

## Appendix 4E – Final Report

### Financial year ended

31 December 2018

### Results for announcement to the market

Current Reporting Period: 31 December 2018

Previous Reporting Period: 31 December 2017

### Revenue and Net Profit

|   | Up/Down   | % change | \$ change   |
|---|-----------|----------|-------------|
| Revenue from continuing operations      | Down      | -97%     | (3,186,602) |
| Total income                            | Down      | -92%     | (3,172,042) |
| Loss from ordinary activities after tax | Increased | 54%      | (3,825,622) |
| Net Loss for the period                 | Increased | 54%      | (3,825,622) |

### Dividends

No dividend was proposed or paid. The Company is not yet profitable and therefore there can be no assurance that the Company will become profitable or will pay dividends in the near future. Should any dividends be paid in the future, no assurances can be given as to the level of franking credits attaching to such dividends.

|                               | 2018   | 2017   |
|-------------------------------|--------|--------|
| Earnings/(Loss) Per Share     | (1.36) | (0.98) |
| Net tangible assets per share | 0.097  | 0.967  |
| Dividend per share            | -      | -      |

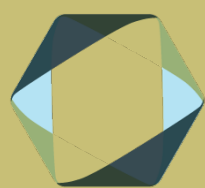
### Brief explanation of income and profit (loss)

Factor Therapeutics is a clinical-stage life sciences group. The principal activities during the year were the development and commercialisation of the Company's proprietary intellectual property in wound healing and tissue regeneration. The change (increase) in loss for the period primarily reflects the expense of clinical trial costs.

| Statement of accumulated losses                       | 2017         | 2018         |
|---|--------------|--------------|
| Balance at the beginning of the year                  | (72,791,979) | (65,652,316) |
| Net loss attributable to members of the parent entity | (10,956,042) | (7,139,663)  |
| Balance at end of the year                            | (83,748,021) | (72,791,979) |

### Audit Report

This Appendix 4E (Final Report) is based on the audited financial statements for the year ended 31 December 2018, which are attached.



**FACTOR**  
THERAPEUTICS

**Factor Therapeutics Limited**  
**Financial Report**  
For the Financial Year  
ended 31 December 2018

ABN: 45 101 955 088

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## DIRECTORS' REPORT

Your Directors present their report on Factor Therapeutics Limited ("Company") and Controlled Entities, ("Group") for the financial year ended 31 December 2018. The names and qualifications of Directors in office during the financial year and up to the date of this report are detailed below. Directors were in office for the entire period unless noted otherwise.

|                       |   |
|-----------------------|---|
| Cherrell Hirst, AO    | Chairman  |
| Christian Behrenbruch | Non-Executive Director                            |
| Tim Hughes            | Non-Executive Director                            |
| Robert Ryan           | Non-Executive Director (retired 12 December 2018) |
| John Michailidis      | Non-Executive Director                            |

### **Cherrell Hirst AO, FTSE MBBS BEdSt DUniv FAICD**

#### **Non-executive Chairman**

*Appointed Non-Executive Director 30 June 2009; appointed Chair 7 April 2015*

Cherrell Hirst AO has had a distinguished clinical career in the detection and diagnosis of breast cancer; and significant experience as a director of commercial, government and not-for-profit organisations. She is a Director of the Gold Coast Hospital and Health Service and RSL Care RDNS Limited. Dr Hirst is also the Chairman of Advisory Board of Institute of Molecular Biosciences at the University of Queensland. During the previous three years, Dr Hirst has served as Non-Executive Director, ImpediMed Limited (ASX:IPD) (August 2005 to November 2017) and Medibank Private Limited (ASX:MPL) (December 2009 to August 2017).

### **Christian Behrenbruch, BEng(Hons) DPhil(Oxon) MBA JD GAICD**

#### **Non-Executive Director**

*Appointed Executive Director 12 October 2015; Non-Executive Director effective 1 June 2017*

Christian Behrenbruch has over 15 years of C-level leadership experience in the medtech, biotechnology and healthcare IT space, and has significant experience as a director of commercial and non-profit organisations. His former CEO/Director-level appointments include Mirada Solutions (now Siemens Plc), Fibron Technologies and ImaginAb, Inc. He is a former director of Momentum Biosciences LLC, Siemens Molecular Imaging Ltd, Radius Health Ltd (now Adaptix), Cell Therapies P/L (Peter MacCallum Cancer Centre) and the Oncidium Foundation. He is currently the Managing Director and CEO of Telix Pharmaceuticals Limited (ASX:TLX), a Director of Amplia Therapeutics Pty Ltd, Chairman of Monash Engineering and IT Foundation Board and is a Professorial Fellow at Monash University.

### **Tim Hughes, BSc(Hons) BA (Hons) MNatRes**

#### **Non-Executive Director**

*Appointed Non-Executive Director 1 November 2014*

Tim Hughes has over thirty years' experience in investment banking, funds management and as an institutional investor. He previously spent thirteen years as a senior executive at Rothschilds, where he was a board director and executive committee member. Mr Hughes has a strong track record in business development and strategic thinking and brings financial focus to the Board. Currently Mr Hughes is a Director of Value Capital Management Pty Limited and South Endeavour Pty Limited.

**John Michailidis, BSc (Hons) EMBA (HARV) MAICD**

**Non-Executive Director**

*Appointed Non-Executive Director 14 February 2017*

Mr. Michailidis is currently the Managing Director for TEVA Australia/NZ and brings almost 30 years of commercial pharmaceutical experience to Factor, most recently as Managing Director for TEVA, Australia and New Zealand. His career has ranged from global franchise and regional executive leadership roles with F. Hoffman – La Roche (Roche) to CEO experience with growth-stage biopharmaceutical companies, such as AviPep and Orphan Australia (acquired by Sigma). Mr. Michailidis holds a BSc in Genetics from LaTrobe University, and executive business qualifications from Harvard Business School and INSEAD.

**Robert Ryan, PhD (Toxicology), MS (Pharmacokinetics), MS (Genetics), BS (Biology)**

**Non-Executive Director**

*Appointed Non-Executive Director 13 September 2016. Retired 12 December 2018.*

Robert Ryan, President and CEO of Innova Therapeutics, and Co-Founder and former CEO of Scioderm, has more than 27 years of research/pharmaceutical/biotech experience, spanning the global development process from preclinical through Phase IV. Dr Ryan previously held senior regulatory positions at three of the top five leading CRO's, PPD, INC Research, and Quintiles. Dr Ryan's diverse pharmaceutical career covered senior preclinical, regulatory and clinical activities with Roche, Bristol-Myers Squibb (BMS), UCB, Atherogenics and Pfizer. Prior to working in the pharmaceutical/biotech industry, Dr Ryan conducted research for several years at the National Institutes of Health's environmental division. Dr Ryan graduated with a doctorate degree in Toxicology from the University of North Carolina at Chapel Hill, and is board certified in Toxicology. In addition, Dr Ryan has advanced degrees in Genetics and Pharmacokinetics. Currently Dr Ryan is Director of Vida Therapeutics Inc., member of Scientific Advisory Board of Renovion, Board Member of US Dystrophic Epidermolysis Bullosa Research Association (DEBRA) and also Board Member of Make-A Wish Foundation, NC Chapter.

**DIRECTORS' INTERESTS IN COMPANY SECURITIES**

|                       | Number of Ordinary<br>Shares | Number of Options |
|-----------------------|------------------------------|-------------------|
| Cherrell Hirst        | 3,798,640                    | 300,000           |
| Christian Behrenbruch | 3,265,306                    | 4,000,000         |
| Tim Hughes            | -                            | 300,000           |
| Robert Ryan           | -                            | 1,000,000         |
| John Michailidis      | 527,432                      | 1,000,000         |

**COMPANY SECRETARY**

**Melanie Farris (FGIA, FCIS) BComn Grad Dip ACG**

Ms Farris is an experienced governance, communications and operations professional. Melanie holds a Bachelor of Communication (Public Relations), and a Graduate Diploma in Applied

Corporate Governance. She is a Fellow of the Governance Institute of Australia and an Associate of the Institute of Chartered Secretaries (UK).

## PRINCIPAL ACTIVITIES

Factor Therapeutics is a clinical-stage life sciences group. The principal activities during the year were the development and commercialisation of the Company's proprietary intellectual property in wound healing and tissue regeneration. There were no significant changes in the nature of the Company's principal activities prior to the results of the Company's Phase 2 clinical trial of VF001 in venous leg ulcers in November 2018. Subsequent to the Phase 2 results, the Company's activities were directed to the reduction of operations and preservation of cash resources as well as seeking to identify new opportunities for the Company.

## OPERATING RESULTS AND DIVIDENDS

The loss after tax of the Group for the financial year ended 31 December 2018 was \$10,956,042 (2017: \$7,139,663). No dividend was proposed or paid.

## CORPORATE STRUCTURE

Factor Therapeutics Limited ("Factor") is an entity incorporated and domiciled in Australia. Factor is listed on the Australian Securities Exchange with the code FTT (ASX:FTT).

## REVIEW OF OPERATIONS

Factor Therapeutics' lead product, VF001, was an advanced biologic product for wound care that utilised a targeted growth factor approach to improve wound healing. While the platform technology on which VF001 is based had multiple potential clinical applications, it was initially being developed for a type of chronic wound known as venous leg ulcers (VLU). During the financial year ended 31 December 2018 the Company's primary focus was on completing recruitment and readout from VF00102, its Phase 2b clinical trial of VF001 for the treatment of VLU.

