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Half Year Report

VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
ACN 117 526 137

2021



Appendix 4D

Half Year Report for the six months ended on 31 December 2021

Name of entity

VECTUS BIOSYSTEMS LIMITED ABN: 54 117 526 137

Half year report for the six months ended on 31 December 2021 (comparatives for the six months ended on 31 December 2020).

Results for announcement to the market

Revenues from ordinary activities	(down)	100%	to	81
(Loss) from ordinary activities after tax attributable to members	(up)	18%	to	(2,548,713)
Net (loss) for the period attributable to members	(up)	18%	to	(2,548,713)
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 2021 Half-Year Financial Report.

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

Net Tangible Assets

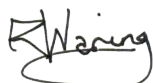
	31 Dec 2021	31 Dec 2020
Net tangible assets per ordinary share	(15.11) cents	(2.21) cents

Audit qualification or review

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

Other comments

Refer to the attached 31 December 2021 Half-Year Financial Report.



Robert J Waring
Company Secretary
25 February 2022

This Report was authorised by the Board of Directors.

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25 February 2022

HALF-YEAR REPORT

Vectus Biosystems Limited (Vectus or the Company) reports its financial results for the half year ended 31 December 2021. The Company has completed the fourth of the five planned cohorts in the Single Ascending Dose (S.A.D.) segment of its first-in-human trial Phase I clinical trial of Vectus' key compound, VB0004. This work has been carried out by Nucleus Network in Melbourne and Syneos Health.

To-date, the results of the 2mg, 10mg, 30mg and 100mg doses of VB0004 have been reviewed by the Trial Safety Review Committee. Most significantly, no adverse events have been observed at any of the four doses of VB0004 studied to-date and the latest dose of 100mg has added materially to the therapeutic safety margin for VB0004. The absence of adverse events has allowed the Trial Safety Review Committee to give permission to proceed with three further studies, being:

- the last S.A.D. Cohort, which has a planned dose of 300mg of VB0004;
- the Food Effect study, in which Cohort 3 subjects will return and have pharmacokinetic (PK) measurements undertaken when VB0004 is taken following food ingestion
- the first Multiple Ascending Dose (M.A.D.) Cohort, which will receive a dose of 10mg of VB0004 per day for 14 days.

The preliminary PK data provide evidence that VB0004 will be amenable to once daily dosing, a desirable feature in medications for chronic conditions such as hypertension, heart failure, kidney failure and pulmonary fibrosis.

VB0004 represents a first-in-class drug that prevents and, unlike known competitors in this area, reverses fibrosis. Fibrosis is the process that causes organ failure in damaged or diseased hearts, lungs and kidneys.

The Company has successfully maintained its clinical and research activities despite the impact of the COVID-19 pandemic. COVID-19 closures and working constraints impacted the time frame of Vectus' progress with its Phase I trial.

The Company extended its research into the possible opportunity to target the fibrotic damage resulting, in some cases, from COVID-19. VB0004 has the potential for its orally active small molecules to play a role in this emerging unmet need.

Vectus has been in dialogue about VB0004 with some of the world's leading pharmaceutical companies and regional mid-sized firms. 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 completion of a successful Phase I human trial for VB0004.

Following 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 as well as several novel mechanisms that have been 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).

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Intellectual Property Portfolio

Vectus continues to successfully grow and consolidate its IP portfolio, 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. This expanded portfolio of granted patents increasingly affords the Company a potentially leading position in treating fibrotic disease. Vectus believes that its proprietary small molecules will be well positioned as first-in-class therapeutics with attractive reimbursement and long patent protection. Patents have been filed, and secured, in all major jurisdictions and in several minor but strategically important jurisdictions. For patents covering mimetics directly relevant to Vectus' drug development programme, remaining patent life ranges from 13 to 16 years, excluding any patent term extension (up to five years) that may apply following registration of a pharmaceutical product with relevant regulatory authorities.

