

VECTUS BIOSYSTEMS LIMITED

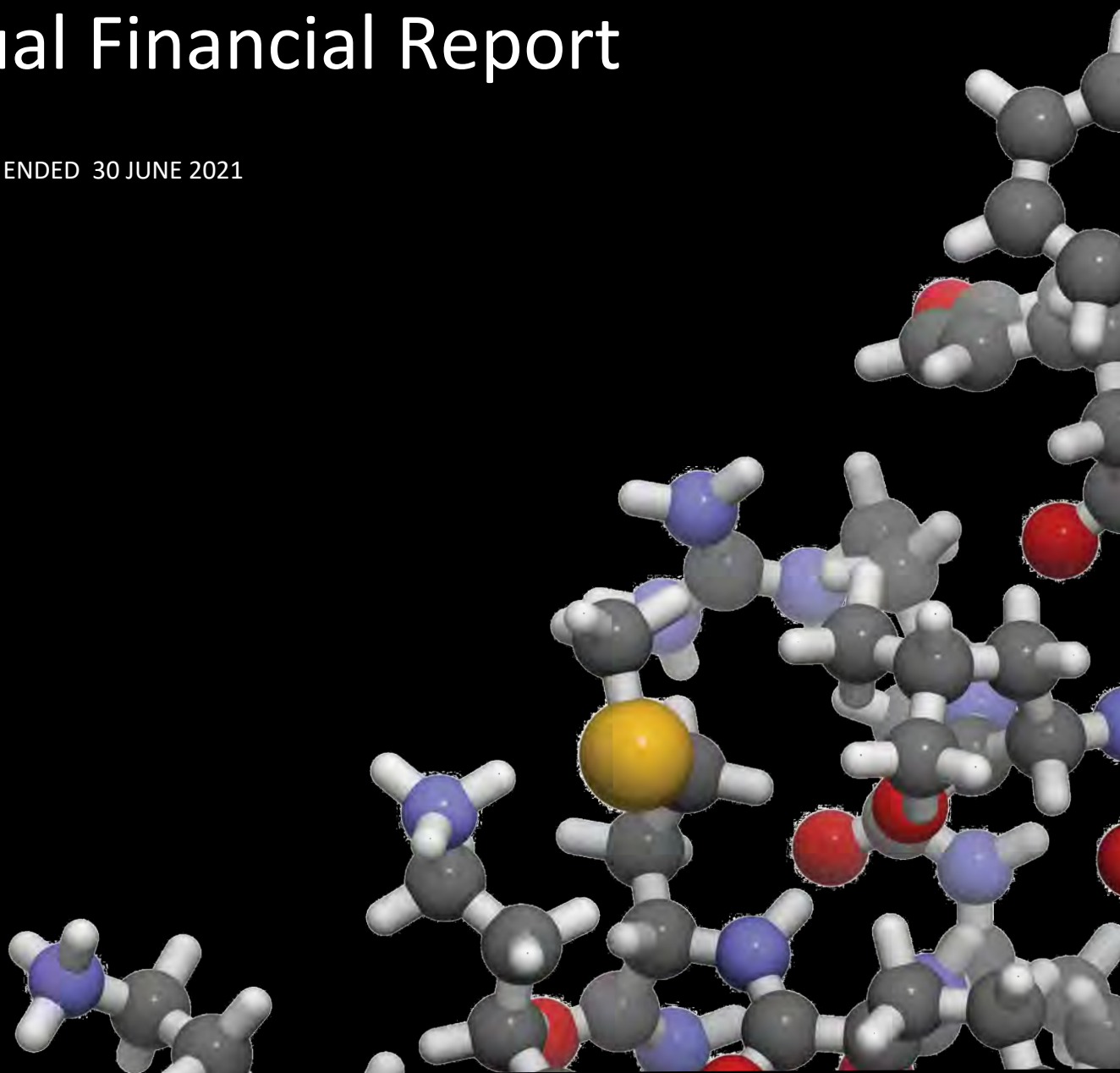
ACN 117 526 137
AND CONTROLLED ENTITIES

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2021

Annual Financial Report

FOR THE YEAR ENDED 30 JUNE 2021



VECTUS BIOSYSTEMS LIMITED AND CONTROLLED ENTITIES

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General Information

The Financial Report covers Vectus Biosystems Limited as a consolidated entity consisting of Vectus Biosystems Limited and the entity it controls. The Financial Report is presented in Australian dollars, which is Vectus Biosystems Limited's functional and presentation currency.

The Financial Report consists of financial statements, notes to the financial statements and the Directors' Declaration.

Vectus Biosystems Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its Registered Office and Research Facility are:

Registered office

3-11 Primrose Avenue
Rosebery NSW 2018

Research facility

Riverside Corporate Park
Level 3, 11 Julius Avenue
North Ryde, NSW 2113

The financial report was authorised for issue, in accordance with a resolution of Directors on 31 August 2021.

VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
Directors' Report

For the Year Ended 30 June 2021

The Directors of Vectus Biosystems Limited present their Report together with the financial statements of the consolidated entity, being Vectus Biosystems Limited (the Company) and its controlled entity (the Group) for the year ended 30 June 2021.

Directors' Details

The names of the Directors in office at any time during, or since, the end of the year are:

Ronald Shnier
Maurie Stang
Karen Duggan
Peter Bush
Susan Pond

Review of Operations and financial results

The consolidated loss after tax of the Group for the 2021 financial year amounted to \$4,282,569 (2020: Loss \$2,996,071).

For a comprehensive review of the Group's operational performance, refer to the attached Review of Operations.

A review of the Group's operations during the financial year and the results of those operations are as follows:

- * the Group's operations during the financial year performed as expected in the opinion of the Directors; and
- * no significant change in the nature of these activities occurred during the financial year.

Principal Activities

During the financial year the principal continuing activities of the Group consisted of:

- Medical Research and Development

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this Report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the consolidated entity during the financial year.

Review of Operations for the 2020-21 Financial Year

Vectus Biosystems Limited (Vectus or the Company) is pleased to report on its results for the year ended 30 June 2021.

Overview

Vectus has developed potentially novel treatments for fibrosis and high blood pressure, which include treatment for four of the largest diseases in the fibrotic franchise, namely heart, kidney, liver and lung disease. In recent years the Company has completed pre-clinical and toxicological studies of its lead compound VB0004, which is aimed at treating the loss of functional tissue to fibrosis or scarring and high blood pressure. Vectus' increased expenditure in the current year is in line with the anticipated scale up for the human Phase I and IIa Clinical Trials. The yield from the good manufacturing practice (GMP) manufacture of VB0004 has been further validation of the attractive cost per dose of the Company's orally-dosable compound. Vectus' strategy continues to be to develop and perform early validation of its drug candidates to the point where they may become commercially attractive to potential pharmaceutical partners.

During the year the Company managed to continue successfully with its pre-clinical and research activities despite the impact, globally, of the COVID-19 pandemic. However, the COVID-19 closures and working constraints did lengthen the time frames of Vectus' progress towards its Phase I trial for VB0004. Synthesis of five kilograms of GMP VB0004 in three batches was completed by Asymchem Life Science Tianjin Co., Ltd, a leading contract development and manufacturing organisation in China. The certificates of analysis for all three batches showed purity of greater than 99.8%. These batches form part of the validation syntheses for part of the United States Food and Drug Administration's requirements on drug synthesis. The Investigator Brochure, and trial protocol, has been produced with Syneos Health for the Human Research Ethics Committee. The trial was registered on the Clinical Trials Protocol Registration and Results Systems (ClinicalTrials.gov), and provided with the identifier NCT04925050. The trial site for Phase I is Nucleus Network (Alfred Hospital Melbourne) and, on current timelines, the Single Ascending Dose (SAD) and Multiple Ascending Dose (MAD) components are likely to be completed in late 2021 or early 2022. On 23 August 2021 Vectus announced that the cohort consisting of eight subjects had completed all protocol requirements for the two-milligram dose in the SAD component of its Phase I / IB trial entitled:

"A phase I/IIb, first-time-in-human, single centre, double blind, randomised, placebo-controlled, dose-escalating study of the safety, tolerability and pharmacokinetics of single and repeat doses of VB0004 administered orally to healthy volunteers; and to patients with mild to moderate hypertension with low cardiovascular risk".

The results for this cohort were reviewed by the trial safety committee and it has been deemed safe to proceed with the next dosage level.

Other Compounds

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). If the Phase I clinical trial confirms the preclinical safety profile of VB0004 in humans, the Company will be in a position to accelerate other compounds VB4-A32 through GMP synthesis and Investigational New Drug toxicology studies to human Phase I clinical trials.

