2nd October 2018

Shareholder Update Quarter 3, 2018

Highlights:

- Phase 2 clinical trial (VF00102) of VF001 for venous leg ulcer healing on track for top-line results mid-November
- Pilot clinical study of VF001 for diabetic foot ulcer (DFU) healing under development as part of a collaboration with key US researchers
- Ocular (eye) wound care technology international patent application (PCT) filed
- Ocular orphan drug designation (ODD) application on track for submission later this year

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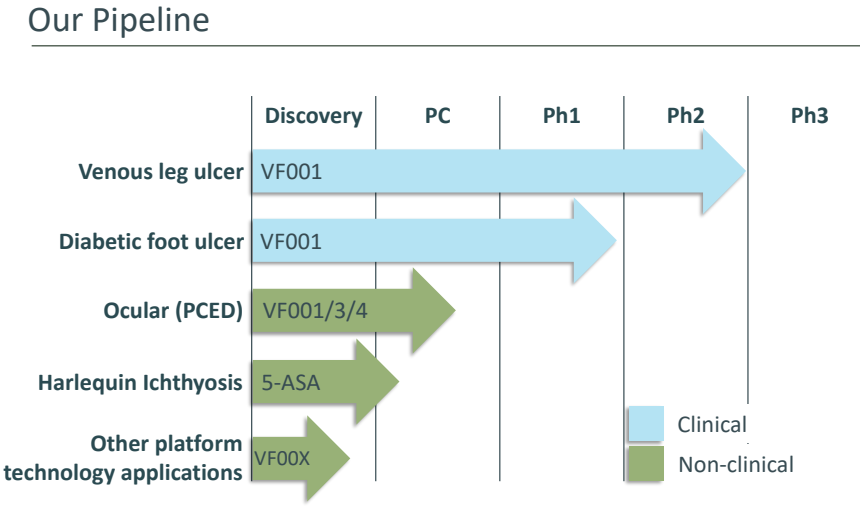
Dear Shareholders

The primary focus for 2018 has been to complete the Phase 2 clinical trial of VF001 for the treatment of venous leg ulcers (VLU) and, with the last two patients finishing their treatment, we are rapidly closing in on this major achievement.

As the "end of Phase 2" milestone approaches for our lead programme, I would like to take this opportunity to provide an update on the full breadth of research and development activity within our portfolio during 2018. While the majority of our time and effort have been directed towards VLU, we have continued to make excellent progress across our pipeline, whilst maintaining a cost-efficient approach to these early stage programmes.



VF00102: VF001 for venous leg ulcer healing

Key milestone: top-line phase 2 data due mid-November

We expect to confirm the last treatment visit in our Phase 2 VLU trial in the next week, an event that triggers a final round of data cleaning before the results can be analysed. As we have communicated previously, we expect to receive top-line results in mid-November – a major milestone for the company.

While the study remains blinded and we are yet to see the results, our approach has been to "plan for success". VF001 has the potential to be a major advance in chronic wound care, with our underlying technology and the precision medicine design of the Phase 2b clinical programme. The quality of our trial design means that a positive readout will deliver, for the first time in a number of years, sound clinical evidence of a truly innovative treatment approach to wound healing.

Other chronic wounds: diabetic foot ulcers

New indication in DFU poised for clinical decision

If VF001 demonstrates a benefit in VLU there is a sound clinical basis to evaluate its efficacy for diabetic foot ulcers (DFU). Like VLU, DFUs are a common type of chronic wound and an area of major unmet need. DFUs are associated with significant ill health, high rates of amputation and an increased risk of early death; their severity is reflected in the market for advanced wound care treatments for DFU, which is at least double the size of VLU.

Throughout 2018 we have been working with US key opinion leaders to identify the best way forward in testing VF001 for the treatment of DFU. As a result of this ongoing effort we have defined the key parameters of a pilot clinical study of VF001 in DFU and a series of parallel, focused preclinical experiments. Both will provide valuable and complementary information to help identify those patients whose DFU are most appropriate to treat with VF001.

The data generated in this programme will form the basis for a future decision regarding progression to larger Phase 2/3 clinical studies in DFU. The programme will build on our clinical experience with VLU and be accelerated in the process, with potential to double, or more, the commercial opportunity for VF001.

Early research pipeline

As well as establishing clinical proof-of-concept for VF001 in wound healing, the VF00102 data form part of the evidence base for our underlying platform technology, opening up new avenues to explore other applications in wound healing and skin conditions.

Ocular programme: worldwide patents filed

In our ***ocular*** programme, early preclinical (*in vitro*) work in 2017 led to a provisional patent application for a type of chronic eye wound called persistent corneal epithelial defect (PCED). PCED is an uncommon condition with potentially serious consequences and is considered an orphan disease. We have now completed the next phase of *in vivo* experiments, leading to the filing of international patent applications under the Patent Cooperation Treaty (PCT). An application for Orphan Drug Designation (ODD) in this indication is on track for submission this year, with a very high likelihood of success; and we are currently preparing the data for scientific publication.

Ocular programme: identifying lead molecule for clinical testing

The goal of the ocular programme has been to identify which of three molecules – VF001, VF003 and VF004 – is best suited for moving into clinical testing, by evaluating their ability to stimulate key processes needed for wound closure on the surface of the eye, including enhanced cell proliferation and migration. We are very pleased to note that

VF001 is our lead molecule, currently in Phase 2 for VLU healing, while VF003 and VF004 are new molecules based on our targeted growth factor delivery platform technology.

Harlequin ichthyosis (HI) is a rare, serious and life-threating condition in which the skin lacks its normal structure and protective functions. In 2017 we commenced a collaboration to evaluate an animal model of HI developed by researchers at Monash University. The first phase of work has now been completed and the full set of results reviewed in conjunction with the Monash research team. Based on the data, we have taken the decision not to proceed with the second year of the project with Monash; however, the outcomes from this work have contributed to our VF00X programme (below).

Expanding our platform technology into new and important conditions

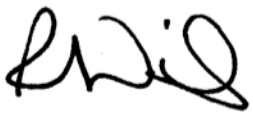
VF00X, our discovery programme, is the source of our future pipeline and new intellectual property and consequently contributes towards building the long-term value of the company. Led by our research team, VF00X aims to further develop our core technology, identifying targets and new molecules for wound healing, skin conditions and other new applications. During 2018 the VF00X programme has generated a broad panel of constructs and the current focus is on identifying key structural elements within our vitronectin-based scaffold.

The coming months

Alongside the efforts that have successfully pushed our clinical and pipeline projects forward, we have continued to drive towards the next stage of Factor's journey. Our focus for the coming months remains consistent, as we prepare to share the Phase 2 results in partnering discussions, finalise the EU CE Mark dossier and refine Phase 3 plans to discuss with the US Food and Drug Administration.

It's particularly pleasing to note that we have already had a significant impact in the wound care arena, attracting high levels of interest and anticipation of the coming results. If we are successful with our clinical readout, the future of the company is very exciting.

I would like to thank you for your continued support and look forward to sharing the top-line results of VF00102 in the very near future.



Dr. Rosalind Wilson
Chief Executive Officer

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Contact for Further Information:

Dr. Rosalind Wilson
Chief Executive Officer
Factor Therapeutics Limited
r.wilson@factor-therapeutics.com

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 (VF001) in Phase 2 for the treatment of venous leg ulcers (VLU). 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 https://factor-therapeutics.com