ASSETS		
Plant and equipment	35	46
TOTAL NON-CURRENT ASSETS	<u>35</u>	<u>46</u>
TOTAL ASSETS	<u>194</u>	<u>196</u>
CURRENT LIABILITIES		
Trade and other payables	1,120	981
Other current liabilities	544	298
Provisions	298	249
Borrowings	-	912
TOTAL CURRENT LIABILITIES	<u>1,962</u>	<u>2,440</u>
NON-CURRENT LIABILITIES		
Provisions	-	13
Borrowings	1,958	-
Other non-current liabilities	5	-
TOTAL NON-CURRENT LIABILITIES	<u>1,963</u>	<u>13</u>
TOTAL LIABILITIES	<u>3,925</u>	<u>2,453</u>
NET LIABILITIES	<u>(3,731)</u>	<u>(2,257)</u>
EQUITY		
Contributed equity	17,600	17,600
Reserves	517	394
Accumulated losses	(21,848)	(20,251)
TOTAL DEFICIT	<u>(3,731)</u>	<u>(2,257)</u>

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Consolidated statement of changes in equity for the year ended 30 June 2019

	Equity	Reserves	Accumulated Losses	Total
	\$'000	\$'000	\$'000	\$'000
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)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during the year	9	(9)	-	-
Value of employee services (share-based payments)	-	215	-	215
Balance at 30 June 2018	17,600	394	(20,251)	(2,257)
Balance at 1 July 2018	17,600	394	(20,251)	(2,257)
Loss for the year	-	-	(1,597)	(1,597)
Total comprehensive loss for the year	-	-	(1,597)	(1,597)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued during year	-	-	-	-
Value of employee services (share-based payments)	-	123	-	123
Balance at 30 June 2019	17,600	517	(21,848)	(3,731)

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Consolidated statement of cash flows for the year ended 30 June 2019

	Note	30-Jun-19 \$'000	30-Jun-18 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
R&D tax offset		900	1,429
Payment to suppliers and employees		(1,825)	(2,799)
Interest received		-	1
Interest paid		(116)	(18)
Net cash used in operating activities	1	<u>(1,041)</u>	<u>(1,387)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments		(4)	-
Loan borrowings		1,796	1,632
Loan repayments		(750)	(720)
Net cash provided by financing activities		<u>1,042</u>	<u>912</u>
Net increase / (decrease) in cash held		1	(475)
Cash and cash equivalents at the beginning of the financial year		42	517
Cash and cash equivalents at the end of the financial year		<u>43</u>	<u>42</u>
Reconciliation of cash balance			
		30-Jun-19 \$'000	30-Jun-18 \$'000
Cash on hand and at bank		<u>43</u>	<u>42</u>
		43	42

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NOTE 1

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

	2019	2018
	\$'000	\$'000
Operating loss after income tax	(1,597)	(2,587)
Non-cash / non-operating items included in profit and loss		
Depreciation and amortisation	23	20
Share-based payments	123	215
Changes in assets and liabilities		
(Increase) / Decrease in other assets	(8)	29
Increase in trade creditors	139	886
Increase in employee entitlement provision	36	6
Increase in other creditors and accruals	243	44
Net cash used in operating activities	<u>(1,041)</u>	<u>(1,387)</u>

NOTE 2

Earnings per share (EPS)

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

	30-Jun-19	30-Jun-18
Net profit / (loss) - \$'000 (used to calculate basic EPS)	<u>(1,597)</u>	<u>(2,587)</u>
Net profit / (loss) - \$'000 (used to calculate diluted EPS)	<u>(1,597)</u>	<u>(2,587)</u>
Weighted average number of ordinary shares used in the calculation of the Basic EPS	23,379,993	23,376,414
Convertible share options and rights	-	-
Weighted average number of ordinary shares used in the calculation of the Diluted EPS	<u>23,379,993</u>	<u>23,376,414</u>
Basic EPS – loss per share (cents)	(6.83)	(11.07)
Diluted EPS – loss per share (cents)	(6.83)	(11.07)

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 \$1,597,000 for the year ended 30 June 2019 (2018: \$2,587,000) and net equity deficit has moved from \$2,257,000 as at 30 June 2018 to \$3,731,000 as at 30 June 2019. The operating cash burn rate for the year ended 30 June 2019 was \$1,041,000 (2018: \$1,387,000). The cash balance as at 30 June 2019 was \$43,000. If the 2019 cash burn rate continues during the year ending 30 June 2020, 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 demonstrated the ability to bring down the operating expenses considerably in 2019 and also expects to receive the 2019 R&D cash back in the second quarter. Additionally, Vectus is in active dialog with a number of brokers, potential investors and other sources of funding and capital raising. The Group also has the ability to further 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 Group 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 2019, for the year ended 30 June 2019. 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 2019 in accordance with the continuous disclosure obligations under the ASX Listing Rules and under the *Corporations Act 2001*.