Intellectual Property Portfolio

Vectus' 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. The Company 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 patent covering compositions and methods of use for VB0004 has been granted in India.

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 has received notices of grant of the patent covering both compositions and methods of use for VB4-A32 and its related group of compounds from Israel. 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 validated in the major European jurisdictions. The patent covering VB4-P5 and its related compounds, which selectively treat interstitial kidneys, has been granted in both Indonesia and the Russian Federation.

Accugen

During the 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 a number of key opinion leader sites for evaluation and potential endorsement.

Capital and Trade Engagement

As Phase I human trials advance, the Company will accelerate its discussions with a cross-section of global and mid-size pharmaceutical companies on the potential of significant transactions upon a successful Phase I human trial for VB0004. These discussions outline Vectus' clinical programme and commercialisation roadmap to the major international market. If successful, this will have the potential of accelerating the Company's additional compounds through the pre-clinical and clinical programme.

Finance

The Vectus Group, being Vectus and Accugen, incurred a loss for the year after income tax of \$4,282,569 in the year ended 30 June 2021 (2020: \$2,996,071). Operating expenses were \$4,879,239 in the 2020-21 financial year compared to \$3,430,886 in the 2019-20 financial year. A major portion of the funds expended during the year were largely in connection with the preparatory work and the first stage of the Phase I human clinical trials for VB0004 and to advance the library of the Company's other drugs.

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 fully paid ordinary shares in the Company at \$0.90 per share.

General

Numerous studies continue to elucidate the longer-term damage effects of COVID-19, which have now been reported to include fibrosis affecting the heart, lungs and kidneys. For both the lung and the kidney the damage has been sufficient to require transplantation in some instances. As a consequence, demand for effective anti-fibrotic treatments is expected to increase.

Vectus is on a trajectory to achieve outcomes from the SAD and MAD phases of its human clinical trial in the 2021-22 financial year. The Company 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 remains in active dialogue with potential trade partners, which could lead to multiple international licencing opportunities.

Karen Duggan

Chief Executive Officer and Executive Director

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
Directors' Report
For the Year Ended 30 June 2021**

Dividends

There were no dividends paid during the year.

There were no dividends or distributions recommended or declared for payment to members during the year that have not been paid or credited to the member throughout the year.

Environmental Regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or state law.

Indemnity and insurance of officers and auditors

The Company has indemnified the directors and executives of the Group for the costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Group against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

No indemnities have been given or insurance premiums paid during or since the end of the financial year for any person who is or has been an officer or auditor of the Group.

Proceedings on behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
Directors' Report
For the Year Ended 30 June 2021**

Board of Directors and Company Secretary

Vectus Biosystems Limited (Vectus or the Company) Board has a broad range of experience in drug research and development, and early stage biotech companies, capital markets, financial and scientific expertise.

Name: **Dr Ronald Shnier**
 Title: Non-Executive Chairman
 Experience and expertise: Dr Ronald Shnier completed a radiology fellowship at Royal Prince Alfred Hospital (RPAH) before undertaking his neuroradiology fellowship at RPAH in 1989 and musculoskeletal fellowship at the University of California Los Angeles (UCLA) in 1991. He was a consultant specialist at RPAH between 1990 and 1993. Dr Shnier started one of Australia's first Private MRI practices in 1991 before becoming General Manager of Mayne's Diagnostic Imaging in 2007 and was its National Director for many years. He has served on several international MRI advisory boards. Dr Shnier has a strong involvement in clinical research, and has lectured both in Australia and overseas.

Directorships held in other listed entities in the past three years: none

Appointed to the Board: 2 September 2015

Name: **Mr Maurie Stang**
 Title: Non-Executive Deputy Chairman
 Experience and expertise: Mr Maurie Stang has more than three decades of experience building and managing companies in the healthcare and biotechnology industry in Australia and internationally. His strong business development and marketing skills have resulted in the successful commercialisation of intellectual property across global markets.

Directorships held in other listed entities in the past three years: Non-Executive Chairman of Nanosonics Limited (ASX:NAN) since it listed on 15 May 2007 (and a member of its Board since 14 November 2000) and Non-Executive Chairman of Aeris Environmental Ltd (ASX:AEI) since 24 July 2002

Appointed to the Board: 12 December 2005

Name: **Dr Karen Duggan**
 Title: Executive Director and Chief Executive Officer
 Experience and expertise: Dr Karen Duggan is a founder of the Company. She was formally director of the Hypertension Service – South Western Sydney Area Health Service (SWSAHS), and is the immediate past chair of the National Blood Pressure and Vascular Disease Advisory Committee. Dr Duggan was also a member of the Cardiovascular Health Advisory Committee of the National Heart Foundation of Australia, the Post-Acute Stroke Guidelines Advisory Committee of the Australian Government Department of Health and Aging and the Cardiovascular Clinical Expert Reference Group of the NSW Department of Health. In Dr Duggan's role as Director of the Hypertension Service SWSAHS she was responsible for managing a multidisciplinary team (medical, nursing, laboratory and administrative staff), as well as developing and implementing new and innovative strategies in patient care within SWSAHS. The Hypertension Service participated in a number of clinical trials of both new therapeutics as well as evaluation of new diagnostic devices.

Directorships held in other listed entities in the past three years: none

Appointed to the Board: 4 September 2006

**VECTUS BIOSYSTEMS LIMITED
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Directors' Report
For the Year Ended 30 June 2021**

Name: Mr **Peter Bush**
Title: Non-Executive Director
Experience and expertise: Mr Peter Bush (BCom, CA) previously acted as the Chief Financial Officer and Company Secretary of Vectus and of Accugen Pty Limited. He is the Chief Executive Officer of Aeris Environmental Ltd, and an Executive Director and the Chief Financial Officer of The Regional Health Care Group and GryphonCapital. Mr Bush began his career working for five years at BDO, a global accounting and consulting firm, and has since spent several years working in industry.

Directorships held in other listed entities in the past three years: Alternate Director of Aeris Environmental Ltd (ASX:AEI) since May 2011 until November 2020

Appointed to the Board: 9 July 2015

Name: Dr **Susan Pond**
Title: Non-Executive Director
Experience and expertise: Dr Susan Pond AM (MD, DSc, FRACP) has a strong scientific and commercial background, having held executive positions in the biotechnology and pharmaceutical industry for 12 years, including as Chairman and Managing Director of Johnson & Johnson Research Pty Limited (2003 to 2009). Dr Pond has held many Board positions such as: Non-Executive Director and Chairman of AusBiotech Limited (2006 to 2008); Director of the Australian Nuclear Science and Technology Organisation (ANSTO) (2010 to 2014); Board member of Innovation Australia (2012 to 2015); and Vice President of the Academy of Technological Sciences and Engineering (ATSE) (2010 to 2015). She is a Fellow of ATSE, the Australian Institute of Company Directors, and the Academy of Health and Medical Sciences. Dr Pond obtained specialist clinical credentials in internal medicine, clinical pharmacology and clinical toxicology, and held academic appointments at the University of California in San Francisco and the University of Queensland before joining industry.
 Directorships held in other listed entities in the past three years: Non-Executive Director of Biotron Limited (ASX:BIT) since 7 March 2012.
 Appointed to the Board: 4 May 2016

Company Secretary

Experience and expertise: Mr Robert Waring (BEc, CA, FCIS, FFin, FAICD) has over 40 years of experience in financial and corporate roles, including over 25 years in Company Secretarial roles for ASX-listed companies, and over 20 years as a Director of ASX-listed companies. Mr Waring has significant company secretarial experience for both listed and unlisted companies, and is currently serving as Company Secretary for ASX-listed companies Aeris Environmental Ltd and Xref Limited, and as a Non-Executive Director and Company Secretary for R3D Resources Limited. He is a Director of Oakhill Hamilton Pty Ltd, which provides secretarial and corporate advisory services to a range of listed and unlisted companies. Appointed as Company Secretary on 9 July 2015.

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
Directors' Report
For the Year Ended 30 June 2021**

Meetings of Directors

The number of meetings of the Company's Board of Directors (the Board) and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each Director / Committee member were:

	Board of Directors Meetings	Audit and Risk Management Committee Meetings	Remuneration and Nomination Committee Meetings	Corporate Governance Committee Meetings	R&D and Innovation Committee Meetings
Number of meetings held	10	3	3	2	-
Number of meetings attended					
Ronald Shnier *	10	N/A	3	N/A	-
Maurie Stang	10	3	3	N/A	N/A
Karen Duggan	10	N/A	N/A	2	-
Peter Bush	10	3	N/A	2	N/A
Susan Pond **	10	3	2	2	-

* Ronald Shnier became a member of the R&D and Innovation Committee on 26 August 2020.

