

Appendix 4E

Preliminary final report for the financial year ended 30 June 2024

Name of entity

VECTUS BIOSYSTEMS LIMITED ABN: 54 117 526 137

Reporting period: 30 June 2024

Previous period: 30 June 2023

Results for announcement to the market

AUD				
Revenues from ordinary activities	down	15.9%	to	1,138,674
Loss from ordinary activities				
after tax attributable to	down	38.3%	to	(2,129,794)
Loss for the period attributable to owners of	down	38.3%	to	(2,129,794)
Vectus Biosystems Limited				

Dividends (distributions)	Amount per security	Franked amount per security
	Nil ¢	Nil ¢
Final dividend		
Previous corresponding period	Nil ¢	Nil ¢

Brief explanation of the above

The Group has incurred an operating loss after tax of \$2,129,794 for the financial year ended 30 June 2024 (2023: Operating loss after tax of \$3,448,860) and the net equity has moved from \$3,523,504 as at 30 June 2023 to \$1,450,865 as at 30 June 2024. The operating cash burn rate for the financial year ended 30 June 2024 was \$2,026,373 (2023: \$2,352,742). The cash balance as at 30 June 2024 was \$808,969.

This Appendix 4E should be read in conjunction with the Half Year Financial Report of the Group as at 31 December 2023. It is also recommended that the Appendix 4E be considered together with any public announcements made by the Group since commencement of the 2023-24 financial year in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

NTA backing

	30-Jun-24 cents	30-Jun-23 cents
Net tangible asset backing per ordinary share	2.73	6.62

Events occurring after Balance Date

No matter or circumstance has arisen since 30 June 2024 that has significantly affected or may significantly affect the consolidated entities' operations, the results of these operations, or the consolidated entities' state of affairs in future financial years, other than as set out in Note 19 of the attached Financial Report.

Details of entities over which control has been gained or lost during the period

Not Applicable

Foreign Entities details

Not Applicable

Dividends

No dividends were paid or proposed during the financial year.

Audit or Review details

This report is based on accounts which are in process of being audited.

Sign here:

(Director/Company Secretary)

Print name: **Robert J Waring**Date: **30 August 2024**

Review of Operations for the 2023-24 Financial Year

Vectus Biosystems Limited (Vectus or the Company) reports on its operations and results for the year ended 30 June 2024.

Overview

Vectus has developed and successfully patented a range of novel compounds for the treatment of chronic fibrosis. These include four of the most significant in the fibrotic franchise, namely heart, kidney, liver and lung fibrosis. In recent years Vectus has successfully completed a range of pre-clinical and toxicological studies of its lead compound VB0004, which is aimed at inhibiting and reversing the loss of functional tissue due to fibrosis / scarring. The Company has successfully completed its Phase Ia human studies, which were conducted in Australia, which is recognised as one of the most rigorous regulatory environments globally.

On 24 May 2024 the Company announced the tragic death of its co-founder and Chief Executive Officer (CEO) Dr Karen Duggan, whose life's work was centred on the challenge of prevention and treatment of cardiovascular fibrosis. Vectus has subsequently put in place a management team with a clear mandate to commercialise the Company's drug library, and particularly VB0004.

In the 2023-24 financial year Vectus continued to progress VB0004 in a Phase Ib Clinical Human Trial, having completed the Phase Ia human trials in September 2022. No significant adverse events were reported, adding again to the impressive safety record of VB0004. Patient recruitment continued during the year for the Phase 1b clinical trial in patients with mild to moderate hypertension who are at low cardiovascular risk. No adverse events were reported from patients that related to side effects of VB0004, providing further evidence of the inherent safety of VB0004.

In April 2024 Vectus announced the finalisation of its Phase Ib human clinical trial. The Phase Ib trial was entitled: "A Phase I/Ib, 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", NCT04925050. As both Phase Ia and Phase Ib trials were conducted double-blind, the request has been made to open the code. The Company will report these results in due course.

As Vectus' focus moves mainly to commercialisation it is anticipated that the operating costs of the Company will be significantly reduced. With the finalisation of the Phase Ib human trial and the curtailment of laboratory activities, staff numbers have been reduced in July 2024 and costs reduced.

Fibrosis is the process that causes organ failure in damaged or diseased hearts, kidneys, livers and lungs. VB0004 represents a first-in-class drug aimed at not only impacting disease progression, but indeed reversing existing disease which potentially represents a significant medical and commercial breakthrough.