The Company's major areas of operational focus for the period were:

1. **Cost Control and Expenditure Focus on Clinical Activities:** Maintaining a modest burn-rate and managing costs in the most effective way to achieve clinical and commercial goals.
2. **Team Development:** Retaining key personnel and knowledge to support the Company's core research and development activities.
3. **Phase 2b Clinical Trial, VF00102:** VF00102 (clinicaltrials.gov: NCT02973893) was a multi-centre, randomised, double-blind, placebo-controlled Phase 2b trial in the United States to evaluate the Company's lead candidate, VF001, for VLU healing. Recruitment was completed in July 2018 and results were analysed in November 2018. The trial did not meet its endpoints and no clinically meaningful or statistically significant improvement in wound healing was seen with VF001 treatment added to standard care compared with placebo added to standard care. Following this outcome further development of VF001 in wound healing was halted.
4. **Indication Expansion, VF001:** The Company had previously invested resources in its diabetic foot ulcer (DFU) programme as well as the potential use of its technologies for ocular

wound care. During the reporting period the ocular programme progressed to submission of an international patent application (PCT) and continued in-house planning for further indication development; however, following the outcome of VF00102 these activities were halted.

5. **Pipeline Expansion:** During the reporting period the Company pursued a modest level of cost-effective expansion of its early stage pipeline. This involved evaluating new constructs based on the Company's vitronectin-targeting growth factor technology; and a collaboration with Monash University in harlequin ichthyosis. Following review of the results generated in the first year of the collaboration with Monash University, the decision was taken not to proceed with Year 2 activities. Further pipeline expansion activities were also halted following the outcome of VF00102.

## FINANCIAL RESULTS

These Financial Statements are prepared on a going concern basis. As a clinical-stage drug development company, and as in prior years, the Company has recorded an operating loss for the period. Similar to other companies in the biotechnology sector, in order for the Company to execute its plans, opportunities to obtain additional capital may need to be identified by the Board to meet operational and programme development needs.

The primary expense areas for the Group over the period have been in R&D and corporate costs. R&D expenses consist primarily of salaries and related employee benefits for R&D staff, costs associated with clinical trials, non-clinical activities such as regulatory and medical activities, and research-related overhead expenses.

Corporate expenses consisted primarily of salaries and related employee expenses for corporate staff, professional service fees including legal and accounting, compliance-related costs, as well as general overhead including rent and occupancy.

## CHANGES IN ISSUED CAPITAL

On 19 April 2018, the Company announced that it had completed the 1 for 7, fully underwritten non-renounceable Entitlement Offer announced on 14th March 2018. 104,292,850 new shares were issued at a price of \$0.04 per share to raise \$4.17 million.

## FORWARD STRATEGY

Following the outcome of the Phase 2b study, the Company focused on a number of activities:

1. **Early Closure of VF00102:** Given the disappointing results, the decision was taken to close the study before all patients had completed the follow-up phase and sites responsible for the care of these patients were informed and assisted with early closure activities. This was done to limit the burden on patients as well as to reduce trial costs as far as possible. Study closure activities were almost fully completed by the end of the reporting period, including reporting requirements to the US Food and Drug Administration and withdrawal of the IND.

2. **Cost Minimisation:** In addition to early closure of the clinical study VF00102, indication expansion activities for VF001 and the early stage pipeline were halted. With no ongoing research and development activity, the number of staff was also reduced, in accordance with standard employment practice.
3. **Maintaining Existing Intellectual Property (IP) Portfolio:** The Company's IP portfolio was reviewed to ensure a focus on maintaining core IP while the Board considers the long-term future strategy for the Company, including new technology acquisitions.

#### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Total equity is recorded at the balance date at \$813,442 (2017: \$7,610,470), being a decrease of \$6,797,028. The movement is primarily the result of a reduction in net assets in the form of cash and cash equivalents and the impairment of inventory and intangible assets (intellectual property). Further, the anticipated R&D tax rebate for eligible R&D activities conducted in the financial year has not been recognised at 31 December 2018, but has been disclosed as a contingent asset. There were no other significant changes in the state of affairs of the Group during the financial year.

#### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The likely developments in the operations of the Company and the expected results from those operations in future financial years will be affected by the success of management in identifying and securing one or more new commercial transactions for the Company.

#### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. Nonetheless, the Company is committed to high standards of environmental care.

#### UNISSUED SHARES: SHARE OPTIONS

At the date of this report there were 8,250,000 (31 December 2017: 36,209,320) unissued ordinary shares under options as detailed in the table below. Option holders do not have any rights to participate in any issues of shares or other interests of the Company or any other entity. During the financial year ended 31 December 2018, no ordinary shares of Factor Therapeutics Limited were issued on the exercise of share options granted.

| Grant Date | Expiry Date | Exercise Price | Number of Options     |
|------------|-------------|----------------|-----------------------|
| 01-Dec-15  | 01-Dec-20   | \$0.110        | 1,600,000             |
| 01-Jul-16  | 30-Jun-21   | \$0.110        | 3,000,000             |
| 03-Aug-16  | 04-Jul-20   | \$0.035        | 1,400,000             |
| 23-Nov-16  | 23-Nov-21   | \$0.110        | 1,000,000             |
| 21-Aug-17  | 21-Aug-22   | \$0.110        | 250,000               |
| 17-Nov-17  | 17-Nov-22   | \$0.110        | 1,000,000             |
|            |             |                | <hr/> 8,250,000 <hr/> |



## **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

On 21 January 2019, Dr Rosalind Wilson ceased to be employed as CEO, however at the date of this report continues to support the Board on a consulting basis as the Board considers the Company's long-term strategy and identifies and progresses discussions with potential opportunities.

The Group's European and US subsidiaries were closed in early 2019 as part of the Group's overall cost minimisation efforts.

On 5 February 2019 the Company completed a Private Placement to sophisticated and professional investors. The Company issued 208,500,000 new shares at a price of \$0.002 per share to raise \$417,000 (before costs). This placement was undertaken to enable the Company to undertake due diligence on a promising biotechnology asset and to strengthen the Company's negotiating position with the vendor of this asset should the Company decide to try to conclude a deal regarding it.

On 4 February 2019, the Company advised that it had received a Notice under Section 249D of the Corporations Act 2001 (*Cth*) requesting the Company call and arrange to hold a General Meeting of Members. The notice sought the removal of three Company directors and the appointment of two new directors.

On 6 February 2019, the Takeovers Panel announced that it had received an application in relation to the affairs of the Company, concerning the Placement which completed on 5 February 2019. On 18 February 2019, the Panel announced that it had declined to conduct proceedings. The Panel concluded there was no reasonable prospect that it would make a declaration of unacceptable circumstances, and that the applicant had not provided a sufficient body of material to justify the Panel making further enquiries.

On 18 February 2019, a total of 27,959,320 unlisted share options lapsed unexercised.

Other than the matters referred to above, there were no subsequent events that required adjustment to or disclosure in the Directors' Report or the Consolidated Financial Statements of the Company for the year ended 31 December 2018.

## **DIRECTORS' MEETINGS**

The number of meetings of Directors and committees of Directors held in the financial year ended 31 December 2018, and the number of meetings attended by each Director, is listed below.

|               | Directors' Meetings |          | Audit and Risk Management Committee |          | Nomination Committee |          | Remuneration Committee |          |
|---------------|---------------------|----------|-------------------------------------|----------|----------------------|----------|------------------------|----------|
|               | Eligible to Attend  | Attended | Eligible to Attend                  | Attended | Eligible to Attend   | Attended | Eligible to Attend     | Attended |
| C Hirst       | 15                  | 15       | 2                                   | 2        | -                    | -        | 1                      | 1        |
| T Hughes      | 15                  | 11       | 2                                   | 1        | -                    | -        | -                      | -        |
| C Behrenbruch | 15                  | 13       | 2                                   | 2        | -                    | -        | 1                      | 1        |
| R Ryan        | 15                  | 13       | 2                                   | 1        | -                    | -        | 1                      | 1        |
| J Michailidis | 15                  | 13       | -                                   | -        | -                    | -        | 1                      | 1        |

## COMMITTEE MEMBERSHIP

At the date of this report the Board's Committees and their membership are as follows:

- Audit and Risk Management Committee, the members of which are independent Non-Executive Directors Mr Tim Hughes (Chair), Non-Executive Director Dr Christian Behrenbruch and Dr Cherrell Hirst (ex-officio).
- Remuneration Committee, the members of which are independent Non-Executive Directors Mr John Michailidis (Chair), Non-Executive Director Dr Christian Behrenbruch and Dr Cherrell Hirst (ex-officio).
- Nomination Committee, the members of which are independent Non-Executive Directors Dr Cherrell Hirst (Chair), Mr Tim Hughes and Non-Executive Director Dr Christian Behrenbruch.

## REMUNERATION REPORT (AUDITED)

This Remuneration Report for financial year ended 31 December 2018 outlines the remuneration arrangements for the Company in accordance with the requirements of the *Corporations Act 2001* and its regulations. This information has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Factor Therapeutics' remuneration framework and practices are designed to align remuneration outcomes with shareholder interests and to attract and retain persons with appropriate and relevant capability. This remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director, whether executive or otherwise.

For the purposes of this report, the term "Director" refers to Non-executive Directors (NEDs) only. "KMP" refers to Executive Directors and other key management personnel.

The names and details of the Directors and KMP of the Company in office during the financial year and until the date of this report are detailed below. Unless otherwise noted, Directors and KMP listed are in office at the date of the report. There were no changes to KMP after the Balance Date and before the date this financial report was authorised for issue.

### Non-Executive Directors

|                            |                         |
|----------------------------|-------------------------|
| Cherrell Hirst             | Chairman                |
| Tim Hughes                 | Non-Executive Director  |
| Robert Ryan <sup>(i)</sup> | Non-Executive Director  |
| John Michailidis           | Non-Executive Director  |
| Christian Behrenbruch      | Non- Executive Director |

### Other Key Management

|                                    |                         |
|------------------------------------|-------------------------|
| Dr Rosalind Wilson <sup>(ii)</sup> | Chief Executive Officer |
| Mr Nigel Johnson <sup>(iii)</sup>  | Chief Operating Officer |
| Saskia Jo <sup>(iv)</sup>          | Director of Finance     |

- (i) Dr Robert Ryan retired from the Board on 12 December 2018
- (ii) Dr Wilson ceased to be employed as CEO on 21 January 2019 however continues to support the Board on a consulting basis.
- (iii) Mr Johnson resigned from the Company effective 30 October 2018
- (iv) Ms Jo ceased employment on 14 December 2018.

