



# PHYLOGICA

BEYOND ANTIBODIES

9 August 2010

Ms Tonia Oliveira  
Issuers Adviser  
Australian Securities Exchange  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

By Facsimile: 9221 2020

Dear Tonia

I refer to your letter dated 3 August 2010 relating to the Appendix 4C lodged on 30 July 2010 and respond as follows.

1. The company believes it will have sufficient cash to fund its activities over the next two quarters. The company is currently in voluntary suspension pending signing of a collaboration agreement with a large pharmaceutical company, which will result in the company receiving funds of US\$1.5 million in guaranteed license and research funding. The agreement is expected to be signed in the next 3-4 days

The company continually monitors its financial position and where necessary steps can be taken to reduce the level of expenditure. The company also monitors the opportunity to raise funds if required and has been developing investor interest from international presentations in Europe and the United States over the last six months.

2. The company may have negative operating cash flows in the future depending on the level of activity being undertaken by the company at the time. Please refer to point 1 relating to the steps the company will take to ensure there are sufficient funds to continue its operations.
3. The actual revenue and expenses in the quarter were in line with the company's budget for the period.
4. Please refer to point 1 relating to the steps the company will take to continue to meet its business objectives.
5. The company confirms it is in compliance with the listing rules, including listing rule 3.1.

6. The company believes it is in compliance with listing rule 12.2 and that the company's financial position is adequate. Please refer to point 1 relating to matters that impact the company's financial position. The company believes that based the structure of the company's balance sheet, the relative size of its liabilities to assets, and the intellectual property it owns that it would be able to raise funds should they be required.

Yours sincerely



Greg MacMillan  
Company Secretary

For personal use only



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3 August 2010

Gregory MacMillan  
Company Secretary  
Phylogica Limited  
Level 22, 77 St Georges Tce  
PERTH WA 6000

By Email: [gmacmillan@australianheritage.com.au](mailto:gmacmillan@australianheritage.com.au)

Dear Gregory

**Phylogica Limited (the "Company")**

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 30 June 2010, released to ASX Limited ("ASX") on 30 July 2010, (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Nil receipts from customers.
2. Net negative operating cash flows for the quarter of \$[1,073,000].
3. Cash at end of quarter of \$1,286,000.

In light of the information contained in the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may not have sufficient cash to fund its activities for the next two quarters. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?
4. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?

5. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
6. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

### Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on facsimile number 9221 2020. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, **not later than 5 p.m. W.S.T. on Monday 9 August 2010.**

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

Yours sincerely,



Tonia Oliveira  
**Adviser, Issuers (Perth)**