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Vectus Biosystems Limited

ACN 117 526 137

Interim Report

for the Half Year ended
31 December 2020



Appendix 4D

Half Year Report for the six months ended on 31 December 2020

Name of entity

VECTUS BIOSYSTEMS LIMITED ABN: 54 117 526 137

Half year report for the six months ended on 31 December 2020 (comparatives for the six months ended on 31 December 2019).

Results for announcement to the market

Revenues from ordinary activities	up	22,970%	to	50,292
(Loss) from ordinary activities after tax attributable to members	(up)	105%	to	(2,157,378)
Net (loss) for the period attributable to members	(up)	105%	to	(2,157,378)
Dividends (distributions)		Amount per security		Franked amount per security
Final and interim dividends		Nil ¢		Nil ¢
Previous corresponding period		Nil ¢		Nil ¢

Brief Explanation of figures

Refer to the attached 31 December 2020 Half-Year Financial Report

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

Net Tangible Assets

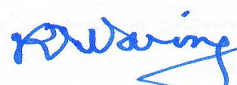
	31 Dec 2020	31 Dec 2019
Net tangible assets per ordinary share	(2.21) cents	(15.81) cents

Audit qualification or review

The financial statements were subject to review by the Auditors and the review report is attached as part of half year report.

Other comments

Refer to the attached 31 December 2020 Half-Year Financial Report.



Robert J Waring
Company Secretary
26 February 2021

Authorised for release by the Board of Directors

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26 February 2021

HALF-YEAR REPORT

Vectus Biosystems Limited (Vectus or the Company) reports its financial results for the half year ended 31 December 2020. The Company is on track, with its operating costs being targeted towards its forthcoming Phase I clinical trial of Vectus' key compound, VB0004.

The Company's increased expenditure in the current half year (\$2.2 million, compared with the previous corresponding period of \$1.47 million) is in line with the anticipated scale up towards the clinical trial. The yield from the recent GMP manufacture of VB0004 has been further validation of the attractive cost per dose of Vectus' orally-dosable compound. Within the budgeted expenditure listed above, the Company has been able to advance other emerging leads in its library and is working on new indications that may expand the franchises that the novel drugs will be targeting.

Vectus 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.

The Company has managed, successfully, to continue with its pre-clinical and research activities despite the impact of the COVID-19 pandemic globally. Synthesis of five kilograms of GMP VB0004 in three batches has been completed by Asymchem Life Science Tianjin Co., Ltd. The certificates of analysis for all three batches have been received and show purity of greater than 99.8%. These batches form part of the validation syntheses for part of the FDA requirements on drug synthesis for which the campaign summary is in preparation.

The Investigator Brochure, and trial protocol for Human Research Ethics Committee registration and submission are complete. Indicative feedback from the trial site Nucleus Network (Alfred Hospital Melbourne) on timelines is that the Single Ascending Dose (SAD) and Multiple Ascending Dose (MAD) components are likely to be completed in mid to late Q4 of 2021.

Vectus is engaged with a number of pharmaceutical companies, which could lead to multiple international licensing opportunities. The Company continues to receive enquiries from industry participants who recognise the significant potential of Vectus' novel anti-fibrotic compounds. Feedback from all levels of the industry indicates the potential for significant transactions upon a successful Phase I human trial for VB0004.

Following the detailed investigation of the mechanisms involved in the development of hepatic fibrosis in the rat models of fibrosis employed by the Company, the data obtained demonstrated multiple and significant parallels with human disease. The detailed mechanistic data has permitted investigation of how VB4-A32 reverses hepatic fibrotic damage, with several novel mechanisms being elucidated. Work continues on 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).

VECTUS BIOSYSTEMS LIMITED ABN 54 117 526 137

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Intellectual Property Portfolio

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 it 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 received a notice of allowance from Brazil for the VB0004 patent. The patent, which covers the method of synthesis for VB0004, has been granted in both Europe and China. The Company 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).

There was a significant increase in the number of granted patents during the half year. The patent covering the P compounds, encompassing the treatment of kidney and liver fibrosis, has been granted in Hong Kong and Vectus has received a notice of allowance from Mexico. Finally, the Company has received notices of allowance for the patents covering compounds treating fibrosis in the lungs from the USA, Mexico and China.

Accugen

Vectus 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, consisting of AccuCal™ and RealCount™ software, is owned by the Company's wholly owned subsidiary, Accugen Pty Limited. The technology offers a time, cost and accuracy benefit compared with currently-available systems. Vectus' commercialisation programme, which comprises a combination of direct sales, distribution partnerships and licensing opportunities, is being progressed. Opportunities are being followed up for the AccuCal™ and RealCount™ products for applications related to food safety, which is a large and growing market. The Accugen reagent (Accucal D) and software are currently undergoing evaluation by two internationally-renowned research groups for possible utility in diagnostic tests. The Company is actively following up the results obtained using the Accugen kits that were made available to several key opinion leader sites for evaluation and potential endorsement.