### **Non-executive Director Remuneration**

As part of the Company's focus on preserving its capital, the Directors resolved to not take payment of any fees following the results of the Phase 2 clinical trial. No Directors fees have been paid since November 2018.

In accordance with the company's constitution and ASX Listing Rules, the aggregate remuneration of Non-executive Directors is determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 28 November 2011 when shareholders approved an aggregate annual remuneration pool of \$400,000. The total non-Executive Director remuneration of Factor Therapeutics Limited for the financial year ended 31 December 2018 is \$320,784.

The amount of aggregate remuneration sought to be approved by shareholders and the fees paid to Directors are reviewed annually. Each Director receives an annual fee for being a Director of the Company, which reflects their obligations and responsibilities and takes into account the overall situation of the company and its cash position. Directors' fees include statutory superannuation. There are no retirement benefits. The remuneration of non-Executive Directors consists only of Director's fees - currently no additional fees are paid for chairmanship or membership of board committees.

### **Key Management Personnel Remuneration Philosophy**

In light of the results of the Phase 2 clinical trial, no "at risk" remuneration was paid for the reporting period. The Group aims to reward management personnel at Director level or above with a mix of remuneration and at a level commensurate with their position and responsibilities within the Group so as to:

- attract and retain appropriately capable and talented individuals;
- reward personnel for corporate, team and individual performance;
- align the interest of personnel with those of shareholders; and
- build a strong cohesive leadership team which can deliver execution excellence against the strategy.

Remuneration consists of:

- total fixed remuneration – base salary and superannuation; and
- 'at risk' remuneration – short-term incentives (STI) and long-term incentives (LTI). The maximum STI payable to the CEO is equivalent to 25% of fixed remuneration and for other staff 20% of fixed remuneration.

To ensure that the Group continues to attract, retain and motivate talented staff at a competitive cost, Factor will:

- aim to align total fixed remuneration to the median rate of the relevant market, with consideration given to experience, qualifications, performance and other non-financial benefits; and

- ensure 'at risk' remuneration provides an incentive for performance aligned with the strategic objectives of the company.

Adjustments to fixed remuneration and 'at risk' remuneration are paid/issued following:

- the annual performance and remuneration review, which is conducted by executive management based on achievement against the KPIs and recommended to the Remuneration Committee;
- review by the Remuneration Committee and recommendation to the Board; and
- approval by the Board.

### **Performance and Remuneration Review**

Performance and salary reviews are combined into a single review and conducted on an annual cycle which runs from 1 January to 31 December. There are no automatic adjustments to individual remuneration other than those required by law.

Position descriptions are prepared and reviewed, for all positions, when necessary due to internal or external changes, and are considered as part of the annual performance and remuneration assessment.

To provide a framework for the assessment of performance and remuneration, each year, KPIs are determined on a corporate and individual basis, based on the Board-approved annual operational plan. Corporate KPIs are approved by the Board, and individual KPIs (other than for the CEO) are set by the CEO and agreed with the board.

The relative contributions of corporate and individual KPIs for company personnel for the financial year ended 31 December 2018 were:

- For the CEO 90% corporate, 10% individual;
- For other personnel 50% corporate, 50% individual

Achievement of KPIs are assessed against realistic, stretch and minimum target metrics with the level of achievement calculated as follows:

- Achieved at Stretch: 125%;
- Achieved at Realistic: 100%; and
- Achieved at Minimum: 75%.

The KPIs for the year were heavily weighted towards recruitment into the Phase 2b clinical trial. No short or long-term incentives were paid for the reporting period.

### **'At risk' remuneration – short-term incentives (STI): cash payment**

Calculation of STI awards is based on achievement of KPIs according to the metrics described above. For the twelve months ending 31 December 2018, the maximum achievable STI (i.e. if all corporate and individual KPIs are met at the Stretch level) was 31.25% of fixed remuneration for the CEO and 25% for other personnel.

### **'At risk' remuneration – long-term incentives (LTI): equity grants**

LTIs are offered to incentivise, reward and retain personnel, and to further align the interests of personnel and shareholders.

As part of the annual review cycle, the Remuneration Committee will consider the recommendation of the CEO regarding the issue of LTIs in light of the performance, financial position and current issued capital of the company. There will be no automatic grant of LTIs following each performance and remuneration review.

The terms of any LTI grant are determined by the Board. LTI grants normally take the form of the issue of unlisted share options. Share options are normally issued under the company's employee share option plan (ESOP). All grants of equity are determined by the Board, following a recommendation from the Remuneration Committee.

Options are typically granted to vest in equal portions over a period of up to five years, at a specific exercise price, with the first vesting period occurring generally up to 12 months after the grant date. The terms of the options including in the event of cessation of employment, are at the discretion of the Board. However generally, on cessation of employment, unvested options are forfeited, and vested options must be exercised within 30 days after the last date of employment. At the date of this report there were 8,250,000 Options on issue under the ESOP. The exercise price, vesting conditions and expiry dates of these Options are variable.

#### Remuneration year ended 31 December 2018

|  | Salaries/<br>Fees | Super         | Other    | ST or<br>Bonus | LT or<br>Options | Total            | ST | LT  |
|--|-------------------|---------------|----------|----------------|------------------|------------------|----|-----|
|  | \$                | \$            | \$       | \$             | \$               | \$               | %  | %   |
| <b>Non-Executive Directors<sup>(i)</sup></b> |                   |               |          |                |                  |                  |    |     |
| C Hirst                                      | 65,550            | 6,227         | -        | -              | -                | 71,777           | -  | -   |
| C Behrenbruch                                | 56,995            |               | -        | -              | 8,546            | 65,541           | -  | 13% |
| T Hughes                                     | 47,319            | 4,495         | -        | -              | -                | 51,814           | -  | -   |
| R Ryan                                       | 69,121            |               | -        | -              | 3,696            | 72,817           | -  | 5%  |
| J Michailidis                                | 47,319            | 4,495         | -        | -              | 7,021            | 58,835           | -  | 12% |
|  | 286,304           | 15,217        | -        | -              | 19,263           | 320,784          |    |     |
| <b>Other KMPs<sup>(ii)</sup></b>             |                   |               |          |                |                  |                  |    |     |
| R Wilson                                     | 259,573           | 24,659        | -        | -              | 236,123          | 520,355          | -  | 45% |
| N Johnson                                    | 282,508           | 19,825        | -        | -              | 10,084           | 312,417          | -  | 7%  |
| S Jo   | 124,870           | 19,488        | -        | -              | 6,471            | 150,829          | -  | 4%  |
|  | 666,951           | 63,972        | -        | -              | 252,678          | 983,601          |    |     |
| <b>Total</b>                                 | <b>953,255</b>    | <b>79,189</b> | <b>-</b> | <b>-</b>       | <b>271,941</b>   | <b>1,304,385</b> |    |     |

(i) Non-Executive Director fees have been foregone by all Directors effective 1 December 2018. Dr Robert Ryan retired from the Board on 12 December 2018

(ii) Dr Wilson ceased to be employed as CEO on 21 January 2019 however continues to support the Board on a consulting basis. Mr Johnson resigned from the Company effective 30 October 2018. Ms Jo ceased employment on 14 December 2018.

Remuneration for the year ended 31 December 2017

|                                | Salaries/<br>Fees | Super         | Other        | STI<br>(Cash) | LTI<br>(Options) | Total            | Performance<br>Related |     |
|--------------------------------|-------------------|---------------|--------------|---------------|------------------|------------------|------------------------|-----|
|                                |                   |               |              |               |                  |                  | STI                    | LTI |
|                                | \$                | \$            | \$           | \$            | \$               | \$               | %                      | %   |
| <b>Non-Executive Directors</b> |                   |               |              |               |                  |                  |                        |     |
| C Hirst                        | 67,275            | 6,392         | 731          | -             | -                | 74,398           | -                      | -   |
| C Behrenbruch                  | 89,373            | -             | -            | -             | 30,609           | 119,982          | -                      | 26% |
| T Hughes                       | 48,564            | 4,614         | 731          | -             | -                | 53,909           | -                      | -   |
| R Ryan                         | 68,898            | -             | -            | -             | 17,341           | 86,239           | -                      | 26% |
| J Michailidis                  | 36,112            | 3,430         | -            | -             | 11,143           | 50,685           | -                      | 22% |
|                                | <b>310,222</b>    | <b>14,436</b> | <b>1,462</b> | <b>-</b>      | <b>59,093</b>    | <b>385,213</b>   |                        |     |
| <b>Other KMPs</b>              |                   |               |              |               |                  |                  |                        |     |
| R Wilson                       | 130,358           | 12,384        | -            | -             | 170,192          | 312,934          | -                      | 54% |
| N Johnson                      | 205,288           | 21,501        | -            | 21,030        | 28,360           | 276,179          | 14%                    | 10% |
| S Jo                           | 65,753            | 6,793         | -            | 5,753         | 9,852            | 88,151           | 9%                     | 11% |
|                                | <b>401,399</b>    | <b>40,678</b> | <b>-</b>     | <b>26,783</b> | <b>208,404</b>   | <b>677,264</b>   |                        |     |
| <b>Total</b>                   | <b>711,621</b>    | <b>55,114</b> | <b>1,462</b> | <b>26,783</b> | <b>267,497</b>   | <b>1,062,477</b> |                        |     |

