

PHYLOGICA LIMITED
ACN 098 391 961

ENTITLEMENT ISSUE PROSPECTUS

For a non-renounceable entitlement issue of one (1) Share for every one (1) Share held by Shareholders registered at the Record Date at an issue price of \$0.01 per Share to raise up to \$10,020,694 (based on the number of Shares on issue as at the date of this Prospectus) (**Offer**).

The Offer is fully underwritten by Patersons Securities Limited (**Underwriter**). Refer to Section 9 for details regarding the terms of the Underwriting Agreement.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

Dr Doug Wilson (Non-Executive Chairman)
Mr Bruce McHarrie (Non-Executive Director)
Mr Jeremy Curnock Cook (Non-Executive Director)
Dr Bernard Hockings (Non-Executive Director)
Dr Richard Hopkins (Executive Director)

Joint Company Secretaries

Mr Graeme Boden
Ms Natasha Forde

Share Registry*

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Telephone: +61 8 9315 2333

Auditor*

HLB Mann Judd
Level 4 130 Stirling Street
Perth WA 6000

Registered Office

c/o Boden Corporate Services Pty Limited
15 Lovegrove Close
Mount Claremont WA 6010

Telephone: + 61 8 9384 3284
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Email: info@phylogica.com
Website: www.phylogica.com

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Underwriter

Patersons Securities Limited
Level 23, Exchange Tower
2 The Esplanade
Perth WA 6000

* These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus.

2. TIMETABLE

Lodgement of Prospectus with the ASIC	2 July 2015
Lodgement of Prospectus & Appendix 3B with ASX	2 July 2015
Notice sent to Shareholders and Optionholders	6 July 2015
Ex date	7 July 2015
Record Date for determining Entitlements	9 July 2015
Prospectus and Entitlement and Acceptance Form sent out to Eligible Shareholders (and Company announces this has been completed)	14 July 2015
Closing Date*	23 July 2015
Shares quoted on a deferred settlement basis	24 July 2015
ASX notified of under subscriptions	28 July 2015
Issue date of Shares to Eligible Shareholders and any Shortfall in accordance with the Underwriting Agreement / Shares entered into Shareholders' security holdings	30 July 2015
Quotation of Shares issued under the Offer*	30 July 2015

* The Directors may extend the Closing Date by giving at least three Business Days notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

3. LETTER FROM THE CHIEF EXECUTIVE OFFICER

Dear Shareholder,

On behalf of the Directors of Phylogica Limited (**Phylogica** or the **Company**), I present Eligible Shareholders with an opportunity to participate in a fully transformational event for Phylogica as we implement our strategy of advancing the Company's internal cancer programmes towards the clinical development stage. This marks a major transformation for Phylogica and follows the successful validation of its unique cell penetrating peptide (CPP) technology, which has been shown to boost the efficacy of new and existing drugs across a range of diseases.

This opportunity comes after a highly productive period for Phylogica during which the Company has shown that its novel cell-penetrating Phylomers are world class in their ability to deliver drugs inside cells which is where the majority of disease targets are located. These peptides therefore represent a unique solution for delivery of drugs inside cells. This provides Phylogica with a strategic opportunity to address a major area of unmet medical need by delivering drugs against intracellular targets, the majority of which have proven undruggable by conventional therapies.

The commercial potential for this technology was highlighted when Phylogica entered into a US\$142m deal with Genentech/Roche – our fifth partnership with a major international pharmaceutical company. This collaboration is aimed at using the Endosomal Escape Trap to discover novel intracellular drugs to treat drug resistant superbugs.

Based on these developments, Phylogica has launched a proprietary programme to develop Phylomer drugs against a number of high-value oncology targets involved in diseases such as breast, liver, lung and gastrointestinal cancer. These programmes have progressed rapidly, achieving a number of important technical milestones that have served to highlight the disruptive potential of our technology. The Company is now poised to enter the next phase of development, focussed on validating lead candidates in animal models of cancer. This presents a critical stage-gate required for the Company to achieve its primary goal of advancing Phylomer drug candidates into the clinical phase of development.

The Company is undertaking a non-renounceable Entitlement Issue, and intends to issue one (1) new Share for every one (1) existing Share held by Eligible Shareholders at an issue price \$0.01 per Share to raise approximately \$10 million.

The purpose of the Entitlement Issue is to support the Company's plans to advance its oncology pipeline to the preclinical phase of development within the next 2-3 years. The Company believes this is the most effective strategy to unlock the intrinsic value in the Phylomer platform and to offer a significant return to Shareholders.

The Entitlement Issue, which is fully underwritten by Patersons Securities Limited, has been priced attractively for existing shareholders and will close on 23 July 2015.

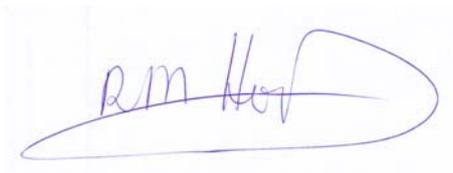
If you are an Eligible Shareholder, you may either:

- take up all of your Entitlement;
- take up part only of your Entitlement;

- take up all of your Entitlement and apply for Additional New Shares (above your Entitlement); or
- do nothing, in which case your Entitlement will lapse.