There was a significant increase in the number of granted patents during the half year. The Company has received notices of grant of the patent covering pulmonary fibrosis for VB4-A79 and its related compounds from Mexico and South Africa, while notification of acceptance has been received from the Republic of South Korea. These compounds have shown efficacy in treating liver fibrosis in animal models. The patents covering VB0002, VB0003, VB0005 and their associated libraries have been received, and, in total, more than 700 unique compounds have now been granted in the United States of America as well the Russian Federation. The patent covering the method of synthesis for VB0004 has been granted by Hong Kong. Vectus received notices of grant of patents covering VB0004, the T series of compounds, and VB4-A32 and its related compounds from India. Notice of grant of the patents covering the P series of compounds, and VB4-A32 and related compounds, has been received from Malaysia. The patent relating to PCR quantitation by Accugen has been granted by Thailand.

Accugen

During the half year Vectus has worked to enhance its 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. Recent activities in the commercialisation programme, which comprises a combination of direct sales, distribution partnerships and licensing opportunities, have broadened the potential market for the Accugen product. Opportunities are being worked on 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 evaluation continue by internationally renowned research groups for possible utility in diagnostic tests. Vectus continues to follow up the results obtained using the Accugen kits that were made available to several key opinion leader sites for evaluation and potential endorsement.

Annual General Meeting (AGM)

A comprehensive review of the Company's activities was provided to Vectus' shareholders at the Company's AGM held on 25 January 2022, and the Chairman's Address and Chief Executive Officer's presentations were released to ASX prior to the commencement of the AGM. Both Resolutions put to shareholders were passed in a poll.

Finance

The funds expended during the half year were largely in connection with the Phase I clinical trials for VB0004. The Company's increased expenditure in the current half year (\$2.2 million, compared with the previous corresponding period of \$1.38 million) is in line with the work being carried out in the clinical trial. Expenditure for the half year includes work to advance other emerging leads in Vectus' library and new indications that may expand the franchises targeted by the Company's novel drugs.

During the half year Vectus issued 886,222 fully paid ordinary shares to convertible note holders following the conversion of 850,000 convertible notes, at a conversion price of \$0.50 per note. In relation to the accumulated interest on these notes, at an interest rate of 6% per annum, the interest was paid as a total of 36,222 shares calculated as provided for in the Convertible Note Deed. On 14 February 2022 the Company issued 2,448,719 shares to two convertible note holders following the conversion of 2,300,000 convertible notes, at a conversion price of \$0.50 per note and 148,719 fully paid ordinary shares for accumulated interest.

Vectus is on a trajectory to achieve ongoing success during the remainder of the SAD phase and equally is targeting a successful outcome in the near term of the MAD phase of its human clinical trial in calendar year 2022. 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, whilst driving shareholder value in parallel.

Vectus Biosystems Limited

Karen Duggan

Chief Executive Officer and Executive Director

This Report was authorised by the Board of Directors.

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 diseases. 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 several 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 has funding for its Human Phase I trial. Vectus' strategy is to develop and perform early validation of its drug candidates to the point where they may become commercially attractive to potential pharmaceutical partners.

The Company has also developed technology aimed at improving the speed and accuracy of measuring the amount of DNA and RNA in samples tested in laboratories. The technology, called Accugen, is owned by Vectus' wholly owned subsidiary Accugen Pty Limited. The technology offers a time, cost and accuracy benefit compared to currently available systems. The Company's current stage of investment in Accugen is a commercialisation programme that may include direct sales, distribution partnerships and 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 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 9381 1000
Facsimile: +61 2 9662 1720
Email: info@vectusbiosystems.com.au
Website: 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
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

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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 2021.

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

There have been no significant changes in the state of affairs of the consolidated entity during the half year ended 31 December 2021.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In the opinion of the Directors, other than information disclosed in note 11 of the consolidated financial report, no matters or circumstances have arisen since 31 December 2021 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 has incurred operating losses before tax of \$2,548,713 for the half year to 31 December 2021 (2020: \$2,157,378). The net liabilities position has moved from (\$2,822,602) as at 30 June 2021 to (\$4,917,271) on 31 December 2021.