## Shareholdings of Directors and Key Management Personnel for the year ended 31 December 2018

|               | Balance<br>1 January 2018 | Shares issued from<br>Options exercised | Net<br>Acquired/(Disposed) | Balance<br>31 December 2018 |
|---------------|---------------------------|---|----------------------------|-----------------------------|
| C Hirst       | 3,323,810                 | -                                       | 474,830                    | 3,798,640                   |
| C Behrenbruch | 2,857,142                 | -                                       | 408,164                    | 3,265,306                   |
| T Hughes      | -                         | -                                       | -                          | -                           |
| R Ryan        | -                         | -                                       | -                          | -                           |
| J Michailidis | -                         | -                                       | 527,432                    | 527,432                     |
| R Wilson      | -                         | -                                       | 428,571                    | 428,571                     |
| N Johnson     | -                         | -                                       | -                          | -                           |
| S Jo          | 37,000                    | -                                       | 8,000                      | 45,000                      |
| <b>Total</b>  | <b>6,217,952</b>          | <b>-</b>                                | <b>1,846,997</b>           | <b>8,064,949</b>            |

## Option Holdings of Directors and Key Management Personnel for the year ended 31 December 2018

|                  | Balance 1<br>July | Options<br>granted | Lapsed             | Exercised | Balance 31<br>December | Vested 31<br>December | Exercisable<br>31<br>December | Unexercis-<br>able 31<br>December |
|------------------|-------------------|--------------------|--------------------|-----------|------------------------|-----------------------|-------------------------------|-----------------------------------|
| C Hirst(i)       | 300,000           | -                  | -                  | -         | 300,000                | 300,000               | 300,000                       | -                                 |
| C Behrenbruch(i) | 4,000,000         | -                  | -                  | -         | 4,000,000              | 3,320,000             | 3,320,000                     | 680,000                           |
| T Hughes(i)      | 300,000           | -                  | -                  | -         | 300,000                | 300,000               | 300,000                       | -                                 |
| R Ryan           | 1,000,000         | -                  | -                  | -         | 1,000,000              | 1,000,000             | 1,000,000                     | -                                 |
| J Michailidis    | 1,000,000         | -                  | -                  | -         | 1,000,000              | 750,000               | 750,000                       | 250,000                           |
| R Wilson         | 18,579,320        | -                  | -                  | -         | 18,579,320             | 6,131,176             | 6,131,176                     | 12,448,144                        |
| N Johnson        | 3,450,000         | -                  | (3,450,000)        | -         | -                      | -                     | -                             | -                                 |
| S Jo             | 1,140,000         | -                  | -                  | -         | 1,140,000              | 717,500               | 717,500                       | 422,500                           |
| <b>Total</b>     | <b>29,769,320</b> | <b>-</b>           | <b>(3,450,000)</b> | <b>-</b>  | <b>26,319,320</b>      | <b>12,518,676</b>     | <b>12,518,676</b>             | <b>13,800,644</b>                 |

(i) Options issued in lieu of director fees

## END OF REMUNERATION REPORT

### INDEMNITY

Subject to the Corporations Act and the Constitution of the Company, the Company must indemnify each Director, Company Secretary and Executive Officer to the maximum extent permitted by law, against any liability incurred by them as, or by virtue of their holding office as and acting in the capacity of Director, Company Secretary or Executive Officer of the Company. Insurance premiums have been paid during the period in respect of a contract insuring Directors and Officers against legal costs incurred in defending proceedings against them. Details of the nature of liabilities covered or the amount of premiums paid are not disclosed as such disclosure is prohibited in the terms of the contract.

**AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES**

A statement of independence has been provided by the Company's auditor, PKF Brisbane, and is attached to this Directors' Report.

Signed in accordance with a resolution of the Directors



**Cherrell Hirst, AO**

**Chairman**

**21 February 2019**



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

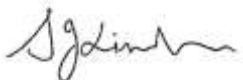
I declare that, to the best of my knowledge and belief, during the financial year ended 31 December 2018, there have been:

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

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

PKF

PKF BRISBANE AUDIT



SHAUN LINDEMANN  
PARTNER

21 FEBRUARY 2019  
BRISBANE

**FACTOR THERAPEUTICS LIMITED AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

|  | <b>Note</b> | <b>2018</b><br>\$ | <b>2017</b><br>\$ |
|--|-------------|-------------------|-------------------|
| <b>Continuing operations</b>   |             |                   |                   |
| Interest received  |             | 55,435            | 45,536            |
| R&D tax rebate   | 11          | 53,701            | 3,250,192         |
| Total revenue  |             | 109,136           | 3,295,738         |
| Other income   | 2           | 153,732           | 139,172           |
| <b>R&amp;D expenses</b>  |             |                   |                   |
| - Research projects  |             | (779,392)         | (535,343)         |
| - Manufacturing development costs  |             | (651,317)         | (822,547)         |
| - Clinical trials expenses   |             | (5,531,025)       | (5,111,627)       |
| - Regulatory expenses  |             | (74,945)          | (77,540)          |
| - Impairment of inventory  |             | (448,617)         | (33,903)          |
| - Intellectual property  |             | (221,631)         | (221,814)         |
| - Transport and logistics  |             | (170,831)         | (106,313)         |
| <b>Corporate and Administration expenses</b>   |             |                   |                   |
| - Occupancy expenses   |             | (420,993)         | (277,283)         |
| - Employee benefits expense  |             | (1,410,928)       | (1,541,277)       |
| - Consultants  |             | (116,560)         | (202,907)         |
| - Administration expenses  |             | (427,191)         | (561,560)         |
| - Share based payment expense  |             | (327,599)         | (315,332)         |
| - Impairment of intangible assets  |             | (557,250)         | -                 |
| - Depreciation   |             | (47,254)          | (42,814)          |
| - Finance costs  |             | (10,729)          | (8,635)           |
| - Gains/(Losses) on foreign exchange   |             | 139,762           | (512,463)         |
| - Other expenses   |             | (162,410)         | (203,426)         |
| Loss before income tax   | 3           | (10,956,042)      | (7,139,884)       |
| Income tax expense   | 11(a)       | -                 | 221               |
| Net loss from continuing operations  |             | (10,956,042)      | (7,139,663)       |
| <b>Other comprehensive income</b>  |             |                   |                   |
| Items that may be reclassified to profit or loss   |             |                   |                   |
| - Exchange differences on translation of foreign operations                                    |             | (1,039)           | 8,204             |
| Total comprehensive income for the year  |             | (10,957,081)      | (7,131,459)       |
| Net loss attributable to members of the Company  |             | (10,957,081)      | (7,131,459)       |
| Total comprehensive income attributable to members of the Company                              |             | (10,957,081)      | (7,131,459)       |
| <b>Earnings per share for loss attributable to the ordinary equity holders of the Company:</b> |             |                   |                   |
|  |             | <b>cents</b>      | <b>cents</b>      |
| Basic earnings per share   | 24          | (1.36)            | (0.98)            |
| Diluted earnings per share   | 24          | (1.36)            | (0.98)            |

*The accompanying notes form part of these financial statements.*

**FACTOR THERAPEUTICS LIMITED AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

|                                      | <b>Note</b> | <b>2018</b><br>\$ | <b>2017</b><br>\$ |
|--------------------------------------|-------------|-------------------|-------------------|
| <b>CURRENT ASSETS</b>                |             |                   |                   |
| Cash and cash equivalents            | 4           | 2,610,991         | 6,642,050         |
| Trade and other receivables          | 5           | 37,136            | 76,037            |
| Receivable: R&D tax rebate           |             | -                 | 1,172,501         |
| Inventories                          | 7(a)        | -                 | -                 |
| Other assets                         | 8           | 125,581           | 82,475            |
| <b>TOTAL CURRENT ASSETS</b>          |             | <b>2,773,708</b>  | <b>7,973,063</b>  |
| <b>NON-CURRENT ASSETS</b>            |             |                   |                   |
| Inventories                          | 7(b)        | -                 | 448,617           |
| Property, plant & equipment          | 9           | 3,665             | 49,100            |
| Intangible assets                    | 10          | -                 | 557,250           |
| <b>TOTAL NON-CURRENT ASSETS</b>      |             | <b>3,665</b>      | <b>1,054,967</b>  |
| <b>TOTAL ASSETS</b>                  |             | <b>2,777,373</b>  | <b>9,028,030</b>  |
| <b>CURRENT LIABILITIES</b>           |             |                   |                   |
| Trade and other payables             | 6           | 1,937,433         | 1,197,675         |
| Derivative financial instruments     |             | -                 | 29,523            |
| Provisions                           | 12(a)       | 26,498            | 156,768           |
| Other liabilities                    | 13(a)       | -                 | 30,046            |
| <b>TOTAL CURRENT LIABILITIES</b>     |             | <b>1,963,931</b>  | <b>1,414,012</b>  |
| <b>NON-CURRENT LIABILITIES</b>       |             |                   |                   |
| Provisions                           | 12(b)       | -                 | 3,548             |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |             | <b>-</b>          | <b>3,548</b>      |
| <b>TOTAL LIABILITIES</b>             |             | <b>1,963,931</b>  | <b>1,417,560</b>  |
| <b>NET ASSETS</b>                    |             | <b>813,442</b>    | <b>7,610,470</b>  |
| <b>EQUITY</b>                        |             |                   |                   |
| Contributed equity                   | 14          | 83,822,247        | 79,989,793        |
| Reserves                             | 15          | 739,216           | 412,656           |
| Accumulated losses                   |             | (83,748,021)      | (72,791,979)      |
| <b>TOTAL EQUITY</b>                  |             | <b>813,442</b>    | <b>7,610,470</b>  |

