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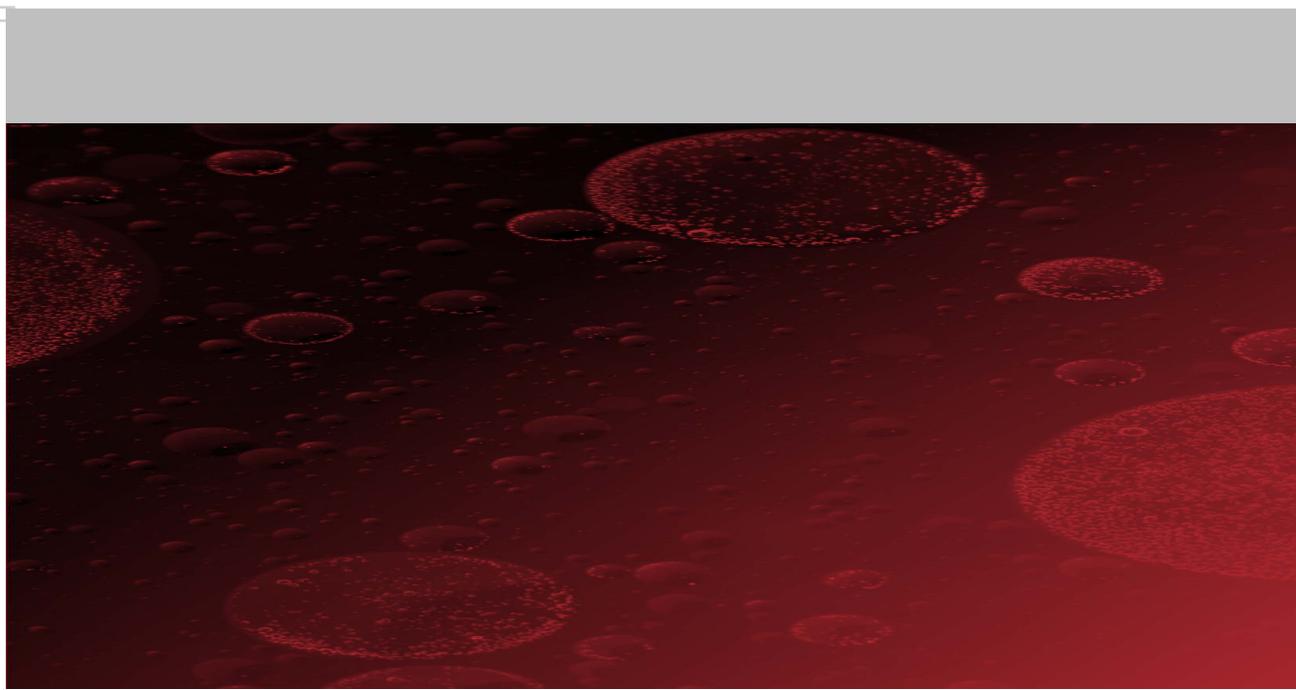


**Vectus Biosystems Limited**

ACN 117 526 137

**Interim Report**

Half Year Ended 31 December 2019



28 February 2020

Company Announcements Office  
Australian Securities Exchange

## HALF-YEAR REPORT

Vectus Biosystems Limited (Vectus or the Company) reports its financial results for the half-year ended 31 December 2019.

The Vectus Group's operating costs continue to be carefully controlled, with a small decrease compared to the prior corresponding period, down from \$1.41 million in the 2018 half year to \$1.39 million in the 2019 half year.

The Company continues in the advanced stage pre-clinical development of its lead compound, VB0004. VB0004 represents a first-in-class drug that prevents and, unlike known competitors in this area, reverses fibrosis, the process that causes organ failure, in damaged and diseased hearts, lungs and kidneys. Following successful capital raising during the half year, synthesis of the regulatory starting material (RSM) for the second round of GMP synthesis of VB0004 for the Phase 1 clinical trial was commenced by Boron Molecular, with delivery expected late in quarter 1 of 2020.

A publication entitled "Vasoactive Intestinal Peptide Infusion Reverses Existing Myocardial Fibrosis In The Rat" (<https://doi.org/10.1016/j.ejphar.2019.172629>) appeared in the issue of the European Journal of Pharmacology published on the 5 November 2019. The European Journal of Pharmacology is the official journal of The Federation of European Pharmacological Societies, published by Elsevier.

