

# Phylogica Limited

ACN 098 391 961

## Appendix 4D

Half-Year Statement

Period ended 31 December 2015

### Results for announcement to the market

<b>Operating Performance</b>	<b>% Increase/ (Decrease)</b>	<b>31 Dec 2015 \$,000</b>	<b>31 Dec 2014 \$,000</b>
Revenue from ordinary activities	(88%)	95	820
(Loss) from ordinary activities after tax attributable to members	452%	(745)	(135)
Net (loss) for the half year attributable to members	452%	(745)	(135)

#### Comment

The increase in net loss compared to the previous half year is due to a reduction in fee for service income in accordance with the Company's strategy to focus on its internal drug development program.

#### Dividends

There are no dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the financial half year ended 31 December 2015.

<b>Net tangible assets per ordinary security</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Net tangible assets	\$9,038,865	\$3,650,904
Number of shares on issue at reporting date	2,004,138,734	1,002,069,367
Net tangible assets per ordinary security	0.45 cents	0.36 cents

#### Control Gained or Lost over Entities

Not applicable

#### Associates and joint ventures

Not applicable

#### Foreign Entities Accounting Framework

Not applicable

#### Audit/Review Status

This Appendix 4D and the attached interim financial statement are based on accounts which have been subjected to review. The accounts are not subject to dispute or qualification.

The attached interim financial statements for the half-year ended 31 December 2015 form part of this Appendix 4D. This half-year report is to be read in conjunction with the Phylogica Limited 2015 annual financial statements and the notes contained therein.



BREAKTHROUGH PEPTIDE THERAPEUTICS

## **Phylogica Limited**

ACN 098 391 961

# **Condensed Consolidated Interim Financial Statements**

For the Half Year Ended 31 December 2015

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## Corporate Directory

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### **Directors**

Mr Bruce McHarrie  
Non-Executive Chairman

Dr Douglas Wilson  
Non-Executive Director

Mr Jeremy Curnock Cook  
Non-Executive Director

Ms Stephanie Unwin  
Non-Executive Director

Dr Bernard Hockings  
Non-Executive Director

Dr Richard Hopkins  
Chief Executive Officer

### **Company Secretaries**

Mr Graeme Boden & Ms Natasha Forde  
Telephone: 08 9384 3284  
Facsimile: 08 9284 3801  
Email: gboden@bigpond.net.au  
Email: natashaforde@bigpond.com

### **Share Registry**

Security Transfer Registrars Pty Ltd  
PO Box 535  
Applecross WA 6953  
770 Canning Highway  
Applecross WA 6153  
Telephone: 08 9315 2333  
Facsimile: 08 9315 2233  
Email: registrar@securitytransfer.com.au

### **Auditors**

HLB Mann Judd  
Level 4  
130 Stirling Street  
Perth  
Western Australia 6000

### **Registered Office**

15 Lovegrove Close  
Mount Claremont WA 6010  
Telephone: 08 9384 3284  
Facsimile: 08 9284 3801

### **Postal Address**

PO Box 8207  
Subiaco East WA 6008

### **Principal Place of Business**

Telethon Kids Institute  
100 Roberts Road  
Subiaco WA 6008  
Telephone: 08 9489 7777  
Facsimile: 08 9489 7700

### **Website**

[www.phylogica.com](http://www.phylogica.com)

Incorporated in Western Australia:  
October 2001

Listed on:

Australian Securities Exchange (ASX)  
Home Exchange: Perth  
**Code: PYC** ordinary shares

Frankfurt Exchange  
**Code: PH7** ordinary shares

# Directors' Report

For the Half Year Ended 31 December 2015

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The directors present their report on Phylogica Limited and its controlled entity (referred to in these financial statements as "the Group" or "Phylogica") together with the financial statements for the half-year ended 31 December 2015 and the review report thereon.

## DIRECTORS

The Directors who held office at any time during or since the end of the half-year are:

### Non-Executive

Mr Bruce McHarrie	Chairman
Dr Doug Wilson	
Mr Jeremy Curnock Cook	
Dr Bernard Hockings	
Ms Stephanie Unwin	Appointed 18 January 2016

### Executive

Dr Richard Hopkins	Chief Executive Officer
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Unless otherwise indicated, all Directors held their position as a Director throughout the entire half year and up to the date of this report.

