Factor Therapeutics Limited
Appendix 4D and Financial Report
For half-year ended 30 June 2019

ABN: 45 101 955 088

Contents

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Summary of Financial Information

Extracts from this report for announcement to the market:

	6-months to 30-Jun-19 $	6-months to 30-Jun-18 $	Movement $	Movement %
Revenue/income from continuing operations	2,492,900	197,261	2,295,639	1164%
Profit / (Loss) after income tax for the half-year attributable to members	2,025,615	(4,756,980)	6,782,595	No meaningful comparison
Total comprehensive income for the half- year attributable to members	2,025,615	(4,757,864)	6,783,479	No meaningful comparison

NTA backing

	30-Jun-19 Cents	30-Jun-18 Cents
Net tangible asset backing per ordinary security	0.31	0.76

Dividends

No dividends were paid or declared since the start of the financial period. No recommendation for payment of dividends has been made.

Highlights of Results

Refer to the Directors' Report.

DIRECTORS' REPORT

Your Directors present their report on Factor Therapeutics Limited ("Company") and Controlled Entities, ("Group") for the half-year to 30 June 2019.

DIRECTORS

The names of Directors in office during the half-year and up to the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Dr Cherrell Hirst	Chairman
Mr Tim Hughes	Non-Executive Director (retired 15 May 2019)
Mr John Michailidis	Non-Executive Director
Dr Christian Behrenbruch	Non-Executive Director
Dr David Brookes	Non-Executive Director (appointed 10 April 2019)

REVIEW OF RESULTS

The profit attributable to the owners of the Parent for the half-year ended 30 June 2019 was $2,025,615 (2018: $4,756,980 loss). No dividend was proposed or paid during the period.

REVIEW OF OPERATIONS

In November 2018, the Company announced the results of its Phase 2b clinical study of VF001 as a treatment for venous leg ulcers. The results showed the addition of VF001 to 'standard of care' did not provide a meaningful benefit over standard care alone for venous leg ulcer healing. Following this result further clinical development of VF001 and the Company's modest pipeline expansion activity were halted.

Following the Phase 2b trial result the Company has managed the orderly completion of previous research and development activities and implemented significant cost minimisation initiatives, including non-executive directors foregoing director fees for the period December 2018 to May 2019.

As part of these cost minimisation initiatives, the Company's two wholly owned subsidiaries, Factor Therapeutics Europe Limited and Factor Therapeutics USA LLC, ceased operations and were wound up during the period. Neither of these subsidiaries had active operations, therefore there was no material impact to the consolidated entity resulting from the deregistration of the subsidiaries.

The Company's focus has been on maintaining its intellectual property portfolio while the Board completes assessment of a number of opportunities, including potential new technology acquisitions. The evaluation of each opportunity has taken into account a number of key factors:

- scientific technical rationale for the technology;
- commercial potential: target market size, product positioning, competition, potential for reimbursement and intellectual property position;
- path to market: current stage of development, activities required to progress, timeframe to reach future milestones;
- financial position and potential for raising capital;
- management team experience and track record; and
- risks and risk mitigation.

During the half year to 30 June, 15 potential opportunities were identified and of those, seven opportunities were progressed beyond initial review and explored in detail following execution of confidentiality agreements. At the date of this report, one potential opportunity remains a lead candidate for commercial transaction, and the Company is continuing its diligence activities.

On 10 April 2019, the Company announced the appointment of Dr Brookes as Non-Executive Director. Dr Brookes has extensive experience in the health and biotechnology industries and is currently a Non-Executive director of Anatara Ltd (ASX:ANR). He has previously been a director of several other ASX listed biotechnology companies, most recently as the Chairman of genomics solutions company, RHS Ltd, which was acquired by PerkinElmer Inc (NYSE:PKI $9B biotech company) in June 2018.

On 15 May 2019 Mr Tim Hughes retired from the Board, following the appointment of Dr David Brookes.