I encourage you to read this Prospectus in full and welcome you to participate in the Entitlement Issue which will enable you to share fully in your Company's exciting drug development potential.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Dr. Richard Hopkins", is written over a light blue rectangular background.

Dr Richard Hopkins
Chief Executive Officer

4. IMPORTANT NOTES

This Prospectus is dated 2 July 2015 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

4.1 Risk factors

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 8 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

4.2 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements

contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 8 of this Prospectus.

5. DETAILS OF THE OFFER

5.1 The Offer

The Offer is being made as a non-renounceable entitlement issue of one (1) Share for every one (1) Share held by Shareholders registered at the Record Date at an issue price of \$0.01 per Share.

Based on the capital structure of the Company as at the date of this Prospectus, a maximum of 1,002,069,367 Shares will be issued pursuant to this Offer to raise up to \$10,020,694 (before expenses of the Offer).

As at the date of this Prospectus the Company has 206,376,030 Options on issue, of which 13,737,500 are subject to vesting conditions which have not been satisfied. As such, as at the date of this Prospectus, 192,638,530 Options may be exercised prior to the Record Date in order to participate in the Offer. Please refer to Section 6.4 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 7 for further information regarding the rights and liabilities attaching to the Shares.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

The purpose of the Offer and the intended use of funds raised are set out in Section 6.1 of this Prospectus.

5.2 Minimum subscription

There is no minimum subscription.

5.3 Acceptance

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your **full** Entitlement:
 - (i) complete the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form; or
 - (i) pay the appropriate application monies at \$0.01 per Share through the BPAY® facility described below. If you make your payment by BPAY®, you do not need to return the Entitlement and Acceptance Form; or
- (b) if you only wish to accept **part** of your Entitlement:

- (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (i) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies (at \$0.01 per Share); or
 - (ii) pay the appropriate application monies at \$0.01 per Share through the BPAY® facility described below. If you make your payment by BPAY®, you do not need to return the Entitlement and Acceptance Form; and
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

5.4 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Phylogica Limited" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5:00 p.m. AWST on the Closing Date.

5.5 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (a) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 4:00 p.m. (AWST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

5.6 Additional Shares

Entitlements not taken up will form the Shortfall and may become available as Additional New Shares. Eligible Shareholders may, in addition to their Entitlement, apply for Additional New Shares.

The Underwriter reserves the right to scale back any applications for Additional New Shares in its absolute discretion. Excess Application Monies for the Additional Shares Offer will be refunded without interest.

It is an express term of the Offer that applicants for Additional New Shares will be bound to accept a lesser number of Additional New Shares allocated to them than applied for, if a lesser number is allocated to them.

5.7 ASX listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

5.8 Issue of Shares

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Shares issued pursuant to the Additional Shares Offer will be issued on the same date as Shares issued under the Offer with any Additional New Shares to be issued in accordance with the Underwriting Agreement. Where the number of Shares issued is less than the number applied for, or where no issue is made surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company on trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Additional New Shares issued under the Additional Shares Offer as soon as practicable after their issue.

5.9 Jurisdictions in which Offer will be made

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

The Offer is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2013.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

5.10 Underwriting and Sub-Underwriting

The Offer is fully underwritten by Patersons Securities Limited (the **Underwriter**). Refer to Section 9 of this Prospectus for a summary of the terms of the Underwriting Agreement.

The Company understands that the Underwriter has entered into sub-underwriting arrangements as follows:

- (a) Dr Bernard Hockings (**Hockings**), a director of the Company, has sub-underwritten 952,069,367 Shares; and
- (b) the balance of the underwritten amount, being 50,000,000 Shares, has been sub-underwritten by a third party unrelated to Hockings.

The Company will pay to the Underwriter an underwriting fee equal to 11% of the amount underwritten (being \$1,102,276) and a management fee of \$40,000. Hockings will be paid by the Underwriter a fee of \$1,102,276 in consideration for sub-underwriting 952,069,367 Shares under the Offer.

The Directors independent of Hockings resolved that the amount and timing of the fee payable to Hockings in respect of his sub-underwriting commitments is on terms that would be reasonable in the circumstances if the Company and Hockings were dealing at arm's length. This resolution was supported by advice obtained from an independent expert.

The Company considered alternative options for raising capital and resolved that the Entitlement Issue on the terms detailed in this Prospectus was the most favourable option to the Company and its Shareholders given the Company's strategic objectives and having regard to the circumstances existing at the date of the Prospectus.

5.11 Effect on control of the Company

As set out in Section 5.10, the Underwriter has agreed to fully underwrite the Offer and has entered into a sub-underwriting arrangement with Hockings, a major Shareholder and Director of the Company. As at the date of this Prospectus, Hockings has a relevant interest in 255,468,182 Shares, representing 25.49% of the Shares currently on issue.