## PHYLOGICA OVERVIEW

Phylogica Limited (ASX: PYC) is an oncology-focussed company with the objective of discovering and developing a new generation of biologics-based therapies, with unprecedented potencies, against intracellular cancer targets. Phylogica controls access to the world's most structurally diverse source of peptides, called Phylomers. Phylogica specialises in peptide-based drug delivery and discovery solutions to access cancer targets found inside cells. Such targets represent approximately 80% of disease-causing proteins, the majority of which remain inaccessible to existing therapies.

Phylogica is advancing its proprietary oncology programmes towards clinical trials, which are aimed at developing first-in-class therapies against transcription factors such as MYC and STAT5. These targets play a critical role in many common cancers such as breast, lung, prostate and pancreatic, which have proven undruggable with conventional small molecule therapies.

## OPERATIONAL REVIEW

### Highlights

During the half-year, highlights for the Company included:

- Completion of a fully underwritten rights issue to raise \$10 million.
- Confirmation of Phylogica's intracellular targeting drug achieving significant reduction in tumours in a mouse model of breast cancer, by an Independent research institution.
- Identification of proprietary drugs that inhibit a cancer target (MYC) more efficiently than the previous gold standard.
- Confirmation by independent collaboration that combination therapy escalates potency of Phylogica peptides by up to 600%.
- Completion of screening phase of Genentech project and submission of final report.
- Collaboration with the University of Queensland which was awarded \$670k in funding to develop macrocyclic Phylomer drugs, in partnership with Phylogica.

### Fully underwritten rights issue to raise \$10 million

In August, 2015 Phylogica successfully completed a fully underwritten rights issue to raise \$10 million, before costs of the offer, and these funds provide the company with an unprecedented capital runway to accelerate its development programs.

# Directors' Report

For the Half Year Ended 31 December 2015

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## **Progress towards developing Phylomer-based drugs against MYC – an important cancer target**

More than 7 in 10 cancer cases depend on the MYC cancer protein for survival. While recognised as an important cancer target, there are currently no effective MYC therapies available. This is due primarily to the inability to deliver an effective MYC inhibitor into the intracellular environment where MYC exists.

In the second half of 2015, Phylogica announced the outcome from three studies showing that Phylogica's cell penetrating Phylomers could deliver a new class of smart drug against MYC with unprecedented potencies. These results confirm Phylogica's position at the forefront of efforts to develop first in class biologics inhibitors of MYC.

## **Independent research confirms Phylogica's intracellular targeting drug achieves significant reduction in tumours in a mouse model of breast cancer**

A follow-on study by one of Australia's leading breast cancer experts, Associate Professor Pilar Blancafort, a Laboratory Head at the Harry Perkins Institute of Medical Research, reproduced findings in an animal model of breast cancer undertaken in 2015.

Results confirmed Phylogica's peptide-OmoMYC fusion significantly reduces tumour size following direct injection of the drug into the tumour. Results also showed that inhibition of tumour growth was sustained even after cessation of treatment, suggesting prolonged impact of the drug and that no evidence for Phylomer-associated toxicity was observed.

## **Phylogica identifies proprietary drugs that inhibit a cancer target (MYC) more efficiently than previous gold standard**

Phylogica successfully identified multiple proprietary Phylomer candidates with confirmed ability to bind and block intracellular MYC activity. Notably, two of these Phylogica candidates exhibit better killing activity in cancer cells than the previous gold-standard (OmoMYC), when fused to Phylogica's proprietary cell penetrating Phylomers.

This results confirms Phylogica's differentiation in the field of intracellular drug delivery now extends from best in class Cell Penetrating Phylomers for drug delivery, to best in class active biologics drug compounds active against MYC.

## **Independent collaboration confirms combination therapy escalates potency of Phylogica peptides by up to 600%**

An independent study by a leading cancer researcher based at the Olivia Newton John Cancer Research Center (ONJCRI), showed that a Cell Penetrating Phylomer (CPP) linked to either a novel "pro-death" peptide lead to potent killing of lymphoma cancer cells (lymphoma is a type of blood cancer).

The research also showed that combination of the "pro-death" peptide and a drug targeting the MYC oncoprotein (OmoMYC), delivered inside cells improves killing activity of each drug by up to 600%. Phylogica was pleased to report that this combinatorial approach achieved the most potent activity ever recorded for a drug targeting the MYC oncoprotein. This outcome has major implications for increasing drug activity and reducing side effects in ways not previously possible.

