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PHYLOGICA LIMITED

ACN 098 391 961

NOTICE OF ANNUAL GENERAL MEETING

TIME: 2:00 pm WST

DATE: Thursday, 27th November 2014

PLACE: Seminar Room, Telethon Kids Institute
100 Roberts Road
Subiaco WA 6008

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9286 1219.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 2:00 pm on 27th November 2014 at:
Seminar Room, Telethon Kids Institute, 100 Roberts Road, Subiaco WA 6008

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00 pm (WST) on 25th November 2014.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2014 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report, as contained in the Company's annual financial report for the financial year ended 30 June 2014."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement: A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **Voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) the Voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

2. RESOLUTION 2 – DIRECTOR'S REMUNERATION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of clause 13.8 of the Constitution, ASX Listing Rule 10.17 and for all other purposes, Shareholders approve the maximum total aggregate fixed sum per annum to be paid to non-executive Directors be set at \$300,000 to be paid in accordance with the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a Director and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

3. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. RESOLUTION 4 – ELECTION OF DIRECTOR – DR BERNARD HOCKINGS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Dr Bernard Hockings, a Director who was appointed by the Board on 23 January 2014, retires, and being eligible, is elected as a Director.”

5. RESOLUTION 5 – RE-ELECTION OF DIRECTOR – DR DOUG WILSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.2 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Dr Doug Wilson, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

6. **RESOLUTION 6 – RE-ELECTION OF DIRECTOR – MR JEREMY CURNOCK COOK**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.2 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Jeremy Curnock Cook, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

7. **RESOLUTION 7 – ADOPTION OF EMPLOYEE SHARE OPTION PLAN**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled Employee Share Option Plan and for the issue of securities under that Plan, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

8. **RESOLUTION 8 – ISSUE OF ESOP OPTIONS TO RELATED PARTY - DR RICHARD HOPKINS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to Resolution 7, pursuant to the rules of the Employee Share Option Plan and in accordance with ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue 6,500,000 Options to Dr Richard Hopkins (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

ASX Voting Exclusion: The Company will disregard any votes cast on this Resolution by Dr Richard Hopkins (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Dated: 16th October 2014

By order of the Board



**Graeme R Boden
Company Secretary**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2014 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.phylogica.com.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

2.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

If you appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member as your proxy

You must direct your proxy how to vote on this Resolution. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

If you appoint the Chair as your proxy (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member).

You ***do not*** need to direct your proxy how to vote on this Resolution. However, if you do not direct the Chair how to vote, ***you must mark the acknowledgement on the Proxy Form to expressly authorise the Chair to exercise his/her discretion in exercising your proxy even though this Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.***

If you appoint any other person as your proxy

You ***do not*** need to direct your proxy how to vote on this Resolution, and you ***do not*** need to mark any further acknowledgement on the Proxy Form.

3. RESOLUTION 2 – DIRECTORS' REMUNERATION

Clause 13.7 of the Constitution requires that the total aggregate fixed sum per annum to be paid to the Directors (excluding salaries of executive Directors) from time to time will not exceed the sum determined by the Shareholders in general meeting and the total aggregate fixed sum will be divided between the Directors as the Directors shall determine and, in default of agreement between them, then in equal shares.

ASX Listing Rule 10.17 provides that if a non-executive director is paid, he or she must be paid a fixed sum.

The total aggregate fixed sum per annum to be paid to the non-executive Directors is currently \$200,000, set in mid 2004. Resolution 2 seeks Shareholder approval to increase the total aggregate fixed sum per annum to be paid to the non-executive Directors by \$100,000 to \$300,000.

The total amount of Directors' fees payable includes superannuation contributions made by the Company for the benefit of non-executive directors and any fees which a non-executive Director agrees to sacrifice on a pre-tax basis.

Subject to the passing of Resolution 2, the Company proposes to pay non-executive Directors a total of \$201,400 in Directors' fees for the 2014/2015 financial year.