** Susan Pond became the third member of the Remuneration and Nomination Committee on 24 September 2020, and became the Chair of the R&D and Innovation Committee in August 2020.

In addition to the above meetings: the Board and senior executives conduct formal management meetings, and the Non-Executive Directors meet when necessary; and a Disclosure Committee was formed on 18 March 2020 to approve ASX announcements when the full Board is not available (this Committee has not yet needed to meet).

Committee membership

As at the date of this report, the Company had an Audit and Risk Management Committee, a Corporate Governance Committee, a Remuneration and Nomination Committee, an R&D and Innovation Committee, and a Disclosure Committee of the Board of Directors. Members acting on the Committees of the Board are:

Audit and Risk Management Committee

Peter Bush (Chair)
Maurie Stang
Susan Pond

Corporate Governance Committee

Susan Pond (Chair)
Karen Duggan
Peter Bush

Remuneration and Nomination Committee

Maurie Stang (Chair)
Ronald Shnier
Susan Pond **

R&D and Innovation Committee

Susan Pond (Chair) **
Karen Duggan
Ronald Shnier *

Disclosure Committee

Made up of three Directors, which would normally be the Chairman (Ronald Shnier), a Non-Executive Director and the Executive Director (Karen Duggan)

Share Registry

Boardroom Pty Limited
GPO Box 3993
Sydney, NSW 2000
Tel: +61 2 9290 9600
Fax: +61 2 9279 0664
Email: enquiries@boardroomlimited.com.au

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
Directors' Report
For the Year Ended 30 June 2021**

Auditor's independence declaration

UHY Haines Norton continues in office in accordance with section 327 of the *Corporations Act 2001*.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

Officers of the Company who are former audit partners of UHY Haines Norton

There are no officers of the Company who are former audit partners of UHY Haines Norton.

Corporate Governance

Vectus Biosystems Limited's Corporate Governance Statement and ASX Appendix 4G are released to ASX on the same day the Annual Report is released.

The Company's Corporate Governance Statement, and Corporate Governance Compliance Manual, can both be found on the Company's website at: <http://www.vectusbiosystems.com.au/investor-centre/corporate-governance>.

Directors' interests

	Ordinary shares	Options or rights over ordinary shares
Maurie Stang	2,575,039	-
Karen Duggan	3,278,500	-
Peter Bush	105,200	-
Ronald Shnier	100,000	-
Susan Pond	21,500	-

Remuneration Report (Audited)

Key Management Personnel (KMP)

The key management personnel of the Company comprises the Directors only as follows:

Maurie Stang
Karen Duggan
Peter Bush
Ronald Shnier
Susan Pond

Remuneration policies

Details of Vectus' remuneration policies and practices, together with details of Directors' and Executives' Remuneration, are as follows:

(a) Overview of remuneration structure:

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. Processes have been established to ensure that the levels of compensation and remuneration are sufficient and reasonable, and explicitly linked to the achievement of personal and corporate objectives. The short and long-term incentive plans are specifically aligned to shareholder interests.

Vectus' Remuneration and Nomination Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for staff, including Directors and Senior Managers of the Company.

The Committee has access to the advice of independent remuneration consultants to ensure the remuneration and incentive schemes are consistent with its philosophy as well as current market practices.

(b) Non-Executive Directors:

Payments were made during the year to Non-Executive Directors for their services. This is reviewed annually.

(c) Executives

The objective of Vectus' executive reward system is to ensure that remuneration for performance is competitive and appropriate for the results delivered.

Executive pay structures include a base salary and superannuation. In addition, executives and senior managers can participate in the Employee Incentives Plan.

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
Directors' Report
For the Year Ended 30 June 2021**

Equity Holding Transactions

The movement during the reporting period in the number of ordinary shares in Vectus Biosystems Limited held directly, indirectly, or beneficially by each specified Director and specified executive including their personally-related entities, are as follows:

2021	Number held 30 June 2020	Acquired during year	Sold during year	Number held 30 June 2021
Maurie Stang	2,575,789	-	750	2,575,039
Karen Duggan	3,278,500	-	-	3,278,500
Peter Bush	104,550	650	-	105,200
Ronald Shnier	100,000	-	-	100,000
Susan Pond	21,500	-	-	21,500
	6,080,339	650	750	6,080,239

2020	Number held 30 June 2019	Acquired during year	Sold during year	Number held 30 June 2020
Maurie Stang	2,575,789	-	-	2,575,789
Karen Duggan	3,203,500	75,000	-	3,278,500
Peter Bush	4,550	100,000	-	104,550
Ronald Shnier	100,000	-	-	100,000
Susan Pond	21,500	-	-	21,500
	5,905,339	175,000	-	6,080,339

Transactions with Directors and Director related entities

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 Company 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 and outstanding balances are shown below:

	2021	2020
<i>Regional Health Care Group Pty Ltd</i>	\$	\$
Corporate and administration services	142,695	119,721
Current payables	6,793	-
Mr M Stang is Director and shareholder of Regional Healthcare Group Pty Ltd.		
<i>Aeris Environmental Ltd</i>		
Accounting services	25,619	22,717
Current payables	28,181	10,664
Mr M Stang is Director and shareholder of Aeris Environmental Ltd.		
Mr P Bush is Alternate Director and shareholder of Aeris Environmental Ltd.		
<i>Loan from M Stang, Non-Executive Deputy Chairman</i>		
Loan borrowing	-	383,500
Loan repaid	(515,080)	(1,383,629)
Interest paid on loan	75,235	130,431
Outstanding balance	442,291	957,371

**VECTUS BIOSYSTEMS LIMITED
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Directors' Report
For the Year Ended 30 June 2021

Details of directors' and executive officers' remuneration for the year ended 30 June 2021

	Short-term benefits	Post employment benefits	Equity based benefits		Total	Performance related
	Salary and Directors' fees		Shares	Options or Rights		
	\$	\$	\$	\$	\$	%
Non-Executive Directors:						
Maurie Stang	50,228	4,772	-	-	55,000	0.0%
Peter Bush	41,096	3,904	-	-	45,000	0.0%
Ronald Shnier	41,096	3,904	-	-	45,000	0.0%
Susan Pond	41,096	3,904	-	-	45,000	0.0%
Total Non-Executive Directors	173,516	16,484	-	-	190,000	
Executive Directors:						
Karen Duggan	204,458	19,424		-	223,882	0.0%
Total Executive Directors	204,458	19,424	-	-	223,882	
Total	377,974	35,908	-	-	413,882	

There were no long term benefits paid to directors and executive officers during 2021 financial year

Details of directors' and executive officers' remuneration for the year ended 30 June 2020

	Short-term benefits	Post employment benefits	Equity based benefits		Total	Performance related
	Salary and Directors' fees		Shares	Options or Rights		
	\$	\$	\$	\$	\$	%
Non-Executive Directors:						
Maurie Stang	50,228	4,772	-	-	55,000	0.0%
Peter Bush	41,096	3,904	-	-	45,000	0.0%
Ronald Shnier	41,096	3,904	-	-	45,000	0.0%
Susan Pond	41,096	3,904	-	-	45,000	0.0%
Total Non-Executive Directors	173,516	16,484	-	-	190,000	
Executive Directors:						
Karen Duggan	196,454	18,663		14,719	229,837	0.0%
Total Executive Directors	196,454	18,663	-	14,719	229,837	
Total	369,970	35,147	-	14,719	419,836	

There were no long term benefits paid to directors and executive officers during 2020 financial year

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
Directors' Report
For the Year Ended 30 June 2021**

Employment contracts

Executive Director and Chief Executive Officer (CEO):

The following sets out the key terms of the employment agreement for the Executive Director and CEO, Dr Karen Duggan.

Contract term:	Continuous employment until notice is given by either party
Fixed remuneration:	\$ 223,882 per year This is reviewed annually.
Notice period:	To terminate the employment, Dr Duggan is required to provide Vectus with 3 months written notice. Vectus must provide 3 months written notice.
Resignation or termination:	On resignation, unless the Board determines otherwise: All unvested short term or long term benefits are forfeited. All vested but unexercised benefits are forfeited after 90 days following cessation of employment.
Statutory entitlements:	Annual leave applies in all cases of separation. Long Service applies unless service is under 10 years and she is dismissed for misconduct.
Termination for serious misconduct:	Vectus may immediately terminate employment at any time in case of serious misconduct, and Dr Duggan will only be entitled to payment of fixed remuneration until termination date. Such termination will result in all unvested benefits being forfeited. Treatment of any vested but unexercised benefits will be at the discretion of the Board.
Restraint of Trade:	For a period of 6 months or, if that period is unenforceable, 3 months after termination of employment, Dr Duggan must not in the area of Australia or, if that area is unenforceable, New South Wales: (i) solicit, canvass, approach or accept any approach from any person who was at any time during her last 12 months with the Company a client of the Company in that part or parts of the business carried on by the Company in which she was employed with a view to obtaining the custom of that person in a business that is the same or similar to the business conducted by the Company; or (ii) interfere with the relationship between the Company and its customers, employees or suppliers; or (iii) induce or assist in the inducement of any employee of the Company to leave their employment.