The detailed investigation of the mechanisms involved in development of hepatic fibrosis in the rat models of fibrosis employed by Vectus has been completed. The data obtained demonstrated multiple and significant parallels with human disease, and a manuscript describing this work is in preparation. This detailed mechanistic data has permitted investigation of how VB4-A32 reverses hepatic fibrotic damage, with several novel mechanisms being elucidated. Similar work is now in train for pulmonary fibrosis and VB4-A79, the molecule that Vectus has found reverses fibrosis in the bleomycin treated rat (the most commonly used animal model of pulmonary fibrosis).

The Company's intellectual property portfolio continues to evolve, 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 now been granted in all major jurisdictions, including in the USA, China, Japan, South Korea and Europe, as well as in Australia, New Zealand, Canada, the Russian Federation, ARIPO, South Africa, Singapore, the Philippines, Nigeria, Vietnam and Ukraine, and has now been accepted in Mexico. The patent for a library of compounds related to VB0004 has now been granted in the USA, Europe, China, Japan, South Korea, Australia, the Russian Federation, Ukraine, Hong Kong, Vietnam and Singapore. Vectus has also received granted patents in the USA, and accepted patents in Europe, Australia and South Africa that protect its library of compounds addressing liver fibrosis, including non-alcoholic steatohepatitis and alcoholic steatohepatitis (VB4-A32).

The Company remains in dialogue with a cross-section of global major and mid-size pharmaceutical companies as well as regional pharmaceutical companies. Feedback from all levels of the industry indicates the potential for significant transactions upon a successful Phase I human trial for VB0004.

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## Finance

The Convertible Note capital raising announced on 17 September 2019 was completed following approvals at Vectus' 22 November 2019 Annual General Meeting. The raising of \$7,000,000 from the issue of 14,000,000 Convertible Notes at \$0.50 each was a significant development in the Company's progress. The funds raised are being used to complete the Phase I clinical trials for VB0004, to advance the library of Vectus' other drugs and for general working capital. The subscribers were sophisticated, experienced and professional investors, and were predominantly clients of Gleneagle Securities (Aust) Pty Ltd. The 14,000,000 Convertible Notes issued have a term of 36 months until the maturity date and an interest rate of 6% per annum, which is capitalised and paid on the maturity date (or, if agreed by the Company, the investor can elect to convert any unpaid interest on their Notes at the maturity date into Vectus shares at an issue price that is the higher of (i) \$0.50 and (ii) 10% below the relevant volume-weighted average price). None of the Notes have yet converted into ordinary shares. On conversion, each Note will be redeemed for \$0.50 plus any unpaid interest on that Note. The investors have the right to convert their Notes at any time prior to redemption.

## Vectus Biosystems Limited

### Karen Duggan

Chief Executive Officer and Executive Director

### About Vectus Biosystems Limited

Vectus Biosystems Limited 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 predominantly 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 a number of important milestones, including pharmaceutical scale-up and additional toxicity studies. Following successful results, and the late 2019 convertible note fundraising, the Company now has a clear path to Human Phase I and then 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 (together the Vectus Group). 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 licensing opportunities.

# Appendix 4D

## Half Year Report for the six months ended on 31 December 2019

Name of entity

**VECTUS BIOSYSTEMS LIMITED** ABN: 54 117 526 137

Half year report for the six months ended on 31 December 2019 (comparatives for the six months ended on 31 December 2018).

### Results for announcement to the market

Revenues from ordinary activities	up	137.0%	to	218
(Loss) from ordinary activities after tax attributable to members	(up)	106.8%	to	(1,052,991)
Net (loss) for the period attributable to members	(up)	106.8%	to	(1,052,991)
<b>Dividends (distributions)</b>		Amount per security		Franked amount per security
Final and interim dividends		Nil ¢		Nil ¢
Previous corresponding period		Nil ¢		Nil ¢

### Brief Explanation of figures

Refer to attached 31 December 2019 Half Year Financial Report

Net tangible assets per security with the comparative figure for the previous corresponding period.

### Net Tangible Assets

	31 Dec 2019	31 Dec 2018
Net tangible assets per ordinary share	(15.81) cents	(11.43) cents

### Audit qualification or review

The financial statements were subject to review by the Auditors and the Auditor's Review Report is attached as part of Half Year Report.