Drug Library

The Company has performed detailed investigation of the mechanisms involved in the development of hepatic fibrosis in the rat models of liver fibrosis. The data obtained demonstrate multiple and significant parallels with human disease. The detailed mechanism of action information has led to understanding how VB4-A32 has the potential to reverse hepatic fibrotic damage via several novel mechanisms. Work continued during the 2023-24 year 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). Now that the Phase I clinical trials have confirmed the pre-clinical safety profile of VB0004 in humans, the Company is in a position to seek collaborations to bring forward its other pre-clinical assets, such as VB4-A32 (hepatic fibrosis) and VB4-A79 (pulmonary fibrosis).

During the year, in the laboratory, work continued on the emerging leads VB4-A32, VB4-A79 and VB4-P5 (renal fibrosis), as well on the most suitable analogues from Vectus' library for other new indications, such as dementia.

Pharmaceutical Company Engagement

The Company's strategy is to develop and perform early validation of its drug candidates to the point that they become commercially attractive to potential pharmaceutical partners. Now that the Phase Ib human trials have been finalised, Vectus is fully focussed on the commercialisation of its lead drug and other promising compounds in its extensive drug library.

The Company has recently appointed C14 Consulting Group, LLC (C14) in an exclusive role to lead and manage the programme of potential licencing, joint venture, or both, of Vectus' portfolio of patented small therapeutic molecules, including the human lead VB0004. Based in the USA, C14 is a highly regarded consultancy with a global capability. Led by C14's CEO, Martina Molsbergen, C14 has an enviable track record of securing licence agreements, joint ventures and commercialisation of pharmaceutical patented assets to all levels of pharma from large scale to biotech companies, specialising in orphan and targeted applications.

C14 will now be managing existing discussions with, and expanding the outreach to, potential pharmaceutical partners. C14 has demonstrated that it has long standing relationships with a broad cross section of pharmaceutical companies, and a detailed knowledge of the indications and market segments on which each of these companies is currently focusing.

The Company has put in place an Advisory Board with input from leaders in the biotechnology and pharmaceutical arenas.

Intellectual Property Portfolio

In the 2023-24 year the Company continued to successfully grow its intellectual property portfolio of both patents and proprietary knowhow. Vectus' portfolio of seven patent families, targets high-value unmet needs across multiple disease states in major international territories. In the year a number of additional patents were granted. The patent for the Company's A group of compounds and their application in the management of fibrosis was recently granted in the Republic of Korea and in Canada. Patents for use of VB0004, A, T and P groups of compounds in the prevention and treatment of pulmonary fibrosis have been granted in 12 European countries. Patent for use of P group of compounds in the treatment of kidney and/or liver disease has been granted in Republic of Korea. The patents for Company's VB2, VB3 and VB5 compound libraries have now been granted in the USA, Japan, Singapore and the Republic of Korea.

Accugen

During the year the Company continued its work 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, offers a time, cost and accuracy benefit compared with currently-available systems. Vectus continued discussions in relation to the introduction of its consumables and software into the qPCR market.

Finance

Vectus' expenditure in the 2023-24 financial year was predominantly on the human Phase Ib Clinical Trials, funding its patent portfolio and advancing the library of the Company's other drugs.

The Group, being Vectus and Accugen, incurred a loss for the year after income tax of \$2,129,794 in the year ended 30 June 2024 (2023: \$3,448,860). Operating expenses were \$3,268,468 in the 2023-24 financial year compared to \$4,803,395 in the 2022-23 financial year.

During the year Vectus received \$1,226,000 as a research and development (R&D) refund from the Australian Taxation Office (ATO) in November 2023 and a further \$289,700 in March 2024 for expenditure for the year to 30 June 2023. The Company forecasts the receipt of \$936,000 in the December 2024 quarter as its R&D refund from the ATO for R&D expenditure for the year ended 30 June 2024 and is accruing receivables on R&D expenditure for the 2024-25 financial year.

Consistent with the Company's announced focus on commercialisation, Vectus has reduced its cost base significantly and has relocated its head office to Rosebery in Sydney. The Company is now utilising a number of advisers.

Summary

Vectus has a broad portfolio of granted patents and a drug library of over 1,000 small compound drug candidates. During the year the Company confirmed safety of VB0004 in relation to both the human Phase Ia and Ib clinical trials. Vectus believes that VB0004's demonstrated safety profile has the potential to address large-scale, unmet needs for some of the most significant chronic clinical conditions affecting patients today.

The Company today is net debt free and has reduced its costs while focusing on commercialising its extensive drug library. With the agreement with C14, the Company now can expand its outreach programme by leveraging on C14's pharmaceutical company database and expertise.

VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended 30 June 2024

	Note	2024 \$	2023 \$
Revenue and other income	3	1,138,674	1,354,535
Administration and corporate expenses		(812,035)	(930,687)
Finance costs	4	(8,704)	(205,522)
Depreciation and amortisation expense	4	(58,835)	(47,209)
Employee benefits expense and directors' remuneration	4	(1,059,507)	(1,463,005)
Occupancy expenses		(177,721)	(177,721)
Research & development	4	(1,151,046)	(1,957,587)
Travel expenses		(620)	(21,664)
Loss before income tax benefit from continuing operations		(2,129,794)	(3,448,860)
Income tax benefit	5	-	-
NET LOSS FOR THE YEAR		(2,129,794)	(3,448,860)
TOTAL COMPREHENSIVE LOSS FOR YEAR, NET OF TAX		(2,129,794)	(3,448,860)
Loss for the year attributable to:			
Owners of Vectus Biosystems Limited		(2,129,794)	(3,448,860)
Total comprehensive loss for the year attributable to:			
Owners of Vectus Biosystems Limited		(2,129,794)	(3,448,860)
Loss per share	25		
Basic loss per share (cents per share) from continuing operations		(4.00)	(7.19)
Diluted loss per share (cents per share) from continuing operations		(4.00)	(7.19)

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 2024

	Note	2024 \$	2023 \$
CURRENT ASSETS			
Cash and cash equivalents	6	808,969	2,950,956
Other current assets	7	1,034,487	1,505,934
TOTAL CURRENT ASSETS		<u>1,843,456</u>	<u>4,456,890</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	182,171	173,106
TOTAL NON-CURRENT ASSETS		<u>182,171</u>	<u>173,106</u>
TOTAL ASSETS		<u>2,025,627</u>	<u>4,629,996</u>
CURRENT LIABILITIES			
Trade and other payables	9	195,534	253,608
Other current liabilities	10A	210,001	403,207
Borrowings	12	-	-
Provisions	11A	164,659	419,264
TOTAL CURRENT LIABILITIES		<u>570,194</u>	<u>1,076,079</u>
NON-CURRENT LIABILITIES			
Provisions	11B	4,568	2,985
Other non-current liabilities	10B	-	27,428
TOTAL NON-CURRENT LIABILITIES		<u>4,568</u>	<u>30,413</u>
TOTAL LIABILITIES		<u>574,762</u>	<u>1,106,492</u>
NET ASSET / (LIABILITIES)		<u>1,450,865</u>	<u>3,523,504</u>
EQUITY			
Issued Capital	13	38,368,557	38,352,080
Reserves	24	843,823	803,145
Retained Earnings/(Accumulated Losses)	14	(37,761,515)	(35,631,721)
TOTAL EQUITY / (DEFICIT)		<u>1,450,865</u>	<u>3,523,504</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 2024

	Note	2024 \$	2023 \$
Cash flows from operating activities			
R&D tax offset rebate received		1,515,869	2,144,765
Payments to suppliers and employees		(3,604,678)	(4,527,702)
Interest received		66,695	54,459
Interest paid		(4,260)	(24,264)
Net cash used in operating activities	22(b)	<u>(2,026,373)</u>	<u>(2,352,742)</u>
Cash flows from investing activities			
Investment in property, plant and equipment		(74,690)	(17,127)
Net cash used in investing activities		<u>(74,690)</u>	<u>(17,127)</u>
Cash flows from financing activities			
Lease payments		(40,924)	(55,846)
Issue of shares		-	4,600,571
Cost of Issue of shares		-	(62,950)
Repayment of loans		-	(442,291)
Net cash provided by / (used in) financing activities	22(c)	<u>(40,924)</u>	<u>4,039,484</u>
Net increase in cash and cash equivalents		(2,141,987)	1,669,615
Cash and cash equivalents at the beginning of the financial year		2,950,956	1,281,341
Cash and cash equivalents at the end of the financial year	22(a)	<u>808,969</u>	<u>2,950,956</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 2024

	Note	Equity	Convertible Notes	Retained Earnings	Reserves	Total attributable to equity holders of the entity
		\$	\$	\$	\$	\$
Balance at 1 July 2022		27,302,638	887,485	(32,182,861)	458,743	(3,533,995)
Comprehensive Income						
Loss for the year		-	-	(3,448,860)	-	(3,448,860)
Total comprehensive loss for the year		-	-	(3,448,860)	-	(3,448,860)
Convertible Notes - Redemption	12	-	(887,485)	-	-	(887,485)
Transactions with owners						
Shares issued during the year	13	11,119,006	-	-	-	11,119,006
Share issue costs	13	- 69,564	-	-	-	(69,564)
Movements in share-based payment reserve	24	-	-	-	344,402	344,402
Balance at 30 June 2023		<u>38,352,080</u>	<u>-</u>	<u>(35,631,721)</u>	<u>803,145</u>	<u>3,523,504</u>
Balance at 1 July 2023		38,352,080	-	(35,631,721)	803,145	3,523,504
Comprehensive Income						
Loss for the year		-	-	(2,129,794)	-	(2,129,794)
Total comprehensive loss for the year		-	-	(2,129,794)	-	(2,129,794)
Transactions with owners						
Shares issued during the year	13	16,477	-	-	-	16,477
Movements in share-based payment reserve	24	-	-	-	40,678	40,678
Balance at 30 June 2024		<u>38,368,557</u>	<u>-</u>	<u>(37,761,515)</u>	<u>843,823</u>	<u>1,450,865</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 2024