There are no other contracts to which a Director is a party or under which a Director is entitled to a benefit other than as disclosed above and in the financial statements.

Link between remuneration and performance and statutory performance indicators

The table below shows measures of the group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	2021	2020	2019	2018	2017
	\$	\$	\$	\$	\$
Loss for the year	(4,282,569)	(2,996,071)	(1,596,280)	(2,587,296)	(3,794,254)
Basic loss per share (cents per share)	(15.20)	(12.73)	(6.83)	(11.07)	(16.24)
Dividend payments	-	-	-	-	-
(Decrease) / increase in share price (%)	87.5%	111.8%	-60.0%	-39.3%	2.9%
Total KMP remuneration as percentage of loss for the year (%)	-10%	-14%	-33%	-26%	-16%

Company is also in discussions with management and remuneration consultants to structure and align KMP remuneration to strategic business objectives with an aim of creation of shareholder wealth.

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
Directors' Report
For the Year Ended 30 June 2021**

Performance rights or options

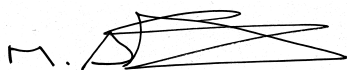
Following rights or options for issue of shares issued to key management personnel were not vested or expired as at the end of financial year:

	Number of options / rights	
	2021	2020
Performance rights to Peter Bush, Non-Executive Director	-	-
Deferred Share Awards to Karen Duggan, Chief Executive Officer	-	-

Following shares were issued to key management personnel as the result of the exercise of options or rights:

	Number of shares	
	2021	2020
Peter Bush, Non-Executive Director	-	100,000
Karen Duggan, Chief Executive Officer	-	75,000

Signed in accordance with a resolution of the directors; pursuant to section 298(2)(a) of *Corporations Act 2001* on behalf of the directors.



Maurie Stang
Non-Executive Deputy Chairman

Date: 31 August 2021

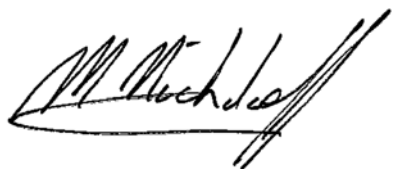
Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

To the Directors of Vectus Biosystems Limited

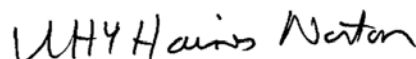
As lead auditor for the audit of Vectus Biosystems Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Mark Nicholaeff
Partner
Sydney
31 August 2021



UHY Haines Norton
Chartered Accountants

VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue and other income	3	81,590	51,186
Administration and corporate expenses		(899,729)	(627,588)
Finance costs	4	(1,074,269)	(716,335)
Depreciation and amortisation expense	4	(17,416)	(19,516)
Employee benefits expense and directors' remuneration	4	(1,161,175)	(1,034,491)
Occupancy expenses		(11,318)	(302,517)
Research & development	4	(1,715,318)	(713,001)
Travel expenses		(14)	(17,438)
Loss before income tax benefit from continuing operations		(4,797,649)	(3,379,700)
Income tax benefit	5	515,080	383,629
NET LOSS FOR THE YEAR		(4,282,569)	(2,996,071)
TOTAL COMPREHENSIVE LOSS FOR YEAR, NET OF TAX		(4,282,569)	(2,996,071)
Loss for the year attributable to:			
Owners of Vectus Biosystems Limited		(4,282,569)	(2,996,071)
Total comprehensive loss for the year attributable to:			
Owners of Vectus Biosystems Limited		(4,282,569)	(2,996,071)
Loss per share	25		
Basic loss per share (cents per share) from continuing operations		(15.20)	(12.73)
Diluted loss per share (cents per share) from continuing operations		(15.20)	(12.73)

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

VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Note	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	6	5,778,124	2,685,283
Financial Assets		-	30,964
Other current assets	7	191,099	203,249
TOTAL CURRENT ASSETS		<u>5,969,223</u>	<u>2,919,497</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	73,353	78,713
TOTAL NON-CURRENT ASSETS		<u>73,353</u>	<u>78,713</u>
TOTAL ASSETS		<u>6,042,576</u>	<u>2,998,210</u>
CURRENT LIABILITIES			
Trade and other payables	9	350,199	621,403
Other current liabilities	10A	457,443	475,387
Borrowings	12A	442,291	-
Provisions	11A	405,519	350,390
TOTAL CURRENT LIABILITIES		<u>1,655,452</u>	<u>1,447,180</u>
NON-CURRENT LIABILITIES			
Provisions	11B	1,642	340
Borrowings	12B	7,191,131	7,160,123
Other non-current liabilities	10B	16,953	35,180
TOTAL NON-CURRENT LIABILITIES		<u>7,209,726</u>	<u>7,195,643</u>
TOTAL LIABILITIES		<u>8,865,178</u>	<u>8,642,823</u>
NET LIABILITIES		<u>(2,822,602)</u>	<u>(5,644,613)</u>
EQUITY			
Issued Capital	13	24,834,995	17,861,819
Convertible Notes - Equity		1,013,122	1,065,808
Reserves	24	454,772	270,682
Retained Earnings/Accumulated Losses	14	(29,125,491)	(24,842,922)
TOTAL DEFICIT		<u>(2,822,602)</u>	<u>(5,644,613)</u>

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

VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
R&D tax offset rebate received		542,838	383,629
Receipt from customers		173	-
Payments to suppliers and employees		(3,723,529)	(3,254,628)
Interest received		221	1,186
Interest paid		(75,235)	(131,734)
Net cash used in operating activities	22(b)	<u>(3,255,532)</u>	<u>(3,001,547)</u>
Cash flows from investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Lease payments		(23,216)	(6,213)
Loan borrowings		-	383,500
Issue of shares		7,000,000	
Cost of Issue of shares		(113,331)	
Convertible Notes Issue		-	6,969,036
Cost of Convertible Notes Issue		-	(319,036)
Repayment of loans		(515,080)	(1,383,629)
Net cash provided by financing activities	22(c)	<u>6,348,373</u>	<u>5,643,658</u>
Net increase in cash and cash equivalents		3,092,841	2,642,111
Cash and cash equivalents at the beginning of the financial year		<u>2,685,283</u>	<u>43,172</u>
Cash and cash equivalents at the end of the financial year	22(a)	<u>5,778,124</u>	<u>2,685,283</u>

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

VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2021

	Note	Equity	Retained Earnings	Reserves	Total attributable to equity holders of the entity
		\$	\$	\$	\$
Balance at 1 July 2019		17,600,420	(21,846,851)	516,610	(3,729,821)
Comprehensive Income					
Loss for the year		-	(2,996,071)	-	(2,996,071)
Total comprehensive loss for the year		-	(2,996,071)	-	(2,996,071)
Convertible Notes - Equity	12	1,065,808	-	-	1,065,808
Transactions with owners					
Shares issued during the year	13	314,085	-	-	314,085
Share issue costs		(52,686)	-	-	(52,686)
Movements in share-based payment reserve		-	-	(245,928)	(245,928)
Balance at 30 June 2020		<u>18,927,627</u>	<u>(24,842,922)</u>	<u>270,682</u>	<u>(5,644,613)</u>
Balance at 1 July 2020		18,927,627	(24,842,922)	270,682	(5,644,613)
Comprehensive Income					
Loss for the year		-	(4,282,569)	-	(4,282,569)
Total comprehensive loss for the year		-	(4,282,569)	-	(4,282,569)
Convertible Notes - Equity	12	(52,686)	-	-	(52,686)
Transactions with owners					
Shares issued during the year	13	7,200,520	-	-	7,200,520
Share issue costs	13	(227,344)	-	-	(227,344)
Movements in share-based payment reserve		-	-	184,090	184,090
Balance at 30 June 2021		<u>25,848,117</u>	<u>(29,125,491)</u>	<u>454,772</u>	<u>(2,822,602)</u>

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

VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 30 June 2021

1. Summary of Significant Accounting Policies

Corporate information

The financial report of Vectus Biosystems Limited (the Group) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 31 August 2021.

Vectus Biosystems Limited (the parent) is a company limited by shares incorporated in Australia whose shares are publicly listed on the Australian Stock Exchange (ASX code: VBS).