In another positive development, Phylogica and ONJCRI were awarded Research Connections and Research Partnership grants totalling \$147K from the Department of Industry, Innovation and Science and La Trobe University respectively to expand their collaboration to develop "Smarter Cancer Drugs".

## **Genentech Collaboration**

In December 2014 Phylogica entered into an agreement with global partner Genentech to discover novel anti-microbial compounds to treat the growing scourge of drug resistant superbugs. Under the terms of the agreement Phylogica received an upfront payment of US\$500,000 (~AU\$598,000) and is eligible to receive discovery, development, and commercialisation milestone payments totalling up to US\$142 million.

This collaboration has progressed well with a number of technical milestones being achieved and several promising candidates identified during the screening process, which was finalised in late 2015. Phylogica formally submitted its final report in November 2015, which included a summary of the outputs from the screens along with a table of top ranked candidates. Genentech has up to 12

# Directors' Report

For the Half Year Ended 31 December 2015

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months to evaluate results before deciding whether to proceed further. If elects to do so, then it would be required to take a licence or extend its option over the peptides. In either case Phylogica would be eligible to receive a significant milestone payment.

## Phylogica and the University of Queensland awarded \$670K in funding to develop macrocyclic Phylomer drugs

In partnership with The University of Queensland's Institute for Molecular Bioscience (IMB), Phylogica has been awarded a 3 year \$670K Linkage Grant from the Australian Research Council (ARC) to develop a novel platform to generate macrocyclic Phylomer libraries.

Macrocycles are an emerging class of therapeutic peptides that have very favourable drug-like properties, which allows them to bind more effectively to drug targets, resist being broken down in the body like normal peptides and in some cases, enter cells and hit targets inaccessible to conventional drugs. Phylogica is aiming to exploit these properties to develop more effective Phylomer-based drugs against intracellular targets involved in disease.

## FINANCIAL RESULTS

The consolidated operating loss after tax for the half year ended 31 December 2015 was \$745,310 (31 December 2014: loss after tax \$134,913).

The accounting standards do not permit the capitalisation of research and development expenditure in circumstances where the Company cannot demonstrate probable future economic benefits derived from the results of the expenditure. The expenditure incurred in relation to obtaining and maintaining patent protection is allowed to be capitalised under the standards but the Company has adopted a policy of expensing such expenditure as it is incurred.

Since incorporation, Phylogica has raised \$52.2 million in capital, reduced to \$48.5 million after netting capital raising fees. From this amount the following expenditures have been undertaken (all amounts \$ million, excluding the impact of tax):

<b>Research &amp; Development:</b>	<b>Prior to 30 June 2014</b>	<b>Year to 30 June 2015</b>	<b>Half Year to 31 December 2015</b>	<b>Total</b>
Contract Research	18.09	2.74	1.54	22.37
Personnel (allocation)	6.70	0.55	0.22	7.47
Laboratory Consumables	4.56	0.58	0.32	5.46
	<hr/>	<hr/>	<hr/>	<hr/>
	29.35	3.87	2.08	35.30
IP Maintenance	3.16	0.25	0.04	3.45
	<hr/>	<hr/>	<hr/>	<hr/>
	32.51	4.12	2.12	38.75

## FINANCIAL STRENGTH

The Company's cash position at 31 December 2015 was \$9.68 million. Expenditure is presently running at the rate of \$0.45 million per month which annualises to \$5.40 million.

## OUTLOOK

Phylogica is pursuing a strategy to commercialise its highly promising drug delivery/discovery platform by advancing its drug development pipeline towards the clinic.

A key goal for Phylogica will be to progress its oncology pipeline which is aimed at developing first-in-class therapies against challenging cancer targets that have provide intractable to existing therapies. Over the next 12 months, the company will focus specifically on validating its hits in animal models of cancer and identifying lead candidates that can be optimised for preclinical development. To further support these programmes, Phylogica will also be looking to engage with key opinion leaders and advisors who will help inform and guide the process of drug development. These efforts will establish critical proof of concept that Phylomer based drugs are functionally active in animal models following delivery into the blood (ie. systemic delivery). This is a key requirement for any drug development

# Directors' Report

For the Half Year Ended 31 December 2015

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programme and marks an important staging post to unlock value and catalyse potential deal opportunities.