### Other comments

Refer to attached 31 December 2019 Half-year Financial Report



**Robert J Waring**  
Company Secretary

28 February 2020

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**Vectus Biosystems Limited**  
**ACN 117 526 137**

**Half Year Financial Report**  
**For the Half Year Ended**  
**31 December 2019**



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## Corporate Directory

### Vectus Biosystems Limited

ACN: 117 526 137  
ABN: 54 117 526 137

### Directors

Dr Ronald Shnier	Non-Executive Director and Chairman
Mr Maurie Stang	Non-Executive Director and Deputy Chairman
Dr Karen Duggan	Executive Director and Chief Executive Officer
Mr Peter Bush	Non-Executive Director
Prof Susan Pond	Non-Executive Director

### Company Secretary

Mr Robert Waring

### Registered and Principal Office

3 – 11 Primrose Avenue  
Rosebery NSW 2018 Australia

Telephone: +61 2 9662 4144  
Facsimile: +61 2 9662 6040  
Email: [info@vectusbiosystems.com.au](mailto:info@vectusbiosystems.com.au)  
Website: [www.vectusbiosystems.com.au](http://www.vectusbiosystems.com.au)

### Share Registry

Boardroom Pty Limited  
Level 12, Grosvenor Place, 225 George Street, Sydney NSW 2000  
GPO Box 3993, Sydney NSW 2000

Telephone: +61 2 9290 9600  
Facsimile: +61 2 9279 0664  
Website: [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)  
Email: [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)

### Auditor

UHY Haines Norton Sydney  
Level 11, 1 York Street, Sydney NSW 2000  
GPO Box 4137, Sydney NSW 2001  
Telephone: + 61 2 9256 6600  
Website: [www.uhyhnsydney.com.au](http://www.uhyhnsydney.com.au)

### Stock Exchange Listing

The Company is listed on the Australian Securities Exchange (ASX Limited). ASX Code: VBS

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# Vectus Biosystems Limited

## DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Vectus Biosystems Limited (the Company) and its controlled entities together with the consolidated financial report for the half-year ended 31 December 2019.

## DIRECTORS

The names and details of the Company's Directors in office during the half year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Ronald Shnier (Non-Executive Director and Chairman)  
Maurie Stang (Non-Executive Directors and Deputy Chairman)  
Karen Duggan (Executive Director and Chief Executive Officer)  
Peter Bush (Non-Executive Director)  
Susan Pond (Non-Executive Director)

## PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial period consisted of medical research and development.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the half-year ended 31 December 2019, the Company issued a total of 14,000,000 Convertible Notes at \$0.50 to raise \$7,000,000 with 36 months until maturity date and interest at 6% per annum capitalised and paid on maturity date being 27 September 2022.

## SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In the opinion of the Directors, no matters or circumstances have arisen since 31 December 2019 that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

## REVIEW OF OPERATIONS

The Group's total net loss for the 6 months period to 31 December 2019 was up 107% to \$1,052,991 (2018: \$509,071).

## ROUNDING OF ACCOUNTS

The Company is of a kind referred to in Corporations Instrument 2016/191 issued by the Australian Securities and Investment Commission, relating to "rounding-off". Amounts in this report have been rounded off to the nearest dollar.

## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT

The Auditor's Independence Declaration is set out in the attached statement from UHY Haines Norton and forms part of the Directors' Report for the half year ended 31 December 2019.

## DIVIDENDS

No dividends were proposed, declared or paid during the half year period and to the date of this report (2018: Nil).

This report is made in accordance with a resolution of the Directors pursuant to section 306(3)(a) of the *Corporations Act 2001*.