Finance

On 7 December 2020 Vectus announced that it had issued 7,777,778 new fully paid ordinary shares to a number of institutions and a range of sophisticated investors under the Placement announced on 20 November 2020. The issue was completed at a price of \$0.90 per share and raised \$7,000,000 before costs. Gleneagle Securities (Aust) Pty Ltd was the Lead Manager for the Placement and key cornerstone investors were introduced by Morgans' Scone office. Of the fee payable to Morgans' Scone office, \$194,669 was settled through the issue of 216,299 shares in the Company at \$0.90 per share.

The net proceeds of the Placement mean that Vectus is well placed to conduct the Phase I clinical trial for VB0004 and will allow leveraging of its substantial intellectual property portfolio into a range of allied, peptide-derived small molecule therapeutics.

The interest in anti-fibrotics is increasing and it is now evident that certain patients who have recovered from COVID-19 have developed clinically-significant amounts of fibrotic disease in key organs.

At the Company's Annual General Meeting held on 30 November 2020 all Resolutions were passed. At this Meeting Vectus took the opportunity to seek shareholder approval to raise additional capital to accelerate work on its compounds. The Company then used approximately 80% of the available placement capacity for the 7 December 2020 fundraising.

Vectus is strongly supported by a growing number of shareholders and is now well financed. The Company is on a trajectory to achieve outcomes from the SAD and MAD phases of its human clinical trial in calendar year 2021. Further, Vectus believes that VB0004 and the additional emerging leads have the potential to address large-scale, unmet medical needs, drive improved healthcare and achieve these outcomes in the context of lower overall costs to the healthcare system.

Vectus Biosystems Limited

Karen Duggan

Chief Executive Officer and Executive Director

This Report was authorised by the Board of Directors.

About Vectus Biosystems Limited

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 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, the late 2019 convertible note fundraising, and the late 2020 share Placement, 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.



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Corporate Directory

Vectus Biosystems Limited

ACN: 117 526 137
ABN: 54 117 526 137

Directors

Dr Ronald Shnier	Non-Executive Chairman
Mr Maurie Stang	Non-Executive 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

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Rosebery NSW 2018 Australia

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Website: www.vectusbiosystems.com.au

Share Registry

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GPO Box 3993, Sydney NSW 2000

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Facsimile: +61 2 9279 0664
Website: www.boardroomlimited.com.au
Email: 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

Stock Exchange Listing

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

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 2020.

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 Director 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 2020, the Company issued a total of 7,777,778 fully paid ordinary shares to a number of institutions and a range of sophisticated investors. The issue was completed at a price of \$0.90 per share, and raised \$7,000,000 before costs.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In the opinion of the Directors, no matters or circumstances have arisen since 31 December 2020 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 Company has made operating losses before tax of \$2,157,378 for the half year to 31 December 2020 (2019: \$1,473,432). The net liabilities position has improved from (\$5,644,613) as at 30 June 2020 to (\$700,519) on 31 December 2020.

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 2020.

DIVIDENDS

No dividends were proposed, declared or paid during the half year period and to the date of this report (2019: 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 Director and Deputy Chairman

Sydney, 26 February 2021

Vectus Biosystems Limited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2020

	Notes	December 2020 \$	December 2019 \$
Revenue and other income	2	50,292	218
Administration and corporate expenses		(540,152)	(341,531)
Financial expenses	3	(525,882)	(243,507)
Depreciation and amortisation expense	3	(8,582)	(9,160)
Employee benefits expense and Directors' remuneration	3	(255,265)	(481,589)
Occupancy expenses	3	(151,259)	(151,259)
Research & Development expenses	3	(726,530)	(234,448)
Travel expenses		-	(12,156)
Loss before income tax expense		(2,157,378)	(1,473,432)
Income tax benefit (R&D tax rebate)		-	420,441
Loss after income tax expense for the half-year		(2,157,378)	(1,052,991)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss		-	-
TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR		(2,157,378)	(1,052,991)
Total comprehensive loss for the half year attributable to members of Vectus Biosystems Limited		(2,157,378)	(1,052,991)
EARNINGS PER SHARE		Cents	Cents
Basic loss per share	7	(8.72)	(4.49)
Diluted loss per share	7	(8.72)	(4.49)