The total aggregate fixed sum per annum has been determined after reviewing similar companies listed on ASX and the Directors believe that this level of remuneration is in line with corporate remuneration of similar companies. There is no present intention to appoint additional directors, nor to increase the level of fees paid to directors, but the new limit has been set to allow this to happen if it is considered appropriate.

No issue of Securities has been made to Directors under either Listing Rule 10.11 or 10.14 in the 12 month period prior to the General Meeting.

4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY – SHARES

4.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 3, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in section 4.2 below).

The effect of Resolution 3 will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 3 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

4.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation, at a price of 1.6 cents, of \$15,031,041.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has two classes of quoted Equity Securities on issue, being:

- (a) Shares (ASX Code: PYC); and
- (b) Options expiring 30 June 2016 (ASX Code: PYCOA).

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
- (ii) plus the number of partly paid shares that became fully paid in the previous 12 months;
- (iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and
- (iv) less the number of Shares cancelled in the previous 12 months.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

4.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 3:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in section 4.3(b), the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

(10% Placement Capacity Period).

(c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement

Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A2)	Dilution			
	Issue Price (per Share)	\$0.008 50% decrease in Issue Price	\$0.016 Issue Price	\$0.032 100% increase in Issue Price
1,002,069,367 (Current Variable A)	Shares issued - 10% voting dilution	100,206,937 Shares	100,206,937 Shares	100,206,937 Shares
	Funds raised	\$801,655	\$1,603,311	\$3,206,622
1,503,104,051 (50% increase in Variable A)	Shares issued - 10% voting dilution	150,310,405 Shares	150,310,405 Shares	150,310,405 Shares
	Funds raised	\$1,202,483	\$2,404,966	\$4,809,933
2,004,138,734 (100% increase in Variable A)	Shares issued - 10% voting dilution	200,413,873 Shares	200,413,873 Shares	200,413,873 Shares
	Funds raised	\$1,603,311	\$3,206,622	\$6,413,244

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 1,002,069,367 existing Shares as at the date of this Notice of Meeting.
2. The issue price set out above is the closing price of the Shares on the ASX on 23 September 2014.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.

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9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised to fund its research and development programmes; or
- (ii) as non-cash consideration for acquisition of complementary technologies. In such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) **Allocation policy under the 10% Placement Capacity**

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) **Previous approval under ASX Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 28th November 2013 (**Previous Approval**).

The Company has not issued any Equity Securities pursuant to the Previous Approval.

During the 12 month period preceding the date of the Meeting, being on and from 27th November 2013, the Company otherwise issued a total of 421,336,869 Shares which represents approximately 72.5% of the total diluted number of Equity Securities on issue in the Company on 27th November 2013, which was 580,732,498.

Further details of the issues of Equity Securities by the Company during the 12 month period preceding the date of the Meeting are set out in Schedule 1.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

4.4 **Voting Exclusion**

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 3.

5. **RESOLUTION 4 – ELECTION OF DIRECTOR – DR BERNARD HOCKINGS**

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to clause 13.4 of the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Dr Bernard Hockings, having been appointed on 23 January 2014 will retire in accordance with clause 13.4 of the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

Dr Hockings is an Interventional Cardiologist in Private Practice in Western Australia and is a Clinical Associate Professor in Medicine at the University of Western Australia. Previously he was Director of the Coronary Care Unit at Royal Perth Hospital, Chairman

of the Medical Advisory Committee at the Mount Hospital and Director of Health Reserves (WA) for the Royal Australian Air Force. Dr Hockings has a lifelong interest in medical research. His Doctoral Thesis involved Vasodilator Therapy in the treatment of Heart Failure. He has been closely involved with clinical teaching throughout his career. Dr Hockings is now a major shareholder in Phylogica.

The Directors, other than Dr Hockings, unanimously recommend his re-election to Shareholders.

6. RESOLUTIONS 5 AND 6 – RE-ELECTION OF DIRECTORS – DR DOUG WILSON AND MR JEREMY CURNOCK COOK

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 year, whichever is the longer.