1. Summary of Significant Accounting Policies

Corporate information

The financial report of Vectus Biosystems Limited (the Group) for the year ended 30 June 2024 was authorised for issue in accordance with a resolution of the Directors on 29 August 2024. The directors have the power to amend and reissue the financial statements.

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 after tax of \$2,129,794 for the financial year ended 30 June 2024 (2023: Operating loss after tax of \$3,448,860) and the net equity has moved from \$3,523,504 as at 30 June 2023 to \$1,450,865 as at 30 June 2024. The operating cash burn rate for the financial year ended 30 June 2024 was \$2,026,373 (2023: \$2,352,742). The cash balance as at 30 June 2024 was \$808,969. The above matters may give rise to a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. Therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial report. However, the Directors believe that the Group will be able to continue as a going concern due to the following mitigating factors in relation to the material uncertainty.

The Directors have prepared detailed cash flow projections for the period of 12 months from the date of signing this Report. The Group is dependent on funds received from R&D Start Grants, as well as capital raisings, licencing and commercial activities, and shareholders to continue to operate with enough cash on hand for the next 12 months. The Group demonstrated in previous years its success in raising capital, including in the 2023 financial year when an amount of \$4.6 million was raised. The Directors remain confident that this can be repeated as required to support the Group's continuing activities. As previously announced, the Company is now focusing on the commercialisation of its clinical drug VB0004. The funds required as operating costs of the Company for this work will be significantly reduced. Further, in the event of the Group not raising sufficient funds to meet its current cash flow forecasts, the Group will reduce its expenditure accordingly to be able to pay its debts as and when they are due.

Consequently, the Group's financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities should the Group be unable to continue as a going concern.

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 applicable and relevant new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Management does not currently expect any of the new accounting standards not yet effective to have a material impact on the group, however these will be continued to be monitored ahead of the effective date.

There are no standards that have been issued by the International Accounting Standards Board, not yet adopted by Australia, that needs to be considered or is expected to have any material 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 2024**

Summary of Significant Accounting Policies (continued)

New and revised Standards and amendments thereof and Interpretations effective for the current year include:

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single transaction

The application of the amendments did not have a material impact on the Group's consolidated financial statements, as the amendments either do not affect the Group's existing accounting policies, or apply to situations, transactions and events that the Group does not undertake.

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:

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 30 June 2024**

Summary of Significant Accounting Policies (continued)

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.

(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.

**VECTUS BIOSYSTEMS LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 30 June 2024**

Summary of Significant Accounting Policies (continued)

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.

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 of 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.

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Summary of Significant Accounting Policies (continued)

(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.

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 no impairment amount was previously recognised in the allowance account.

**VECTUS BIOSYSTEMS LIMITED
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Summary of Significant Accounting Policies (continued)

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.

(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 or derecognised 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.

Liability component is removed from the balance sheet upon conversion or redemption. The difference between the carrying amount of a financial liability that has been redeemed and the consideration paid, including any non-cash settlement, is recognised as equity.

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.

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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.

	2024	2023
	\$	\$
3. Other Income		
Sales revenue	-	-
R&D tax offset rebate	1,060,939	1,288,190
EMDG grant	-	-
Interest income	76,858	55,513
Other revenue	877	10,832
	<u>1,138,674</u>	<u>1,354,535</u>
4. Loss from Ordinary Activities		
	2024	2023
	\$	\$
Loss from ordinary activities before income tax includes the following items of expense:		
Expenses		
<i>Depreciation and amortisation expense</i>		
Depreciation of property, plant and equipment	58,835	47,209
	<u>58,835</u>	<u>47,209</u>

**VECTUS BIOSYSTEMS LIMITED
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	2024 \$	2023 \$
Employment benefits and directors' remuneration		
Base salary and fees	1,150,003	1,322,883
Superannuation and statutory oncosts	115,745	127,733
Share based payments	42,530	2,065
Other employee expenses	4,251	5,722
Transfers from employee entitlements provisions	(253,022)	4,602
	<u>1,059,507</u>	<u>1,463,005</u>

Finance Costs

Borrowing cost - convertible notes	-	178,254
Interest on Directors' loan	2,822	17,546
Other finance costs	5,882	9,722
	<u>8,704</u>	<u>205,522</u>

