



Appendix 4C

Quarterly Report 31 December 2010

The following information is provided relating to matters after the 31 December 2010.

Phylogica has received or is due to receive payments totalling US\$0.94 million (AU\$0.94 million) in January 2011 under the terms of its agreements with Pfizer, MedImmune and Roche. The inclusion of these proceeds increases the Company's pro-forma net cash at 31 December to AU\$2.7 million. A breakdown of the payments is shown below:

- **Pfizer (US\$500,000):** Phylogica announced a collaboration and licensing agreement with Pfizer on 20 December 2010 to discover novel peptide-based vaccines from Phylogica's Phylomer® libraries. As reported, the agreement included an upfront payment of US\$0.5 million, which was received in January 2011.
- **MedImmune (US\$375,000):** Phylogica announced the formal commencement of research work with MedImmune to evaluate the Phylomer libraries for novel antimicrobial peptides on 2 November 2010. As reported, a committed payment of US\$375,000 for research funding was due in January 2011.
- **Roche (US\$65,000):** Phylogica announced the completion of the first stage of its collaboration with Roche to identify novel cell-penetrating Phylomer peptides on 21 October 2010. As reported, the next stage of the partnership will be determined pending the outcome of Roche's review of the data. Phylogica has been assisting Roche and, as a result, received a reimbursement payment of US\$65,000 in January 2011.

Phylogica's Directors anticipate additional income before the end of the current quarter based on a successful outcome from one or more of the Company's numerous revenue opportunities. As previously reported, Phylogica is in discussions with Roche regarding the next stage of the collaboration and with other major pharmaceutical companies regarding new partnerships. Over the last 12 months, the Company has received payments of approximately AU\$2.5 million from its drug discovery partnerships with Pfizer, MedImmune and Roche.



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NOTES FOR EDITORS

About Phylogica

Phylogica Limited (ASX: PYC) is biotechnology company based in Perth, Australia and Oxford UK, with a world-class drug discovery platform harnessing the rich biodiversity of nature to discover novel peptide therapeutics. The Company was incorporated in 2001 as a spin out from the Telethon Institute for Child Health Research (Perth, Australia) and the Fox Chase Cancer Center (Philadelphia, USA). Phylogica's strategy is to accelerate cash sustainability by focusing on collaborative drug discovery partnerships. The Company's Phylomer[®] libraries have been optimised by natural evolutionary selection for peptides with stable drug-like structures. The unique qualities of Phylogica's Phylomer libraries are validated by its partnerships with Roche, MedImmune (the worldwide biologics unit of AstraZeneca) and Pfizer.

About Phylomer[®] Peptides

Phylomer peptides are derived from biodiverse natural sequences, which have been selected by evolution to form stable structures, which can bind tightly, and specifically to disease associated target proteins, both inside and outside cells. Suitable targets for blockade by Phylomers include protein interactions that promote multiple diseases, such as infectious diseases, cancer, autoimmunity, and heart disease. Phylomer peptides can have drug-like properties, including specificity, potency and thermal stability, and are capable of being produced by synthetic or recombinant manufacturing processes. Phylomer peptides are also readily formulated for administration by a number of means, including parenteral or intranasal delivery approaches.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

PHYLOGICA LIMITED

ABN

48 098 391 961

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	-	1,215
1.2 Payments for		
(a) staff costs	(346)	(567)
(b) intellectual property	(42)	(99)
(c) research and development	(1,266)	(1,922)
(d) professional services	(181)	(312)
(e) other working capital	(32)	(65)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	30	40
1.5 Interest and other costs of finance paid	-	-
1.6 Taxes (paid)/rebate	87	143
1.7 Other (Grant receipts)	-	33
Net operating cash flows	(1,750)	(1,534)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,750)	(1,534)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(100)	(100)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other: cash from subsidiary acquisition	-	-
Net investing cash flows	(100)	(100)
1.14 Total operating and investing cash flows	(1,850)	(1,634)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	1,039	2,358
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (share issue costs)	(210)	(210)
Net financing cash flows	829	2,148
Net increase (decrease) in cash held	(1,021)	514
1.21 Cash at beginning of quarter/year to date	2,816	1,281
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	1,795	1,795

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	226
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Payments to Executive Directors or associate and Non-Executive Directors. The breakdown of the amount is as follows:	
	Amount \$000
Directors fees	21
Salary – Executive Directors	189
Superannuation	<u>16</u>
	<u>226</u>

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,795	2,816
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,795	2,816

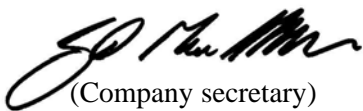
Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 28/01/2011

Print name:

GREGORY MACMILLAN

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.

+ See chapter 19 for defined terms.

- 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
- 9.2 - itemised disclosure relating to acquisitions
- 9.4 - itemised disclosure relating to disposals
- 12.1(a) - policy for classification of cash items
- 12.3 - disclosure of restrictions on use of cash
- 13.1 - comparative information