In terms of commercialisation, the company will continue to pursue the following:

- Discovery alliance deals involving our core Phylomer drug delivery/discovery platform;
- Product licensing deals involving our MYC and STAT5 oncology programmes; and
- Licensing deals involving our best in class cell penetrating peptides for intracellular delivery of non-Phylomer cargoes

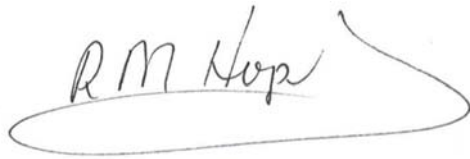
To facilitate these opportunities, and where it aligns with the company's strategic interests, Phylogica will engage in collaborations to provide independent validation of Phylogica's core technologies.

In summary, we believe we are well positioned for scientific and commercial success with a promising cancer program, a uniquely differentiated drug delivery system and a major licensing deal struck with a global pharmaceutical company. These are key steps to unlock further investor value and ultimately deliver significant returns

## AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under s307C of the Corporations Act 2001 is set out on the following page and forms part of the Directors' report for the half-year ended 31 December 2015.

Signed in accordance with a resolution of the directors pursuant to s306(3) of the Corporations Act 2011.

A handwritten signature in black ink that reads "R M Hopkins". The signature is written in a cursive style and is enclosed within a large, hand-drawn oval shape.

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Dr Richard Hopkins  
Director

Perth  
26 February 2016

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the consolidated financial report of Phylogica Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



**Perth, Western Australia**  
**26 February 2016**

**M R W Ohm**  
**Partner**



# Condensed Consolidated Statement Comprehensive Income

For the half year ended 31 December 2015

		Consolidated	
	Note	31 Dec 2015	31 Dec 2014
		\$	\$
<b>Continuing Operations</b>			
Commercial Income	3	-	763,378
Interest Income		94,816	44,896
Other Income		29	12,374
Contract Research Costs		(1,541,706)	(1,363,126)
Personnel Expenses		(444,658)	(508,537)
Depreciation		(74,236)	(117,518)
Professional Services		(232,152)	(275,888)
Travel and Accommodation		(105,544)	(95,490)
Intellectual Property Maintenance		(40,859)	(98,171)
Laboratory Consumables		(318,249)	(350,225)
Other Operating Expenses		(149,999)	(113,086)
<b>Loss Before Income Tax Expense</b>		<b>(2,812,558)</b>	<b>(2,101,393)</b>
Income Tax Benefit		2,067,248	1,966,480
<b>Net Loss for the Period</b>	3	<b>(745,310)</b>	<b>(134,913)</b>
Other Comprehensive Income for the Period, Net of Tax		-	-
<b>Total Comprehensive Loss for the Period</b>		<b>(745,310)</b>	<b>(134,913)</b>
		<b>Cents</b>	<b>Cents</b>
Basic Loss Per Share	10	(0.05)	(0.01)
Diluted Loss Per Share	10	(0.05)	(0.01)

The condensed consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

# Condensed Consolidated Statement of Financial Position

As at 31 December 2015

		Consolidated	
	Note	31 Dec 2015	30 June 2015
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents		9,687,410	1,475,869
Trade and other receivables	5	132,712	119,455
Prepayments		-	27,943
<b>Total current assets</b>		<b>9,820,122</b>	<b>1,623,267</b>
<b>Non-current assets</b>			
Plant and equipment	6	110,740	162,572
<b>Total non-current assets</b>		<b>110,740</b>	<b>162,572</b>
<b>Total assets</b>		<b>9,930,862</b>	<b>1,785,839</b>
<b>Current liabilities</b>			
Trade and other payables		564,626	500,031
Employee benefits	11	327,371	323,774
<b>Total current liabilities</b>		<b>891,997</b>	<b>823,805</b>
<b>Non-current liabilities</b>			
Employee benefits	11	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>891,997</b>	<b>823,805</b>
<b>Net assets</b>		<b>9,038,865</b>	<b>962,034</b>
<b>Equity</b>			
Issued capital	2	48,456,076	39,666,296
Reserves	2	812,317	779,956
Accumulated losses	2	(40,229,528)	(39,484,218)
<b>Total equity</b>		<b>9,038,865</b>	<b>962,034</b>

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes to the financial statements.