Research & Development expense

Research and Development expense	834,765	1,559,704
Patent costs	316,281	397,883
	<u>1,151,046</u>	<u>1,957,587</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	(2,129,794)	(3,448,860)
Income tax benefit calculated at 30%	(638,938)	(1,034,658)
Temporary differences and tax losses not recognised	599,703	506,197
Permanent differences		
R&D grant included in P&L not assessable	(318,282)	(386,457)
2023 R&D expenses not deductible	345,314	776,664
Capitalised new patents	-	33,974
Share based payments	12,203	104,280
Income tax benefit	<u>-</u>	<u>-</u>

(b) Deferred tax balances not recognised

Calculated at 30% not brought to account as assets:

Deferred tax assets relating to tax losses

Revenue tax losses available for offset against future tax income	6,107,323	5,640,126
Net deferred tax asset not recognised in respect of tax losses	<u>6,107,323</u>	<u>5,640,126</u>

Deferred tax assets relating to temporary differences

Provision for employee entitlements	-	126,675
Accruals	40,650	104,412
Other liabilities	50,768	-
Prepayments	(17,183)	(21,298)
	<u>74,236</u>	<u>209,789</u>
Net deferred tax asset not recognised in respect of temporary differences	<u>74,236</u>	<u>209,789</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.

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	2024 \$	2023 \$
6. Cash and Cash Equivalents		
Cash on Hand	400	860
Cash at Bank and Term Deposits	808,569	2,950,096
	<u>808,969</u>	<u>2,950,956</u>

	2024 \$	2023 \$
7. Other Current Assets		
Prepayments	57,275	70,995
R&D Grant Receivable	935,907	1,380,843
Inventory	978	978
Goods and Services Tax and other receivables	40,327	53,118
	<u>1,034,487</u>	<u>1,505,934</u>

The carrying amounts of the group's other current assets are a reasonable approximation of their fair values.

	2024 \$	2023 \$
8. Property, Plant and Equipment		
Plant and Equipment	876,644	808,744
Less: Accumulated depreciation	<u>(700,409)</u>	<u>(652,790)</u>
	<u>176,235</u>	<u>155,954</u>
Office Equipment	88,020	88,020
Less: Accumulated depreciation	<u>(82,084)</u>	<u>(70,868)</u>
	<u>5,936</u>	<u>17,152</u>
	<u>182,171</u>	<u>173,106</u>

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

	Plant and Equipment	Office Equipment	Total
Balance at 1 July 2023	155,954	17,152	173,106
Additions	67,900	-	67,900
Depreciation	<u>(47,619)</u>	<u>(11,216)</u>	<u>(58,835)</u>
Balance at 30 June 2024	<u>176,235</u>	<u>5,936</u>	<u>182,171</u>
Balance at 1 July 2022	192,961	14,547	207,508
Additions	-	12,807	12,807
Depreciation	<u>(37,007)</u>	<u>(10,202)</u>	<u>(47,209)</u>
Balance at 30 June 2023	<u>155,954</u>	<u>17,152</u>	<u>173,106</u>

	2024 \$	2023 \$
9. Current Trade and Other Payables		
Trade creditors	169,362	219,570
PAYG withholding payable	26,172	34,038
	<u>195,534</u>	<u>253,608</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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	2024	2023
	\$	\$
10. Other current and non-current liabilities		
A. Other current liabilities		
Accrued expenses*	181,075	360,428
Lease liability	28,926	42,779
	<u>210,001</u>	<u>403,207</u>
B. Other non-current Liabilities		
Lease liability	-	27,428
	<u>-</u>	<u>27,428</u>
 <i>*Accrued expenses include:</i>		
<i>Accrued R&D and Patent expenses</i>	37,375	275,102
<i>Other accruals</i>	143,700	85,326
	<u>181,075</u>	<u>360,428</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:

	2024	2023
	\$	\$
Depreciation	46,461	35,849
Interest expense (included in finance cost)	3,903	6,725
Value of asset included in property, plant and equipment	131,518	152,872
Total cash flows for finance leases	45,183	62,564
Expense relating to short-term operating leases (included in occupancy expenses)	177,721	177,721

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	2024	2023
	\$	\$
11. Provisions		
A Current		
Provision for Annual Leave	95,228	358,165
Provision for Long Service Leave	69,431	61,099
	<u>164,659</u>	<u>419,264</u>
B Non-Current		
Provision for Long Service Leave	4,568	2,985
	<u>4,568</u>	<u>2,985</u>

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

12. Borrowings

Convertible Notes (Redeemed in 2023 - Notes below)

-	-
<u>-</u>	<u>-</u>

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 were issued, each with a face value of \$0.50.

Maturity date: 27 September 2022

Interest: 6% per annum capitalised and paid on redemption

Conversion: All 9,620,000 notes that were outstanding at the beginning of 2023 were converted during 2023.