Clause 13.2 of the Constitution provides that:

- (a) at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election;
- (b) The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots;
- (c) A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election; and
- (d) In determining the number of Directors to retire, no account is to be taken of:
 - (i) a Director who only holds office until the next annual general meeting pursuant to clause 13.4 of the Constitution; and/ or
 - (ii) a Managing Director,

each of whom are exempt from retirement by rotation. However, if more than one Managing Director has been appointed by the Directors, only one of them (nominated by the Directors) is entitled to be excluded from any determination of the number of Directors to retire and/or retirement by rotation.

The Company currently has 4 Directors to whom this condition applies and accordingly 2 must retire.

Dr Doug Wilson and Mr Jeremy Curnock Cook, the Directors longest in office since their last election, retires by rotation and seeks re-election.

Mr Curnock Cook is an experienced entrepreneur, fund manager, executive and non-executive director in the life science sector. Mr Curnock Cook is currently Executive Chairman of International Bioscience Managers Limited. He was formerly the head of the life science private equity team at Rothschild Asset Management in the UK and an active investor in the Australian life science sector. At Rothschild, Mr Curnock Cook was responsible for the launch of the first dedicated biotechnology fund for the Australian market. Over his 40-year career, Mr Curnock Cook has specialised in

creating value in emerging biotech enterprises, through active participation with management. He has served on over 40 Boards in various roles, including Chairman, of private and public biotechnology companies listed on NASDAQ, LSE, TSX and ASX.

Dr Wilson is a New Zealand medical graduate with post graduate experience in London at St Thomas Hospital Medical School, and at Walter and Eliza Hall Institute Melbourne. Dr Wilson joined the international pharmaceutical industry and became Senior Vice president for Boehringer Ingelheim for Medicine and Regulatory Affairs in the USA, responsible for all dealings with FDA. He moved to Ingelheim and had the same responsibilities world-wide. Dr Wilson headed the company's International Labelling Committee, deputy head of the International Medical Committee which oversaw all drugs in clinical development globally. During his tenure he saw ten drugs approved in the USA.

The Directors, other than Dr Wilson with respect to Resolution 4 and Mr Curnock Cook with respect to Resolution 5, unanimously recommend the re-election of Dr Wilson and Mr Curnock Cook to Shareholders.

7. RESOLUTION 7 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN

Resolution 7 seeks Shareholder approval for the adoption of the employee incentive scheme titled Employee Share Option Plan (**ESOP**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 7 is passed, the Company will be able to issue Options under the ESOP to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that no Options have previously been issued under the ESOP. Options have been issued under two previous ESOPs, but, so far, none have been converted to Shares. The only Options issued under previous ESOPs which have not expired unexercised are 8,250,000 Options exercisable at 3.5 cents each on or before 31st March 2015.

The objective of the Plan is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Plan and the future issue of Shares under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company. The Company intends to apply for the necessary ASIC relief in order to allow select casual employees or contractors of the Company (or any subsidiary) nominated by the Board to participate in the ESOP.

Any future issues of Options under the ESOP to a related party or a person whose relationship with the Company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

A summary of the terms and conditions of the ESOP is set out in Schedule 2. In addition, a copy of the ESOP is available for inspection by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the ESOP

can also be sent to Shareholders upon request to the Company Secretary, Mr Graeme Boden. Shareholders are invited to contact the Company if they have any queries or concerns in relation to the ESOP.

8. RESOLUTION 8 – ISSUE OF ESOP OPTIONS TO RELATED PARTY - DR RICHARD HOPKINS

8.1 General

The Company has agreed, subject to obtaining Shareholder approval for the proposed Employee Share Option Plan pursuant to Resolution 7, to issue a total of 6,500,000 Options under the Company's Employee Share Option Plan (**ESOP Options**) to Dr Richard Hopkins (**Related Party**) on the terms and conditions set out below.

The ESOP Options are to be issued pursuant to the Employee Share Option Plan to be approved by Share holders in Resolution 7 of this Explanatory Statement.