*The accompanying notes form part of these financial statements.*

**FACTOR THERAPEUTICS LIMITED AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

|  | Share Capital<br>\$ | Option<br>Reserve<br>\$ | Foreign<br>Exchange<br>Translation<br>Reserve<br>\$ | Accumulated<br>Losses<br>\$ | Total<br>\$  |
|--|---------------------|-------------------------|---|-----------------------------|--------------|
| <b>Balance at 1 January 2017</b>   | 79,995,502          | 160,834                 | (71,714)  | (65,652,316)                | 14,432,306   |
| Comprehensive income:  |                     |                         |   |                             |              |
| - Loss for the year  | -                   | -                       | -   | (7,139,663)                 | (7,139,663)  |
| - Other comprehensive income for the year                                  | -                   | -                       | 8,204   | -                           | 8,204        |
| Total comprehensive income for the year                                    | -                   | -                       | 8,204   | (7,139,663)                 | (7,131,459)  |
| Transactions with owners in their capacity as owners, and other transfers: |                     |                         |   |                             |              |
| - Issue of share capital   | -                   | -                       | -   | -                           | -            |
| - Transaction costs  | (5,709)             | -                       | -   | -                           | (5,709)      |
| - Share option expense   | -                   | 315,332                 | -   | -                           | 315,332      |
| Total transactions with owners and other transfers                         | 79,989,793          | 476,166                 | (63,510)  | (72,791,979)                | 7,610,470    |
| <b>Balance at 31 December 2017</b>   | 79,989,793          | 476,166                 | (63,510)  | (72,791,979)                | 7,610,470    |
| Comprehensive income:  |                     |                         |   |                             |              |
| - Loss for the year  | -                   | -                       | -   | (10,956,042)                | (10,956,042) |
| - Other comprehensive income for the year                                  | -                   | -                       | (1,039)   | -                           | (1,039)      |
| Total comprehensive income for the year                                    | -                   | -                       | (1,039)   | (10,956,042)                | (10,957,081) |
| Transactions with owners in their capacity as owners, and other transfers: |                     |                         |   |                             |              |
| - Issue of share capital   | 4,171,714           | -                       | -   | -                           | 4,171,714    |
| - Transaction costs  | (339,260)           | -                       | -   | -                           | (339,260)    |
| - Share option expense   | -                   | 327,599                 | -   | -                           | 327,599      |
| Total transactions with owners and other transfers                         | 83,822,247          | 803,765                 | (64,549)  | (83,748,021)                | 813,442      |
| <b>Balance at 31 December 2018</b>   | 83,822,247          | 803,765                 | (64,549)  | (83,748,021)                | 813,442      |

*The accompanying notes form part of these financial statements.*

**FACTOR THERAPEUTICS LIMITED AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

|  | <b>Note</b> | <b>2018</b><br>\$ | <b>2017</b><br>\$ |
|--|-------------|-------------------|-------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                         |             |                   |                   |
| Rental income received   |             | 156,377           | 172,739           |
| Payments to suppliers and employees                                |             | (9,477,256)       | (9,127,731)       |
| Interest received  |             | 56,355            | 74,906            |
| R&D tax rebate received  |             | 1,226,202         | 3,107,593         |
| Income tax received (paid)   |             | -                 | 7,077             |
| Net cash provided by/(used in) operating activities                | 23(b)       | (8,038,322)       | (5,765,416)       |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                         |             |                   |                   |
| Payments for property, plant and equipment                         |             | 1,055             | 776               |
| Net cash provided by/(used in) investing activities                |             | 1,055             | 776               |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                         |             |                   |                   |
| Proceeds from issue of shares                                      |             | 4,171,714         | -                 |
| Costs of share issue   |             | (339,260)         | (5,709)           |
| Net cash provided by/(used in) financing activities                |             | 3,832,454         | (5,709)           |
| Net increase / (decrease) in cash held                             |             | (4,204,813)       | (5,770,349)       |
| Cash and cash equivalents at beginning of year                     |             | 6,642,050         | 12,673,078        |
| Effects of exchange rate fluctuations on cash and cash equivalents |             | 173,754           | (260,679)         |
| Cash and cash equivalents at end of year                           | 23(a)       | 2,610,991         | 6,642,050         |

*The accompanying notes form part of these financial statements.*

## CORPORATE INFORMATION

Factor Therapeutics Limited is a public company limited by shares incorporated in Australia whose shares have been traded on the Australian Securities Exchange since 19 March 2004 (ASX: FTT). Factor Therapeutics is a clinical stage biotechnology company focussed on the development for commercial gain of treatments for advanced wound care and healing.

The Factor Therapeutics Group ("the Group") consists of Factor Therapeutics Limited ("the Company") and its Controlled Entities, Factor Therapeutics Europe Limited and Factor Therapeutics USA LLC.

This consolidated financial report of Factor Therapeutics Limited was authorised for issue in accordance with a resolution of the Directors on 21 February 2019.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Except for cash flow information, the financial report has been prepared on an accruals basis, based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### a. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Factor Therapeutics Limited, and all of the subsidiaries. Subsidiaries are entities 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 27.

The assets, liabilities and results of all subsidiaries 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 subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group

### b. Income Tax

The income tax expense/(income) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense/(income) charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense/(income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

### c. Research and Development expenditure

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

The Group has adopted the profit and loss approach to accounting for research and development tax offsets under the revised regime, pursuant to *AASB 120 Accounting for Government Grant and Disclosure of Government Assistance*. Under this approach the grant or incentive is recorded as part of profit and loss.

### d. Intangibles

#### *Licenses, Patents and Intellectual Property*

Licenses and patents are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Licenses and patents are amortised over their useful life, which has been assessed as ten years from the date the intangible asset is in its intended use.

### e. Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits with consideration given to employees' wages increases and the probability that the employees may satisfy vesting requirements. Those cash flows are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

### *Equity settled Compensation*

The Company operates equity-settled share-based payment employee share and option schemes (refer Note 18). The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

### **f. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts.

### **g. Revenue recognition**

Revenues are recognised at fair value of the consideration received net of any applicable taxes.

Interest revenue is recognised as it accrues taking into account the interest rates applicable to the financial assets.

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 they are 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.

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

### **h. 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 Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included in other receivables or payables in the Statement of Financial Position. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.



## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### i. **Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

#### *Plant and equipment*

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the 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. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(m) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these 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 discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Comprehensive Income during the financial period in which they are incurred.

#### *Depreciation*

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. The expected useful life for plant and equipment is 3 to 10 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

### j. **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### k. **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**l. Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

**m. Impairment of assets**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income. Impairment testing is performed annually for intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**n. Comparative figures**

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

**o. Financial Instruments**

*Initial and Recognition Measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

*Classification and Subsequent Measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

*Classification and Subsequent Measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

*Amortised cost* is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Fair value* is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

### p. Foreign Currency Transactions and Balances

#### *Functional and Presentation Currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

#### *Transactions and Balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

#### *Group Companies*

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- come and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is recognised in profit or loss in the period in which the operation is disposed of.

**q. Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

*Key Estimates — Impairment*

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The Company's intangible assets have been fully impaired as at 31 December 2018.

*Key Judgements – Tax losses available*

Included in note 11(c) are tax losses not brought to account, which have resulted from current and prior periods. The ability of the Company to utilise these losses in future periods will depend on the satisfaction of the relevant tests applied by the Australian Taxation Office to the losses available.

**r. Going concern**

As at 31 December 2018, the Group has recorded a net current asset surplus of \$809,777 (31 December 2017: \$6,559,051), including cash and cash equivalents totalling \$2,610,991 (31 December 2017: \$6,642,050). The consolidated entity recorded a net loss from continuing operations after tax of \$10,956,042 (2017: \$7,139,663), and experienced net cash outflows from operating activities of \$8,038,322 (2017: \$5,765,416).

The ability of the Group to continue as a going concern and meet its strategic objectives in the mid to long-term is principally dependent upon obtaining additional funds for continuing research and development expenditure and other principal activities. Subsequent to the Balance Date, on 5 February 2019, the Company completed a Private Placement to raise \$417,000 (less costs of the offer). Funds will be applied to working capital as the Company assesses new opportunities in healthcare and biotechnology following the cessation of its VF001 clinical program in November 2018.

The Directors are satisfied that adequate cash will be available to meet all obligations for a period of at least twelve months from the date of this report, and on that basis are satisfied that the going concern basis of preparation is appropriate.

Nevertheless, the conditions noted above indicate a material uncertainty that may cast a significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Should the consolidated entity not be able to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the ordinary course of a business and at amounts that differ from those stated in the financial statements.

### s. New and Amended Accounting Policies Adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2018: AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*. The application of these standards has not had a material impact to the financial statements on the basis that the Group currently has no operating income nor any material financial assets impacted by AASB 9.

## NOTE 2: OTHER INCOME

|   | 2018<br>\$ | 2017<br>\$ |
|---|------------|------------|
| Rent and outgoings received in relation to sublease | 126,732    | 111,967    |
| Grants  | 27,000     | -          |
| Total other income                                  | 153,732    | 111,967    |

## NOTE 3: EXPENSES

Loss before tax includes the following specific expenses:

|   |           |          |
|---|-----------|----------|
| Realised (gains)/losses on foreign exchange                 | 67,428    | (24,521) |
| Unrealised (gains)/losses on foreign exchange               | (207,190) | 536,984  |
| Depreciation Plant and Equipment                            | 41,519    | 27,954   |
| Rental expense on operating leases – minimum lease payments | 436,202   | 277,465  |
| Loss (Gain) on scrapping of non-current assets              | 5,735     | 1        |

## NOTE 4: CASH AND CASH EQUIVALENTS

|                                    |           |           |
|------------------------------------|-----------|-----------|
| Cash at bank                       | 2,468,388 | 3,801,171 |
| Short term bank deposits - at call | 142,603   | 2,840,879 |
|                                    | 2,610,991 | 6,642,050 |

## NOTE 5: TRADE AND OTHER RECEIVABLES

### Current

|                    |        |        |
|--------------------|--------|--------|
| Trade debtors      | 2,342  | 2,417  |
| GST/VAT receivable | 11,909 | 47,245 |
| Other receivables  | 22,885 | 26,375 |
|                    | 37,136 | 76,037 |

## NOTE 6: TRADE AND OTHER PAYABLES

|                             | 2018<br>\$       | 2017<br>\$       |
|-----------------------------|------------------|------------------|
| <b>Current</b>              |                  |                  |
| Unsecured liabilities:      |                  |                  |
| Trade payables              | 77,050           | 860,586          |
| Other payables and accruals | 1,860,383        | 337,089          |
|                             | <u>1,937,433</u> | <u>1,197,675</u> |

## NOTE 7: INVENTORIES

### a) Current

|                       |   |   |
|-----------------------|---|---|
| Syringes and stoppers | - | - |
|-----------------------|---|---|

### b) Non-current

|                                     |   |         |
|-------------------------------------|---|---------|
| VF-001 – Work-in-progress – at cost | - | 448,617 |
|-------------------------------------|---|---------|

VF-001 work-in-progress includes concentrated VF-001 protein, production cells, and reference protein. The work-in-progress was written down to \$NIL following the cessation of the Company's VF001 clinical program in November 2018.