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

Valuation: In accordance with AASB 9, the convertible notes (liability and equity) were presented in the balance sheet as follows:

	2024	2023
	\$	\$
Convertible Notes - Liability		
Face value of notes issued	N/A	7,000,000
Equity component	N/A	(1,013,122)
Cost of raising convertible notes (nett)	N/A	(346,033)
Interest	N/A	2,380,764
Redeemed	N/A	(8,021,609)
	<u>N/A</u>	<u>-</u>

	2024	2023
	\$	\$
Convertible Notes - Equity		
Equity component recognised	N/A	1,013,122
Redemption adjustments	N/A	(1,013,122)
	<u>N/A</u>	<u>-</u>

13. Issued Capital

	2024 Number of Shares	2023 Number of Shares	2024 \$	2023 \$
Ordinary shares - fully paid (no par value)	53,210,521	53,189,519	38,368,557	38,352,080
	<u>53,210,521</u>	<u>53,189,519</u>	<u>38,368,557</u>	<u>38,352,080</u>

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Movements in ordinary share capital of Vectus Biosystems Limited

	2024 Number of Shares	2023 Number of Shares	2024 \$	2023 \$
Balance at beginning of the year	53,189,519	36,263,658	38,352,080	27,302,638
Shares issued during the year				
Shares issued to KMP	19,842	-	15,874	-
Shares issued against redemption of convertible notes*	-	10,981,736	-	6,513,172
Other share issues**	1,160	5,944,125	603	4,605,834
	<u>53,210,521</u>	<u>53,189,519</u>	<u>38,368,557</u>	<u>38,421,644</u>
Transaction costs relating to share issues	-	-	-	(69,564)
Balance at end of year	<u>53,210,521</u>	<u>53,189,519</u>	<u>38,368,557</u>	<u>38,352,080</u>

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 2023 Annual Report.

	2024 \$	2023 \$
14. Accumulated losses		
Accumulated loss at the beginning of the financial year	(35,631,721)	(32,182,861)
Loss after income tax expense for the year	(2,129,794)	(3,448,860)
Accumulated loss at the end of the financial year	<u>(37,761,515)</u>	<u>(35,631,721)</u>

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.

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(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:

Ronald Shnier	
Maurie Stang	
Karen Duggan	<i>Ceased to be a Director on 19 May 2024</i>
Susan Pond	

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

	2024	2023
	\$	\$
Short-term employee benefits	357,334	397,097
Post-employment benefits	38,325	41,651
Share-based payments	-	-
	<u>395,658</u>	<u>438,749</u>

Futher disclosures relating to the key management personnel are set out in remuneration report in the Directors' Report.

17. Commitments

(a) Lease commitments - finance

Committed at the reporting date and recognised as liabilities, payable:

Within one year	28,926	42,838
One to five years	-	27,368
	<u>28,926</u>	<u>70,207</u>

	2024	2023
	\$	\$
Within one year	28,926	42,838
One to five years	-	27,368
	<u>28,926</u>	<u>70,207</u>

(b) Lease commitments - operating

Committed at the reporting date but not recognised as liabilities, payable for the laboratory facility at North Ryde:

Within one year	14,810	14,810
One to five years	-	-
	<u>14,810</u>	<u>14,810</u>

	2024	2023
	\$	\$
Within one year	14,810	14,810
One to five years	-	-
	<u>14,810</u>	<u>14,810</u>

(c) Operating Commitments

Committed at the reporting date but not recognised as liabilities, payable:

<i>Research and development expenses</i>		
Within one year	890,579	2,513,238
One to five years	16,285	-
	<u>906,864</u>	<u>2,513,238</u>

	2024	2023
	\$	\$
Within one year	890,579	2,513,238
One to five years	16,285	-
	<u>906,864</u>	<u>2,513,238</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	
		2024	2023
		%	%
Accugen Pty Limited	Australia	100%	100%

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19. Subsequent events

There have been no matters or circumstances, which have arisen since 30 June 2024 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2024, of the Group; or

(b) the results of those operations; or

(c) the state of affairs, in the financial years subsequent to 30 June 2024, of the Group, other than:

the Company's announced focus on commercialisation following the completion of the Phase I human trials, with the significant reduction in the Company's cost base, including the relocation of its head office to Rosebery in Sydney. It involves the utilisation of a number of advisers, such as C14 Consulting Group, in the commercialisation process.