The number of ESOP Options to be issued to Dr Richard Hopkins for his ongoing commitment and contribution to the Company in his role as Chief Executive Officer is set out below:

Related Party	ESOP Options
Dr Richard Hopkins	6,500,000

The ESOP Options to be issued to Dr Richard Hopkins will have an exercise price of \$0.025 and an expiry date of 5:00 pm (WST) on 23 September 2017. The ESOP Options will vest in two tranches:

- (a) 3,700,000 of the ESOP Options will not vest until 28 February 2015 ; and
- (b) 2,800,000 of the ESOP Options will not vest until the Company's share price reaches 6 cents, as measured on 5 day Volume Weighted Average basis.

8.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The grant of ESOP Options to the Related Party constitutes giving a financial benefit and Dr Richard Hopkins is a related party of the Company by virtue of being a Director.

The Directors (other than Dr Richard Hopkins who has a material personal interest in the Resolution) consider that the issue of the ESOP Options to Dr Richard Hopkins falls within the exception in Section 211 of the Corporations Act, and accordingly, Shareholder approval is not required for the purpose of Section 208 of the Corporations Act.

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8.3 ASX Listing Rule 10.11

ASX Listing Rule 10.14 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

The grant of the ESOP Options to Dr Richard Hopkins pursuant to this Resolution 8 is an issue of securities to a director under an employee incentive scheme and consequently shareholder approval is required for the purposes of ASX Listing Rule 10.14.

8.4 Technical information required by ASX Listing Rule 10.15

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.15, the following information is provided in relation to the proposed issue of the ESOP Options:

- (a) the related party is Dr Richard Hopkins and he is a related party by virtue of being Director;
- (b) the maximum number of ESOP Options (being the nature of the financial benefit being provided) to be granted to the Related Party is 6,500,000 Options;
- (c) the ESOP Options will be granted to the Related Party no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the ESOP Options will be issued on one date;
- (d) the ESOP Options will be issued for nil cash consideration, accordingly no funds will be raised;
- (e) the ESOP Options to be issued to the Related Party will have an exercise price of \$0.025 and an expiry date of 5:00 pm (WST) on 23 September 2017, and will vest in two tranches:
 - (i) 3,700,000 of the ESOP Options will not vest until 28 February 2015 ; and
 - (ii) 2,800,000 of the ESOP Options will not vest until the Company's share price reaches 6 cents, as measured on 5 day Volume Weighted Average basis;
- (f) the terms and conditions of the ESOP Options are outlined in Schedule 3;
- (g) the value of the ESOP Options and the pricing methodology is set out in Schedule 4;
- (h) any person who is an Executive Director of the Company (or any subsidiary) or a full or part time employee of the Company (or any subsidiary) is entitled to participate in the ESOP and, if the Company obtains the necessary ASIC relief, select casual employee's or contractor's of the Company (or any subsidiary) nominated by the Board to participate in the ESOP;
- (i) as at the date of this Notice of Meeting, no ESOP Options have been issued related parties of the Company under the ESOP (as the ESOP is to be approved under Resolution 7);

(j) no loan will be provided in respect of the issue of the ESOP Options as they are being issued to Dr Richard Hopkins in consideration for services provided, or to be provided, to the Company;

(k) the relevant interests of the Related Party in securities of the Company is set out below:

Related Party	Shares	Options
Dr Richard Hopkins	16,487,611	504,262 ¹

¹ Options exercisable at \$0.09 each on or before 30 June 2016.