The information set out below sets out the effect on control of the Company as a result of underwriting the Offer on the terms of the Underwriting Agreement.

As part of the dispersion strategy, the Company has been advised that Hockings has entered into an agreement to sell 142 million Shares to certain persons (**Block Sale**). The Company understands that the Block Sale will be completed prior to the Closing Date.

The Company has also been advised that the Underwriter has obtained written commitments from Shareholders other than Hockings to subscribe for

approximately 59 million Shares in Entitlements and 32.5 million Additional Shares – totalling 91 million Shares of pre-committments.

The Company has been advised by the Underwriter that the intention of the Underwriter is to allocate the Shortfall in accordance with the following order of priorities:

- (a) the first 400 million Shares forming the Shortfall to Hockings;
- (b) 32.5 million Shares to third parties from whom the Underwriter has obtained written commitments to subscribe for Additional Shares;
- (c) applications for Additional Shares by Eligible Shareholders who hold an unmarketable parcel of Shares in the amount necessary to increase the holding of such persons to a marketable parcel;
- (d) pro-rata to Eligible Shareholders who apply for Additional Shares in excess of their Entitlement;
- (e) 50 million Shares to sub-underwriters other than Hockings; and
- (f) the balance to be allocated to Hockings.

On that basis, the table below sets out Hockings' present voting power in the Company and the potential increase to his voting power under several scenarios relating to the percentage acceptance of Entitlements under the Offer. The table assumes no applications for Additional Shares by Eligible Shareholders.

Event	Number of Shares held by Hockings	Voting power of Hockings
As at the Record Date	255,468,182	25.49%
No take up, other than by Hockings and pre-commitments	974,037,549	48.60%
25% take up from other Eligible Shareholders	802,137,253	40.02%
50% take up from other Eligible Shareholders	712,736,957	35.56%
75% take up from other Eligible Shareholders	540,836,660	26.99%

The number of shares held by Hockings and his voting power in the table above show the potential maximum effect of the Underwriting of the Offer. The underwriting obligation and therefore voting power of Hockings will reduce by a corresponding amount for the amount of Entitlements under the Offer taken up by Shareholders.

Future Intentions of Hockings

Hockings may by sub-underwriting the Offer increase his voting power in the Company up to a maximum of 48.60% (based on the assumptions set out above). Hockings has informed the Company that, based on the facts and circumstances presently known to him, he does not currently intend to make any major changes to the direction or objectives of the Company, and that Hockings:

- (a) does not currently intend to make any significant changes to the existing business of the Company;
- (b) does not currently intend to inject further capital into the Company other than as a sub-underwriter to the Offer;
- (c) intends to support the Company's decisions regarding the future employment of its present employees;
- (d) does not currently intend to transfer any property between the Company and Hockings or any of his associates;
- (e) does not currently intend to redeploy fixed assets of the Company; and
- (f) does not currently intend to change the Company's existing financial or dividend policies.

The intentions of Hockings are based on information concerning the Company, its business and the business environment which is known to Hockings at the date of this Prospectus. These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

Dilution

If Eligible Shareholders take up their Entitlement, each Eligible Shareholder's percentage interest in the Company will remain the same and will not be diluted.

If Eligible Shareholders do not participate in the Offer and the Shortfall is taken up in accordance with the Underwriting Agreement, the holdings of Shareholders who do not participate will be diluted by 50% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders is set out in the table below:

Holder	Holding as at Record date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken Up	% post Offer
Shareholder 1	100,000,000	10%	100,000,000	100,000,000	5%
Shareholder 2	50,000,000	5%	50,000,000	50,000,000	2.5%
Shareholder 3	20,000,000	2%	20,000,000	20,000,000	1%
Shareholder 4	10,000,000	1%	10,000,000	10,000,000	.5%

5.12 Enquiries

Any questions concerning the Offer should be directed to Graeme Boden or Natasha Forde, Joint Company Secretaries, on +61 8 9384 3284.

6. PURPOSE AND EFFECT OF THE OFFER

6.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$10,020,694.

The funds raised from the Offer are planned to be used in accordance with the table set out below:

Item	Application of proceeds from the Offer	Funds (\$)¹	%
1.	Platform development / Lead optimisation	3,316,727	33.10
2.	Animal model studies	1,500,000	14.97
3.	Pre-clinical studies	1,000,000	9.98
4.	Corporate & Business development costs	3,000,000	29.94
5.	Expenses of the Offer (excluding the Underwriting Fee)¹	61,691	0.61
6.	Underwriting Fee²	1,142,276	11.40
	Total	10,020,694	100.00

Notes:

1. Refer to Section 10.7 of this Prospectus for further details relating to the estimated expenses of the Offer.
2. Refer to Section 9 of this Prospectus for a summary of the terms of the Underwriting Agreement.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

6.2 Effect of the Offer

The principal effect of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by \$8,816,727 (after deducting the estimated expenses of the Offer and the Underwriting Fee) immediately after completion of the Offer; and
- (a) increase the number of Shares on issue from 1,002,069,367 as at the date of this Prospectus to 2,004,138,734 Shares.