The nature of the operations and principal activities of the Group are described in the Directors' Report.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The Group has incurred an operating loss of \$4,282,569 for the year ended 30 June 2021 (2020: \$2,996,071) and net equity deficit has moved from \$5,644,613 as at 30 June 2020 to \$2,822,602 as at 30 June 2021. The operating cash burn rate for the year ended 30 June 2021 was \$3,255,532 (2020: \$3,001,547). The cash balance as at 30 June 2021 was \$5,778,124. The debt on the convertible notes are not due to be repaid in the next 12 months.

The Directors are of the opinion that the Group will have adequate resources to continue to be able to meet its obligations as and when they fall due. For this reason they continue to adopt the going concern basis in preparing the Annual Financial Report.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Statement of compliance

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 30 June 2021**

Summary of Significant Accounting Policies (continued)

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Vectus Biosystems Limited) and the subsidiary (including any structured entities). Subsidiary is the entity the parent controls. The parent controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 18.

The assets, liabilities and results of the subsidiary are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of the subsidiary has been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidations at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(b) Property, Plant and Equipment

Property, plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carry amount is written down immediately to its estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

Depreciation

The depreciable amount of all fixed assets is depreciated on a prime cost method over the assets useful life to the company commencing from the time the asset is held ready for use. Depreciation is recognised in the profit and loss.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant & Equipment	20% - 40%
Fixtures & Fittings	10% - 20%
Office Equipment	20% - 50%

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from the assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discontinued to their present values in determining recoverable amounts.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within the short-term borrowings in current liabilities in the statement of financial position.

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 30 June 2021**

Summary of Significant Accounting Policies (continued)

(d) Revenue and Other Income

Revenue is measured at the value of the consideration received or receivable.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax.

(e) Trade Receivables and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(f) Trade Creditors and Other Payables

Trade and other payables represent the liabilities for goods and services received by the company during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from the ATO is included with other receivables in the statement of financial position.

Cash Flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities are recoverable, or payable to, the ATO are presented as operating cash flows included in receipts from or payments to suppliers.

(h) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 30 June 2021**

Summary of Significant Accounting Policies (continued)

Share-based payment

The fair value of options or share-based payments granted under the Employee Option Plan is recognised as an employee benefit expenses with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or shares.

At each balance sheet date, the entity revises its estimate of the number of options or shares that are expected to vest or become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

(i) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(j) Right-to-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(k) Financial Instruments

Financial assets

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 30 June 2021**

Summary of Significant Accounting Policies (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual agreement.

Interest

Interest is classified as an expense consistent with the balance sheet classification of the related debt or equity instruments.

Financial liabilities

The Group classifies its financial liabilities as measured at amortised cost. The Group does not use derivative financial instruments in economic hedges of currency or interest rate risk.

These financial liabilities include the following items:

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if not impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognised the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 30 June 2021**

Summary of Significant Accounting Policies (continued)

(l) Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of the new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(m) Convertible Notes

Convertible notes are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible notes, the fair value of the liability component is determined using an equivalent market rate. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

Based on the above, classification of Convertible Notes value is in accordance with AASB 9 as per note 12.

(n) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when; it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

(o) Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 30 June 2021**

Summary of Significant Accounting Policies (continued)

(o) Intangible Assets (continued)

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

Patents and trademarks

Patents are in relation to research and are not capitalised, the costs associated with patents have been included as an expense.

(p) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(q) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(s) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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Summary of Significant Accounting Policies (continued)

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black & Scholes model, with the applicable assumptions. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

	2021	2020
	\$	\$
3. Other Income		
Sales revenue	180	-
EMDG grant	31,189	-
Finance revenue	221	1,186
ATO cash flow boost	50,000	50,000
	<u>81,590</u>	<u>51,186</u>

4. Loss from Ordinary Activities	2021	2020
	\$	\$

Loss from ordinary activities before income tax includes the following items of expense:

Expenses

Depreciation and amortisation expense

Depreciation of property, plant and equipment	17,416	19,516
	<u>17,416</u>	<u>19,516</u>

Employment benefits and directors' remuneration

Base salary and fees	1,015,890	886,092
Superannuation and statutory oncosts	80,687	69,681
Share based payment expense	5,440	20,246
Other employee expenses	2,728	5,888
Transfers from employee entitlements provisions	56,430	52,584
	<u>1,161,175</u>	<u>1,034,491</u>

Finance Costs

Borrowing cost - convertible notes	988,379	561,906
Interest on Directors' loan	78,705	130,431
Other finance costs	7,185	23,998
	<u>1,074,269</u>	<u>716,335</u>

Research & Development expense

Research and Development expense	1,219,825	309,618
Patent costs	495,493	403,383
	<u>1,715,318</u>	<u>713,001</u>

5. Income Tax

(a) Income tax expense

The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax benefit in the financial statements as follows:

Loss for year before income tax benefit	(4,797,649)	(3,379,700)
Income tax benefit calculated at 30%	(1,439,295)	(1,013,910)
Temporary differences and tax losses not recognised	1,424,295	998,910
Other permanent differences		
Non assessable Cash Flow Boost	15,000	15,000
R&D tax offset rebate received	515,080	383,629
Income tax benefit	<u>515,080</u>	<u>383,629</u>

(b) Adjusted franking account balance

	-	-
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(b) Deferred tax balances not recognised

Calculated at 30% not brought to account as assets:

	2021	2020
	\$	\$
<i>Deferred tax assets relating to tax losses</i>		
Revenue tax losses available for offset against future tax income	4,837,013	4,057,385
Net deferred tax asset not recognised in respect of tax losses	<u>4,837,013</u>	<u>4,057,385</u>
<i>Deferred tax assets relating to temporary differences</i>		
Provision for employee entitlements	122,148	105,219
Accruals	109,750	9,000
Share Issue Costs	16,802	3,161
	<u>248,700</u>	<u>117,380</u>
Net deferred tax asset not recognised in respect of temporary differences	<u>248,700</u>	<u>117,380</u>
Relevance of tax consolidation to the consolidated entity		

Legislation to allow groups comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes ('the tax consolidation system') was substantively enacted on 21 October 2002. The company and its wholly-owned Australian resident entity have been consolidated for tax purposes under this legislation.

	2021	2020
	\$	\$
6. Cash and Cash Equivalents		
Cash on Hand	860	860
Cash at Bank and Term Deposits	5,777,264	2,684,423
	<u>5,778,124</u>	<u>2,685,283</u>
7. Other Current Assets		
Prepayments	150,131	124,603
Goods and Services Tax	40,968	78,647
	<u>191,099</u>	<u>203,249</u>
The carrying amounts of the group's other current assets are a reasonable approximation of their fair values.		

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	2021 \$	2020 \$
8. Property, Plant and Equipment		
Plant and Equipment	666,623	654,566
Less: Accumulated depreciation	(598,812)	(583,051)
	<u>67,811</u>	<u>71,515</u>
 Furniture & Fittings	 15,139	 15,139
Less: Accumulated depreciation	(15,139)	(15,139)
	<u>-</u>	<u>-</u>
 Office Equipment	 62,991	 62,991
Less: Accumulated depreciation	(57,449)	(55,793)
	<u>5,542</u>	<u>7,198</u>
	<u><u>73,353</u></u>	<u><u>78,713</u></u>

Reconciliations of the written down values at the beginning and end of the current financial year are set out below

	Plant and Equipment	Furniture and Fittings	Office Equipment	Total
Balance at 1 July 2020	71,515	-	7,198	78,713
Additions	12,056	-	-	12,056
Depreciation	(15,760)	-	(1,656)	(17,416)
Balance at 30 June 2021	<u><u>67,811</u></u>	<u><u>-</u></u>	<u><u>5,542</u></u>	<u><u>73,353</u></u>
 Balance at 1 July 2019	 29,965	 -	 5,164	 35,129
Additions	57,785	-	5,315	63,100
Depreciation	(16,235)	-	(3,281)	(19,516)
Balance at 30 June 2020	<u><u>71,515</u></u>	<u><u>-</u></u>	<u><u>7,198</u></u>	<u><u>78,713</u></u>

	2021 \$	2020 \$
9. Current Trade and Other Payables		
Trade creditors	328,272	606,201
PAYG withholding payable	21,927	15,202
	<u><u>350,199</u></u>	<u><u>621,403</u></u>

The carrying amount of the Group's current trade and other payables are a reasonable approximation of their fair values.

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	2021	2020
	\$	\$
10. Other current and non-current liabilities		
A. Other current liabilities		
Accrued expenses	439,216	454,846
Lease liability	18,227	20,541
	<u>457,443</u>	<u>475,387</u>
B. Other non-current Liabilities		
Lease liability	16,953	35,180
	<u>16,953</u>	<u>35,180</u>

The carrying amount of the Group's other current and non-current liabilities are a reasonable approximation of their fair values.