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.

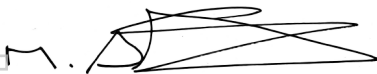
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT

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 2021.

DIVIDENDS

No dividends were proposed, declared or paid during the half year period and to the date of this report (2020: 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, 25 February 2022

Vectus Biosystems Limited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2021

	Notes	December 2021 \$	December 2020 \$
Revenue and other income	2	81	50,292
Administration and corporate expenses		(378,329)	(540,152)
Financial expenses	3	(275,556)	(525,882)
Depreciation and amortisation expense	3	(6,474)	(8,582)
Employee benefits expense and Directors' remuneration	3	(597,576)	(255,265)
Occupancy expenses	3	(84,904)	(151,259)
Research & Development expenses	3	(1,205,955)	(726,530)
Travel expenses		-	-
Loss before income tax expense		(2,548,713)	(2,157,378)
Income tax benefit (R&D tax rebate)		-	-
Loss after income tax expense for the half-year		(2,548,713)	(2,157,378)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss		-	-
TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR		(2,548,713)	(2,157,378)
Total comprehensive loss for the half year attributable to members of Vectus Biosystems Limited		(2,548,713)	(2,157,378)
EARNINGS PER SHARE		Cents	Cents
Basic loss per share	7	(7.98)	(8.72)
Diluted loss per share	7	(7.98)	(8.72)

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 2021

	Notes	December 2021 \$	June 2021 \$
CURRENT ASSETS			
Cash and cash equivalents	4	3,497,649	5,778,124
Financial assets		55,000	-
Other current assets	5	<u>136,500</u>	<u>191,099</u>
TOTAL CURRENT ASSETS		<u>3,689,149</u>	<u>5,969,223</u>
NON-CURRENT ASSETS			
Plant and equipment		<u>115,772</u>	<u>73,353</u>
TOTAL NON-CURRENT ASSETS		<u>115,772</u>	<u>73,353</u>
TOTAL ASSETS		<u>3,804,921</u>	<u>6,042,576</u>
CURRENT LIABILITIES			
Trade and other payables		757,992	350,199
Other current liabilities		55,542	457,443
Borrowings		442,291	442,291
Convertible notes	9	6,995,229	-
Provisions		<u>420,425</u>	<u>405,519</u>
TOTAL CURRENT LIABILITIES		<u>8,671,479</u>	<u>1,655,452</u>
NON-CURRENT LIABILITIES			
Convertible notes	9	-	7,191,131
Provisions		1,642	1,642
Other non-current liabilities		<u>49,071</u>	<u>16,953</u>
TOTAL NON-CURRENT LIABILITIES		<u>50,713</u>	<u>7,209,726</u>
TOTAL LIABILITIES		<u>8,722,192</u>	<u>8,865,178</u>
NET LIABILITIES		<u>(4,917,271)</u>	<u>(2,822,602)</u>
EQUITY			
Issued capital		25,320,484	24,834,995
Convertible Notes		982,484	1,013,122
Reserves		453,965	454,772
Accumulated losses		<u>(31,674,204)</u>	<u>(29,125,491)</u>
TOTAL DEFICIT		<u>(4,917,271)</u>	<u>(2,822,602)</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 2021

	Issued Capital \$	Convertible Notes (Equity) \$	Accumulated Losses \$	Other Reserves \$	Total Equity \$
Balance at 1 July 2021	24,834,995	1,013,122	(29,125,491)	454,772	(2,822,602)
Total Comprehensive Income					
Loss for the period	-	-	(2,548,713)	-	(2,548,713)
Total comprehensive loss for the period	-	-	(2,548,713)	-	(2,548,713)
Transaction with owners in their capacity as owners					
Cost of issue	-	-	-	-	-
Exercise of options and rights	4,666	-	-	-	4,666
Share-based payment	-	-	-	(807)	(807)
Convertible notes	480,823	(30,638)	-	-	450,185
Balance at 31 December 2021	25,320,484	982,484	(31,674,204)	453,965	(4,917,271)
Balance at 1 July 2020	17,861,819	1,065,808	(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	24,782,308	1,065,808	(27,000,300)	451,665	(700,519)