CHANGES TO ISSUED CAPITAL

On 5 February 2019, the Company announced the issue of 208,500,000 shares at $0.002 per share to raise $417,000 (before costs) in a private placement to sophisticated existing and new shareholders.

TOTAL NUMBER OF SHARES AND OPTIONS ON ISSUE

At 30 June 2019, and at the date of this report, the number of ordinary shares of Factor on issue was 1,042,835,633. The total number of share options on issue was 8,250,000.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after the Balance Date as at the date of this Report.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The auditor’s independence declaration under section 307C of the Corporations Act 2001 is attached to this Directors’ Report for the half-year ended 30 June 2019.

Signed in accordance with a resolution of the Board of Directors.

Cherrell Hirst, AO
Chairman

Brisbane, 8 August 2019

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*
TO THE DIRECTORS OF
FACTOR THERAPEUTICS LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2019, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Factor Therapeutics Limited and the entities it controlled during the period.

PKF

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

8 AUGUST 2019
BRISBANE

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HALF-YEAR FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	6 months to 30-Jun-19 $	6 months to 30-Jun-18 $
Continuing operations			
R&D tax rebate	2(a)	2,488,791	160,002
Interest received		4,109	37,259
Total revenue		2,492,900	197,261
Other income	2(b)	39,321	61,942
R&D expenses			
- Research projects		-	(397,667)
- Manufacturing development costs		-	(250,956)
- Clinical trial expenses		-	(2,650,069)
- Regulatory expenses		-	(38,610)
- Intellectual property		(55,792)	(115,765)
- Transport & logistics		-	(69,197)
Corporate and Administration expenses			
- Occupancy expenses		(460)	(140,336)
- Employee benefits expense		(64,516)	(744,463)
- Consultants		(58,226)	(76,906)
- Administration expense		(158,341)	(258,086)
- Share-based payment expense		(4,507)	(219,846)
- Depreciation		(3,288)	(21,017)
- Finance costs		(2,581)	(6,476)
- Gains/(Losses) on foreign exchange		(21,836)	58,092
- Other expenses		(137,059)	(84,881)
Profit/ (Loss) before income tax expense		**2,025,615**	**(4,756,980)**
Income tax benefit		-	-
Net profit/ (loss) after tax		**2,025,615**	**(4,756,980)**
Other comprehensive income items			
Items that may be reclassified to profit or loss			
- Exchange differences on translation of foreign operations	10	-	(884)
Total comprehensive income for the period		**2,025,615**	**(4,757,864)**
Profit / (loss) attributable to members of the Company		**2,025,615**	**(4,756,980)**
Total comprehensive income attributable to members of the Company		**2,025,615**	**(4,757,864)**
Earnings per share		**Cents**	**Cents**
Basic earnings per share	7	0.20	(0.62)
Diluted earnings per share	7	0.20	(0.62)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

	Note	Company 30-Jun-19 $	Consolidated 31-Dec-18 $
Current assets			
Cash and cash equivalents	4	3,362,613	2,610,991
Trade and other receivables		23,190	37,136
Receivable – R&D tax rebate		-	-
Other assets		116,213	125,581
Total current assets		**3,502,016**	**2,773,708**
Non-current assets			
Property, plant and equipment		377	3,655
Total non-current assets		**377**	**3,655**
Total assets		**3,502,393**	**2,777,373**
Current liabilities			
Trade and other payables		267,475	1,937,433
Provisions		-	26,498
Other liabilities		-	-
Total current liabilities		**267,475**	**1,963,931**
Total liabilities		**267,475**	**1,963,931**
Net assets		**3,234,918**	**813,442**
Equity			
Contributed equity	5	84,213,601	83,822,247
Reserves		206,728	739,216
Accumulated losses		(81,185,411)	(83,748,021)
Total equity		**3,234,918**	**813,442**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