C. Particulars relating to lease liabilities

The Group has entered into finance lease contracts for fixed assets included in property, plant and equipment (note 8).

The balance outstanding on finance lease is accounted as lease liability (current and non-current) in note 10A and 10B.

The financial statements shows the following amounts relating to leases:

	2021	2020
	\$	\$
Depreciation	6,438	1,677
Interest expense (included in finance cost)	2,675	370
Value of asset included in property, plant and equipment	55,106	61,544
Total cash flows for finance leases	23,216	6,213
Expense relating to short-term operating leases (included in occupancy expenses)	11,318	302,517

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	2021	2020
	\$	\$
11. Provisions		
A Current		
Provision for Annual Leave	329,910	282,733
Provision for Long Service Leave	75,609	67,657
	<u>405,519</u>	<u>350,390</u>
B Non-Current		
Provision for Long Service Leave	1,642	340
	<u>1,642</u>	<u>340</u>

The carrying amount of the Group's provisions are a reasonable approximation of their fair values.

12. Borrowings

A Current borrowings

Loans from Directors

442,291

-

Interest is payable at 8% per annum

Secured against R&D cash back from ATO and balance against Company's assets.

442,291

-

B Non-current borrowings

Loans from Directors

-

957,371

Interest is payable at 8% per annum

Secured against R&D cash back from ATO and balance against Company's assets.

Convertible Notes (Notes below)

7,191,131

6,202,752

7,191,131

7,160,123

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). Details are as follows:

Notes: 14,000,000 Convertible Notes, each with a face value of \$0.50 each.

Term: 36 months until Maturity Date.

Interest: 6% per annum capitalised and paid on Maturity Date (or investor can elect to convert any unpaid interest on their Notes at the end of each 12-month period into VBS shares at an issue price that is the higher of (i) \$0.50 and (ii) 10% below the relevant VWAP).

Conversion: Each Note will be redeemed for \$0.50 plus any unpaid interest on that Note. Each Note may be converted into one VBS ordinary share at \$0.50 per share. The investors have the right to convert their Notes at any time prior to, or on, the Maturity Date. No Note holders have yet converted their Notes into shares

Listing and security: The Convertible Notes will not be listed on ASX and are secured.

Valuation: In accordance with AASB 9, the convertible notes are presented in the balance sheet as follows:

	2021	2020
	\$	\$
Face value of notes issued	7,000,000	7,000,000
Equity component	(1,013,122)	(1,065,808)
Cost of raising convertible notes (nett)	(346,033)	(228,158)
Interest	1,550,286	496,718
	<u>7,191,131</u>	<u>6,202,752</u>

13. Issued Capital

	2021 Number of Shares	2020 Number of Shares	2021 \$	2020 \$
Ordinary shares - fully paid	31,655,394	23,654,816	24,834,995	17,861,819
	<u>31,655,394</u>	<u>23,654,816</u>	<u>24,834,995</u>	<u>17,861,819</u>

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Movements in ordinary share capital of Vectus Biosystems Limited

	2021 Number of Shares	2020 Number of Shares	2021 \$	2020 \$
Balance at beginning of the year	23,654,816	23,379,996	17,861,819	17,600,420
Shares issued during the year				
Shares issued to KMP	-	175,000	-	260,975
Other share issues	8,000,578	99,820	7,200,520	53,110
	31,655,394	23,654,816	25,062,339	17,914,505
Transaction costs relating to share issues	-	-	(227,344)	(52,686)
Balance at end of year	31,655,394	23,654,816	24,834,995	17,861,819

For the purposes of these disclosures, the Group considers its capital to comprise its ordinary share capital and accumulated retained earnings. Neither the share based payments reserve nor the translation reserve is considered as capital.

Capital Risk Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

	2021 \$	2020 \$
14. Equity - Accumulated losses		
Accumulated loss at the beginning of the financial year	(24,842,922)	(21,846,851)
Loss after income tax expense for the year	(4,282,569)	(2,996,071)
Accumulated loss at the end of the financial year	(29,125,491)	(24,842,922)

15. Related party disclosures

(a) Subsidiary

Vectus Biosystems Limited has a 100% interest in Accugen Pty Limited.

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 16.

(c) Transactions with related parties

Details of transactions occurred with related parties are disclosed in Remuneration Report in the Directors' report.

16. Key management personnel

(a) The Directors of Vectus Biosystems Limited during the year were:

Maurie Stang
Karen Duggan
Peter Bush
Ronald Shnier
Susan Pond

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(b) The aggregate compensation made to key management personnel of the consolidated entity is set out below:

	2021	2020
	\$	\$
Short-term employee benefits	377,974	369,970
Post-employment benefits	35,908	35,147
Share-based payments	-	14,719
	<u>413,882</u>	<u>419,836</u>

Further, disclosures relating to the key management personnel are set out in remuneration report in the directors' report

17. Commitments

(a) Lease commitments - finance

	2021	2020
	\$	\$
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	18,227	95,635
One to five years	16,953	35,180
	<u>35,180</u>	<u>130,815</u>

(b) Lease commitments - operating

	2021	2020
	\$	\$
Committed at the reporting date but not recognised as liabilities, payable for the laboratory facility at North Ryde:		
Within one year	44,520	25,210
One to five years	-	-
	<u>44,520</u>	<u>25,210</u>

(c) Operating Commitments

	2021	2020
	\$	\$
Committed at the reporting date but not recognised as liabilities, payable:		
<i>Research and development expenses</i>		
Within one year	3,313,073	606,540
One to five years	-	-
	<u>3,313,073</u>	<u>606,540</u>

(d) Capital expenditure commitments

There are no capital expenditure commitments at the end of the financial year.

18. Interest in subsidiary

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1.

Name	Principal place of business/ Country of Incorporation	Ownership interest	
		2021	2020
		%	%
Accugen Pty Limited	Australia	100%	100%

19. Subsequent events

There have been no matters or circumstances, which have arisen since 30 June 2021 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2021, of the Group; or
- (b) the results of those operations;
- (c) the state of affairs, in the financial years subsequent to 30 June 2021, of the Group.

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20. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by UHY Haines Norton, Chartered Accountants.

	2021	2020
	\$	\$
<i>Audit Services - UHY Haines Norton</i>		
Audit and review of financial statements	41,000	41,100
	<u>41,000</u>	<u>41,100</u>

21. Parent entity information

	2021	2020
	\$	\$
Loss after income tax	(4,298,961)	(2,913,501)
Total comprehensive loss	(4,298,961)	(2,913,501)
Total current assets	7,271,752	4,234,716
Total assets	7,337,989	4,305,155
Total current liabilities	1,212,371	1,441,869
Total liabilities	8,864,387	8,637,172
Equity		
Issued capital (net of share issue cost)	25,848,117	18,927,627
Reserves	454,771	270,682
Retained earnings/accumulated losses	(27,829,286)	(23,530,325)
Total equity	<u>(1,526,398)</u>	<u>(4,332,016)</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiary

The parent entity has not entered into guarantee agreement on behalf of its subsidiary.

Operating commitments and Contingent liabilities

Operating commitments and contingent liabilities of the parent entity as at the reporting date are same as of the Group disclosed in note 17 and 27 respectively.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Capital Commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, with exception of the investment in subsidiary that is accounted for at cost.

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22. Notes to Cash Flow Statements

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled in the related items in the statement of financial position as follows:

	2021	2020
	\$	\$
Cash at bank and on hand	5,778,124	2,685,283
	<u>5,778,124</u>	<u>2,685,283</u>

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

	2021	2020
	\$	\$
Operating loss after income tax	(4,282,569)	(2,996,071)

Non cash/non-operating items included in profit and loss

Depreciation and amortisation	17,416	19,516
Convertible Notes interest	988,379	561,906
Share based payments	189,940	32,156
Other adjustments	70,096	-

Changes in assets and liabilities

(Increase) / Decrease in other assets	12,150	(87,443)
Increase / (Decrease) in trade creditors	(271,204)	(532,528)
Increase in other creditors and accruals	(36,171)	(51,666)
Increase in employee entitlement provision	56,430	52,584

Net cash used in operating activities

<u>(3,255,532)</u>	<u>(3,001,547)</u>
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(c) Changes in liabilities arising from financing activities

	Lease liability	Loan Borrowings	Convertible notes
Balance at 1 July 2020	55,721	957,371	6,202,752
Interest	2,675	75,235	1,053,568
Payments / adjustments	(23,216)	(590,315)	(65,189)
Borrowings	-	-	-
Balance at 30 June 2021	<u>35,180</u>	<u>442,291</u>	<u>7,191,131</u>
Balance at 1 July 2019	8,363	1,957,500	-
Interest	370	130,431	496,718
Payments / adjustments	(5,812)	(1,514,059)	-
Borrowings	52,800	383,500	5,706,034
Balance at 30 June 2020	<u>55,721</u>	<u>957,371</u>	<u>6,202,752</u>

23. Operating Segments

The consolidated group had no reportable segments during the year.

