



Shareholder Update 15th February 2019

Dear Shareholders

On behalf of the Board of Factor Therapeutics (“Factor”) I am writing to provide further information regarding our ongoing efforts to identify a path forward for the company as well as several recent announcements.

Current Status

Since the results of the Phase 2 clinical trial were delivered in November 2018, the company’s immediate focus has been twofold: to conserve its cash resources and actively seek to identify new opportunities for the company that have the potential to generate value for shareholders in the future.

Our cost minimisation efforts have included:

- The immediate decision to cease all research and development (R&D) activity, including early termination of the follow-up phase of the Phase 2 clinical trial
- Contacting suppliers and service providers to obtain final invoices; and incorporating estimates of final payments in the company’s cash flow to closely monitor both available cash and solvency
- Directors resolving to receive no further payment of Directors’ fees
- Staff being given notice in accordance with employment contracts (with notice periods between 1 and 3 months depending on the individual); with the Company Secretary and CEO working on a part-time consultancy basis
- Downsizing and subsequently vacating office premises.

Several potential opportunities, including new technology acquisitions, have been evaluated since December 2018 and the process of identifying a way forward for the company is well advanced. In particular, negotiations in relation to a high-potential biotechnology asset have reached the stage of technical due diligence, requiring the company to utilise external expertise. We are pleased to have the support of shareholders through the recent placement, which will ensure this opportunity is thoroughly vetted.

Appendix 4C December 2018

We have received some questions regarding R&D costs reported in the Appendix 4C for the December 2018 quarter and would like to reiterate that reported costs for the December 2018 quarter and projected costs for the March 2019 quarter reflect existing contractual commitments i.e. final invoices, primarily related to the Phase 2 clinical trial. A 2-to-3 month delay between completing work and subsequent flow-through of costs is typical for life sciences R&D, where payments become due when agreed progress milestones are passed.

R&D Tax Incentive Claim

In the cover note to the December 2018 Appendix 4C the company noted the potential to receive a payment in April/May 2019 of approximately \$1.2 million under the federal government’s Research and Development (R&D) Tax Incentive Scheme, subject to the usual review processes. This was subsequently revised to \$2.5 million and we acknowledge this has caused some confusion among shareholders.

At the time of the Appendix 4C release, the company was awaiting finalised external advice regarding its R&D tax incentive claim, which was received shortly thereafter. Recognising the significant difference in the final figure compared with the initial estimate, the company acted immediately to update the market.

In prior years the company's estimates of R&D tax incentive payments have been lower than the figure in the finalised annual tax return. This is due to having taken a consistently conservative approach and basing the estimate on direct costs for the Phase 2 clinical trial; whereas the final assessment includes other activities identified as "eligible" under the R&D tax incentive scheme.

Request to call General Meeting

A request to call a General Meeting (via a "249D notice") has been received from two companies who purchased shares in Factor following the Phase 2 clinical trial results announcement. It is currently intended that this meeting will be combined with the company's Annual General Meeting and preparations are underway.

We note the purpose of requesting the General Meeting is to seek to replace three of the company's current Directors – Cherrell Hirst, Tim Hughes and John Michailidis – with two new Directors – Bruce Lane and David Sanders. The Board will provide further information on its position at the appropriate time, however we are strongly of the opinion that such a change would not be in the best interests of shareholders. With a high-potential biotechnology asset opportunity currently under consideration which has the potential to return value for shareholders, the company is at a critical juncture and it is unfortunate that preparations for this meeting are required to take precedence.

The Notice of Meeting will be circulated shortly and the Board looks forward to presenting further details of its proposed plans for the company's future in due course.

Sincerely,



Dr. Cherrell Hirst
Chairman

-ENDS-

Contact for Further Information:

Dr. Rosalind Wilson
r.wilson@factor-therapeutics.com

About Factor Therapeutics

Factor Therapeutics Limited ("Factor") is a biotechnology company whose clinical stage asset, VF001, completed Phase 2 evaluation for the treatment of venous leg ulcers in late 2018. The platform technology on which VF001 is based 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 <https://factor-therapeutics.com>