## NOTE 8: OTHER ASSETS

### Current

|             |         |        |
|-------------|---------|--------|
| Prepayments | 125,581 | 82,475 |
|-------------|---------|--------|

## NOTE 9: PROPERTY, PLANT AND EQUIPMENT

|  |              |               |
|--|--------------|---------------|
| Furniture and fixtures – at cost         | -            | 61,707        |
| Less: Accumulated depreciation           | -            | (54,782)      |
|  | -            | 6,925         |
| Computer hardware and software – at cost | 13,152       | 109,717       |
| Less: Accumulated depreciation           | (9,487)      | (97,588)      |
|  | 3,665        | 12,129        |
| Fit out – at cost                        | -            | 209,747       |
| Less: Accumulated depreciation           | -            | (179,701)     |
|  | -            | 30,046        |
|  | <u>3,665</u> | <u>49,100</u> |

**NOTE 9: PROPERTY, PLANT AND EQUIPMENT (continued)**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial period are set out below.

|                                     | <b>Furniture<br/>and<br/>fixtures</b> | <b>Computer<br/>hardware<br/>and<br/>software</b> | <b>Fit out</b> | <b>Total</b> |
|-------------------------------------|---------------------------------------|---|----------------|--------------|
| <b>CONSOLIDATED</b>                 | <b>\$</b>                             | <b>\$</b>   | <b>\$</b>      | <b>\$</b>    |
| Carrying amount at 1 January 2017   | 11,348                                | 19,748  | 60,092         | 91,188       |
| Additions                           | 726                                   | -   | -              | 726          |
| Disposals                           | -                                     | -   | -              | -            |
| Depreciation expense                | (5,149)                               | (7,619)   | (30,046)       | (42,814)     |
| Carrying amount at 1 January 2018   | 6,925                                 | 12,129  | 30,046         | 49,100       |
| Additions                           | -                                     | -   | -              | -            |
| Disposals                           | (3,071)                               | (845)   | -              | (3,916)      |
| Depreciation expense                | (3,854)                               | (7,619)   | (30,046)       | (41,519)     |
| Carrying amount at 31 December 2018 | -                                     | 3,665   | -              | 3,665        |

**NOTE 10: INTANGIBLE ASSETS**

|   | <b>2018<br/>\$</b> | <b>2017<br/>\$</b> |
|---|--------------------|--------------------|
| Licenses, patents and intellectual property - at cost | -                  | 557,250            |

All intellectual property was fully impaired following the cessation of the Company's VF001 clinical program in November 2018.

**NOTE 11: INCOME TAX**

|   | 2018<br>\$  | 2017<br>\$  |
|---|-------------|-------------|
| <b>a) The components of income tax expense comprise</b>   |             |             |
| Current tax   | -           | 2,902,599   |
| Under/(over) provision in prior years (current tax)   | 53,701      | 347,593     |
| Total income tax benefit (expense)  | 53,701      | 3,250,192   |
| <b>b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax benefit as follows</b>               |             |             |
| Prima facie tax benefit on loss from ordinary activities before income tax at 27.5%   | 3,012,912   | 1,963,468   |
| Tax effect of:  |             |             |
| R&D expenditure taken as a cash offset  | (1,573,373) | (1,487,989) |
| Other   | (120,842)   | (64,805)    |
| Tax losses available (due to temporary differences)   | 1,318,697   | 410,674     |
| <b>c) Current Tax Asset</b>   |             |             |
| Opening balance of R&D tax offset concession claimed  | 1,172,501   | 1,029,901   |
| Add: R&D tax offset understated in prior years  | 53,701      | 347,593     |
| Less: Income tax benefit attributable to R&D tax offset received  | (1,226,202) | (1,377,494) |
| Add: Income tax benefit attributable to R&D tax offset receivable   | -           | 1,172,501   |
| Closing balance of R&D tax offset concession claimed (refer note 20)  | -           | 1,172,501   |
| <b>d) Deferred Tax Asset</b>  |             |             |
| Deferred tax assets not brought into account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur: |             |             |
| Temporary differences   | 644,685     | 3,628,659   |
| Tax losses – operating losses   | 20,779,886  | 16,560,650  |
|   | 21,424,570  | 20,189,309  |



## NOTE 12: PROVISIONS

### a) Current

|                                   | 2018<br>\$ | 2017<br>\$ |
|-----------------------------------|------------|------------|
| Provisions for annual leave       | 26,498     | 106,066    |
| Provisions for long service leave | -          | 50,702     |
|                                   | 26,498     | 156,768    |

### b) Non-Current

|                                   |   |       |
|-----------------------------------|---|-------|
| Provisions for long service leave | - | 3,548 |
|-----------------------------------|---|-------|

## NOTE 13: OTHER LIABILITIES

|                           |   |        |
|---------------------------|---|--------|
| Deferred lease incentives | - | 30,046 |
|---------------------------|---|--------|

## NOTE 14: ISSUED CAPITAL

|   | 2018<br>Number | 2018<br>\$ | 2017<br>Number | 2017<br>\$ |
|---|----------------|------------|----------------|------------|
| Ordinary Shares fully paid              | 730,042,783    | 83,822,247 | 730,042,783    | 79,989,793 |
| <b>Movements in shares on issue</b>     |                |            |                |            |
| Balance at beginning of year            | 730,042,783    | 79,989,793 | 730,042,783    | 79,989,793 |
| Ordinary shares issued via Rights Issue | 104,292,850    | 4,171,714  | -              | -          |
| Transaction costs                       | -              | (339,260)  | -              | -          |
| Balance at end of year                  | 834,335,633    | 83,822,247 | 730,042,783    | 79,989,793 |

## NOTE 15: RESERVES

|                                      |          |          |
|--------------------------------------|----------|----------|
| Option reserve                       | 803,765  | 476,166  |
| Foreign exchange translation reserve | (64,549) | (63,510) |
|                                      | 739,216  | 412,656  |

**NOTE 15: RESERVES (continued)**

|   | 2018<br>\$ | 2017<br>\$ |
|---|------------|------------|
| <b>a) Option Reserve</b>  |            |            |
| The option reserve records the share-based payment expense on valuation of employee share options issued under the Company's ESOP, refer Note 18. |            |            |
| <b>Movement</b>   |            |            |
| Balance at beginning of year  | 476,166    | 242,112    |
| Option expense  | 327,599    | 234,054    |
| Balance at end of year  | 803,765    | 476,166    |
| <b>b) Foreign Exchange Translation Reserve</b>  |            |            |
| The foreign exchange translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.                  |            |            |
| <b>Movement</b>   |            |            |
| Balance at beginning of year  | (63,510)   | (68,371)   |
| Movement during the year  | (1,039)    | 4,861      |
| Balance at end of year  | (64,549)   | (63,510)   |

**NOTE 16: CAPITAL MANAGEMENT**

Management controls the capital of the Group in order to maintain an appropriate debt to equity ratio, and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

**NOTE 17: FINANCIAL RISK MANAGEMENT**

**Financial Risk Management Policies**

The Group's financial instruments consist mainly of deposits with banks in functional and foreign currencies, short-term investments, and accounts receivable and payable.

**Treasury Risk Management:** The Board, at each of its meetings, analyses financial risk exposure and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed on a regular basis.

**Financial Risk Exposures and Management:** The main risks the Group is exposed to through its financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk.

**NOTE 17: FINANCIAL RISK MANAGEMENT (continued)**

- *Credit risk exposures:* Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. The credit risk on financial assets of the Group which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.  
*Interest rate risk exposures:* Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. At balance date, the Group does not have material exposure to interest rate risk.
- *Liquidity risk:* Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate facilities or financing options are maintained. At balance date, the Group does not have material exposure to liquidity risk.
- *Foreign currency risk:* Exposure to foreign currency risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the functional currency of the Group. The Group manages foreign currency risk by monitoring forecast foreign currency commitments and foreign exchange rates. At balance date, the Group's exposure to foreign currency risk arises from the holding of cash balances US\$992,152 and EUR 145,379 at exchange rates of 1.4168 and 1.6187 respectively.

**Net fair value of financial assets and liabilities:** The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and the financial liabilities of the Group approximates their carrying amounts. The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

**Sensitivity analysis:** The Group has performed a sensitivity analysis relating to its exposure to interest rate and foreign currency exchange rate risks, to assess the effect on reported results and equity which could result from a change in these risks. Management have determined that, at 31 December 2018, the effect on profit and equity as a result of changes in foreign currency exchange rates by +100 basis points or -100 basis points would be \$27,025 (2017: \$32,223). The effect on profit and equity as a result of changes in interest rates by +100 basis points or -100 basis points would be \$27,025 (2017: \$32,223) additional, or less, interest revenue.