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 2020

	Notes	December 2020 \$	June 2020 \$
CURRENT ASSETS			
Cash and cash equivalents	4	8,162,987	2,685,283
Financial assets		55,000	30,964
Other current assets	5	<u>110,630</u>	<u>203,250</u>
TOTAL CURRENT ASSETS		<u>8,328,617</u>	<u>2,919,497</u>
NON-CURRENT ASSETS			
Plant and equipment		<u>80,010</u>	<u>78,713</u>
TOTAL NON-CURRENT ASSETS		<u>80,010</u>	<u>78,713</u>
TOTAL ASSETS		<u>8,408,627</u>	<u>2,998,210</u>
CURRENT LIABILITIES			
Trade and other payables		741,858	621,403
Other current liabilities		322,296	475,387
Provisions		<u>377,535</u>	<u>350,390</u>
TOTAL CURRENT LIABILITIES		<u>1,441,689</u>	<u>1,447,180</u>
NON-CURRENT LIABILITIES			
Borrowings		957,371	957,371
Convertible notes	9	6,682,584	6,202,752
Provisions		1,642	340
Other non-current liabilities		<u>25,860</u>	<u>35,180</u>
TOTAL NON-CURRENT LIABILITIES		<u>7,667,457</u>	<u>7,195,643</u>
TOTAL LIABILITIES		<u>9,109,146</u>	<u>8,642,823</u>
NET LIABILITIES		<u>(700,519)</u>	<u>(5,644,613)</u>
EQUITY			
Issued capital and convertible notes		24,782,308	17,861,819
Convertible Notes		1,065,808	1,065,808
Reserves		451,665	270,682
Accumulated losses		<u>(27,000,300)</u>	<u>(24,842,922)</u>
TOTAL DEFICIT		<u>(700,519)</u>	<u>(5,644,613)</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 2020

	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Total Equity \$
Balance at 1 July 2020	18,927,627	(24,842,922)	270,682	(5,644,613)
Total Comprehensive Income				
Loss for the period	-	(2,157,378)	-	(2,157,378)
Total comprehensive loss for the period	-	(2,157,378)	-	(2,157,378)
Transaction with owners in their capacity as owners				
Cost of issue	(280,031)	-	-	(280,031)
Exercise of options and rights	5,851	-	-	5,851
Share-based payment	194,669	-	180,983	375,652
Share Placement	7,000,000	-	-	7,000,000
Balance at 31 December 2020	25,848,116	(27,000,300)	451,665	(700,519)
Balance at 1 July 2019	17,600,420	(21,846,851)	516,610	(3,729,821)
Total Comprehensive Income				
Loss for the period	-	(1,052,991)	-	(1,052,991)
Total comprehensive loss for the period	-	(1,052,991)	-	(1,052,991)
Transaction with owners in their capacity as owners				
Cost of issue of convertible notes	(61,289)	-	-	(61,289)
Exercise of options and rights	155,000	-	-	155,000
Share-based payment	5,200	-	(95,491)	(90,291)
Convertible notes	1,065,808	-	-	1,065,808
Balance at 31 December 2019	18,765,139	(22,899,842)	421,119	(3,713,584)

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 2020

	December 2020 \$	December 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of GST)	(1,383,289)	(2,017,341)
ATO cash flow boost received	50,000	-
Interest paid	(43,527)	-
Interest and other income	604	218
Net cash used in operating activities	<u>(1,376,212)</u>	<u>(2,017,123)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Term deposit	(55,000)	-
Purchase of property, plant & equipment	(8,687)	-
Net cash used in investing activities	<u>(63,687)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing of loans	-	383,500
Repayment of loans	-	(1,020,000)
Proceeds from convertible notes issue	30,934	6,250,000
Proceeds from share placement	7,000,000	-
Cost of issue of shares and convertible notes	(113,331)	(366,536)
Net cash provided by financing activities	<u>6,917,603</u>	<u>5,246,964</u>
Net increase in cash held	5,477,704	3,229,841
Cash at the beginning of the half year	2,685,283	43,172
Cash at the end of the half year	<u>8,162,987</u>	<u>3,273,013</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 2020

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 2020. 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 2020 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 2020 Financial Report.

Going Concern

The Company has made operating losses before tax of \$2,157,378 for the half year to 31 December 2020 (2019: \$1,473,432). The net liabilities position has improved from (\$5,644,613) as at 30 June 2020 to (\$700,519) on 31 December 2020.

The operating cash burn rate for the half-year ended 31 December 2020 was \$1,376,212 (31 December 2019: \$2,017,123). The cash balance as at 31 December 2020 was \$8,162,987 (30 June 2020: \$2,685,283).

During the half-year ended 31 December 2020, the Company issued a total of 7,777,778 fully paid ordinary shares to a number of institutions and a range of sophisticated investors. The issue was completed at a price of \$0.90 per share, and raised \$7,000,000 before costs.