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 2021

	December 2021 \$	December 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of GST)	(2,206,408)	(1,383,289)
ATO cash flow boost received	-	50,000
Interest paid	(19,067)	(43,527)
Interest and other income	-	604
Net cash used in operating activities	(2,225,475)	(1,376,212)
CASH FLOWS FROM INVESTING ACTIVITIES		
Term deposit	(55,000)	(55,000)
Purchase of property, plant & equipment	-	(8,687)
Net cash used in investing activities	(55,000)	(63,687)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing of loans	-	-
Repayment of loans	-	-
Proceeds from convertible notes issue	-	30,934
Proceeds from share placement	-	7,000,000
Cost of issue of shares and convertible notes	-	(113,331)
Net cash provided by financing activities	-	6,917,603
Net increase in cash held	(2,280,475)	5,477,704
Cash at the beginning of the half year	5,778,124	2,685,283
Cash at the end of the half year	3,497,649	8,162,987

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 2021

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 2021. 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 2021 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 2021 Financial Report.

Going Concern

The Group has incurred operating losses before tax of \$2,548,713 for the half year to 31 December 2021 (2020: \$2,157,378). The net liabilities position has moved from (\$2,822,602) as at 30 June 2021 to (\$4,917,271) on 31 December 2021.

The operating cash burn rate for the half-year ended 31 December 2021 was \$2,225,475 (31 December 2020: \$1,376,212). The cash balance as at 31 December 2021 was \$3,497,649 (30 June 2021: \$5,778,124). The debt on the convertible notes is due to be converted into shares or repaid by the 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 2021

	December 2021 \$	December 2020 \$
2 Revenue and other Income		
ATO Cash flow Boost	-	50,000
Interest and other income	<u>81</u>	<u>292</u>
Total revenue and other income	<u><u>81</u></u>	<u><u>50,292</u></u>
3 Expenses		
Loss from ordinary activities before income tax expense includes:		
Financial expenses		
Interest and bank fees	20,800	44,657
Interest on convertible notes	254,283	479,832
Realised foreign exchange loss	<u>473</u>	<u>1,393</u>
Total financial expenses	<u><u>275,556</u></u>	<u><u>525,882</u></u>
Depreciation and amortisation expense	6,474	8,582
Employee benefits expense and Directors' remuneration		
Base salary and fees	535,009	185,560
Superannuation expenses	39,260	36,470
Share based payment expense	3,860	2,334
Other employee expenses	4,541	2,454
Transfers from employee entitlements provisions	<u>14,906</u>	<u>28,447</u>
Total employee benefits expense and Directors' remuneration	<u><u>597,576</u></u>	<u><u>255,265</u></u>
Occupancy expenses	84,904	151,259
Research and development		
Research and development expense	927,821	422,424
Patent costs	<u>278,134</u>	<u>304,106</u>
Total research and development expense	<u><u>1,205,955</u></u>	<u><u>726,530</u></u>
	December 2021 \$	June 2021 \$
4 Cash and Financial Assets		
Cash and Cash Equivalents		
Cash at bank and on hand	<u><u>3,497,649</u></u>	<u><u>5,778,124</u></u>
	<u><u>3,497,649</u></u>	<u><u>5,778,124</u></u>
5 Other Current Assets		
Prepayments	79,181	150,131
Other receivables	<u>57,319</u>	<u>40,968</u>
	<u><u>136,500</u></u>	<u><u>191,099</u></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 2021

7 Earnings per Share	December 2021 \$	December 2020 \$
Basic loss per share (cents)	(7.98)	(8.72)
Diluted loss per share (cents)	(7.98)	(8.72)
Weighted average number of ordinary shares outstanding during the half year used in the calculation of basic EPS	31,948,414	24,744,289
Weighted average number of ordinary shares outstanding during the half year used in the calculation of diluted EPS	31,948,414	24,744,289
Options and rights eligible for conversion into ordinary shares in future		
Options	518,076.00	509,999.00
Convertible notes	13,150,000.00	14,000,000.00
	<u>13,668,076.00</u>	<u>14,509,999.00</u>

Options and rights eligible for conversion into ordinary shares in future have an anti-dilutive effect, hence diluted EPS is same as basic EPS.