## NOTE 18: SHARE-BASED PAYMENTS

|  | 2018<br>\$ | 2017<br>\$ |
|--|------------|------------|
| <i>Recognition of share-based payment expense</i>                    |            |            |
| Expense arising from equity-settled share-based payment transactions | 327,599    | 315,332    |

### *Types of share-based payment plans*

#### **Employee Share Option Plan (ESOP)**

During the financial year ended 31 December 2018, no options were issued under the employee share option plan. No ordinary shares of Factor Therapeutics Limited were issued on the exercise of share options granted.

### **Summary of options granted and lapsed during the financial year ending 31 December 2018**

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options issued during the year:

|   | 2018<br>Number    | 2018<br>WAEP  | 2017<br>Number    | 2017<br>WAEP  |
|---|-------------------|---------------|-------------------|---------------|
| Outstanding at the beginning of year        | 36,209,320        | \$0.11        | 13,130,000        | \$0.11        |
| Options issued during the year              | -                 | -             | 23,079,320        | \$0.11        |
| Forfeited during the year                   | -                 | -             | -                 | -             |
| Options lapsed during the year              | 3,450,000         | -             | -                 | -             |
| Options exercised during year               | -                 | -             | -                 | -             |
| <b>Outstanding at the end of the year</b>   | <b>32,759,320</b> | <b>\$0.11</b> | <b>36,209,320</b> | <b>\$0.11</b> |
| Exercisable at the end of the year          | 16,627,840        | \$0.11        | 7,469,996         | \$0.10        |
| Weighted average remaining contractual life | 3.08 years        |               | 4.07 years        |               |

## NOTE 19: COMMITMENTS FOR EXPENDITURES

Commitments for rental lease, clinical trials and stability study contracted for at the reporting date but not recognised as liabilities payable:

|   |   |           |
|---|---|-----------|
| Within one year                                   | - | 3,153,815 |
| Later than one year but not later than five years | - | 499,405   |
| Later than five years                             | - | -         |
|   | - | 3,653,220 |

**NOTE 19: COMMITMENTS FOR EXPENDITURES (continued)**

All future expenditure related to the wind down of the VF001 clinical program to which the Company is contractually committed as at 31 December 2018 has been accrued at that date. Refer to Note 6 for additional detail.

**NOTE 20: CONTINGENT LIABILITIES AND ASSETS**

The Directors intend to lodge a claim of \$2,488,791 for eligible R&D expenditure incurred in the Financial Year ended 31 December 2018. Given that the claim is subject to a standard review process, the Directors consider there to be sufficient uncertainty regarding the amount ultimately recoverable and have elected to disclose the claim as a contingent asset. Directors are not aware of any other contingent assets or any contingent liabilities that are likely to have a material effect on the results of the Group as disclosed in these financial statements.

**NOTE 21: RELATED PARTY TRANSACTIONS**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

*Key management personnel compensation*

Details of remuneration of the key management personnel are provided in the Remuneration Report in the Directors' Report on pages 9 to 14.

*Transactions with other related parties*

There were no other transactions with related parties during the year.

**NOTE 22: 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 23: CASH FLOW INFORMATION**

|   | <b>2018</b><br>\$ | <b>2017</b><br>\$ |
|---|-------------------|-------------------|
| <b>a) Reconciliation of Cash</b>  |                   |                   |
| Cash at end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows: |                   |                   |
| Cash and cash equivalents   | 2,610,99          | 6,642,050         |
| <b>b) Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>  |                   |                   |
| Loss after income tax expense   | (10,956,042)      | (7,139,663)       |
| Non-cash flows in loss from ordinary activities   |                   |                   |
| Depreciation  | 41,519            | 42,814            |
| Amortisation of deferred lease incentives   | (30,046)          | (29,882)          |
| Impairment of inventory   | 1,005,867         | 33,903            |
| Net loss on disposal of property, plant and equipment   | 5,735             | -                 |
| Unrealised foreign exchange losses  | (207,190)         | 263,360           |
| Non-cash employee benefits expense – option-based payments  | 327,599           | 315,332           |
| Changes in operating assets and liabilities   |                   |                   |
| (Increase) / decrease in receivables and prepayments  | 1,132,960         | 81,070            |
| (Increase) / decrease in inventory and intangibles  | -                 | 233,288           |
| (Increase) / decrease in current tax assets   | -                 | (142,600)         |
| (Increase) / decrease in other assets   | -                 | -                 |
| Increase / (decrease) in payables   | 775,094           | 591,063           |
| Increase / (decrease) in provisions   | (133,818)         | 6,296             |
| Increase / (decrease) in other liabilities  | -                 | (49,920)          |
| Increase / (decrease) in derivative financial instruments   | -                 | 29,523            |
| Cash flow from operating activities   | (8,038,322)       | (5,765,416)       |

**NOTE 24: EARNINGS PER SHARE**

|   |              |             |
|---|--------------|-------------|
| Loss after income tax benefit attributable to the Group   | (10,956,042) | (7,139,663) |
| Weighted average number of shares used as the denominator   | <b>No.</b>   | <b>No.</b>  |
| Weighted average number of ordinary shares outstanding during the year used in calculation of Basic EPS             | 803,476,379  | 730,042,783 |
| Weighted average number of options outstanding which are considered potentially dilutive                            | -            | -           |
| Weighted average number of potential ordinary shares outstanding during the year used in calculation of Diluted EPS | 803,476,379  | 730,042,783 |

**NOTE 24: EARNINGS PER SHARE (continued)**

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

|                            | <b>2018</b>  | <b>2017</b>  |
|----------------------------|--------------|--------------|
|                            | <b>\$</b>    | <b>\$</b>    |
|                            | <b>Cents</b> | <b>Cents</b> |
| Basic earnings per share   | (1.36)       | (0.98)       |
| Diluted earnings per share | (1.36)       | (0.98)       |

**NOTE 25: REMUNERATION OF AUDITORS**

|   |               |               |
|---|---------------|---------------|
| Audit services – PKF Brisbane Audit   | 27,500        | 27,500        |
| Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i> |               |               |
|   | <b>27,500</b> | <b>27,500</b> |

**NOTE 26: PARENT INFORMATION**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards

**STATEMENT OF FINANCIAL POSITION**

**ASSETS**

|                     |                  |                  |
|---------------------|------------------|------------------|
| Current assets      | 2,760,118        | 7,971,560        |
| Non-current assets  | 18,509           | 1,069,812        |
| <b>TOTAL ASSETS</b> | <b>2,778,627</b> | <b>9,041,372</b> |

**LIABILITIES**

|                         |           |           |
|-------------------------|-----------|-----------|
| Current liabilities     | 1,955,033 | 1,411,505 |
| Non-current liabilities | 113,906   | 115,088   |

**TOTAL LIABILITIES**

2,068,939 1,526,593

**NET ASSETS**

709,688 7,514,779

**EQUITY**

|                    |              |              |
|--------------------|--------------|--------------|
| Contributed equity | 83,822,246   | 79,989,793   |
| Accumulated losses | (83,910,150) | (72,951,180) |
| Reserves           | 797,592      | 476,166      |

**TOTAL EQUITY**

709,688 7,514,779

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

|                            |              |             |
|----------------------------|--------------|-------------|
| Total losses               | (10,958,975) | (7,140,895) |
| Total comprehensive income | (10,958,975) | (7,140,895) |

**NOTE 26: PARENT INFORMATION (continued)**

*Guarantees*

Factor Therapeutics Limited has not yet entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

*Contingent Assets and Liabilities*

For information relating to contingent assets and liabilities, refer to Note 20: Contingent Liabilities and Assets

*Contractual Commitments*

For information relating to contractual commitments, refer to Note 19: Commitment for Expenditures. The commitments detailed in Note 19 are related to parent entity commitments only.

**NOTE 27: CONTROLLED ENTITIES**

Factor Therapeutics Europe Limited (previously Tissue Therapies Europe Limited) ("the Subsidiary"), a wholly owned subsidiary, was formed on 23<sup>rd</sup> January 2012, based in the United Kingdom, to provide administration support to Factor Therapeutics Limited ("the Parent Entity"). Factor Therapeutics USA LLC ("the Subsidiary"), a wholly owned subsidiary was formed on 18<sup>th</sup> February 2016, in the state of Delaware, USA. There were no transactions in this subsidiary during the financial year ended 31 December 2018.

| Name                               | Country of Incorporation | % Equity Interest |      |
|------------------------------------|--------------------------|-------------------|------|
|                                    |                          | 2018              | 2017 |
| Factor Therapeutics Europe Limited | UK                       | 100%              | 100% |
| Factor Therapeutics USA LLC        | USA                      | 100%              | 100% |

**NOTE 28: EVENTS SUBSEQUENT TO REPORTING DATE**

On 21 January 2019, Dr Rosalind Wilson ceased to be employed as CEO, however at the date of this report continues to support the Board on a consulting basis as the Board considers the Company's long-term strategy and identifies and progresses discussions with potential opportunities.

The Group's European and US subsidiaries were closed in early 2019 as part of the Group's overall cost minimisation efforts.

On 5 February 2019 the Company completed a Private Placement to sophisticated and professional investors. The Company issued 208,500,000 new shares at a price of \$0.002 per share to raise \$417,000 (before costs). This placement was undertaken to enable the Company to undertake due diligence on a promising biotechnology asset and to strengthen the Company's negotiating position with the vendor of this asset should the Company decide to try to conclude a deal regarding it.

On 4 February 2019, the Company advised that it had received a Notice under Section 249D of the Corporations Act 2001 (*Cth*) requesting the Company call and arrange to hold a General



**NOTE 28: EVENTS SUBSEQUENT TO REPORTING DATE (continued)**

Meeting of Members. The notice sought the removal of three Company directors and the appointment of two new directors.

On 6 February 2019, the Takeovers Panel announced that it had received an application in relation to the affairs of the Company, concerning the Placement which completed on 5 February 2019. On 18 February 2019, the Panel announced that it had declined to conduct proceedings. The Panel concluded there was no reasonable prospect that it would make a declaration of unacceptable circumstances, and that the applicant had not provided a sufficient body of material to justify the Panel making further enquiries.