		Reserves			
	Share Capital $	Option Reserve $	Foreign Exchange Translation Reserve $	Accumulated Losses $	Total $
Total equity at 1 January 2019	83,822,247	803,765	(64,549)	(83,748,021)	813,442
Comprehensive income:					
- Profit/ (Loss) for the period	-	-	-	2,025,615	2,025,615
- Offset of reserves on deregistration of subsidiaries	-	-	64,549	(64,549)	-
- Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	64,549	1,961,066	2,025,615
Transactions with owners in their capacity as owners:					
- Contributions of equity	417,000	-	-	-	417,000
- Transaction costs	(25,646)	-	-	-	(25,646)
- Employee share options	-	4,507	-	-	4,507
- Option reserve lapsed/expired	-	(601,544)	-	601,544	-
Total transactions with owners	391,354	(597,037)	-	601,544	395,861
Total equity at 30 June 2019	84,213,601	206,728	-	(81,185,411)	3,234,918
Total equity at 1 January 2018	79,989,793	476,166	(63,510)	(72,791,979)	7,610,470
Comprehensive income:					
- Loss for the period	-	-	-	(4,756,980)	(4,756,980)
- Other comprehensive income for the period	-	-	(884)	-	(884)
Total comprehensive income for the period	-	-	(884)	(4,756,980)	(4,757,864)
Transactions with owners in their capacity as owners:					
- Contributions of equity	4,171,714	-	-	-	4,171,714
- Transaction costs	(339,260)	-	-	-	(339,260)
- Employee share options	-	219,846	-	-	219,846
- Option reserve lapsed/expired	-	-	-	-	-
Total transactions with owners	3,832,454	219,846	-	-	4,052,300
Total equity at 30 June 2018	83,822,247	696,012	(64,394)	(77,548,959)	6,904,906

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

	Note	6 months to 30-Jun-19 $	6 months to 30-Jun-18 $
Cash flows related to operating activities			
Receipts from customers		62,861	61,942
Payments to suppliers and employees		(2,208,270)	(5,451,945)
Interest received		4,429	32,501
R&D tax rebate received		2,488,791	1,226,202
Income tax received (paid)		-	(245)
Net cash provided by/(used in) operating activities		**347,811**	**(4,131,545)**
Cash flows related to investing activities			
Proceeds from sale of property, plant and equipment		1,055	(2,873)
Net cash provided by/(used in) investing activities		**1,055**	**(2,873)**
Cash flows related to financing activities			
Proceeds from issues of shares and other equity securities		417,000	4,171,714
Cost of share issue		(25,646)	(339,260)
Net cash provided by/(used in) financing activities		**391,354**	**3,832,454**
Net increase / (decrease) in cash held		**740,220**	**(301,964)**
Cash and cash equivalents at beginning of period		2,610,991	6,642,050
Effects of exchange rate fluctuations on cash and cash equivalents		11,402	72,597
Cash and cash equivalents at end of period	4	**3,362,613**	**6,412,683**

The accompanying notes form part of these financial statements.

Condensed Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated interim financial statements and notes represent those of Factor Therapeutics Limited ("Company") and controlled entities ("Group"). Factor Therapeutics Limited is a public company incorporated and domiciled in Australia. The financial statements were authorised for issue on 8 August 2019 by the Directors of the Company.

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 30 June 2019 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134 *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This half-year financial report is intended to provide users with an update on the latest annual financial statements of the group. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the group. It is therefore recommended that this half-year financial report be read in conjunction with the annual financial statements of the group for the financial year ended 31 December 2018, together with any public announcements made during the half-year.

Accounting Policies

The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial statements.

The group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

Critical Accounting Estimates and Judgments

All critical estimates and judgments are consistent with those applied and disclosed in the 31 December 2018 annual report, except in relation to the matter discussed below.

Key Estimates – Incentives – R&D Claim

The company is entitled to claim a refundable tax offset for certain research and development activities under Division 355 of the *Income Tax Assessment Act 1997* as modified by the *Budget Savings (Omnibus) Act 2016*. Significant judgment is required in determining the claimable amount of the R&D expenses. There are many transactions and calculations undertaken during the ordinary course of business for which the R&D claim determination is uncertain. The company recognises assets for its anticipated R&D claim based on the company's understanding of the tax law, in particular *section 27A, 28A and 28C Industry Research and Development Act 1986*. Where the final R&D claim outcome of these matters is different from the carrying amounts, the difference will impact the current R&D claim in the period in which such determination is made.

