

Factor Therapeutics Limited

Securities Trading Policy

Adopted by the Board on 28 June 2016

1. Introduction

1.1 Purpose

This Policy has been developed to enable all Employees to understand the Company's securities trading requirements, what insider trading is and why insider trading is prohibited.

Insider trading laws are aimed at preventing those people with insider information from taking advantage of their position to use this inside information to gain benefit (usually financial benefit) either for themselves, their family members or others.

1.2 Who this Policy applies to

This policy applies to all employees, including directors, senior management, consultants and contractors of Factors (**Employees**).

This policy also applies to your 'associates' (**Associates**). For the purpose of this policy, Associates include:

- a. your spouse or partner;
- b. your dependent children;
- c. any trustee of a trust or other fiduciary arrangement under which you, your spouse or partner, or your dependent children, is or may be a beneficiary;
- d. any company in which you hold (directly or indirectly) a majority of the shares or otherwise control (directly or indirectly); and
- e. any other entity in which you are a director, secretary or executive officer, unless appropriate arrangements are in place within that company to ensure that you:
 - i. take no part in the decision by that other company to purchase or sell Factor securities; and
 - ii. have not induced or encouraged that other company to purchase or sell Factor securities.

1.3 Further advice

It is important that you read this policy and understand its terms. If you are unsure about any of the terms of this policy, or if you do not understand the summary of the law relating to insider trading, please obtain independent legal advice before dealing in the securities of the Company. Alternatively, you can contact the Company Secretary for more information.

1.4 Consequences of a breach of this policy

Potentially serious civil and criminal liability arises for breaches of insider trading laws. These laws also apply to individuals outside Factor, such as your associates, should they become aware of information to which this policy applies. Breaches of this policy are also a breach of conditions of employment and may lead to disciplinary action, including dismissal.

2. Insider Trading

2.1 What is “insider trading”?

‘Insider trading’ generally refers to dealing in any securities while you hold ‘inside information’, or communicating ‘inside information’ to others who may use that information to deal in securities.

2.2 What is “inside information”?

Inside information is information that:

- a. is not generally available; and
- b. if the information was generally available:
 - i. a reasonable person would expect it would have a ‘material effect’ on the price or value of Factor Securities; or
 - ii. would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of Factor Securities.

Information is regarded as being likely to have a material effect if it would, or would likely to, influence persons who commonly invest in securities or other traded financial products in deciding whether or not to acquire or dispose of Factor Securities.

Examples of what may constitute Inside Information includes (but are not limited to):

- a. financial performance of Factor;
- b. liquidity and cash flow information;
- c. proposed changes in capital structure;
- d. proposed mergers, acquisitions, sales or reconstructions;
- e. changes to the Board or significant changes in key management personnel;
- f. proposed changes in nature of the business of Factor;
- g. anticipated or actual results from clinical trials;
- h. proposed dividend or other distributions; or
- i. significant disputes or litigations.

2.3 When is information generally available?

Information is generally available if it:

- a. is readily observable; or
- b. has been made known in manner that would, or would be likely to, bring it to the attention of persons who commonly invest in securities, and a reasonable period for that information to be disseminated has elapsed since it was made known; or
- c. consists of deductions, conclusions or inferences made or drawn from either or both of information referred to in paragraphs (a) and (b) above.

3. Insider trading is prohibited at all times

If you have inside information about Factor, at all times you must not:

- a. trade (i.e. purchase, sell or subscribe for) Factor Securities, or enter into an agreement to do so;
- b. procure another person to trade in Factor Securities or enter into an agreement to do so; or

- c. directly or indirectly communicate, or cause to be communicated, inside information to another person if you know, or ought reasonably to know, that the person would or would be likely to use the information to trade in (or procure another person to trade in) Factor Securities.

These prohibitions also apply to the application for, grant, exercise or transfer of an option over Factor Securities, and to the Securities of other entities if you possess Insider Information about those entities.

You must not communicate Inside Information about Factor to:

- a. another Factor employee, unless it is necessary for business purposes and you have authority to communicate the information;
- b. any person outside Factor, in particular, external advisers unless appropriate confidentiality arrangements are in place; and
- c. industry analyst or journalists, or confirm any suspicions which they may have, even if these suspicions are based on their own research and analysis.

It does not matter how or in what capacity you become aware of the Inside Information. It does not have to be obtained from Factor to be Inside Information.

You cannot avoid the insider trading prohibition by arranging for a member of your family or a friend to trade in Factor Securities nor may you give “tips” concerning Inside Information relating to Factor to others.

4. No Dealing in Prohibited Periods

In addition to ensuring compliance with the insider trading prohibitions, Employees must not trade in Factor Securities during the following prohibited periods (except in accordance with this policy):

- a. the following closed periods:
 - i. from 1 January to the close of trading on the business day after Factor’s half-yearly results are announced to ASX; and
 - ii. from 1 July to the close of trading on the business day after Factor’s annual results are announced to ASX; and
- b. any extension to a closed period, and any additional period, as specified by the Board, (“**Prohibited Periods**”).

Employees may trade in Factor Securities at other times subject to complying with insider trading prohibitions (see section 3 above) and the requirements of this policy, including the notification process in section 5 below.

5. Process for Trading

5.1 Prior notification

Where an Employee, who believes that trading is permitted under this policy, proposes to trade in Factor Securities (including entering into an agreement to trade) they must first provide:

- a. written notice of their intention to trade, to the Chairman, Company Secretary, CEO or CFO; and
- b. confirmation that they are not in possession of Inside Information.

5.2 Written Clearance

Before dealing in Factor Securities, the Employee must receive a written clearance from the Chairman.

A clearance expires five (5) days from its date, unless it specifies a different expiry date.