# Condensed Consolidated Statement of Cash Flows

For the half year ended 31 December 2015

	Consolidated	
Note	31 Dec 2015	31 Dec 2014
	\$	\$
<b>Cash flows from operating activities</b>		
Commercial income received	-	164,813
Other income received	29	12,374
Cash paid to suppliers and employees	(2,694,652)	(2,587,835)
Cash used in operations	(2,694,623)	(2,410,648)
R&D tax rebate	2,067,248	-
Interest received	72,861	52,692
<b>Net cash used in operating activities</b>	<b>(554,514)</b>	<b>(2,357,956)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(24,797)	(36,528)
Sale of property, plant and equipment	1,072	-
<b>Net cash used in investing activities</b>	<b>(23,725)</b>	<b>(36,528)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	2 10,020,694	-
Payment of transaction costs	2 (1,230,914)	-
<b>Net cash provided by financing activities</b>	<b>8,789,780</b>	<b>-</b>
Net (decrease)/increase in cash and cash equivalents	8,211,541	(2,394,484)
Cash and cash equivalents at 1 July	1,475,869	4,021,588
<b>Cash and cash equivalents at 31 December</b>	<b>9,687,410</b>	<b>1,627,104</b>

This condensed consolidated statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

# Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2015

		<b>Consolidated</b>			
	<b>Issued</b>	<b>Accumulated</b>	<b>Reserves</b>	<b>Total</b>	
<i>Note</i>	<b>Capital</b>	<b>Losses</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2014</b>	<b>39,666,296</b>	<b>(36,492,739)</b>	<b>545,102</b>	<b>3,718,659</b>	
Loss attributable to members of the consolidated entity	-	(134,913)	-	(134,913)	
Other comprehensive income	-	-	-	-	
Total comprehensive income/(loss)	-	(134,913)	-	(134,913)	
Share capital raised during the period	2	-	-	-	
Share capital transaction costs	2	-	-	-	
Share based payments	2	-	67,158	67,158	
<b>Balance at 31 December 2014</b>	<b>39,666,296</b>	<b>(36,627,652)</b>	<b>612,260</b>	<b>3,650,904</b>	
<b>Balance at 1 July 2015</b>	<b>39,666,296</b>	<b>(39,484,218)</b>	<b>779,956</b>	<b>962,034</b>	
Loss attributable to members of the consolidated entity	-	(745,310)	-	(745,310)	
Other comprehensive income	-	-	-	-	
Total comprehensive income/(loss)	-	(745,310)	-	(745,310)	
Share capital raised during the period	2	10,020,694	-	10,020,694	
Share capital transaction costs	2	(1,230,914)	-	(1,230,914)	
Share based payments	2	-	32,361	32,361	
<b>Balance at 31 December 2015</b>	<b>48,456,076</b>	<b>(40,229,528)</b>	<b>812,317</b>	<b>9,038,865</b>	

This condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes to the financial statements.

# Notes to the Condensed Consolidated Financial Statements

## For the half year ended 31 December 2015

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### **NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

Phylogica Limited is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2015 comprises the Company and its subsidiary (together referred to as the "Group").

The annual financial statements of the Company as at and for the year ended 30 June 2015 are available upon request from the Company's registered office at the address or at the web site shown earlier in this report.

#### **(a) Statement of Compliance**

The interim financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards AASB 134: Interim financial reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with IAS 34: Interim Financial Reporting.

The interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of the Company as at and for the year ended 30 June 2015 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The interim financial statements of the Group for the six months ended 31 December 2015 were authorised for issue by the directors on 26 February 2016.

#### **(b) Basis of preparation**

The half-year financial report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

#### **(c) Accounting Policies and Methods of Computation**

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### **(d) Segment Reporting**

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the board of Phylogica Limited.

#### **(e) Significant Accounting Judgments and Key Estimates**

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2015.

#### **(f) Financial Risk Management**

The Group's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2015.

# Notes to the Condensed Consolidated Financial Statements (Cont.)

## For the half year ended 31 December 2015

### (g) Going Concern

The half-year financial statements have been prepared on a going concern basis which assumes the settlement of liabilities and the realisation of assets in the normal course of business.

