



Factor Therapeutics Limited

Appendix 4D and Financial Report

For half-year ended 30 June 2020

ABN: 45 101 955 088

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

Summary of Financial Information

Extracts from this report for announcement to the market:

	6-months to 30-Jun-20 \$	6-months to 30-Jun-19 \$	Movement \$	Movement %
Revenue/income from continuing operations	668,611	2,492,900	(1,824,289)	(73%)
Profit / (Loss) after income tax for the half-year attributable to members	627,348	2,025,615	(1,398,267)	(69%)
Total comprehensive income for the half- year attributable to members	627,348	2,025,615	(1,398,267)	(69%)

NTA backing

	30-Jun-20 Cents	30-Jun-19 Cents
Net tangible asset backing per ordinary security	0.34	0.31

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") for the half-year to 30 June 2020.

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 John Michailidis	Non-Executive Director
Dr Christian Behrenbruch	Non-Executive Director
Dr David Brookes	Non-Executive Director

REVIEW OF RESULTS

The profit attributable to the owners of the Parent for the half-year ended 30 June 2020 was \$627,348 (2019: \$2,025,615). No dividend was proposed or paid during the period.

REVIEW OF OPERATIONS

Following the outcome of the Phase 2 clinical trials of VF001 in November 2018, the Board has been diligently focused on seeking a new opportunity or opportunities for the Factor business. Over approximately 18 months, the Board evaluated close to 30 opportunities for this purpose. The majority of those opportunities were in the life sciences industry.

The Board's criteria for a credible opportunity included seeking a clinical-stage asset with data substantive enough to support development towards a commercialisation goal. The Board has typically prioritised opportunities with near-term milestones that could be achieved without being excessively dilutive to shareholders. The Board generally preferred healthcare assets as these would provide a clearer pathway for business continuity and would better leverage the drug development and commercial experience within the business.

Diligence of the multiple assets involved evaluating significant pre-clinical and clinical data sets, conducting thorough IP reviews, engaging with key opinion leaders, reviewing complex manufacturing packages and background/credential checks. The evaluation of each opportunity has taken into account a number of key factors including:

- 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; and
- management team experience and track record

Throughout the period of opportunity review and diligence activities, the Board has continued to be judicious in the deployment of the Company's financial resources. This is evidenced in the strong cash position and balance sheet at 30 June 2020.

The COVID-19 crisis did not materially affect the Factor business or financial results for the half-year to 30 June 2020. Diligence of opportunities continued during the periods of lockdown and social distancing, and there was no impact to revenue or costs linked to impacts of COVID-19.

At the date of this report, the Board has entered into a non-binding term sheet with Rockville-based Brain Biosciences, Inc. doing business as (DBA) LONGMILE Veterinary PET Imaging ("LONGMILE"), a commercial-stage veterinary medical technology company, relating to the negotiation and potential implementation of a transaction to acquire products and technologies for companion animal and equine veterinary imaging from LONGMILE. Further information is detailed under 'Events after the Reporting Period'.

CHANGES TO ISSUED CAPITAL

There were no changes to issued capital during the half-year to 30 June 2020.

TOTAL NUMBER OF SHARES AND OPTIONS ON ISSUE

	At 30 June 2020	At the date of this report
Fully paid ordinary shares	1,042,835,633	1,042,835,633
Unlisted share options	8,250,000	6,850,000 [1]

[1] Refer to Events After the Reporting Date

EVENTS AFTER THE REPORTING PERIOD

On 4 July 2020, 1,400,000 unlisted share options with an exercise price of \$0.035 and an expiry date of 4 July 2020, expired, unexercised.

On 24 July 2020, the Company announced it had entered into a term sheet with Rockville-based Brain Biosciences, Inc. doing business as (DBA) LONGMILE Veterinary PET Imaging ("LONGMILE"), a commercial-stage veterinary medical technology company, relating to the negotiation and potential implementation of a transaction to acquire products and technologies for companion animal and equine veterinary imaging from LONGMILE.

The term sheet includes a one hundred and twenty (120) day exclusivity, "no shop" and "no talk" period for the parties to use commercially reasonable efforts to complete due diligence and conclude the negotiation of formal transaction documents for the acquisition of the exclusive, global commercial rights to LONGMILE's veterinary product portfolio. For the exclusivity period, the Company has agreed to pay the consideration of US\$25,000. The Company has further agreed to pay US\$25,000 to LONGMILE upon execution of formal transaction documents.