6.3 Pro-forma balance sheet

The unaudited balance sheet as at 31 May 2015 and the unaudited pro-forma balance sheet after the issue of Shares under the Offer shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Entitlements are accepted, no Options are exercised prior to the Record Date and including expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	UNAUDITED 31 May 2015	PRO-FORMA AFTER ISSUE
CURRENT ASSETS		
Cash and cash equivalents	1,952,460	10,769,187
Trade and other receivables	82,843	82,843
TOTAL CURRENT ASSETS	2,035,303	10,852,030
NON-CURRENT ASSETS		
Plant and equipment	258,057	258,057
TOTAL NON-CURRENT ASSETS	258,057	258,057
TOTAL ASSETS	2,293,360	11,110,087
CURRENT LIABILITIES		
Trade and other payables	391,262	391,262
Employee benefits	332,457	332,457
TOTAL CURRENT LIABILITIES	723,719	723,719
NON CURRENT LIABILITIES		
Employee benefits	5,656	5,656
TOTAL NON CURRENT LIABILITIES	5,656	5,656
TOTAL LIABILITIES	729,375	729,375
NET ASSETS (LIABILITIES)	1,563,985	10,380,712
EQUITY		
Share capital	39,666,296	48,544,713
Reserve	612,260	612,230
Accumulated losses	(38,714,571)	(38,776,231)
TOTAL EQUITY	1,563,985	10,380,712

6.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, is set out below.

Shares

	Number
Shares currently on issue	1,002,069,367
Shares offered pursuant to the Offer	1,002,069,367
Total Shares on issue after completion of the Offer	2,004,138,734

Options

	Number
Options currently on issue:	
Quoted exercisable at \$0.09 on or before 30 June 2016	164,657,280
Unquoted exercisable at \$0.035 on or before 15 August 2015	8,125,000
Unquoted exercisable at \$0.025 on or before 23 September 2017 ¹	33,593,750
New Options offered pursuant to the Offer	0
Total Options on issue after completion of the Offer	206,376,030

Notes:

- Of these Options, 13,737,500 will vest when the Company's share price reaches \$0.06 as calculated from the 5 day VWAP.

The capital structure on a fully diluted basis as at the date of this Prospectus would be 1,208,445,397 Shares and on completion of the Offer (assuming all Entitlements are accepted and no Options are exercised prior to the Record Date) would be 2,210,514,764 Shares.

No Shares or Options on issue are subject to escrow restrictions, either voluntary or ASX imposed.

6.5 Details of substantial holders

Based on publicly available information as at 2 July 2015, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	Options	% (undiluted)	% (fully diluted)
BEF & DC Hockings ¹	255,468,182	77,844,256	25.49	27.58
Sietsma Holdings Pty Limited	87,167,754	-	8.70	7.20

Notes:

- Dr Bernard Hockings is a director of the Company and a sub-underwriter to the Offer. Refer to Section 5.11 for details of the effect on control of the Company as a result of the sub-underwriting by Dr Hockings.

7. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

7.1 General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

7.2 Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

7.3 Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

7.4 Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

7.5 Shareholder liability

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

7.6 Transfer of shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

7.7 Future increase in capital

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

7.8 Variation of rights

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

7.9 Alteration of constitution

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

8. RISK FACTORS

8.1 Introduction

The Shares offered under this Offer Document should be considered speculative because of the nature of the Company's business.

There are numerous risk factors involved with the Company's business. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which securities will trade.

The following is a summary of the more material risks to be considered, which may affect the Company's financial position, prospects and the price of its listed securities. However, this summary is not exhaustive and potential investors should examine the contents of this Offer Document in its entirety and consult their professional advisors before deciding whether to apply for the New Shares.

8.2 Specific risks relating to the Offer

(a) Control Risk

As set out in Section 5.11, the underwriting and sub-underwriting arrangements in respect of the Offer may have an effect on the voting power in the Company of Dr Bernard Hockings, a Director and major Shareholder of the Company.

The maximum voting power of Hockings, assuming Hockings takes up his full Entitlement and sub-underwrites the Offer in accordance with the Shortfall dispersion priority order and no other Eligible Shareholder takes up any Entitlement or applies for Additional Shares under the Offer, is 48.60%.

It is possible that, depending on the level of voting power which may be exercised by Dr Hockings upon completion of the Offer, Mr Hockings may be in a position to gain and exercise control of the Company and his interests may not align with those of all other Shareholders.

It may be possible that, subject to the Constitution, the ASX Listing Rules and the Corporations Act, Hockings may hold sufficient voting power in the Company to be able to influence major policy decisions of the Company, including the overall strategic direction of the Company, by:

- (i) controlling the election of Directors;
- (ii) controlling the potential outcome of matters submitted to a vote of Shareholders;
- (iii) determining the terms of any capital raising by debt or the issue of Securities, and determining the terms of any such issues;
- (iv) approving mergers, acquisitions and disposals of the Company's assets or business; and
- (v) determining the timing and amount of dividend payments, if any.