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 2021 \$	December 2020 \$
The Company and its controlled entities incurred cost for services provided by Regional Healthcare Group Pty Ltd.*		
Corporate and administration expenses	59,609	60,543
	<u>59,609</u>	<u>60,543</u>

	December 2021 \$	June 2021 \$
Outstanding Balance at the end of the reporting period *	9,982	6,793

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

Aeris Environmental Ltd	December 2021 \$	December 2020 \$
The Company and its controlled entities incurred cost for services provided by Aeris Environmental Ltd.*		
Accounting expenses	12,810	-
	<u>12,810</u>	<u>-</u>

	December 2021 \$	June 2021 \$
Outstanding Balance at the end of reporting period *	14,090	28,181

* 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 2021 \$	June 2021 \$
Outstanding balance	442,291	442,291

	December 2021 \$	December 2020 \$
Interest paid on loan	17,837	38,610
Loan borrowing	-	-
Loan repaid	-	-

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Vectus Biosystems Limited

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2021

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.

	December 2021 \$	June 2021 \$
10 Commitments		
(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	14,810	44,520
One to five years	-	-
	<u>14,810</u>	<u>44,520</u>
(b) Operating commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
<i>Research and development expenses</i>		
Within one year	2,807,751	3,313,073
One to five years	-	-
	<u>2,807,751</u>	<u>3,313,073</u>
(c) Capital expenditure commitments		
There are no capital expenditure commitments.		

11 Events Subsequent to Reporting Date

On 14 February 2022, the consolidated entity issued a total of 2,300,000 fully paid ordinary shares to two convertible note holders, at a conversion price of \$0.50 per note. In relation to accumulated interest on these notes, at an interest of 6% per annum and as provided for in the Convertible Note Deed, the interest was paid as a total of 148,719 fully paid ordinary shares calculated at \$1.17 per share.

This transaction will result in increase in equity and decrease in the convertible loan liability and management is currently assessing the exact financial impact of this conversion. The full financial implication of this conversion will be accounted for and disclosed in the 30 June 2022 annual financial report.

Other than that state above, there have been no matters or circumstances that have arisen since 31 December 2021 that have significantly affected, or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2021, of the consolidated entity;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial years subsequent to 31 December 2021, of the consolidated entity.

Vectus Biosystems Limited

DIRECTORS' DECLARATION

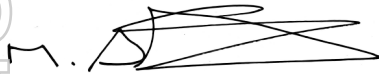
Directors' Declaration

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 2021 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, 25 February 2022

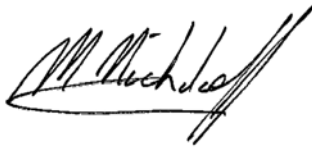
**Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001**

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 2021, 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.

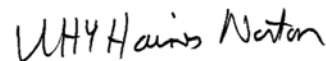


Mark Nicholaeff

Partner

Sydney

Dated: 25 February 2022



UHY Haines Norton

Chartered Accountants

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Vectus Biosystems Limited

Report on the Half-Year Financial Report

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 2021, 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, a statement 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.

Conclusion

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 consolidated entity's financial position as at 31 December 2021 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.

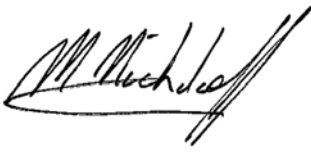
Auditor's Responsibility

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 2021 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.

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*.

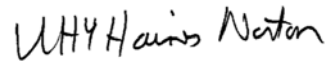


Mark Nicholaeff

Partner

Sydney

Date: 25 February 2022



UHY Haines Norton

Chartered Accountants

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