The parties have negotiated detailed non-binding terms in relation to the proposed acquisition, which includes matters relating to commercial terms, board composition, management team structure and asset commercialisation strategy, and includes several conditions precedent to execution of the transaction documents including but not limited to:

- Completion of final technical, intellectual property and commercial due diligence, mutually satisfactory to the parties;
- Negotiation of a definitive commercial terms related to transfer pricing, manufacturing capacity and ongoing technology and intellectual property development;
- Demonstration to LONGMILE shareholders that FTT has at least A\$3m in cash at the time of completion of the transaction to be able to fund the near-term commercial and sales activity of the business;
- Final board and management structure post-transaction, which anticipates several new appointments with appropriate domain expertise to lead the proposed new focus of the business; and
- Receipt of the requisite shareholder and regulatory approvals.

Also on 24 July 2020, the Company announced that Dr Cherrell Hirst would retire from the Factor Board at the end of the 2020 AGM in a planned transition. Dr David Brookes assumes the Chair from that time.

There have been no other 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 2020.

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



Dr Cherrell Hirst, AO
CHAIRMAN

Brisbane, 29 July 2020

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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 2020, 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.

PKF BRISBANE AUDIT

LIAM MURPHY
PARTNER

29 JULY 2020
BRISBANE

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HALF-YEAR FINANCIAL STATEMENTS

Statement of Profit or Loss and Other Comprehensive Income For the Half-Year Ended 30 June 2020

	Note	Company 6 months to 30-Jun-20 \$	Consolidated 6 months to 30-Jun-19 \$
Continuing operations			
R&D tax rebate	2(a)	665,817	2,488,791
Interest received		2,794	4,109
Total revenue		668,611	2,492,900
Other income	2(b)	15,000	39,321
R&D expenses			
- Clinical trial expenses	2(c)	187,615	-
- Intellectual property		(3,922)	(55,792)
Corporate and Administration expenses			
- Occupancy expenses		-	(460)
- Employee benefits expense		(71,798)	(64,516)
- Consultants		(27,050)	(58,226)
- Administration and compliance expense		(145,337)	(158,341)
- Share-based payment expense		(1,782)	(4,507)
- Depreciation		-	(3,288)
- Finance costs		-	(2,581)
- Gains/(Losses) on foreign exchange		6,011	(21,836)
- Other expenses		-	(137,059)
Profit/ (Loss) before income tax expense		627,348	2,025,615
Income tax benefit		-	-
Net profit/ (loss) after tax		627,348	2,025,615
Other comprehensive income items			
Items that may be reclassified to profit or loss			
- Exchange differences on translation of foreign operations	10	-	-
Total comprehensive income for the period		627,348	2,025,615
Profit / (loss) attributable to members of the Company		627,348	2,025,615
Total comprehensive income attributable to members of the Company		627,348	2,025,615
Earnings per share			
		Cents	Cents
Basic earnings per share	7	0.06	0.20
Diluted earnings per share	7	0.06	0.20

The accompanying notes form part of these financial statements.

**Statement of Financial Position
 As at 30 June 2020**

	Note	Company 30-Jun-20 \$	Company 31-Dec-19 \$
Current assets			
Cash and cash equivalents	4	3,462,342	3,038,810
Trade and other receivables		22,231	13,559
Other assets		75,807	81,187
Total current assets		3,560,380	3,133,556
Non-current assets			
Property, plant and equipment		-	-
Total non-current assets		-	-
Total assets		3,560,380	3,133,556
Current liabilities			
Trade and other payables		42,835	245,141
Provisions		-	-
Other liabilities		-	-
Total current liabilities		42,835	245,141
Total liabilities		42,835	245,141
Net assets		3,517,545	2,888,415
Equity			
Contributed equity	5	84,213,601	84,213,601
Reserves		209,963	208,181
Accumulated losses		(80,906,019)	(81,533,367)
Total equity		3,517,545	2,888,415

The accompanying notes form part of these financial statements.