(b) **Termination of Underwriting Agreement**

In the event that the Underwriter terminates the Underwriting Agreement in accordance with the terms of the Underwriting Agreement, the Company would likely raise substantially less than the maximum amount of the Offer and the Company would need to consider alternatives for future funding.

8.3 Specific risks relating to the Company

(a) **Technology risks**

For the Company to be competitive in the peptide drug discovery market, the Directors expect it will need to continue to develop or acquire new technologies and platforms, develop niche markets and to take early advantage of technological advancements.

While the Directors regard the Company's "Phylomer Libraries" as being at the forefront of peptide drug discovery, competition and new technologies have the potential to negatively impact market share, product prices, profit margins, and the financial value of products. Further, it may render the Company's research projects and the high costs associated with such research and development obsolete. Outcomes of research and development work will affect the future performance of the Company and its Shares.

(b) **Discovery alliance risk**

The Company aims to build a sustainable business through drug discovery alliances. This requires a flow of new contracts and/or extensions of existing agreements to grow revenue. While great care will be taken in the alliances that Phylogica commits to, there is a risk that partner selections and performance may not be adequate, resulting in lost time, money and opportunity. Similarly, the Company may not be able to secure new contracts at the rate required or with sufficient near-term contract revenue to meet its revenue goals.

(c) **Phylomer therapeutic risks**

Drug development is a long and highly regulated process with many identified potential risks. Therapeutics derived from Phylomers are subject to some of these potential risks as described below. While Phylogica is not currently directly engaged in drug development, these risks can indirectly influence the possibility of Phylogica to obtain downstream milestone payments and royalties from peptides it discovers being taken through clinical development and subsequent marketing.

Difficulty could be encountered with absorption, delivery, metabolism, toxicity, stability, delivery or efficacy in animal or human trials. This could result in early termination of a specific drug candidate program. Formulation difficulties such as poor solubility may also be encountered.

Drugs developed from Phylomers may not be suitable for all individuals such as different genetic backgrounds, patients suffering from particular conditions.

Unforeseen interactions with other pharmaceuticals or substances may be encountered.

Phylomers that appear specific at early stages of drug discovery may nonetheless exhibit unforeseen side effects in animal or human trials resulting in early termination of the specific drug candidate program.

Government regulatory bodies are the final arbiters of approval of drugs for market. Applications for approval may not be granted in all instances in all markets.

(d) **Research and Development Agreement**

Currently all of Phylogica's research and development work is carried out at the Telethon Kids Institute and is covered by a Research and Development Agreement. In the event that the agreement is terminated, Phylogica's operations could be adversely affected as a consequence of disruption of work and re-locating to new premises.

(e) **Research and Development**

Phylogica can make no representations that any of its research and development will be successful, that the Company's development milestones will be achieved or that the Company will develop products that are commercially exploitable. Prior to commercialisation, projects may be delayed or terminated for a range of unexpected scientific, preclinical, clinical, regulatory or commercial reasons.

Being at the forefront of peptide drug discovery, the Company is entering uncharted territory which may present unforeseen biological complexities. Phylogica may need to develop new technologies to resolve these complexities and to advance its programs.

(f) **Intellectual Property**

Phylogica regards its patents, copyrights, trademarks, trade secrets and similar intellectual property as critical to its success. Phylogica relies on patent, trademark and copyright law, trade secret protection and duties of confidence and licence agreements with third parties to protect its intellectual property rights. Applications for patents and trademarks may not be granted in particular jurisdictions. Moreover the grant of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop competing intellectual property. While the Company will use all reasonable endeavours to protect these rights, the steps that the Company takes to protect its intellectual property rights may be inadequate. The unauthorised use or disclosure of its proprietary technology and systems may have adverse effects on the operation and financial performance of Phylogica. The Company may incur substantial costs in obtaining or asserting any patents or intellectual property rights and in defending legal action against itself relating to such rights. It is possible that some patent rights could be revoked following such legal action.

No formal valuation has been completed on the intellectual property of the Company. Phylogica makes no representation as to the value of its intellectual property. It is recommended that impending investors and their advisors should make their own assessment as to the value of the Company's intellectual property.

(g) **Customers**

A significant proportion of Phylogica's potential customers are from, and are subject to risks faced by, the pharmaceutical, biotechnology and life sciences industries. Therefore, Phylogica's success depends largely on the success of companies in these industries and their demand for its products.

(h) **Competition**

The Company will be operating in a competitive and dynamic market, where technological advancements are expected. Although the Board believes that the Company's technology is unique and will be effective in identifying and developing drug candidates, there are competing technologies which will continue to be used and other competitors unknown to the Company may emerge from time to time. The introduction of new competitors or a more successful outcome from existing participants may affect the operating performance of the Company.