Going Concern

As at 30 June 2019, the Group has recorded a current asset surplus of $3,234,541 (31 December 2018: $809,776), including cash and cash equivalents totalling $3,362,613 (31 December 2018: $2,610,991). For the half-year ended 30 June 2019, the consolidated entity recorded a net profit from continuing operations after tax of $2,129,369 (30 June 2018: net loss of $4,756,980), and experienced net cash inflows from operating activities of $347,811 (30 June 2018: net cash outflows of $4,131,545).

Following the result of the Company's Phase 2b clinical trial of VF001 in November 2018, the Company has managed the orderly completion of previous research and development activities and implemented significant cost minimisation initiatives. The Company's focus has been on maintaining its intellectual property portfolio while the Board completes assessment of a number of opportunities, including potential new technology acquisitions for the Company's forward growth.

The ability of the Group to continue as a going concern and meet its strategic objectives in the medium to long-term is principally dependent upon the Company identifying a new asset or assets for licence/ merger or acquisition and obtaining additional funds for continuing research and development expenditure and other principal activities.

At the date of this Report, the Directors are of the view that should the Board identify and successfully in-licence/ merge or acquire a new asset or assets for the Company's onward development, it is probable that further capital would be raised to help ensure adequate funding would be available to achieve objectives associated with that new asset/ assets.

The directors are of the view that the going concern assumption is appropriate on the basis of the above.

Condensed Notes to the Financial Statements

NOTE 2: OTHER INCOME, R&D TAX REBATE RECEIVABLE

	Note	6 months to 30-Jun-19 $	6 months to 30-Jun-18 $
a) Movement of R&D tax rebate			
R&D tax rebate received		2,488,791	-
R&D tax rebate receivable[i]	6	-	106,301
Under provision in prior years		-	53,701
Incentive – R&D claim revenue		2,488,791	160,002

(i) In prior years, the Company has included a provision at the half-year for R&D tax rebate for both eligible Australian and overseas R&D activities in the period. Noting that the Phase 2 clinical trial completed in November 2018, however that invoicing against the clinical trial has occurred in the half year to 30 June 2019, and in consideration of the complex nature of the R&D tax ruling for overseas activities as the Company approaches the end of the advanced finding on the Phase 2 clinical development, in the current period, the Company has not included a provision for R&D tax rebate. The Company will undertake a detailed review at 31 December 2019.

b) Other Income		
Rent and outgoings received in relation to sublease	2,580	59,942
Grant funding	36,741	2,000
Total other income	39,321	61,942

NOTE 3: SEGMENT INFORMATION

Operating segments are identified, and segment information disclosed, on the basis of internal reports that are regularly provided to, or reviewed by, the company's chief operating decision maker, which, for the company, is the Board of Directors. In this regard, the Board of Directors confirms that the company continues to operate in one operating segment, being biotechnology.

NOTE 4: CASH AND CASH EQUIVALENTS

	30-Jun-19 $	31-Dec-18 $
Cash at bank	3,218,183	2,468,388
Short term bank deposits – at call	144,430	142,603
Total cash and cash equivalents at end of period	**3,362,613**	**2,610,991**

Condensed Notes to the Financial Statements

NOTE 5: ISSUED AND QUOTED SECURITIES AT END OF CURRENT PERIOD

	30-Jun-19 Number	30-Jun-19 $	31-Dec-18 Number	31-Dec-18 $
Ordinary Shares fully paid	**1,042,835,633**	**84,213,601**	**834,335,633**	**83,822,247**
Movements in shares on issue				
Balance at beginning of period	834,335,633	83,822,247	730,042,783	79,989,793
Ordinary shares issued Rights Issue, 19 April 2018 @ $0.04	-	-	104,292,850	4,171,714
Ordinary shares via private placement 5 February 2019 @ $0.002	208,500,000	417,000	-	-
Transaction costs	-	(25,646)	-	(339,260)
Balance at end of period	1,042,835,633	84,213,601	834,335,633	83,822,247