**Maurie Stang**  
Non-Executive Deputy Chairman

Sydney, 28 February 2020

# Vectus Biosystems Limited

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2019

	Notes	December 2019 \$	December 2018 \$
Revenue and other income	2	218	92
Administration and corporate expenses		(341,531)	(297,651)
Financial expenses	3	(243,507)	(62,828)
Depreciation and amortisation expense	3	(9,160)	(10,965)
Employee benefits expense and Directors' remuneration	3	(481,589)	(595,932)
Occupancy expenses	3	(151,259)	(151,259)
Research & Development expenses	3	(234,448)	(285,194)
Travel expenses		<u>(12,156)</u>	<u>(5,276)</u>
<b>Loss before income tax expense</b>		<b>(1,473,432)</b>	<b>(1,409,013)</b>
Income tax benefit (R&D tax rebate)		<u>420,441</u>	<u>899,942</u>
Loss after income tax expense for the half-year		<b>(1,052,991)</b>	<b>(509,071)</b>
<b>Other Comprehensive Income</b>			
items that may be reclassified subsequently to profit or loss		-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR</b>		<b><u>(1,052,991)</u></b>	<b><u>(509,071)</u></b>
<b>Total comprehensive loss for the half year attributable to members of Vectus Biosystems Limited</b>		<b><u>(1,052,991)</u></b>	<b><u>(509,071)</u></b>
<b>EARNINGS PER SHARE</b>		<b>Cents</b>	<b>Cents</b>
Basic loss per share	7	(4.49)	(2.18)
Diluted loss per share	7	(4.49)	(2.18)

*The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

# Vectus Biosystems Limited

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	December 2019 \$	June 2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	3,273,013	43,172
Financial assets (Convertible Notes)		753,464	-
R&D grant receivable		420,441	-
Other current assets	5	88,195	115,807
<b>TOTAL CURRENT ASSETS</b>		<u>4,535,113</u>	<u>158,979</u>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		29,879	35,129
<b>TOTAL NON-CURRENT ASSETS</b>		<u>29,879</u>	<u>35,129</u>
<b>TOTAL ASSETS</b>		<u>4,564,992</u>	<u>194,108</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		346,887	1,136,727
Other current liabilities		542,121	527,053
Provisions		311,526	298,146
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,200,534</u>	<u>1,961,926</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		1,341,000	1,957,500
Convertible notes	9	5,734,469	-
Other non-current liabilities		2,573	4,503
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>7,078,042</u>	<u>1,962,003</u>
<b>TOTAL LIABILITIES</b>		<u>8,278,576</u>	<u>3,923,929</u>
<b>NET LIABILITIES</b>		<u>(3,713,584)</u>	<u>(3,729,821)</u>
<b>EQUITY</b>			
Issued capital and convertible notes		18,765,139	17,600,420
Reserves		421,119	516,610
Accumulated losses		(22,899,842)	(21,846,851)
<b>TOTAL DEFICIT</b>		<u>(3,713,584)</u>	<u>(3,729,821)</u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

# Vectus Biosystems Limited

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2019

	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Total Equity \$
<b>Balance at 1 July 2019</b>	<b>17,600,420</b>	<b>(21,846,851)</b>	<b>516,610</b>	<b>(3,729,821)</b>
<b>Total Comprehensive Income</b>				
Loss for the period	-	(1,052,991)	-	(1,052,991)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(1,052,991)</b>	<b>-</b>	<b>(1,052,991)</b>
<b>Transaction with owners in their capacity as owners</b>				
Cost of issue of convertible notes	(61,289)	-	-	(61,289)
Exercise of performance rights	155,000	-	-	155,000
Share-based payment	5,200	-	(95,491)	(90,291)
Convertible notes	1,065,808	-	-	1,065,808
<b>Balance at 31 December 2019</b>	<b>18,765,139</b>	<b>(22,899,842)</b>	<b>421,119</b>	<b>(3,713,584)</b>
<b>Balance at 1 July 2018</b>	<b>17,600,420</b>	<b>(20,250,571)</b>	<b>393,752</b>	<b>(2,256,399)</b>
<b>Total Comprehensive Income</b>				
Loss for the period	-	(509,071)	-	(509,071)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(509,071)</b>	<b>-</b>	<b>(509,071)</b>
<b>Transaction with owners in their capacity as owners</b>				
Share-based payment	-	-	94,202	94,202
<b>Balance at 31 December 2018</b>	<b>17,600,420</b>	<b>(20,759,642)</b>	<b>487,954</b>	<b>(2,671,268)</b>

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Vectus Biosystems Limited

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2019

	December 2019 \$	December 2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees (inclusive of GST)	(2,017,341)	(1,008,911)
Interest received	218	92
<b>Net cash used in operating activities</b>	<u>(2,017,123)</u>	<u>(1,008,819)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowing of loans	383,500	977,000
Repayment of loans	(1,020,000)	-
Proceeds from convertible notes issue	6,250,000	-
Cost of issue of convertible notes	(366,536)	-
<b>Net cash provided by financing activities</b>	<u>5,246,964</u>	<u>977,000</u>
Net increase / (decrease) in cash held	3,229,841	(31,819)
Cash at the beginning of the half year	43,172	41,811
<b>Cash at the end of the half year</b>	<u><u>3,273,013</u></u>	<u><u>9,992</u></u>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Vectus Biosystems Limited