(i) **Funding**

Phylogica's long-term value requires its partner's and its in-house drug candidates to be successful in development and to reach the market. Otherwise, it may be dependent upon the funds raised by this Offer, existing collaboration agreements, and its ability to obtain future equity or debt funding to support commercialisation of its technology and in-house research and development. The Company's ability to raise further equity or debt or to divest part of its interest in its technology, and the terms of such transactions, will vary according to a number of factors, including the success of research and development results and the future development of the Company's technology and stock market conditions.

(j) **Key Personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment. The Company's future ability to recruit and retain highly qualified management personnel will also be critical to its success.

(k) **Product liability and uninsured risks**

Through its intended business, the Company is exposed to potential product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products or products developed with future co-development alliance partners. It will be necessary to secure insurance to help manage such risks. The Company may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.

Although the Company endeavours to work to rigorous standards there is still the potential for the products to contain defects which may result

in system failures. These defects or problems could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to the Company's reputation or increased insurance costs.

If the Company fails to meet its clients' expectations, the Company's reputation could suffer and it could be liable for damages.

Further the Company is exposed to the risk of catastrophic loss to necessary laboratory equipment, computer equipment or other facilities which would have a serious impact on Phylogica. The Company gives no assurance that all such risks will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance.

8.4 General Risks

(a) Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(b) Market Conditions

Share market conditions may affect the value of the Company's quoted Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration

programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(d) **Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

8.5 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

9. MATERIAL CONTRACTS – UNDERWRITING AGREEMENT

The following is a summary of the Underwriting Agreement which the Company has entered into in relation to the Offer.

9.1 Underwriting Agreement

By an agreement between the Underwriter and the Company dated 1 July 2015 (**Underwriting Agreement**), the Underwriter agreed to underwrite the Offer for all Shares the subject of the Offer (**Underwritten Securities**).

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting fee equal to 11% of the amount underwritten (being \$1,102,276) and a management fee of \$40,000, plus reasonable expenses incurred by the Underwriter in the performance of its services. The Underwriter (or any of the sub-underwriters, to the extent the fee is payable to such persons) may offset this fee against its obligations to underwrite (or sub-underwrite) any shortfall under the Offer.

The Underwriter is permitted to procure any person to sub-underwrite any portion of the Underwritten Securities as the Underwriter may determine at its discretion. The Underwriter must pay all fees payable to any such sub-underwriters and the appointment of such sub-underwriters will not limit the Underwriter's obligations under the Underwriting Agreement. As disclosed in Section 5.10, the Company understands that the Underwriter has entered into sub-underwriting arrangements with Dr Bernard Hockings, for which the Underwriter will pay Dr Hockings a sub-underwriting fee as set out in Section 5.10 .

The Underwriter may determine to whom and in what quantities any Shortfall will be placed. The Underwriter may, for this purpose, obtain pre-commitments to subscribe for any part of the Shortfall. The Underwriter has confirmed that it intends to place any Shortfall in accordance with the order of priorities set out in Section 5.11.

The Underwriting Agreement contains a moratorium restricting the Company from doing certain things without the prior written consent of the Underwriter, such as altering its capital structure other than as disclosed in the Prospectus or disposing of, or agreeing to dispose of, a substantial part of its business.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination pursuant to which the Underwriter may terminate its obligations under the Underwriting Agreement. Certain of the events of termination are:

- (a) **Prospectus:** any of the following occurs in relation to the Prospectus:
 - (i) it is not lodged with ASIC in accordance with the timetable approved by the Underwriter (or such later date agreed in writing by the Underwriter);
 - (ii) it does not contain all the information required for a Prospectus of this nature under the Corporations Act;
 - (iii) the Underwriter reasonably forms the view that there is a material omission, it contains a material statement which is misleading or deceptive, or a material statement has become misleading or deceptive;

- (iv) the Underwriter reasonably forms the view that any projection or forecast in the Prospectus becomes, to a material extent, incapable of being met or unlikely to be met in the projected time;
 - (v) ASIC gives notice of intention to hold a hearing under section 739(2) of the Corporations Act or makes an interim order under section 739(3) of the Corporations Act;
 - (vi) an application is made by ASIC for an order under section 1324B of the Corporations Act and that application has not been dismissed or withdrawn;
 - (vii) the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel; or
 - (viii) any person other than the Underwriter who consented to being named in the Prospectus withdraws that consent;
- (b) **Supplementary Prospectus:** the Underwriter reasonably forms the view that a supplementary or replacement document (as appropriate) must be lodged with ASIC under section 719 or section 724 of the Corporations Act and the Company does not lodge a supplementary or replacement document (as the case may be) in the form and content and within the time reasonably required by the Underwriter;
 - (c) **ASX listing:** ASX does not give approval for the Underwritten Securities to be listed for official quotation, or if approval is granted, the approval is subsequently withdrawn, qualified or withheld;
 - (d) **Index changes:** the S&P / ASX All Ordinaries Index falls more than 15% from the date of the Underwriting Agreement;
 - (e) **Indictable offence:** a Director is charged with an indictable offence;
 - (f) **Return of capital or financial assistance:** the Company or a Related Corporation takes any steps to undertake a proposal contemplated under section 257A of the Corporations Act or passes or takes any steps to pass a resolution under section 260B of the Corporations Act, without the prior written consent of the Underwriter;
 - (g) **Share price:** the VWAP of Shares on ASX is less than the Offer price for four consecutive trading days;
 - (h) **Restriction on allotment:** the Company is restricted from allotting the Shares under this Prospectus by the date set out in the timetable in this Prospectus;
 - (i) **Change in laws:** any of the following occurs:
 - (i) the introduction of legislation into the Parliament of the Commonwealth of Australia or of any State or Territory of Australia;

