

PHYLOGICA

BREAKTHROUGH PEPTIDE THERAPEUTICS

3rd July 2015

Dear Option Holder

Non-Renounceable Entitlement Issue

On 2nd July 2015, Phylogica Limited (**Company**) announced a pro-rata non-renounceable entitlement issue of fully paid ordinary shares on a one (1) for one (1) basis (**Shares**) to Shareholders registered at 5.00pm (AWST) on Thursday 9th July 2015 (**Record Date**) at an issue price of 1 cent per Share to raise up to \$10,020,694 (**Entitlement Issue**).

The Entitlement Issue is fully underwritten by Patersons Securities Limited.

On 2nd July 2015, the Company lodged an Entitlement Offer Prospectus (**Prospectus**) with ASX Limited (**ASX**) and Australian Securities and Investments Commission (**ASIC**) for the Entitlement Issue.

Shareholder approval is not required in relation to the Entitlement Issue.

A full copy of the Prospectus will be mailed to all shareholders who hold Shares on the Record Date (**Shareholder**). However, the Prospectus will not constitute an offer to any Shareholder as at the Record Date, whose registered address is not situated in Australia or New Zealand. The Prospectus is sent to those Shareholders for information only.

This Prospectus will be available in electronic form on the ASX website at asx.com.au or the Company's website phylogica.com.

Phylogica will use the proceeds from the Entitlement Issue to advance the company's 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. Beyond advancing its own drug candidates Phylogica will continue screening its library of novel compounds to endeavour to develop other drugs. The funds will also be used for working capital.

Under the terms of the existing options you currently hold, there is no entitlement to participate in the Entitlement Issue unless you exercise your options and are entered onto the register as a shareholder on or before the Record Date. Under the terms of the options you are entitled to notice of the Entitlement Issue. The purpose of this letter is to give you the notice in order to allow you to participate in the Entitlement Issue should you wish to do so.

If you are not a shareholder and wish to participate in the Entitlement Issue, it will be necessary for you to exercise all or part of your options, and the shares issued on the exercise of those options must have been allotted to you before the Record Date. If you wish to do so, you should complete a Notice of Exercise of Options and lodge that notice with Security Transfer Registrars Pty Ltd, together with your payment for the number of shares you wish to take up. Notice of exercise of your options and payment of the exercise price of options should be received by Security Transfer Registrars Pty Ltd on or before 7th July 2015 as holders lodging notices of exercise after that date cannot be assured of the allotment of shares by the Record Date.

If you do not wish to participate in the Entitlement Issue in respect of your options, you do not need to take any action. This letter is only intended to inform you of your rights in relation to your options. This letter is not an offer or an invitation to acquire shares in Phylogica Limited or to participate in the Entitlement Issue.

Under the Prospectus, 1,002,069,367 Shares (depending upon whether the holders of existing options exercise those options before the Record Date) will be issued by the Company, as the offer has been fully underwritten.

The timetable for the Entitlement Issue is as follows:

Event	Date
Record Date to determine entitlement under Entitlement Issue	9 July 2015
Prospectus and Entitlement Form despatched	14 July 2015
Closing Dates for acceptances	23 July 2015
Allotment and issue of New Shares	30 July 2015
Despatch of shareholding statements for New Shares	30 July 2015
Trading of New Shares expected to commence	30 July 2015

Note: These dates are determined based upon the current expectations of the Directors and, subject to the Listing Rules, may be changed without notice. The Directors may extend the Closing Date by giving at least 3 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.

For and on behalf of
Phylogica Limited



Ms Natasha Forde
Company Secretary