(l) the remuneration and emoluments from the Company to the Related Party for both the current financial year and previous financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Dr Richard Hopkins	\$318,699 (min) \$384,324 (max)	\$339,583

(m) if the ESOP Options granted to the Related Party are exercised, a total of 6,500,000 Shares would be allotted and issued. This would increase the number of Shares on issue from 1,002,069,367 to 1,008,569,367 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

Related Party	Issued Shares as at the date of this Notice of Meeting	ESOP Options to be issued	Issued Shares upon exercise of all ESOP Options	Dilutionary Effect upon exercise of ESOP Options
Dr Richard Hopkins	1,002,069,367	6,500,000	1,008,569,367	0.64 %

(n) the market price for Shares during the term of the ESOP Options would normally determine whether or not the ESOP Options are exercised. If, at any time the ESOP Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the ESOP Options, there may be a perceived cost to the Company;

(o) the trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price (cents)	Date
Highest	\$0.039	6 March, 18 March 2014
Lowest	\$0.010	16 May 2014
Last	\$0.015	16 October 2014

(p) the primary purpose of the grant of the ESOP Options to the Related Party is to provide a performance linked incentive component in the remuneration package for the Related Party to motivate and reward the performance of the Related Party in their respective roles as Directors;

(q) Dr Richard Hopkins declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of

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the Resolution on the basis that he is to be granted ESOP Options in the Company should Resolution 8 be passed.

- (r) with the exception of Dr Richard Hopkins, no other Director has a personal interest in the outcome of Resolutions 8;
- (s) the Directors (other than Dr Richard Hopkins) unanimously recommend that Shareholders vote in favour of Resolution 8 for the following reasons:
 - (i) the grant of ESOP Options to the Related Party will align the interests of the Related Party with those of Shareholders;
 - (ii) the grant of the ESOP Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Party; and
 - (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the ESOP Options upon the terms proposed;
- (t) in forming their recommendations, each Director considered the experience of each other Related Party, the current market price of Shares, the current market practices when determining the number of ESOP Options to be granted as well as the exercise price and expiry date of those ESOP Options; and
- (u) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 8.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the ESOP Options to the Related Party as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of ESOP Options to the Related Party will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in section 4.1 of the Explanatory Statement.

Annual General Meeting or Meeting means the meeting convened by the Notice.]

ASIC means the Australian Securities & Investments Commission.

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

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

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.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Phylogica Limited (ACN 098 391 961).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Employee Share Option Plan or ESOP or Plan means the employee share option plan the subject of Resolution 7 and as summarised in Schedule 2.

ESOP Option has the meaning given to that term in section 8.1 with the terms and conditions set out in Schedule 3.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option or ESOP Option as the context requires.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2014.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

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

Shareholder means a registered holder of a Share.

Variable A means "A" as set out in the calculation in section 4.2 of the Explanatory Statement.

WST means Western Standard Time as observed in Perth, Western Australia.

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SCHEDULE 1 – ISSUES OF EQUITY SECURITIES SINCE 27TH NOVEMBER 2013

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) ¹	Form of consideration
Issue – 2 December 2013	20,509,122 13,672,748	Shares ² Options ³	Converting note holder	Shares: \$0.014 Options: Free attaching	Conversion of the balance of 2,338 converting notes issued November 2012. Amount raised at issue of notes \$287,128 Amount spent \$287,128 Use of Funds as below Amount remaining = nil
Issue – 9 January 2014 Eligible shareholders (and underwriter shortfall) accepting entitlements pursuant to an entitlement issue prospectus dated 25 November 2013	400,827,733	Shares ²	Eligible shareholders and the underwriter to the entitlement issue	\$0.015	Cash Amount raised = \$6,012,416 Amount spent = \$3,223,745 Use of funds = Scientist salaries and laboratory costs, administration, business development and general working capital Amount remaining = \$2,788,671 Proposed use of remaining funds ⁴ as above

Notes:

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. Fully paid ordinary shares in the capital of the Company, ASX Code: PYC (terms are set out in the Constitution).
3. Listed options exercisable at \$0.09 per share on or before 30 June 2016, ASX Code: PYCOA.
4. This is a statement of current intentions as at the date of this Notice. 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 the funds are applied on this basis.