24. Reserves

	2021	2020
	\$	\$
Share based payments reserve		
Balance at beginning of financial year	270,682	516,610
Share based payments during the year allocated to:		
Employees and consultant	189,940	53,438
Directors	-	14,719
Utilised for share issue	(5,850)	(314,085)
Balance at end of financial year	<u>454,772</u>	<u>270,682</u>

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Particulars of options or rights granted over unissued shares

	2021	2020
Weighted average remaining contractual life	1.60 years	3.94 years
Range of exercise prices	\$0.00 to \$0.50	\$0.00
Options or rights on issue		
Employees and consultants	523,909	16,500
Key Management Personnel	-	-
	<u>523,909</u>	<u>16,500</u>
Options or rights granted during the year (Details noted below*)		
Employees and consultants	513,910	12,500
Key Management Personnel	-	-
	<u>513,910</u>	<u>12,500</u>
Shares issued as a result of exercise of options or rights		
Employees and consultants (at NIL exercise price)	6,501	4,000
Key Management Personnel (at NIL exercise price)	-	175,000
	<u>6,501</u>	<u>179,000</u>

***Details of options or rights granted during the year**

	Granted to Employees	Granted to Consultants
Number of options	13,910	500,000
Exercise price	-	0.50
Expiry date	28/04/2026	24/12/2022
Grant date	27/05/2021	27/07/2020

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25. Loss per share	2021	2020
	\$	\$
Basic loss per share (cents per share)	(15.20)	(12.73)
Diluted loss per share (cents per share)	(15.20)	(12.73)
Loss used to calculate basic loss per share	(4,282,569)	(2,996,071)
Loss used to calculate diluted loss per share	(4,282,569)	(2,996,071)
Weighted average number of ordinary shares used to calculate basic loss per share	28,171,438	23,533,025
Weighted average number of ordinary shares used to calculate diluted loss per share*	28,171,438	23,533,025

*Weighted average number of shares including convertible note options and other options are not included because they were anti-dilutive.

26. Financial instruments disclosures

(a) Capital:

The Group considers its capital to comprise its ordinary share capital and accumulated retained earnings.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions. In order to achieve this objective, the Group seeks to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

(b) Financial instrument risk exposure and management:

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(c) Principal financial instruments:

The principal financial instruments used by the Group, from which financial instrument risks arise, are:

Cash at bank;
Deposits and bonds;
Loan from Directors;
Convertible Notes; and
Trade and other payables.

(d) General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) Credit risk:

Credit risk arises principally from the Group's cash and term deposits. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument.

The maximum exposure to credit risk at balance sheet date is as follows :

	2021	2020
	\$	\$
Bank deposits	5,777,264	2,684,423

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(ii) Liquidity risk:

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Maturity analysis of financial assets and liability based on management's expectations

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital (e.g., trade receivables and inventories). These assets are considered in the Group's overall liquidity risk.

Maturity Analysis - 2021	Cash flows			Total	Carrying amount
	\$	< 1 year \$	1 - 3 years \$	\$	\$
Financial assets					
Cash and cash equivalents	5,778,124	5,778,124	-	5,778,124	5,778,124
TOTAL	5,778,124	5,778,124	-	5,778,124	5,778,124
Financial liabilities					
Trade Creditors	350,199	350,199	-	350,199	350,199
Accruals	439,216	439,216	-	439,216	439,216
Loans	477,674	477,674	-	477,674	442,291
Lease liabilities	38,698	38,698	-	38,698	35,180
Convertible notes	8,337,112	-	8,337,112	8,337,112	7,191,131
TOTAL	9,642,899	1,305,787	8,337,112	9,642,899	8,458,017
NET MATURITY	(3,864,775)	4,472,337	(8,337,112)	(3,864,775)	(2,679,893)
Maturity Analysis - 2020					
	\$	< 1 year \$	1 - 3 years \$	Total \$	Carrying amount \$
Financial assets					
Cash and cash equivalents	2,685,283	2,685,283	-	2,685,283	2,685,283
TOTAL	2,685,283	2,685,283	-	2,685,283	2,685,283
Financial liabilities					
Trade Creditors	621,403	621,403	-	621,403	621,403
Accruals	454,846	454,846	-	454,846	454,846
Borrowings	8,305,743	-	8,305,743	8,305,743	7,160,123
TOTAL	9,381,992	1,076,249	8,305,743	9,381,992	8,236,372
NET MATURITY	(6,696,709)	1,609,034	(8,305,743)	(6,696,709)	(5,551,089)

(iii) Interest rate risk:

The Group's exposure to fluctuations in interest rates that are inherent in financial markets arise predominantly from assets and liabilities bearing variable interest rates.

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 30 June 2021**

The company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below :

2021	Weighted Average Rates %	Floating rates \$	Fixed rates \$	Non-interest bearing \$	Total \$
Financial Assets					
Cash and cash equivalents	1.0%	5,778,124	-	-	5,778,124
Total		5,778,124	-	-	5,778,124
Financial liabilities					
Trade Creditors	0.0%	-	-	350,199	350,199
Other payables and accruals	0.0%	-	-	439,216	439,216
Lease liabilities	10.0%	-	38,697.75	-	38,698
Loans from Directors	8.0%	-	442,291	-	442,291
Convertible Notes	6.0%	-	7,191,131	-	7,191,131
TOTAL		-	7,672,119	789,415	8,461,535
Net financial assets (liabilities)		5,778,124	(7,672,119)	(789,415)	(2,683,411)
2020	Weighted Average Rates %	Floating rates \$	Fixed rates \$	Non-interest bearing \$	Total \$
Financial Assets					
Cash and cash equivalents	1.0%	2,685,283	-	-	2,685,283
Total		2,685,283	-	-	2,685,283
Financial liabilities					
Trade Creditors	0.0%	-	-	621,403	621,403
Other payables and accruals	0.0%	-	-	454,846	454,846
Loans from Directors	8.0%	-	957,371	-	957,371
Convertible Notes	6.0%	-	6,202,752	-	6,202,752
TOTAL		-	7,160,123	1,076,249	8,236,372
Net financial assets (liabilities)		2,685,283	(7,160,123)	(1,076,249)	(5,551,089)

The following sensitivity analysis is based on the interest rate risk exposure in existence at the balance sheet date. The analysis assumes all other variables remain constant.

Sensitivity analysis

2021	Carrying amount \$	+0.5% interest Profit & Loss \$	-0.5% interest Profit & Loss \$
Cash at bank	5,778,124	28,891	(28,891)
Term deposits	-	-	-
		28,891	(28,891)
Tax charge of 30%		(8,667)	8,667
Post tax profit increase / (decrease)		20,223	(20,223)
2020	Carrying amount \$	+0.5% interest Profit & Loss \$	-0.5% interest Profit & Loss \$
Cash at bank	2,685,283	13,426	(13,426)
Term deposits	-	-	-
		13,426	(13,426)
Tax charge of 30%		(4,028)	4,028
Post tax profit increase / (decrease)		9,398	(9,398)

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
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For the Year Ended 30 June 2021**

27. Contingent Liabilities

There are no contingent liabilities of the company or the Group other than commitments disclosed in note 17.

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VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

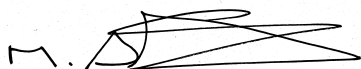
In the opinion of the Directors:

- 1 the attached financial statements and notes that are set out on pages 15 to 39 and remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- 2 the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- 3 the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- 4 there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Board of Directors



Maurie Stang
Non-Executive Deputy Chairman

Sydney, 31 August 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of Vectus Biosystems Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vectus Biosystems Limited (the Company) and its subsidiary (the Group) for the year ended 30 June 2021, which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

GOING CONCERN

Why a key audit matter

The Group has had a history of making losses. The net loss for 2021 was \$4.28 million (2020: \$3.00 million). The Group has a net asset deficiency as at 30 June 2021 of \$2.82 million (2020 : \$5.64 million). Therefore, there is a risk that the Group may not have the ability to continue as a going concern.

As at 30 June 2021, the Group had \$5.78 million (2020: \$2.69 million) of cash in the bank. The net cash outflow from operating activities in 2021 was \$3.26 million (2020: \$3.00 million).