20. Remuneration of auditors

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

	2024 \$	2023 \$
<i>Audit Services - UHY Haines Norton</i>		
Audit and review of financial statements	59,000	56,400
	59,000	56,400

21. Parent entity information

	2024 \$	2023 \$
Loss after income tax	(2,330,275)	(3,433,528)
Total comprehensive loss	(2,330,275)	(3,433,528)
 Total current assets	 3,078,754	 5,615,805
Total assets	3,257,282	5,784,110
 Total current liabilities	 846,772	 1,074,634
Total liabilities	851,339	1,105,047
 Equity		
Issued capital (net of share issue cost)	38,368,557	38,352,080
Convertible notes	-	-
Reserves	843,822	803,144
Retained earnings/accumulated losses	(36,806,436)	(34,476,161)
Total equity	2,405,943	4,679,063

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.

Capital Commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2024.

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:

	2024	2023
	\$	\$
Cash at bank and on hand	808,969	2,950,956
	<u>808,969</u>	<u>2,950,956</u>

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

	2024	2023
	\$	\$
Operating loss after income tax	(2,129,794)	(3,448,860)
Non cash/non-operating items included in profit and loss		
Depreciation and amortisation	58,835	47,209
Convertible Notes interest	-	178,254
Share based payments	57,155	2,065
Change in employee entitlement provision	(253,022)	4,601
Other adjustments	-	53,552
Changes in assets and liabilities		
(Increase) / Decrease in other assets	471,447	941,470
Increase / (Decrease) in trade and other payables	(58,074)	104,596
Increase / (decrease) in other liabilities	(172,920)	(235,629)
Net cash used in operating activities	<u>(2,026,373)</u>	<u>(2,352,742)</u>

(c) Changes in liabilities arising from financing activities

	Lease liability	Loan Borrowings	Convertible notes
Balance at 1 July 2023	70,207	-	-
Interest	3,903	-	-
Payments	(45,183)	-	-
Balance at 30 June 2024	<u>28,927</u>	<u>-</u>	<u>-</u>
Balance at 1 July 2022	126,046	442,291	5,447,433
Interest	6,725	17,546	178,255
Payments / adjustments	(62,564)	(459,837)	-
Redemption			(5,625,688)
Balance at 30 June 2023	<u>70,207</u>	<u>-</u>	<u>-</u>

23. Operating Segments

The consolidated group had no reportable segments during the year.

24. Reserves

Share based payments reserve

	2024	2023
	\$	\$
Balance at beginning of financial year	803,145	458,743
Share based payments during the year allocated to:		
Employees and consultant (recognised as expense - refer note 4)	41,281	2,065
Directors (settlement of accrued expenses - refer note 10A)	-	347,600
Utilised for share issue	(603)	(5,263)
Balance at end of financial year	<u>843,823</u>	<u>803,145</u>

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Particulars of options or rights granted over unissued shares

	2024	2023
Weighted average remaining contractual life	2.49 years	3.41 years
Range of exercise prices	NIL	NIL
Options or rights on issue		
Employees and consultants	55,695	3,480
Key Management Personnel (KMP)	316,000	316,000
	<u>371,695</u>	<u>319,480</u>
Options or rights granted during the year (Details noted below*)		
Employees and consultants	53,375	6,774
Key Management Personnel (KMP)	-	316,000
	<u>53,375</u>	<u>322,774</u>
Shares issued as a result of exercise of options or rights (Details noted below**)		
Employees and consultants	1,160	505,913
Key Management Personnel (KMP)	-	-
	<u>1,160</u>	<u>505,913</u>
Options or rights expired or forfeited during the year		
Employees and consultants	-	24,480
Key Management Personnel (KMP)	-	-
	<u>-</u>	<u>24,480</u>

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

	2024	2023	2023
	Granted to	Granted to	Granted to
	Employees	KMP	Employees
Number of options	53,375	316,000	6,774
Exercise price	NIL	NIL	NIL
Expiry date	11/07/2027	23/11/2026	15/03/2027
Grant date	20/11/2023	14/12/2022	26/04/2023
Dividend	NIL	NIL	NIL
Market price at grant date	\$ 0.49	N/A	\$ 0.52
Valuation price	\$ 0.49	\$ 1.10	\$ 0.52

Valuation of 316,000 options granted to KMP in 2023 was on the basis of 90-day VWAP for the shares traded prior to the completion of Notice of 2023 AGM.

Valuation of options granted to employees was on the basis of market price at grant date.