SCHEDULE 2 – SUMMARY OF EMPLOYEE SHARE OPTION PLAN

The material terms and conditions of the ESOP are as follows:

- (a) **Eligibility and Grant of Plan Options:** The Board may grant ESOP Options to any full or part time employee or executive Director of the Company or an associated body corporate or subject to, and in accordance with, any necessary ASIC relief being obtained, a casual employee or contractor the Company or any or an associated body corporate (**Eligible Participant**). ESOP Options may be granted by the Board at any time.
- (b) **Consideration:** Each ESOP Option issued under the ESOP will be issued for nil cash consideration.
- (c) **Conversion:** Each ESOP Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.
- (d) **Exercise Price and Expiry Date:** The exercise price and expiry date for ESOP Options granted under the Plan will be determined by the Board prior to the grant of the ESOP Options.
- (e) **Exercise Restrictions:** The ESOP Options granted under the ESOP may be subject to conditions on exercise as may be fixed by the Directors prior to grant of the Plan Options (**Exercise Conditions**). Any restrictions imposed by the Directors must be set out in the offer for the ESOP Options.
- (a) **Renounceability:** Eligible Participants may renounce their offer in favour of a nominee (the Eligible Participants and their nominees are each **Participants**).
- (f) **Lapsing of ESOP Options:** Subject to the terms of the offer made to a Participant, an unexercised ESOP Option will lapse:
- (i) on the Eligible Participant ceasing employment with the Company and:
 - (A) any Exercise Conditions have not been met by the date the Relevant Person ceases to be an Eligible Participant (**Ceasing Date**); or
 - (B) where any Exercise Conditions have been met by the Ceasing Date or the ESOP Option is not subject to any Exercise Conditions, the Participant does not exercise the ESOP Option within a period of six (6) months after the Ceasing Date (or a further date as determined by the Board after the Ceasing Date);
 - (ii) if any Exercise Condition is unable to be met; or
 - (iii) the expiry date has passed.
- (g) **Share Restriction Period:** Shares issued on the exercise of ESOP Options may be subject to a restriction that they may not be transferred or otherwise dealt with until a restriction period has expired, as specified in the offer for the ESOP Options.
- (h) **Disposal of Options:** Plan Options will not be transferable and will not be quoted on the ASX, unless the offer provides otherwise or the Board in its absolute discretion approves.
- (i) **Trigger Events:** The Company may permit ESOP Options to be exercised in certain circumstances where there is a change in control of the Company (including by takeover) or entry into a scheme of arrangement.
- (j) **Participation:** There are no participating rights or entitlements inherent in the ESOP Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the ESOP Options.
- (k) **Change in exercise price:** An ESOP Option will not confer a right to a change in exercise price or a change in the number of underlying Shares over which the ESOP Option can be exercised.

(l) **Reorganisation:** If at any time the capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

(m) **Limitations on Offers:** The Company must take reasonable steps to ensure that the number of Shares to be received on exercise of ESOP Options offered under an offer when aggregated with:

- (i) the number of Shares that would be issued if each outstanding offer for Shares, units of Shares or options to acquire Shares under the ESOP or any other employee share scheme of the Company were to be exercised or accepted; and
- (ii) the number of Shares issued during the previous 5 years from the exercise of Plan Options issued under the ESOP (or any other employee share plan of the Company extended only to Eligible Participants),

does not exceed 5% of the total number of Shares on issue at the time of an offer (but disregarding any offer of Shares or option to acquire Shares that can be disregarded in accordance with ASIC Class Order 03/184).

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SCHEDULE 3 – TERMS AND CONDITIONS OF RELATED PARTY ESOP OPTIONS

The material terms of the ESOP Options are as follows:

- (a) Each ESOP Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each ESOP Option, the Optionholder must exercise the ESOP Options in accordance with the terms and conditions of the ESOP Options.
- (b) The ESOP Options will expire on the dates as set out in Section 8.4(e) of the Notice of Annual General Meeting (**ESOP Expiry Date**). Any ESOP Option not exercised before the ESOP Expiry Date will automatically lapse on the ESOP Expiry Date.
- (c) ESOP Options, unless otherwise determined by the Board, that have been issued to, but not yet vested with, the Optionholder will automatically lapse when the Optionholder ceases employment with the Company, other than if the Optionholder ceases employment through retirement, total and permanent disablement, redundancy or death in which case the Optionholder may exercise the options within 3 months of the date of retirement, total and permanent disablement, redundancy or death.
- (d) ESOP Options, unless otherwise determined by the Board, that have been issued to, and vested with, the Optionholder will automatically lapse within one month of the Optionholder ceasing employment with the Company, other than if the Optionholder ceases employment through retirement, total and permanent disablement, redundancy or death in which case the Optionholder may exercise the options at any time prior to the Expiry Date.
- (e) The amount payable upon exercise of each ESOP Option will be two and one half cents (\$0.025) per share (**ESOP Exercise Price**).
- (f) The ESOP Options will vest with the Optionholder under the following conditions ;
- (i) 3,700,000 of the options granted will vest on 28th February 2015
 - (ii) 2,800,000 of the options granted will vest if the volume weighted average price reaches six cents (\$0.06) per share for any consecutive twenty days on which Phylogica shares trade on the ASX.
- (g) The ESOP Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (h) An Optionholder may exercise their ESOP Options by lodging with the Company, before the Expiry Date:
- (i) a written notice of exercise of ESOP Options specifying the number of ESOP Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the ESOP Exercise Price for the number of ESOP Options being exercised,
- (Exercise Notice)**.
- (i) An Exercise Notice is only effective when the Company has received the full amount of the ESOP Exercise Price in cleared funds.
- (j) Within 10 Business Days of receipt of the Exercise Notice accompanied by the ESOP Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of ESOP Options specified in the Exercise Notice.
- (k) The ESOP Options are not transferable.
- (l) All Shares allotted upon the exercise of ESOP Options will upon allotment rank pari passu in all respects with other Shares.

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- (m) The Company will not apply for quotation of the ESOP Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of ESOP Options on ASX within 10 Business Days after the date of allotment of those Shares.
 - (n) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
 - (o) There are no participating rights or entitlements inherent in the ESOP Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the ESOP Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their ESOP Options prior to the date for determining entitlements to participate in any such issue.

An ESOP Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the ESOP Option can be exercised.

SCHEDULE 4 – VALUATION OF ESOP OPTIONS

The ESOP Options to be issued to the Related Party pursuant to Resolution 8 have been valued by internal management.

Using the Black & Scholes option pricing model and based on the assumptions set out below, the ESOP Options were ascribed the following value:

Assumptions:	
Valuation date	<i>23 September 2014</i>
Market price of Shares	<i>1.6 cents</i>
Exercise price	<i>2.5 cents</i>
Expiry date	<i>23 September 2017</i>
Risk free interest rate	<i>2.87%</i>
Volatility	<i>100%</i>
Discount for non-negotiability	<i>20%</i>
Indicative value per ESOP Option	<i>0.694 cents</i>
Total Value of ESOP Options to Dr R Hopkins	<i>\$45,110</i>

Note: The valuation noted above is not necessarily the market price that the ESOP Options could be traded at and is not automatically the market price for taxation purposes.

**PROXY FORM
PHYLOGICA LIMITED ACN 098 391 961
ANNUAL GENERAL MEETING**

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 2:00 pm (WST), on 27th November 2014 at the Seminar Room, Telethon Kids Institute, 100 Roberts Road, Subiaco WA 6008, and at any adjournment thereof.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1, 2, 7 and 8 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 2, 7 and 8 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Director's Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Election of Director – Dr Bernard Hockings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Re-Election of Director – Dr Doug Wilson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Re-Election of Director – Mr Jeremy Curnock Cook	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Adoption of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Issue of ESOP Options To Related Party - Dr Richard Hopkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

Consent for contact by e-mail in relation to this Proxy Form: YES NO

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Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Phylogica Limited, 15 Lovegrove Close, Mount Claremont WA 6010; or
 - (b) facsimile to the Company on facsimile number (+61 8)/(08) 9284 3801; or
 - (c) email to the Company at anzel.dutoit@bigpond.com,so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.