15th January 2018

Shareholder Update Quarter 4, 2017

Highlights:

- Ninety-one patients enrolled and 50% recruitment achieved in November – a key milestone – driven by strong screening and recruitment activity in October and November
- All sites returned to full capacity and more patients enrolled than in any previous quarter, with a smaller impact of the year-end holiday season than the US summer
- Recruitment remains on track to close in the second quarter – potentially in April – of 2018
- Two abstracts were submitted and accepted for presentation at the spring Symposium on Advanced Wound Care (SAWC), a major US wound care conference
- $3.1M payment received through the Australian Government's Research & Development (R&D) tax incentive scheme
- Continued progress on additional indications and pipeline expansion
- Business development and partnering discussions ramping up as we progress to the final stages of the Phase 2b clinical trial

Dear Shareholders

Happy New Year on behalf of the team at Factor Therapeutics. I'm pleased to provide this update on the final quarter of 2017, reporting progress in our Phase 2b clinical trial (VF00102) for VF001 in venous leg ulcers and other portfolio activities.

VF00102 progress: VF001 in venous leg ulcers

In the last three months of 2017 we passed the key milestone of 50% recruitment, as all sites returned to full capacity and delivered strong screening and recruitment in October and November. We anticipated some slowdown over the year-end holiday season and worked closely with sites to continue to promote the opportunity of the trial for people with venous leg ulcers. It was pleasing to see patients continuing to be screened and randomised during December and we are looking forward to seeing how our sites perform as staff and patients return to their daily routines in the coming weeks.

As a result of the active management strategy employed since mid-year, overall performance for this quarter was the strongest to date in the trial, with the largest number of patients enrolled and a total of 90 recruited at the end of 2017. The trial remains on track to complete recruitment in the second quarter – potentially in April – of this year.

Meetings with shareholders and collaborators

In November, I had the opportunity to meet with a range of shareholders, through presenting the CEO's Report to the Annual General Meeting in Brisbane and visits to Melbourne and Sydney. The focus of these discussions was to communicate our three priorities and associated actions:

- Successfully deliver a high-quality dataset from VF00102
- Prepare for end of phase 2 regulatory interactions and drive business development and partnering discussions
- Progress selected early stage projects to build further on the value in our pipeline

In December, Gary Shooter, Factor's Director of Research, and I attended the 2017 Innovations in Wound Healing (IWH) symposium. This annual event emphasises "cutting edge" science in wound

healing and is well-attended by top researchers and industry, as its informal nature supports information exchange and relationship building. During the course of the meeting we spoke with a number of current and potential clinical collaborators who are all eager to see the results from VF00102. We also engaged with other company representatives, raising awareness about Factor as a company, our vitronectin-based technology, and the ongoing trial. Overall, we were pleased by the level of interest and will continue discussions over the coming months as we approach readout.

At the IWH with some of our key clinical collaborators (L to R): Bill Marston (VF00102 Principal Investigator), Gary Shooter (Director of Research), Rob Kirsner (Medical Advisory Board member), Ros Wilson and Hadar Lev Tov (U. Miami VF00102 Lead Investigator)

Another important opportunity to raise awareness is through scientific presentations and I'm delighted to confirm that our research team submitted two abstracts to the spring Symposium on Advanced Wound Care (SAWC) and both have been accepted for presentation. One focuses on the mechanism of action of VF001 and the other on the rationale for, and design of, VF00102. SAWC takes place in late April and is well-timed to drive interest and continue discussions with potential partners as we approach the end of recruitment.

Other news

In this quarter, we were pleased to confirm receipt of a $3.1M payment through the Australian Government's Research & Development (R&D) tax incentive scheme. This payment reflects our strong focus on the clinical development of VF001 in venous leg ulcers and a modest investment in progressing other assets in the company's portfolio. While our primary focus remains VF001 in venous leg ulcers, we continue to pursue follow-up indications and programmes, including diabetic foot ulcer, ocular wounds and our collaboration with Monash University on harlequin ichthyosis. Our approach to these activities will continue to be pragmatic and based on modest investment of time and resources; and we expect to provide updates on each in the near future.

With the passing of the 50% recruitment milestone, we are excited to see VF00102 enter the "home stretch". The Factor team remains fully committed to supporting our sites, staff and patients through to a successful conclusion of the study and delivering a high-quality dataset for the next round of decision-making.

I would like to thank you for your continued support and wish you and your families all the best for the coming year.

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About the VF00102 trial

VF00102 is a Phase 2b study evaluating the benefits of adding VF001 to standard care for healing venous leg ulcers. The study design includes rigorous patient selection criteria to enrol a specific group of patients who are most likely to benefit from the addition of VF001. All patients receive standard care – moist dressings and compression bandaging – throughout the trial. Following a two-week screening period, patients receive either placebo or one of two doses of VF001 for up to 12 weeks and are followed for a further 12 weeks post-treatment. The primary endpoint of the trial is reduction in the size of the wound. Other endpoints include the proportion of patients with full wound closure, time to wound closure, improvements in pain and quality of life; and safety.

About VF001

VF001 is a liquid, topical treatment for chronic wounds based on two naturally-occurring substances involved in wound healing, vitronectin and IGF-1 (insulin-like growth factor 1). VF001 comprises a portion of human vitronectin linked to IGF-1. The vitronectin component binds to the base of the wound, creating a biological scaffold to which skin cells attach; IGF-1 provides a signal that stimulates skin cells to multiply (proliferate) and move (migrate) into the wound – cell attachment, proliferation and migration are central processes in wound healing. VF001 is easy to use – a small volume (0.5 ml) is applied to the wound during routine weekly dressing changes.

About Factor Therapeutics

Factor Therapeutics Limited ("Factor") is a biomedical technology company that is developing treatments for acute and chronic wound healing applications. Factor is a clinical stage company with its lead program (VF-001) in Phase II for the treatment of venous leg ulcers (VLUs). The company is also developing solutions for a variety of interventional wound care and serious orphan dermatology conditions. The company's platform technology originates from the Institute of Health and Biomedical Innovation at the Queensland University of Technology (QUT), Australia. Factor's shares are traded on the Australian Securities Exchange (ASX) under the ticker FTT. For more information, please visit www.factor-therapeutics.com.

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