For the half-year ended 31 December 2014 the Company has incurred a loss after tax of \$745,310 (half-year ended 31 December 2014: loss of \$134,913). At half-year end the Company had working capital of \$8,928,125 (30 June 2015: \$799,462) including a cash and cash equivalents balance at 31 December 2015 of \$9,687,410 (30 June 2015: \$1,475,869). Cash used in operating activities in during the half-year to 31 December 2015 was \$554,514 (31 December 2013: \$2,357,956).

### NOTE 2: ISSUED CAPITAL, ACCUMULATED LOSSES AND RESERVES

<b>(i) Issued and unissued capital:</b>	<b>Six Months to 31 Dec 2015</b>	<b>Year to 30 June 2015</b>
	<b>\$</b>	<b>\$</b>
2,004,138,734 ordinary shares fully paid (30 June 2015: 1,002,069,367)	39,666,296	39,666,296
Shares issued	10,020,694	-
Costs of shares issued	(1,230,914)	-
	<u>48,456,076</u>	<u>39,666,296</u>

During the half year to 31 December 2015, 1,002,069,367 ordinary shares were issued at a price of \$0.01 per share, at the completion of a fully underwritten entitlement issue.

### (ii) Accumulated losses:

Opening balance as at 1 July	(39,484,218)	(36,492,739)
Loss for the period	(745,310)	(2,991,479)
Closing balance as at end of period	<u>(40,229,528)</u>	<u>(39,484,218)</u>

### (iii) Reserves:

Opening balance as at 1 July	779,956	545,102
Share based payment expense	32,361	234,854
Closing balance as at end of period	<u>812,317</u>	<u>779,956</u>

### (iv) Options:

<b>Description</b>	<b>Movement During the Half Year</b>	<b>Number of Options</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
Quoted Options PYCOA	-	164,657,280	30 June 2016	\$0.090
Unquoted Options	(8,125,000)	-	15 August 2015	\$0.035
Unquoted Options	-	33,593,750	23 September 2017	\$0.025
	<u>(8,125,000)</u>	<u>198,251,030</u>		

During the half year to 31 December 2015, 8,125,000 unlisted options expired unexercised, on the expiry date.

### (v) Loan Funded Shares (LFS):

<b>Description</b>	<b>Movement During the Half Year</b>	<b>Number of LFS</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
LFS	-	15,000,000	3 June 2018	\$0.064

No LFS were issued to Directors during the half year to 31 December 2015.

# Notes to the Condensed Consolidated Financial Statements (Cont.)

## For the half year ended 31 December 2015

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### NOTE 3: NET LOSS FOR THE PERIOD

The following items are relevant in explaining the financial performance for the half year:

	31 Dec 2015	31 Dec 2014
	\$	\$
Commercial Income	-	763,378
Income Tax Benefit – R&D Tax Rebate	2,067,248	1,966,480
	<u>2,067,248</u>	<u>1,966,480</u>

Commercial income is dependent upon the execution of collaboration agreements with pharmaceutical companies, the timing of which is irregular.

### NOTE 4: FUTURE INCOME TAX (EXPENSE)/ BENEFIT

Deferred tax assets have not been recognised as at 31 December 2015 because, at this stage of the Group's development, it cannot be considered as "probable" that future taxable profits will be available against which the Group can utilise the benefits.

### NOTE 5: TRADE AND OTHER RECEIVABLES

	31 Dec 2015	30 June 2015
	\$	\$
GST receivable	100,031	116,009
Accrued Interest	22,979	1,021
Other receivables	9,702	2,425
	<u>132,712</u>	<u>119,455</u>

### NOTE 6: PROPERTY, PLANT AND EQUIPMENT

#### Acquisitions and disposals

During the six months ended 31 December 2015, the Group acquired assets with a cost of \$23,285 (six months ended 31 December 2014: \$22,003).

### NOTE 7: SEGMENT INFORMATION

The Group comprises a single business segment comprising discovery and development of novel therapeutics and a single geographical location being Australia. The segment details are therefore fully reflected in the results and balances reported in the interim statement of comprehensive income and statement of financial position.

### NOTE 8: EVENTS SUBSEQUENT TO BALANCE DATE

There have been no other events subsequent to the balance date which are sufficiently material to warrant disclosure.

### NOTE 9: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Phylogica has a research services contract with the Telethon Kids Institute. If this contract was to be terminated, Phylogica would be responsible to reimburse the Telethon Kids Institute for the payout of severance and annual leave for the staff terminated as a consequence of the terminated contract.