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**Statement of Changes in Equity
For the Half-Year Ended 30 June 2020**

	Reserves				Total \$
	Share Capital \$	Option Reserve \$	Foreign Exchange Translation Reserve \$	Accumulated Losses \$	
Total equity at 1 January 2020	84,213,601	208,181	-	(81,533,367)	2,888,415
Comprehensive income:					
- Profit/ (Loss) for the period	-	-	-	627,348	627,348
Total comprehensive income for the period	-	-	-	627,348	627,348
Transactions with owners in their capacity as owners:					
- Employee share options	-	1,782	-	-	1,782
Total transactions with owners	-	1,782	-	-	1,782
Total equity at 30 June 2020	84,213,601	209,963	-	(80,906,019)	3,517,545
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

The accompanying notes form part of these financial statements.

Statement of Cash Flows
For the Half-Year Ended 30 June 2020

	Note	Company 6 months to 30-Jun-20 \$	Consolidated 6 months to 30-Jun-19 \$
Cash flows related to operating activities			
Receipts from customers		10,000	62,861
Payments to suppliers and employees		(261,406)	(2,208,270)
Interest received		2,794	4,429
R&D tax rebate received		665,817	2,488,791
Income tax received (paid)		-	-
Net cash provided by/(used in) operating activities		417,205	347,811
Cash flows related to investing activities			
Proceeds from sale of property, plant and equipment		-	1,055
Net cash provided by/(used in) investing activities		-	1,055
Cash flows related to financing activities			
Proceeds from issues of shares and other equity securities		-	417,000
Cost of share issue		-	(25,646)
Net cash provided by/(used in) financing activities		-	391,354
Net increase / (decrease) in cash held		417,205	740,220
Cash and cash equivalents at beginning of period		3,038,810	2,610,991
Effects of exchange rate fluctuations on cash and cash equivalents		6,327	11,402
Cash and cash equivalents at end of period	4	3,462,342	3,362,613

The accompanying notes form part of these financial statements.

Condensed Notes to the Financial Statements For the Half-Year Ended 30 June 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements and notes represent those of Factor Therapeutics Limited ("Company"). Factor Therapeutics Limited is a public company incorporated and domiciled in Australia. The financial statements were authorised for issue on 29 July 2020 by the Directors of the Company.

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 30 June 2020 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134 *Interim Financial Reporting*. The Company 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 Company. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this half-year financial report be read in conjunction with the annual financial statements of the Company for the financial year ended 31 December 2019, 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 Company 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 2019 annual report.

Going Concern

As at 30 June 2020, the Company has recorded a current asset surplus of \$3,517,545 (31 December 2019: \$2,888,415), including cash and cash equivalents totalling \$3,462,342 (31 December 2019: \$3,038,810). For the half-year ended 30 June 2020, the Company recorded a net profit from continuing operations after tax of \$627,348 (30 June 2019: \$2,025,615), and experienced net cash inflows from operating activities of \$417,205 (30 June 2019: net cash inflows of \$347,811).

Following the result of the Company's Phase 2b clinical trial of VF001 in November 2019, 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 Company 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.

Comparative Periods

As part of cost minimisation initiatives, the Company's two wholly owned subsidiaries ceased operations and were wound up during the 2019 financial year. Therefore, comparative periods in these financial statements include transactions attributable to the subsidiaries. However, neither of the subsidiaries had active operations, therefore there was no material impact to the Company resulting from the deregistration of the subsidiaries.

**Condensed Notes to the Financial Statements
For the Half-Year Ended 30 June 2020**

NOTE 2: INCOME AND EXPENDITURE

Note	Company 6 months to 30-Jun-20 \$	Consolidated 6 months to 30-Jun-19 \$
a) R&D tax rebate		
R&D tax rebate received	665,817	2,488,791
Incentive – R&D claim revenue	665,817	2,488,791
b) Other Income		
Rent and outgoings received in relation to sublease	-	2,580
Grant funding	-	36,741
Cash Flow Boost – ATO	15,000	-
Total other income	15,000	39,321
c) Clinical Trial Expense		
Over accrual in prior years	(187,615)	-
Total clinical trial expenses	(187,615)	-

Accrued expenses relating to the clinical trial had been over-accrued in previous years. This has resulted in a reversal of the over-accrued amount and is presented as a negative expense line item.