A key audit matter is the Group's ability to continue as a going concern.

How our audit addressed the risk

Our audit procedures included, amongst others:

- Assessed the cash flow projections for 14 months from the end of the financial year ended 30 June 2021.
- Assessed the significant forecast cash inflows and outflows including the expected impact of a planned capital raising for quantum and timing. We used our knowledge of the Group, its industry and current status of these initiatives to assess the level of the associated uncertainty.
- Evaluated the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standards requirements.
- Discussed with management the capital raising initiatives and whether they will be required, and the ability to slow down the monthly expenditures in the event of any difficulty with the capital raising.

RESEARCH AND DEVELOPMENT COSTS

Why a key audit matter

As disclosed in the financial report, the Group has expensed all research and development expenditure (FY21: \$1.72 million, FY20 \$0.71 million), in the statement of profit or loss and other comprehensive income.

Our audit focused on this area due to the amount of the research and development costs incurred, and the fact that there is judgment involved in assessing whether the requirements detailed in the accounting

How our audit addressed the risk

Our audit procedures included, amongst others:

- Discussed with management regarding their accounting policies for expensing and capitalising the Group's research and development costs.
- Updated our understanding of management's process for assessing whether any research and

standards for expensing or capitalising these costs have been met.

The Group is currently performing a range of animal toxicology studies on its main compound. This research continues to progress over time with corresponding increases in the probability of future economic benefits flowing to the Company.

AASB 138: Intangible Assets prescribes that research and development expenditure on an asset or product be capitalised as an intangible asset when specific criteria (relating to commercial viability) are met.

Significant judgments relevant to the Group for capitalisation of research and development costs include determining if the development stage has been reached.

Management's conclusion is that no material element of the spending this year on research and development met the criteria for capitalisation on the basis that the Group was still in the research phase and had not started with human trials of the main compounds yet.

development spend has met all of the AASB 138 recognition criteria.

- Discussed with management the nature of R&D work being completed and their assessment of the areas of judgment, particularly the current stage of the research and development.
- We performed substantive procedures on expenses recognised.
- Considered other information obtained during the audit, including products being developed, nature of contracts with key suppliers and the stage of related sales prospects.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

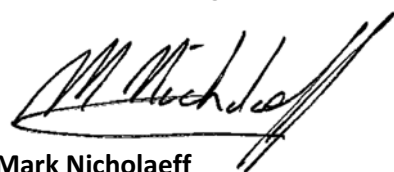
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 - 13 of the directors' report for the year ended 30 June 2021.

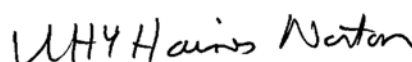
In our opinion, the Remuneration Report of Vectus Biosystems Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Mark Nicholaeff
Partner
Place: Sydney
Date: 31 August 2021



UHY Haines Norton
Chartered Accountants

Vectus Biosystems Limited

ABN 54 117 526 137

Australian Securities Exchange (ASX) Additional Information

Additional information required by the ASX Listing Rules, and not disclosed elsewhere in this Annual Report, is detailed below. This information was prepared based on Vectus Biosystems Limited's Share Registry information.

Security Holder Information

Distribution of Shareholders

Analysis of the fully paid ordinary shares by holding as at 20 August 2021:

Spread of Holdings	Number of Holders	Ordinary shares	% of Total Issued Capital
1 – 1,000	74	41,799	0.13
1,001 – 5,000	159	350,921	1.11
5,001 – 10,000	48	370,553	1.17
10,001 – 100,000	188	6,972,613	22.03
100,001 – and over	52	23,919,508	75.56
Total	521	31,655,394	100.00

On 19 August 2021 there were 22 shareholders holding less than a marketable parcel of \$500 worth of shares at a share price of \$1.23.

Distribution of Convertible Noteholders

Analysis of the convertible notes by holding as at 20 August 2021:

Spread of Holdings	Number of Holders	Convertible Notes	% of Total Issued Notes
1 – 1,000	0	0	0.00
1,001 – 5,000	0	0	0.00
5,001 – 10,000	1	10,000	0.07
10,001 – 100,000	16	1,050,000	7.50
100,001 – and over	18	12,940,000	92.43
Total	35	14,000,000	100.00

Statement of Shareholdings as at 19 August 2021

The names of the 20 largest holders of fully paid ordinary shares are listed below:

#	Shareholder	Number of Shares	% Holding
1	Ajjika Technology Pty Limited <The Ajjika A/C>	3,200,000	10.109
2	Energy Trading Systems Pty Ltd <The MPF A/C>	2,550,000	8.055
3	Bernard Stang	2,550,000	8.055
4	Truebell Capital Pty Ltd <Truebell Investment Fund>	1,670,000	5.276
5	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	1,485,111	4.691
6	Spinite Pty Ltd	1,014,327	3.204
7	Grizzly Holdings Pty Limited	733,333	2.317
8	Bennelong Resources Pty Ltd <John Egan Super Fund A/C>	670,000	2.117
9	Gleneagle Securities (Aust) Pty Ltd <House Prop A/C>	570,000	1.801
10	Finot Pty Limited	550,000	1.737
11	MJC Pty Limited <The Michael Crouch Fam A/C>	519,833	1.642
12	Jane Mackay Imports Pty Ltd <J Mackay Imports S/Fund A/C>	500,000	1.580
13	3rd Pulitano Pty Ltd	437,667	1.383
14	Victor Zheng Chun Ye	425,509	1.344
15	Norman Nathan Gelbart <Alex Wartski Family A/C>	380,380	1.202
16	Kefford Holdings Pty Ltd <The Kefford Family A/C>	360,777	1.140
17	Cadel Lee Evans	350,000	1.106
18	Wagga Family Services Pty Ltd <Wagga Family Services SF A/C>	333,222	1.053
19	Kent's Flowers Pty Ltd <The Flawless Flowers A/C>	293,151	0.926
20	Feng Family Super Fund Pty Ltd <Feng Family Super Fund A/C>	277,000	0.875
	Total of Top 20 Holdings	18,870,310	59.613
	Other Holdings	12,785,084	40.387
	Total Ordinary Shares	31,655,394	100.000

Voting Rights

At general meetings of the Company, all fully paid ordinary shares carry one vote per share without restriction. On a show of hands, every member present at a general meeting, or by proxy, shall have one vote and, upon a poll, each share shall have one vote. Option holders and convertible noteholders have no voting rights until the options are exercised, or the convertible notes are converted, into ordinary shares.

Substantial Shareholders

Substantial shareholders in Vectus Biosystems Limited, based on Substantial Shareholder Notices received by the Company, are as follows:

Name	Shares
Dr Karen Duggan	3,201,500
Mr Maurie Stang	2,562,000
Mr Bernard Stang	2,562,000
Spinite Pty Ltd	1,542,881

Options (ASX:VBSAD) issued under Employee Incentive Plan as at 19 August 2021

Details of Option Holders	Zero Exercise Price Options (progressive vesting dates)
Vectus employee – one holder	1,666 – expire, if not exercised, by 23 August 2023
Vectus employee – three holders	8,333 – expire, if not exercised, by 3 October 2024
Vectus employee – three holders	13,910 – expire, if not exercised, by 28 April 2026

Options (ASX:VBSAD) issued for corporate advisory and consulting services as at 19 August 2021

Details of Option Holders	500,000 Options with a \$0.50 Exercise Price
Gleneagle Securities (Aust) Pty Ltd	450,000 – expire, if not exercised, on 24 December 2022
Two holders of Options	50,000 – expire, if not exercised, on 24 December 2022

Convertible Notes (ASX:VBSAE) issued as at 19 August 2021

Details of Convertible Noteholders	14,000,000 Convertible Notes with a \$0.50 Conversion Price
Merrill Lynch (Aust) Nominees Pty Ltd <Regal Emerging Companies Fund II A/C>	3,600,000 – 6% interest rate per annum capitalised and paid on Maturity Date, being 27 September 2022
34 holders of Convertible Notes	10,400,000 – 6% interest rate per annum capitalised and paid on Maturity Date, being 27 September 2022

On-Market Buy-Back

In accordance with ASX Listing Rule 4.10.18, the Company advises that there is no current on-market buy-back.

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
Dr 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

Research Division

Level 3, 11 Julius Avenue
 North Ryde, NSW 2113 Australia

Telephone: +61 2 8876 8200

Share Registry

Boardroom Pty Limited
 Level 12, Grosvenor Place, 225 George Street, Sydney NSW 2000
 GPO Box 3993, Sydney NSW 2001

Telephone: +61 2 9290 9600
 Facsimile: +61 2 9279 0664
 Email: enquiries@boardroomlimited.com.au
 Website: www.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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