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

### 1 Statement of Accounting Policies

#### (a) Financial Reporting Framework

This Half Year Financial Report is a general purpose financial report that has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations and authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

The Half Year Financial Report should be read in conjunction with the annual financial report of the Group as at 30 June 2019. It is also recommended that the Half Year Financial Report be considered together with any public announcements made by the Company during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The Half Year Financial Report does not include all notes of the type normally included within the annual financial report, and therefore cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the Group as the full Financial Report.

The Half Year Financial Report has been prepared on the basis of historical costs and does not take into account changing money values or fair values of assets.

The accounting policies that have been adopted in the preparation of this Financial Report have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2019 Financial Report.

#### Going Concern

The Company has made operating losses before tax of \$1,473,432 for the half year to 31 December 2019 (2018: \$1,409,013). The net liabilities position has gone up from (\$3,729,821) as at 30 June 2019 to (\$3,713,584) on 31 December 2019.

The operating cash burn rate for the half-year ended 31 December 2019 was \$2,017,123 (31 December 2018: \$1,008,819). The cash balance as at 31 December 2019 was \$3,273,013 (30 June 2019: \$43,172).

During the half-year ended 31 December 2019, the Company issued a total of 14,000,000 Convertible Notes at \$0.50 to raise \$7,000,000 with 36 months until maturity date and interest at 6% per annum capitalised and paid on maturity date being 27 September 2022.

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 half-year financial report.

#### (b) Changes in Accounting Policies

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half-year.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

#### (c) Impact of Standards issued but not yet applied by the Group

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

# Vectus Biosystems Limited

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

	December 2019 \$	December 2018 \$
<b>2 Other Income</b>		
Interest received	218	92
Total revenue	<u>218</u>	<u>92</u>
<b>3 Expenses</b>		
<b>Loss from ordinary activities before income tax expense includes:</b>		
Financial expenses		
Interest on loans and bank fees	161,684	59,987
Interest on convertible notes	81,113	-
Realised foreign exchange loss	710	2,841
Total financial expenses	<u>243,507</u>	<u>62,828</u>
Depreciation and amortisation expense	9,160	10,965
Employee benefits expense and Directors' remuneration		
Base salary and fees	416,403	439,705
Superannuation expenses	30,533	30,606
Share based payment expense	16,798	94,202
Other employee expenses	4,475	8,297
Transfers from employee entitlements provisions	13,380	23,122
Total employee benefits expense and Directors' remuneration	<u>481,589</u>	<u>595,932</u>
Occupancy expenses	151,259	151,259
Research and development		
Research and development expense	39,226	133,313
Patent costs	195,222	151,881
Total research and development expense	<u>234,448</u>	<u>285,194</u>
	December 2019 \$	June 2019 \$
<b>4 Cash and Financial Assets</b>		
<b>Cash and Cash Equivalents</b>		
Cash at bank and on hand	3,273,013	43,172
	<u>3,273,013</u>	<u>43,172</u>
<b>5 Other Current Assets</b>		
Prepayments	57,027	84,267
Other receivables	31,168	31,539
	<u>88,195</u>	<u>115,807</u>
<b>6 Operating Segments</b>		
The consolidated group operates only in one reportable segment which is 'Research and Development'.		

# Vectus Biosystems Limited

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

### 7 Earnings per Share

	December 2019 \$	December 2018 \$
Basic loss per share (cents)	(4.49)	(2.18)
Diluted loss per share (cents)	(4.49)	(2.18)
Weighted average number of ordinary shares outstanding during the half year used in the calculation of basic EPS	23,430,866	23,379,996
Weighted average number of ordinary shares outstanding during the half year used in the calculation of diluted EPS	23,430,866	23,379,996

### 8 Related Party Transactions

A number of specified Directors, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arms-length basis.

Details of these transactions are shown below:

#### Regional Healthcare Group Pty Ltd

	December 2019 \$	December 2018 \$
The Company and its controlled entities incurred cost for services provided by Regional Healthcare Group Pty Ltd.		
Corporate and administration expenses	63,782	96,797
	<u>63,782</u>	<u>96,797</u>
	December 2019 \$	June 2019 \$
Outstanding Balance at the end of the reporting period *	13,355	332,608

\* Mr M Stang is Director and shareholder of Regional Healthcare Group Pty Ltd.