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 2020

	December 2020 \$	December 2019 \$
2 Revenue and other Income		
ATO Cash flow Boost	50,000	-
Interest and other income	292	218
Total revenue and other income	<u>50,292</u>	<u>218</u>
3 Expenses		
Loss from ordinary activities before income tax expense includes:		
Financial expenses		
Interest and bank fees	44,657	161,684
Interest and borrowing cost on convertible notes	479,832	81,113
Realised foreign exchange loss	1,393	710
Total financial expenses	<u>525,882</u>	<u>243,507</u>
Depreciation and amortisation expense	8,582	9,160
Employee benefits expense and Directors' remuneration		
Base salary and fees	185,560	416,403
Superannuation expenses	36,470	30,533
Share based payment expense	2,334	16,798
Other employee expenses	2,454	4,475
Transfers from employee entitlements provisions	28,447	13,380
Total employee benefits expense and Directors' remuneration	<u>255,265</u>	<u>481,589</u>
Occupancy expenses	151,259	151,259
Research and development		
Research and development expense	422,424	39,226
Patent costs	304,106	195,222
Total research and development expense	<u>726,530</u>	<u>234,448</u>
	December 2020 \$	June 2020 \$
4 Cash and Financial Assets		
Cash and Cash Equivalents		
Cash at bank and on hand	8,162,987	2,685,283
	<u>8,162,987</u>	<u>2,685,283</u>
5 Other Current Assets		
Prepayments	55,010	124,603
Other receivables	55,620	78,647
	<u>110,630</u>	<u>203,250</u>
6 Operating Segments		
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 2020

7 Earnings per Share

	December 2020 \$	December 2019 \$
Basic loss per share (cents)	(8.72)	(4.49)
Diluted loss per share (cents)	(8.72)	(4.49)
Weighted average number of ordinary shares outstanding during the half year used in the calculation of basic EPS	24,744,289	23,430,866
Weighted average number of ordinary shares outstanding during the half year used in the calculation of diluted EPS	24,744,289	23,430,866

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 2020 \$	December 2019 \$
The Company and its controlled entities incurred cost for services provided by Regional Healthcare Group Pty Ltd.*		
Corporate and administration expenses	60,543	63,782
	<u>60,543</u>	<u>63,782</u>
	December 2020 \$	June 2020 \$
Outstanding Balance at the end of the reporting period *	1,496	-

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

Aeris Environmental Ltd

	December 2020 \$	December 2019 \$
The Company and its controlled entities incurred cost for services provided by Aeris Environmental Ltd.*		
Accounting expenses	-	11,753
	<u>-</u>	<u>11,753</u>
	December 2020 \$	June 2020 \$
Outstanding Balance at the end of reporting period *	13,373	10,664

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

Loan from M Stang, Non-Executive Deputy Chairman

	December 2020 \$	June 2020 \$
Outstanding balance	957,371	957,371
	December 2020 \$	December 2019 \$
Interest on loan	38,610	81,982
Loan borrowing	-	383,500
Loan repaid	-	(1,000,000)

Vectus Biosystems Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

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.

10 Commitments

	December 2020 \$	June 2020 \$
(a) Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable for the laboratory facility at North Ryde:		
Within one year	-	25,210
One to five years	-	-
	<u>-</u>	<u>25,210</u>
(b) Lease commitments - finance		
Committed at the reporting date but not recognised as liabilities, payable		
Within one year	19,700	95,635
One to five years	25,860	35,180
	<u>45,560</u>	<u>130,815</u>
(c) Operating commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
<i>Research and development expenses</i>		
Within one year	342,569	606,540
One to five years	-	-
	<u>342,569</u>	<u>606,540</u>
(d) Capital expenditure commitments		
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 2020 that have significantly affected, or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2020, of the consolidated entity;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial years subsequent to 31 December 2020, of the consolidated entity.

Vectus Biosystems Limited

DIRECTORS' DECLARATION

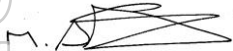
Directors' Declaration

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 2020 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 Director and Deputy Chairman

Sydney, 26 February 2021

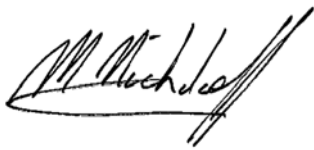
**Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001**

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 2020, 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.

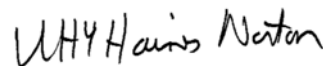


Mark Nicholaeff

Partner

Sydney

Dated: 26 February 2021



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") and its subsidiary ("the Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, 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 information, and the directors' declaration.

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 2020 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 2020 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 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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*.

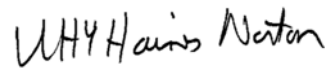


Mark Nicholaeff

Partner

Sydney

Dated: 26 February 2021



UHY Haines Norton

Chartered Accountants

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