- (i) the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory; or
- (ii) the adoption by the ASIC, its delegates, ASX, the Reserve Bank of Australia or any other regulatory authority of any regulations or policy,

which relate to the adoption of any new, or any major change in, existing monetary, taxation, exchange of fiscal policy;

- (j) **Failure to comply:** the Company or any Related Corporation fails to comply with any of the following:
 - (i) a provision of its constitution;
 - (i) any statute;
 - (ii) a requirement, order or request, made by or on behalf of the ASIC or any governmental agency; or
 - (iii) any material agreement entered into by it;
- (k) **Alteration of capital structure or constitution:** except as described in this Prospectus, the Company alters its capital structure or its Constitution without the prior written consent of the Underwriter;
- (l) **Hostilities:** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, Philippines, Indonesia, Japan, Russia, the United Kingdom, the United States of America, or the Peoples Republic of China, other than hostilities involving Afghanistan or Iraq, any country bordering Afghanistan or Iraq or any Arab country (being a country the majority of whose inhabitants are of Arab ethnicity);
- (m) **Force Majeure:** a Force Majeure (as defined in the Underwriting Agreement), which prevents or delays an obligation under the Underwriting Agreement, lasting in excess of 7 days occurs;
- (n) **Default:** the Company is in default of any of the terms and conditions of the Underwriting Agreement or breaches any warranty or covenant given or made by it under the Underwriting Agreement;
- (o) **Adverse change:** any adverse change occurs which materially impacts or is likely to impact the assets, operational or financial position of the Company (including but not limited to an administrator, receiver, receiver and manager, trustee or similar official being appointed over any of the assets or undertaking of the Company);
- (p) **Investigation:** any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or a Related Corporation;
- (q) **Due diligence:** there is a material omission from the results of the due diligence investigation performed in respect of the Offer and this Prospectus or the results of the investigation or the verification material are false or misleading;

- (r) **Prescribed occurrence:** a Prescribed Occurrence (as defined in the Underwriting Agreement) occurs, other than as disclosed in this Prospectus;
- (s) **Suspension of debt payments:** the Company suspends payment of its debts generally;
- (t) **Event of insolvency:** an Event of Insolvency (as defined in the Underwriting Agreement) occurs in respect of a Related Corporation;
- (u) **Judgment against a related corporation:** a judgment in an amount exceeding \$50,000 is obtained against the Company or a Related Corporation and is not set aside or satisfied within 7 days;
- (v) **Litigation:** litigation is commenced against the Company which may have a material adverse effect on the Offer; or
- (w) **Change in shareholdings:** there is a material change in the major or controlling shareholdings of the Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this nature.

10. ADDITIONAL INFORMATION

10.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

10.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (i) the annual financial report most recently lodged by the Company with the ASIC;
- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
23/10/2014	Change in substantial holding
31/10/2014	Change of Directors Interest Notice
31/10/2014	Change in substantial holding
31/10/2014	Appendix 4C - quarterly
05/11/2014	R&D Tax Rebate
06/11/2015	Shareholder Newsletter
13/11/2014	Bioshares Article
14/11/2014	Trading Policy
25/11/2014	European Patent Synthetic Phylomers
27/11/2014	AGM Presentation
27/11/2014	Results of Meeting
22/12/2014	Licensing Agreement with Genetech/Roche
24/12/2014	Appendix 3B
24/12/2014	Change of Director's Interest Notice
15/01/2015	Phylogica to present at Biotech Showcase Event in US
30/01/2015	Appendix 4C - quarterly
17/02/2015	Shareholder Newsletter
24/02/2015	Europe Patent Phenotypic Screening
27/02/2015	Half Yearly Report and Accounts
02/03/2015	Response to ASX Query - Price Query
27/03/2015	Joint Company Secretary Appointment
30/03/2015	Cancer pilot study success

Date	Description of Announcement
07/04/2015	Phylogica licenses peptides to UK company
09/04/2015	Investor Presentation
15/04/2015	CEO Interview and Article
30/04/2015	Appendix 4C – quarterly
01/05/2015	Appendix 3B
27/05/2015	Shareholder Newsletter
02/07/2015	Entitlement Issue

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.phylogica.com/display/index/asx-announcements.