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

	Company 30-Jun-20 \$	Company 31-Dec-19 \$
Cash at bank	3,315,304	2,892,904
Short term bank deposits – at call	147,038	145,906
Total cash and cash equivalents at end of period	3,462,342	3,038,810

Condensed Notes to the Financial Statements
For the Half-Year Ended 30 June 2020

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

	30-Jun-20 Number	30-Jun-20 \$	31-Dec-19 Number	31-Dec-19 \$
Ordinary Shares fully paid	1,042,835,633	84,213,601	1,042,835,633	84,213,601
Movements in shares on issue				
Balance at beginning of period	1,042,835,633	84,213,601	834,335,633	83,822,247
Ordinary shares via private placement 5 February 2019 @ \$0.002	-	-	208,500,000	417,000
Transaction costs	-	-	-	(25,646)
Balance at end of period	1,042,835,633	84,213,601	1,042,835,633	84,213,601

NOTE 6: CONTINGENT ASSETS AND LIABILITIES

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.

NOTE 7: EARNINGS PER SECURITY (EPS)

	Company 6 months to 30-Jun-20 \$	Consolidated 6 months to 30-Jun-19 \$
Profit / (Loss) after income tax benefit attributable to the Company	627,348	2,025,615
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares outstanding during the period used in calculation of Basic EPS	No. 1,042,835,633	No. 1,002,517,953
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	1,042,835,633	1,002,517,953

The diluted EPS calculation includes that portion of these options considered to be potentially dilutive, weighted with reference to the date of conversion. As at 30 June 2020, 8,250,000 unlisted share options on issue were considered out of the money and therefore not potentially dilutive.

	Cents	Cents
Basic earnings per share	0.06	.20
Diluted earnings per share	0.06	.20

**Condensed Notes to the Financial Statements
For the Half-Year Ended 30 June 2020**

NOTE 8: EVENTS OCCURRING AFTER THE BALANCE DATE

On 4 July 2020, 1,400,000 unlisted share options with an exercise price of \$0.035 and an expiry date of 4 July 2020, expired, unexercised.

On 24 July 2020, the Company announced it had entered into a term sheet with Rockville-based Brain Biosciences, Inc. doing business as (DBA) LONGMILE Veterinary PET Imaging ("LONGMILE"), a commercial-stage veterinary medical technology company, relating to the negotiation and potential implementation of a transaction to acquire products and technologies for companion animal and equine veterinary imaging from LONGMILE.

The term sheet includes a one hundred and twenty (120) day exclusivity, "no shop" and "no talk" period for the parties to use commercially reasonable efforts to complete due diligence and conclude the negotiation of formal transaction documents for the acquisition of the exclusive, global commercial rights to LONGMILE's veterinary product portfolio. For the exclusivity period, the Company has agreed to pay the consideration of US\$25,000. The Company has further agreed to pay US\$25,000 to LONGMILE upon execution of formal transaction documents.

The parties have negotiated detailed non-binding terms in relation to the proposed acquisition, which includes matters relating to commercial terms, board composition, management team structure and asset commercialisation strategy, and includes several conditions precedent to execution of the transaction documents including but not limited to:

- Completion of final technical, intellectual property and commercial due diligence, mutually satisfactory to the parties;
- Negotiation of a definitive commercial terms related to transfer pricing, manufacturing capacity and ongoing technology and intellectual property development;
- Demonstration to LONGMILE shareholders that FTT has at least A\$3m in cash at the time of completion of the transaction to be able to fund the near-term commercial and sales activity of the business;
- Final board and management structure post-transaction, which anticipates several new appointments with appropriate domain expertise to lead the proposed new focus of the business; and
- Receipt of the requisite shareholder and regulatory approvals.

Also on 24 July 2020, the Company announced that Dr Cherrell Hirst would retire from the Factor Board at the end of the 2020 AGM in a planned transition. Dr David Brookes assumes the Chair from that time.

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

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

NOTE 9: DIVIDENDS

No dividend has been paid during the half-year ended 30 June 2020. As at 30 June 2020 and up until the date of this report, the Directors have made no recommendation concerning dividends for the half-year, or any period thereafter.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 14 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 Company's financial position as at 30 June 2020 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



Dr Cherrell Hirst, AO
CHAIRMAN

Brisbane, 29 July 2020

**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 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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.

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 2020, and of its 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: giving a true and fair view of the company's financial position as at 30 June 2020 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 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 BRISBANE AUDIT



LIAM MURPHY
PARTNER

29 JULY 2020
BRISBANE

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