On 18 February 2019, a total of 27,959,320 unlisted share options lapsed unexercised. Other than the matters referred to above, there were no subsequent events that required adjustment to or disclosure in the Directors' Report or the Consolidated Financial Statements of the Company for the year ended 31 December 2018.

**NOTE 29: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 16: *Leases* (applicable for annual reporting periods beginning on or after 1 January 2019). When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes introduced by the new Standard include:
  - recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets;
  - depreciation of right-to-use asset in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
  - variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
  - by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
  - additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognize the cumulative effect of retrospective applications as an adjustment to opening equity on the date of initial application. Although the directors anticipate that the adoption of AASB 16 may impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

**DIRECTORS' DECLARATION**

In the opinion of the Directors:

- the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the financial year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- the financial statements and notes also comply with International Financial Reporting Standards; and,
- 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 has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2018.



**Cherrell Hirst**  
**Chairman**

Brisbane, 21 February 2019

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FACTOR THERAPEUTICS LIMITED

### Report on the Financial Report

#### Opinion

We have audited the accompanying financial report of Factor Therapeutics Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of Factor Therapeutics Limited is in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

#### Independence

We are independent of the consolidated entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Emphasis of Matter - Material uncertainty related to going concern

We draw attention to Note 1(r) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter

## Key Audit Matters

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

The only key audit matter communicated is addressed in the material uncertainty related to going concern section of this auditor's report.

## Other Information

Other information is financial and non-financial information in the annual report of the consolidated entity which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

## Directors' Responsibilities for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

## Report on the Remuneration Report

### Opinion

We have audited the Remuneration Report included in the directors' report for the financial year ended 31 December 2018.

In our opinion, the Remuneration Report of Factor Therapeutics Limited for the financial year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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



PKF BRISBANE AUDIT



SHAUN LINDEMANN  
PARTNER

21 FEBRUARY 2019  
BRISBANE

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W: [www.factor-therapeutics.com](http://www.factor-therapeutics.com)

### **Share Registry**

Shareholder information in relation to shareholding or share transfer can be obtained by contacting the Company's share registry:  
Link Market Services, Locked Bag A14,  
Sydney South, NSW, 1235  
Tel: 1300 554 474  
Fax: (02) 9287 0303  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

For all correspondence to the share registry, please provide your Security-holder Reference Number (SRN) or Holder Identification Number (HIN).

### **Change of address**

Changes to your address can be updated online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or by obtaining a Change of Address Form from the Company's share registry. CHESS sponsored investors must change their address details via their broker.

### **Annual General Meeting**

The Annual General Meeting is scheduled to be held at 10.30, Wednesday 27 March 2019 , at the offices of McCullough Robertson.

### **Annual report mailing list**

All shareholders are entitled to receive the Annual Report. In addition, shareholders may nominate not to receive an annual report by advising the share registry in writing, by fax, or by email, quoting their SRN/HIN.

### **Securities exchange listing**

Factor shares are listed on the Australian Securities Exchange and trade under the ASX code FTT.

## ASX Shareholder Disclosures

The following additional information is required by the Australian Securities Exchange in respect of listed public companies. The information is current as at 19 February 2019.

### Total securities on issue

|                            | Securities (Listed)  | Securities (Unlisted) |
|----------------------------|----------------------|-----------------------|
| Fully paid ordinary shares | 1,042,835,633        | -                     |
| Options to acquire shares  | -                    | 8,250,000             |
| <b>Total</b>               | <b>1,042,835,633</b> | <b>8,250,000</b>      |

### Distribution of equity securities – ordinary shares

| Range                | Securities         | %             | No. of holders | %             |
|----------------------|--------------------|---------------|----------------|---------------|
| 100,001 and Over     | 787,702,442        | 94.41         | 748            | 31.27         |
| 10,001 to 100,000    | 44,697,409         | 5.36          | 1,164          | 48.66         |
| 5,001 to 10,000      | 1,660,240          | 0.20          | 192            | 8.03          |
| 1,001 to 5,000       | 261,635            | 0.03          | 87             | 3.64          |
| 1 to 1,000           | 13,907             | 0.00          | 201            | 8.40          |
| <b>Total</b>         | <b>834,335,633</b> | <b>100.00</b> | <b>2,392</b>   | <b>100.00</b> |
| Unmarketable Parcels | 95,367,522         | 11.43         | 1,944          | 81.27         |

### Voting rights

Shareholders in Factor Therapeutics Limited have a right to attend and vote at General Meetings. At a General Meeting, individual shareholder may vote in person or by proxy. On a show of hands every member present in person or by proxy shall have one vote. Upon a poll each share shall have one vote. All quoted and unquoted share options, and convertible notes, have no voting rights.

### Substantial shareholders

On 6 February 2019 the Company received Notice of Substantial Holding from parties associated with Pura Vida Energy NL. Holding 14.87% voting power. Notice: <https://www.asx.com.au/asxpdf/20190206/pdf/442f9mwghrw1wy.pdf>

### Share buy-back

There is no current or planned buy-back of the Company's shares.

### Statement in accordance with ASX Listing Rule 4.10.19

The Company confirms that it has used the cash and assets in a form readily convertible to cash at the time of admission in a way consistent with its business objectives.



**FACTOR THERAPEUTICS LIMITED AND CONTROLLED ENTITIES  
SHAREHOLDER INFORMATION**

**Twenty largest shareholders - ordinary shares**

| Rank                       | Name  | 19 Feb 2019          | %IC           |
|----------------------------|---|----------------------|---------------|
| 1                          | PURA VIDA ENERGY NL                                     | 40,000,000           | 3.84          |
| 2                          | FRESHERO PTY LTD  | 30,078,397           | 2.88          |
| 3                          | YELWAC PTY LTD  | 29,094,216           | 2.79          |
| 4                          | CITICORP NOMINEES PTY LIMITED                           | 28,861,362           | 2.77          |
| 5                          | TAYCOL NOMINEES PTY LTD                                 | 27,500,000           | 2.64          |
| 6                          | MR DAVID CHARLES NEESHAM & MRS PAMELA CHRISTINE NEESHAM | 25,000,000           | 2.40          |
| 6                          | ALITIME NOMINEES PTY LTD                                | 25,000,000           | 2.40          |
| 7                          | CORPORATE PROPERTY SERVICES PTY LTD                     | 24,472,986           | 2.35          |
| 8                          | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED               | 20,371,405           | 1.95          |
| 9                          | ZERO NOMINEES PTY LTD                                   | 20,000,000           | 1.92          |
| 9                          | MR STEVEN SCOTT DAY                                     | 20,000,000           | 1.92          |
| 10                         | SYMINGTON PTY LTD                                       | 19,700,000           | 1.89          |
| 11                         | SAILORS OF SAMUI PTY LTD                                | 15,000,000           | 1.44          |
| 12                         | AGLUB INVESTMENTS PTY LTD                               | 13,596,955           | 1.30          |
| 13                         | MR MICHAEL ANDREW WHITING & MRS TRACEY ANNE WHITING     | 12,876,085           | 1.23          |
| 14                         | NURRAGI INVESTMENTS PTY LTD                             | 12,850,000           | 1.23          |
| 15                         | HAROLD CRIPPS HOLDINGS PTY LTD                          | 11,623,027           | 1.11          |
| 16                         | MRS CHERYL ANN NAIRN                                    | 11,000,000           | 1.05          |
| 16                         | DINWOODIE INVESTMENTS PTY LTD                           | 11,000,000           | 1.05          |
| 17                         | MR ALESSANDRO LUIGI PICCININI                           | 10,575,787           | 1.01          |
| 18                         | JETOSEA PTY LTD   | 10,000,000           | 0.96          |
| 18                         | DR ALOK JHAMB   | 10,000,000           | 0.96          |
| 18                         | PUNTERO PTY LTD   | 10,000,000           | 0.96          |
| 18                         | CANADIAN NICKEL CORPORATION PTY LTD                     | 10,000,000           | 0.96          |
| 18                         | WYMOND INVESTMENTS PTY LTD                              | 10,000,000           | 0.96          |
| 18                         | J & D LAWRENCE PTY LTD                                  | 10,000,000           | 0.96          |
| 18                         | MR FRANCIS XAVIER PARNIS & MRS SALLY JANE PARNIS        | 10,000,000           | 0.96          |
| 18                         | CALAMA HOLDINGS PTY LTD                                 | 10,000,000           | 0.96          |
| 19                         | GATTENSIDE PTY LTD                                      | 9,033,037            | 0.87          |
| 20                         | QUEENSLAND UNIVERSITY OF TECHNOLOGY                     | 8,087,010            | 0.78          |
| <b>Total</b>               |   | <b>505,720,267</b>   | <b>48.49</b>  |
| <b>Balance of register</b> |   | <b>537,115,366</b>   | <b>51.51</b>  |
| <b>Grand total</b>         |   | <b>1,042,835,633</b> | <b>100.00</b> |

**Twenty largest shareholders - quoted share options**

No share options are quoted.

**Holders of greater than 20% unquoted securities**

No shareholder owns greater than 20% or more of unquoted equity securities (by class) of the Company.

**Directors**

Dr Cherrell Hirst AO, Chairman  
Dr Christian Behrenbruch, Non-Executive Director  
Mr Tim Hughes, Non-Executive Director  
Mr John Michailidis Non-Executive Director

**Company Secretary**

Ms Melanie Farris

**Registered Office**

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W: [www.factor-therapeutics.com](http://www.factor-therapeutics.com)

**Australian Business Number**

45 101 955 088

**Securities Exchange Listing**

Australian Securities Exchange  
ASX Code: FTT

**Lawyers**

McCullough Robertson Lawyers  
Level 11, 66 Eagle Street  
Brisbane, QLD, 4001

**Auditors**

PKF Brisbane  
Brisbane  
Australia

**Share Registry**

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