10.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	\$0.042	14 April 2015
Lowest	\$0.019	18 and 19 June 2015
Last	\$0.023	1 July 2015

10.4 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or

(iii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Listed Options	Unlisted Options¹	Entitlement	Entitlement to be accepted
Mr Bruce McHarrie	3,304,576	-	-	3,304,576	-
Dr Doug Wilson	1,711,989	584,795	-	1,711,989	-
Mr Jeremy Curnock Cook	-	-	-	-	-
Dr Richard Hopkins	16,487,611	504,262	6,500,000	16,487,611	10,000,000
Dr Bernard Hockings	255,468,182	77,851,257	-	255,468,182	255,468,182

Notes:

1. Unlisted Options exercisable at \$0.025 per share on or before 23 September 2017. 3,900,000 of these Options vested on issue, 2,600,000 of these Options will vest when the Share price (as quoted on ASX) reaches 6 cents per Share as calculated from the 5 day VWAP.

The Board recommends all Shareholders take up their Entitlement and advises that:

- (a) Dr Bernard Hockings intends to take up his full Entitlement of 255,468,182 Shares under the Offer (refer to Section 5.11 for details of the sub-underwriting commitments of Dr Hockings); and
- (b) Dr Richard Hopkins intends to take up part of his Entitlement up to 10,000,000 Shares.

Remuneration

The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$300,000 per annum.

A Director may be paid fees or other amounts (ie non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total annual remuneration paid (and proposed to be paid) to both executive and non-executive directors.

Director	Financial year ending 30 June 2014	Financial year ending 30 June 2015	Financial year ending 30 June 2016
Mr Bruce McHarrie	\$43,700	\$43,800	\$43,800
Dr Doug Wilson	\$70,000	\$70,000	\$70,000
Mr Jeremy Curnock Cook	\$43,700	\$43,800	\$43,800
Dr Richard Hopkins	\$339,583	\$373,308	\$300,167
Dr Bernard Hockings	\$19,266 ¹	\$43,800	\$43,800 ²

Notes:

1. The Company undertook an entitlement issue of Securities in December 2013 which was partially underwritten by Dr Hockings. The Company paid to Dr Hockings a fee of \$300,620.80 for his underwriting services.

2. As disclosed in Section 5.10, the Company understands that the Underwriter has entered into sub-underwriting arrangements with Dr Bernard Hockings in connection with the Offer, for which the Underwriter will pay Dr Hockings a sub-underwriting fee.

10.5 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

The Company will pay to the Underwriter an underwriting fee of \$1,102,276 together with a \$40,000 management fee in respect of the Offer. The Underwriter is required to meet its obligations to pay fees to sub-underwriters from this fee, including the fee payable to Hockings as described in Section 5.10. During the 24 months preceding lodgement of this Prospectus with the ASIC, the Company has paid the Underwriter fees totalling \$5,000 (excluding GST) to act as the foreign shareholder nominee for the purposes of the entitlement issue in December 2013.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$25,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$12,900 (excluding GST and disbursements) for legal services provided to the Company.

10.6 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Patersons Securities Limited has given its written consent to being named as underwriter to the Offer in this Prospectus, in the form and context in which it is named.

Patersons Securities Limited (including its related entities) is not a Shareholder of the Company and currently has no relevant interest in any of the Company's securities.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

10.7 Expenses of the offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$1,203,967 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASX fees	19,371
ASIC fees	2,320
Underwriting fee	1,142,276
Legal fees	25,000
Printing and distribution	5,000
Miscellaneous	10,000
Total	<u>1,203,967</u>

10.8 Electronic prospectus

The Corporations Act allows distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 +61 8 9384 3284 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.phylogica.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

10.9 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

10.10 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

10.11 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers,

regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

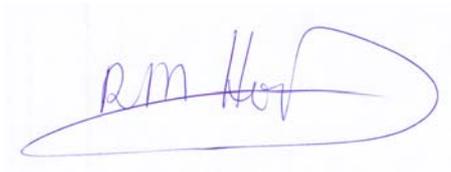
You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

11. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

A handwritten signature in blue ink, appearing to read 'R.M. Hopkins', is written over a faint, light blue rectangular background.

**Dr Richard Hopkins
Director
For and on behalf of
PHYLOGICA LIMITED**

12. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Additional New Shares means the Shares forming the Shortfall for which Eligible Shareholders may apply under the Additional Shares Offer.

Additional Shares Offer means the offer of the Additional New Shares on the terms and conditions set out in Section 5.6 of this Prospectus

Applicant means an Eligible Shareholder who applies for Shares pursuant to the Offer or applies for Additional New Shares pursuant to the Additional Shares Offer.

Application Form means an Entitlement and Acceptance Form.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

AWST means Australian Western Standard Time as observed in Perth, Western Australia.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company or **Phylogica** means Phylogica Limited (ACN 099 391 961).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors mean the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a Shareholder registered on the Record Date.

Entitlement means the entitlement of an Eligible Shareholder.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Hockings or **Dr Hockings** means Dr Bernard Hockings, a Director of the Company.

Offer or Entitlement Issue means the non-renounceable entitlement issue the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Shortfall means the Shares not applied for under the Offer (if any).

Underwriter means Patersons Securities Limited.

Underwriting Agreement means the agreement between the Company and the Underwriter, a summary of which is set out in Section 9.