#### Aeris Environmental Ltd

	December 2019 \$	December 2018 \$
The Company and its controlled entities incurred cost for services provided by Aeris Environmental Ltd.		
Accounting expenses	11,753	9,695
	<u>11,753</u>	<u>9,695</u>
	December 2019 \$	June 2019 \$
Outstanding Balance at the end of reporting period *	5,332	44,879

\* Mr M Stang is Director and shareholder of Aeris Environmental Ltd and Mr P Bush is the CEO.

# Vectus Biosystems Limited

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

### 9 Convertible Notes

The Convertible Note capital raising announced on 17 September 2019 was completed following approvals at the Company's 22 November 2019 Annual General Meeting (AGM). Total of \$7,000,000 was raised from the issue of 14,000,000 Convertible Notes at \$0.50 each. The Convertible Notes issued have a term of 36 months until the maturity date and an interest rate of 6% per annum, which is capitalised and paid on the maturity date (or, if agreed by the Company, the investor can elect to convert any unpaid interest on their Notes at the maturity date into Vectus shares at an issue price that is the higher of (i) \$0.50 and (ii) 10% below the relevant volume-weighted average price). On conversion, each Note will be redeemed for \$0.50 plus any unpaid interest on that Note. The investors have the right to convert their Notes at any time prior to redemption at a price of \$0.50 per share, so that a total of 14,000,000 Notes may be converted into 14,000,000 ordinary shares. No Note holders have yet converted their Notes into shares.

	December 2019 \$	June 2019 \$
<b>10 Commitments</b>		
<b>(a) Lease commitments - operating</b>		
Committed at the reporting date but not recognised as liabilities, payable for the laboratory facility at North Ryde:		
Within one year	25,210	25,210
One to five years	-	-
	<u>25,210</u>	<u>25,210</u>
<b>(b) Lease commitments - finance</b>		
Committed at the reporting date but not recognised as liabilities, payable for the laboratory facility at North Ryde:		
Within one year	3,860	78,246
One to five years	2,573	4,935
	<u>6,433</u>	<u>83,181</u>
<b>(c) Operating commitments</b>		
Committed at the reporting date but not recognised as liabilities, payable:		
<i>Research and development expenses</i>		
Within one year	-	184,889
One to five years	-	-
	<u>-</u>	<u>184,889</u>
<b>(d) Capital expenditure commitments</b>		
There are no capital expenditure commitments.		

### 11 Events Subsequent to Reporting Date

There have been no matters or circumstances that have arisen since 31 December 2019 that have significantly affected, or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2019, of the consolidated entity;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial years subsequent to 31 December 2019, of the consolidated entity.

# Vectus Biosystems Limited

## DIRECTORS' DECLARATION

### Directors' Declaration

In the Directors' opinion:

- 1 the attached financial statements and notes thereto comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 '*Interim Financial Reporting*', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- 2 the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- 3 there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors



**Maurie Stang**

Non-Executive Deputy Chairman

Sydney, 28 February 2020

**Auditor's Independence Declaration  
Under Section 307C of the Corporations Act 2001**

**To the Directors of Vectus Biosystems Limited**

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2019, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

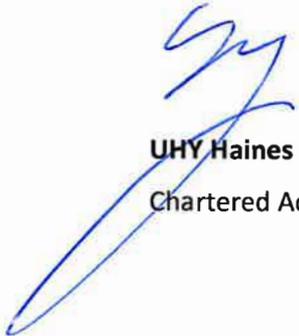
This declaration is in respect of Vectus Biosystems Limited and the entity it controlled during the financial period.



**Franco Giannuzzi**

Partner  
Sydney

Dated: 28 February 2020



**UHY Haines Norton**  
Chartered Accountants

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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Vectus Biosystems Limited

Report on the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of Vectus Biosystems Limited ("the company"), which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the end of the half-year or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Vectus Biosystems Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vectus Biosystems Limited and the entity it controlled during the half-year, ASRE 2410

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requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



**Franco Giannuzzi**  
Partner  
Sydney

Date: 28 February 2020



**UHY Haines Norton**  
Chartered Accountants

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