At 31 December it was estimated this cost would be \$443,838 for 23 employees.

There are no contingent assets.

Notes to the Condensed Consolidated Financial Statements (Cont.)  
For the half year ended 31 December 2015

**NOTE 10: LOSS PER SHARE**

**Basic loss per share**

The calculation of basic loss per share for the six months ended 31 December 2015 was based on the loss attributable to ordinary shareholders of \$745,310 (six months ended 31 December 2014: \$134,913) and a weighted average number of ordinary shares outstanding during the six months ended 31 December 2015 of 1,002,069,367 (six months ended 31 December 2014: 1,002,069,367), calculated as follows:

	Half Year to	
	31 Dec 2015	31 Dec 2014
	\$	\$
<b>(i) Loss attributable to ordinary shareholders:</b>		
Loss for the period:		
Basic loss	(745,310)	(134,913)
<b>(ii) Weighted average number of ordinary shares:</b>		
Number of ordinary shares at 30 June	1,002,069,367	1,002,069,367
Effect of shares issued	381,609,978	-
Weighted average number of ordinary shares at 31 December	1,383,679,345	1,002,069,367

**NOTE 11: EMPLOYEE BENEFITS**

**(i) Details of total employee benefits as at balance date:**

	31 Dec 2015	30 June 2015
	\$	\$
<b>Current</b>		
Liability for annual leave	207,939	209,765
Liability for long service leave	119,432	114,009
<b>Non-Current</b>		
Liability for long service leave	-	-
Total employee benefits	327,371	323,774

**(ii) Share based payments:**

The following share based payments were raised during the six months to 31 December 2015:

Security	Grant Date	Share Based Expense
15,000,000 Loan funded shares	24 November 2011	22,863
6,500,000 Unquoted options	27 November 2014	1,650
27,093,750 Unquoted options	23 September 2014	7,848
		32,361

**(iii) Fair value of share options and assumptions for the six months ended 31 December 2015:**

No options were granted as remuneration during the half year ended 31 December 2015.

**(iv) Loan funded share plan:**

No loan funded shares were granted as remuneration during the half year ended 31 December 2015.

**NOTE 12: KEY MANAGEMENT PERSONNEL EXPENSE**

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and equity compensation benefits. Key management personnel received total compensation of \$398,477 for the six months ended 31 December 2015 (six months ended 31 December 2014: \$434,822).



# Notes to the Condensed Consolidated Financial Statements (Cont.)

## For the half year ended 31 December 2015

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### NOTE 13: RELATED PARTIES

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the 30 June 2015 annual financial statements.

### NOTE 14: FINANCIAL INSTRUMENTS

The Directors consider that the carrying value of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

### NOTE 15: COMMITMENTS

	31 Dec 2015	30 June 2015
	\$	\$
Payable within one year	160,000	125,000
Payable after one year but not more than five years	55,000	55,000
	<u>215,000</u>	<u>180,000</u>

#### Research Collaboration Commitment:

Phylogica is collaborating on a project with the University of Queensland. Phylogica has a cash contribution payable to the University of Queensland over three years. The contribution outstanding for this collaboration is \$180,000, with \$125,000 due within one year.

Phylogica is collaborating on a project with the Olivia Newton-John Cancer Research Institute. Phylogica has a cash contribution of \$35,000 remaining to be paid for this collaboration by 30 June 2016.

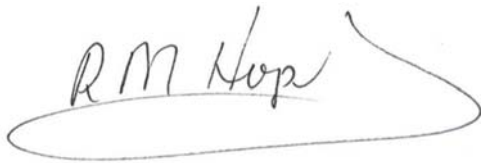
## Directors' Declaration

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In the opinion of the directors of Phylogica Limited and its controlled entity (the Company):

1. the financial statements and notes set out on pages 7 to 15 are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the financial position of the Group as at 31 December 2015 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink that reads "R M Hopkins". The signature is written in a cursive style and is enclosed within a large, hand-drawn oval shape.

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Dr Richard Hopkins  
Director

Perth  
26 February 2016

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Phylogica Limited

### Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Phylogica Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Phylogica Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*HLB Mann Judd*

**HLB Mann Judd**  
**Chartered Accountants**



**M R W Ohm**  
**Partner**

**Perth, Western Australia**  
**26 February 2016**