NOTE 6: CONTINGENT ASSETS AND LIABILITIES

Management has not yet finalised its considerations regarding the recoverability of the Company's overseas R&D spending via the ATO's R&D tax rebate incentive. In prior years, the Company has included a provision at the half-year for R&D tax rebate for both eligible Australian and overseas R&D activities in the period. Noting that the Phase 2 clinical trial completed in November 2018, however that invoicing against the clinical trial has occurred in the half year to 30 June 2019, and in consideration of the complex nature of the R&D tax ruling for overseas activities as the Company approaches the end of the advanced finding on the Phase 2 clinical development, in the current period, the Company has not included a provision for R&D tax rebate.

Therefore, as at 30 June 2019, no receivable been recognised in relation to eligible R&D expenditure. The Company will undertake a detailed review at 31 December 2019. Directors are of the opinion that it is possible that the ultimate inflow of economic benefits will exceed those recognised at 30 June 2019, however it is not possible to reliably determine the amount as at the date of this report.

Directors are not aware of any other contingent assets or liabilities that are likely to have a material effect on the results of the Company as disclosed in these financial statements.

Condensed Notes to the Financial Statements

NOTE 7: EARNINGS PER SECURITY (EPS)

	6 months to 30-Jun-19 $	6 months to 30-Jun-18 $
Profit / (Loss) after income tax benefit attributable to the Company	2,025,615	(4,756,980)
Weighted average number of shares used as the denominator	**No.**	**No.**
Weighted average number of ordinary shares outstanding during the period used in calculation of Basic EPS	1,002,517,953	772,105,645
Weighted average number of options outstanding which are considered potentially dilutive	-	-
Weighted average number of potential ordinary shares outstanding during the period used in calculation of Dilutive EPS	1,002,517,953	772,105,645

The diluted EPS calculation includes that portion of these options considered to be potentially dilutive, weighted with reference to the date of conversion.

	Cents	Cents
Basic earnings per share	0.20	(0.62)
Diluted earnings per share	0.20	(0.62)

NOTE 8: EVENTS OCCURING AFTER THE BALANCE DATE

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 9: DIVIDENDS

No dividend has been paid during the half-year ended 30 June 2019. As at 30 June 2019 and up until the date of this report, the Directors have made no recommendation concerning dividends for the half-year, or any period thereafter.

NOTE 10: DEREGISTRATION OF SUBSIDIARIES

As part of cost minimisation initiatives, the Company's two wholly owned subsidiaries, Factor Therapeutics Europe Limited and Factor Therapeutics USA LLC, ceased operations and were wound up during the period. Neither of these subsidiaries had active operations, therefore there was no material impact to the consolidated entity resulting from the discontinuation of operations. $64,549 foreign currency translation reserve was offset on deregistration of subsidiary and was transferred to accumulated losses as per the statement of changes in equity.

	Foreign currency translation reserve $
At 1 January 2019	(64,549)
Offset of reserves on deregistration of subsidiary	64,549
At 30 June 2019	-

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 13 are in accordance with the Corporations Act 2001, including:

   a. complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and

   b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date.

2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

FACTOR THERAPEUTICS LIMITED

Cherrell Hirst
CHAIRMAN

Brisbane, 8 August 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF FACTOR THERAPEUTICS LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of Factor Therapeutics Limited ("the company"), which comprises the statement of financial position as at 30 June 2019 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the entity, comprising the company and the entities it controlled from time to time during the financial half-year.

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

(a) giving a true and fair view of the company's financial position as at 30 June 2019, and of its consolidated financial performance for the half-year ended on that date; and

(b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors of the company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

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giving a true and fair view of the company's financial position as at 30 June 2019 and its consolidated performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Factor Therapeutics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

PKF

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

8 AUGUST 2019
BRISBANE