Employees remain responsible for their own investment decisions and compliance with the insider trading provisions of the Corporations Act and this policy.

5.3 Confirmation of dealing

In addition to providing prior notice under section 5.1, Employee must confirm in writing to the Chairman and Company Secretary, within three (3) business days of the dealing in Factor Securities, the number of Factor Securities affected and the relevant parties to the dealing.

5.4 Written clearance to trade in a Prohibited Period

If Employees wish to trade in Factor Securities during a Prohibited Period, but cannot do so because of this policy, the Employees may apply for permission to trade if exceptional circumstances exist.

5.5 Director notification of dealings

Each of the directors is required to notify the Company Secretary within two business days after any change in their interests in Factor Securities, or the interests of any of their Associates.

This enables the Company to notify ASX of the change in the director's or their associate's interests, which must occur within 5 business days of the change.

6. Permitted Dealings

The following types of dealings may be undertaken at any time without requiring prior notification, approval or confirmation of dealing, subject to the insider trading prohibitions:

- a. **(superannuation)** transfer of Securities which are already held in a superannuation fund or other saving scheme in which the Employee is a beneficiary (excluding self-managed superannuation funds (SMSF) where the Employee is a Trustee of the SMSF or a director of the trustee of the SMSF);
- b. **(beneficial holdings)** dealings which do not result in a change in beneficial control of Factor Securities (for example, transferring a personal holding of Factor Securities to a personal superannuation fund).
- c. **(third parties)** an investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in Factor Securities) where the assets of the fund or other scheme are invested at the discretion of a third party (for example, managed investment schemes, listed investment companies, exchange traded funds, or similar investments funds);
- d. **(takeover)** a disposal of Factor Securities arising from a scheme of arrangement or acceptance of a takeover offer;
- e. **(other trustee)** where an Employee is a trustee, trading in Factor Securities by the respective trust provided the Employee is not a beneficiary of the trust and any decision to trade during a Prohibited Period is taken by the other trustees or by the investment managers independently of the Employee;
- f. **(SPPs or DRPs)** trading under an offer or invitation made to all or most of the security holders, such as rights issue, a security purchase plan, a dividend or distribution reinvestment plan or an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by Factor's Board;
- g. **(incentive scheme)** the exercise (but not the sale of Factor Securities following exercise) of an option or right under an employee incentive scheme, or the conversion of a convertible security, where the final date for the exercise of the option or right, or the conversion of the security, falls during a Prohibited Period and the Employees could not reasonably have been expected to exercise it at a time outside a Prohibited Period; and
- h. **(lender disposal)** a disposal of Factor Securities that is the result of a secured lender exercising their rights, however, this does not extend to disposal under a margin lending agreement or other funding arrangements, where such arrangements are prohibited by this policy.

Under the insider trading laws, a person who possesses Inside Information may be prohibited from trading even where the trading falls within an exception specified above.

7. Further restrictions

7.1 No margin lending or security arrangements

Employees are not permitted to enter into margin lending arrangements in relation to Factor Securities. This is on the grounds that the terms may require Factor Securities to be sold during a Prohibited Period or when the Employee possesses Inside Information. Employee should consult the Company Secretary if they are uncertain as to whether an arrangement should be classified as a margin lending arrangement.

In addition, Employees must not, without the consent of the Company Secretary, enter into any other funding arrangements where Factor Securities may be included as security.

7.2 No short-term or speculative trading

Factor encourages Employees to be long-term shareholders in the Company. Employees should not engage in short-term or speculative trading in Factor Securities or in financial products associated with Factor Securities. Short-term means in less than a 12-month period.

Employees are not permitted to engage in short selling of Factor Securities.

7.3 No hedging

Employees must not:

- a. enter into transactions or arrangements with anyone which could have effect of limiting their exposure to risk relating to an element of their remuneration that:
 - i. has not vested; or
 - ii. has vested but remains subject to a holding lock; or
- b. deal at any time in financial products associated with Factor Securities, except for the type of dealing permitted under this policy.

7.4 Meaning of financial products

Financial products includes derivatives, options, warrants, futures, forward contracts, swaps and contracts for difference issued or created over or associated with Factor Securities by third parties.

8. Exceptional Circumstances

An Employee may request, and the Company Secretary may give, prior confirmation clearance for the Employee to:

- a. trade in Factor Securities during a Prohibited Period; or
- b. dispose of Factor Securities even if otherwise prohibited under section 7 above,

if there are exceptional circumstances (except if this would breach the insider trading prohibitions – see section 3 above).

Exceptional circumstances may include:

- a. severe financial hardship, for example a pressing financial commitment that cannot be satisfied otherwise than by selling the relevant Factor Securities. A tax liability would not normally constitute severe financial hardship unless the Employees has no other means to satisfy the liability; or
- b. requirements under a court order or court enforceable undertakings or other legal or regulatory requirements; or
- c. other exceptional circumstances as determined by the Chairman (or MD/CEO where the Chairman is involved). Employees should note that this discretion will be exercised sparingly and with caution.



If Company Secretary has any doubt in making a determination of exceptional circumstances, they should exercise the discretion with caution.

The requirements with respect to prior notification, clearance and notification of dealing under section 5 above continue to apply to all Employees where exceptional circumstances apply.

9. Policy Awareness

To ensure all Employees are aware of the Company's Security Trading Policy and its contents the Policy will be:

- a. be available on the Company's website; and
- b. emails will be sent to all Employees notifying them when trading windows are open and closed.

10. Review and Publication of this Policy

The Board will at least annually review this policy. This policy may be amended by resolution of the Board.

This policy will be made available to all directors and employees via Factor's website. It is the responsibility of each such person to comply with this policy.