**** Details of shares issued as a result of exercise of options or rights**

	2024	2023	2023	2023
	Issued to	Issued to	Issued to	Issued to
	Employees	Consultant	Employees	Employees
Number of options	1,160	500,000	2,500	3,413
Exercise price	NIL	\$ 0.50	NIL	NIL
Exercise date	29/05/2024	28/12/2022	12/07/2022	16/09/2022
Market price at exercise date	\$ 0.13	\$ 0.77	\$ 0.94	\$ 0.75
Original valuation price	\$ 0.52	\$ 0.36	\$ 0.74	\$ 1.00

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25. Loss per share	2024 \$	2023 \$
Basic loss per share (cents per share)	(4.00)	(7.19)
Diluted loss per share (cents per share)	(4.00)	(7.19)
Loss used to calculate basic loss per share	(2,129,794)	(3,448,860)
Loss used to calculate diluted loss per share	(2,129,794)	(3,448,860)
Weighted average number of ordinary shares used to calculate basic loss per share	53,200,982	47,952,355
Weighted average number of ordinary shares used to calculate diluted loss per share*	53,200,982	47,952,355
Options and rights eligible for conversion into ordinary shares in future		
Options	371,695	319,480
Convertible notes	-	-
	371,695	319,480

*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;
R&D Rebate receivable;
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 :

	2024 \$	2023 \$
Cash in banks and term deposits	808,569	2,950,096

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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. As stated in note 1 (Going Concern paragraphs), the Group expected to have sufficient liquid resources to meet its obligations under all reasonable 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 - 2024

	Cash flows				Carrying amount
	\$	< 1 year \$	1 - 3 years \$	Total \$	\$
Financial assets					
Cash and cash equivalents	808,969	808,969	-	808,969	808,969
TOTAL	808,969	808,969	-	808,969	808,969
Financial liabilities					
Trade Creditors	195,534	195,534	-	195,534	195,534
Accruals	181,075	181,075	-	181,075	181,075
Loans	-	-	-	-	-
Lease liabilities (floating rate)	26,800	26,800	-	26,800	25,470
Lease liabilities (fixed rate)	3,770	3,770	-	3,770	3,456
Convertible notes	-	-	-	-	-
TOTAL	407,179	407,179	-	407,179	405,535
NET MATURITY	401,790	401,790	-	401,790	403,434

Maturity Analysis - 2023

	Cash flows				Carrying amount
	\$	< 1 year \$	1 - 3 years \$	Total \$	\$
Financial assets					
Cash and cash equivalents	2,950,956	2,950,956	-	2,950,956	2,950,956
TOTAL	2,950,956	2,950,956	-	2,950,956	2,950,956
Financial liabilities					
Trade Creditors	253,608	253,608	-	253,608	253,608
Accruals	360,428	360,428	-	360,428	360,428
Loans	-	-	-	-	-
Lease liabilities	77,228	38,614	38,614	77,228	70,207
Convertible notes	-	-	-	-	-
TOTAL	691,264	652,650	38,614	691,264	684,243
NET MATURITY	2,259,692	2,298,306	(38,614)	2,259,692	2,266,713

(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.

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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 :

2024	Weighted Average Rates %	Floating rates \$	Fixed rates \$	Non-interest bearing \$	Total \$
Financial Assets					
Cash and cash equivalents	2.0%	808,969	-	-	808,969
Total		808,969	-	-	808,969
Financial liabilities					
Trade Creditors	0.0%	-	-	195,534	195,534
Other payables and accruals	0.0%	-	-	181,075	181,075
Lease liabilities (floating rate)	9.1%	26,800	-	-	26,800
Lease liabilities (fixed rate)	5.2%	-	3,770	-	3,770
TOTAL		26,800	3,770	376,609	407,179
Net financial assets (liabilities)		782,169	(3,770)	(376,609)	401,790
2023	Weighted Average Rates %	Floating rates \$	Fixed rates \$	Non-interest bearing \$	Total \$
Financial Assets					
Cash and cash equivalents	2.0%	2,950,956	-	-	2,950,956
Total		2,950,956	-	-	2,950,956
Financial liabilities					
Trade Creditors	0.0%	-	-	253,608	253,608
Other payables and accruals	0.0%	-	-	360,428	360,428
Lease liabilities	5.3%	-	77,228	-	77,228
Loans from Directors	8.0%	-	-	-	-
TOTAL		-	77,228	614,036	691,264
Net financial assets (liabilities)		2,950,956	(77,228)	(614,036)	2,259,692

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

2024	Carrying amount \$	+0.5% interest Profit & Loss \$	-0.5% interest Profit & Loss \$
Cash at bank	808,969	4,045	(4,045)
Term deposits	-	-	-
		4,045	(4,045)
Tax charge of 30%		(1,213)	1,213
Post tax profit increase / (decrease)		2,831	(2,831)
2023	Carrying amount \$	+0.5% interest Profit & Loss \$	-0.5% interest Profit & Loss \$
Cash at bank	2,950,956	14,755	(14,755)
Term deposits	-	-	-
		14,755	(14,755)
Tax charge of 30%		(4,426)	4,426
Post tax profit increase / (decrease)		10,328	(10,328)

27. Contingent Liabilities

There are no contingent liabilities of the company or the Group.