
PHYLOGICA LIMITED

ACN 098 391 961

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 2.00 pm WST

DATE: Friday, 25 November 2016

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

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

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.

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 5.00pm WST on 23 November 2016.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 2.00 pm (WST) on 25 November 2016 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 5.00pm (WST) on 23 November 2016.

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.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9384 3284.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2016 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

2. 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 purposes 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 2016.”

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 either 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:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) 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 though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – 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 Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise 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 3 – RE-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 13.2 of the Constitution and for all other purposes, Dr Bernard Hockings, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

5. **RESOLUTION 4 – RE-ELECTION OF DIRECTOR – MS STEPHANIE UNWIN**

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, Ms Stephanie Unwin, a Director, appointed as an additional Director on 18 January 2016, retires, and being eligible, is re-elected as a Director.”

6. **RESOLUTION 5 – RE-ELECTION OF DIRECTOR – PROFESSOR PAUL WATT**

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, Professor Paul Watt, a Director, appointed as an additional Director on 12 September 2016, retires, and being eligible, is re-elected as a Director.”

7. **RESOLUTION 6 – ISSUE OF OPTIONS TO RELATED PARTY – MS STEPHANIE UNWIN**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 10,000,000 Options to Ms Stephanie Unwin (or her 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 Ms Stephanie Unwin (or her 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.

8. RESOLUTION 7 – ISSUE OF OPTIONS TO RELATED PARTY – PROFESSOR PAUL WATT

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 20,000,000 Options to Professor Paul Watt (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 Professor Paul Watt (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: 7 October 2016

By order of the Board



**Graeme 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 2016 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

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.

3. RESOLUTION 2 – APPROVAL OF 10% PLACEMENT CAPACITY– SHARES

3.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity (as defined below) may seek shareholder approval by special resolution passed at an annual general meeting to have the capacity to issue up to that number of Equity Securities (as defined below) equal to 10% of its issued capital (**10% Placement Capacity**) without using that company's existing 15% annual placement capacity granted under ASX Listing Rule 7.1.

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.

As at the date of this Notice, the Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$34,070,358 (based on the number of Shares on issue and the closing price of Shares on the ASX on 28 September 2016).

An Equity Security is a share, a unit in a trust, a right to a share or unit in a trust or option, an option over an issued or unissued security, a convertible security, or, any security that ASX decides to classify as an equity security.

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing class of quoted Equity Securities.

As at the date of this Notice, the Company currently has one class of quoted Equity Securities on issue, being the Shares (ASX Code: CMM).

If Shareholders approve Resolution 2, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

Resolution 2 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 2 for it to be passed.

3.2 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 2:

(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 3.2(a)(i), 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 2 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 market price of Shares and the number of Equity Securities on issue as at 27 September 2016.

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)	Issue Price (per Share)	Dilution		
		\$0.008 50% decrease in Issue Price	\$0.016 Issue Price	\$0.024 50% increase in Issue Price
2,004,138,734 (Current 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	\$4,809,933
3,006,208,101 (50% increase in Variable A)	Shares issued - 10% voting dilution	300,620,810 Shares	300,620,810 Shares	300,620,810 Shares
	Funds raised	\$2,404,966	\$4,809,933	\$7,214,899
4,008,277,468 (100% increase in Variable A)	Shares issued - 10% voting dilution	400,827,747 Shares	400,827,747 Shares	400,827,747 Shares
	Funds raised	\$3,206,622	\$6,413,244	\$9,619,866

*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 2,004,138,734 existing Shares on issue 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 27 September 2016.
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%.
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 for the further research and development of its Phylomer libraries and tools developed to discover therapeutic drugs from them and general working capital; or
- (ii) as non-cash consideration for the acquisition of new assets and investments. 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 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 25 November 2015 (**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 25 November 2015, the Company has not issued any Equity Securities under any other purpose.

(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.

3.3 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 2.

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – DR BERNARD HOCKINGS

4.1 General

The Constitution sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Dr Bernard Hockings, who has served as a director since 23 January 2014 and was last re-elected on 27 November 2014, retires by rotation and seeks re-election.

4.2 Qualifications and other material directorships

Dr Hockings retired as an Interventional Cardiologist in Private Practice in Western Australia in July 2016. He 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, Chair 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.

Dr Hockings has held no other Australian public company directorships in the last three years.

4.3 Independence

If elected the board does not consider Dr Bernard Hockings will be an independent director, because he is a substantial shareholder in the Company.

4.4 Board recommendation

The Board supports the re-election of Dr Bernard Hockings and recommends that Shareholders vote in favour of Resolution 3.

5. RESOLUTION 4 & 5 – ELECTION OF DIRECTORS – MS STEPHANIE UNWIN AND PROFESSOR PAUL WATT

5.1 General

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.

ASX Listing Rule 14.4 provides that a director appointed to fill a casual vacancy or as an addition to the board must not hold office (without re-election) past the next annual general meeting of the entity.

Pursuant to the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following annual 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.

Ms Stephanie Unwin, having been appointed by other Directors on 18 January 2016, and Professor Paul Watt, having been appointed by other Directors on 12 September 2016 in accordance with the Constitution, will both retire in accordance with the Constitution and ASX Listing Rule 14.4 and being eligible, seek election from Shareholders.

5.2 Qualifications and other material directorships

Ms Stephanie Unwin

Ms Unwin is currently an Executive General Manager, Commercial at Synergy - a role she has held since March 2014 which encompasses Strategy and Innovation; Corporate Development; Transformation and Continuous Improvement; Modelling and Analytics; Corporate Affairs; Policy and the Chief Engineer. Ms Unwin held the role of General Manager Strategy and Business Development with Verve Energy prior to its merger with Synergy on 1 January 2014.

Ms Unwin's background is in corporate law, and she previously worked with ASIC, Herbert Smith Freehills, Pullinger Readhead Stewart and Maxim Litigation Consultants before joining Verve Energy as its General Counsel and Company Secretary.

Ms Unwin is a former non-executive director of ASX/TSX listed entity Alacer Gold Corp (December 2001 to August 2013) and ASX listed entity Integra Mining Limited (November 2011 to January 2013). She is currently a director of Vinalco Energy Pty Ltd, Greenough River Solar Farm and Mumbida Wind Farm.

Ms Unwin has held no other Australian public company directorships in the last three years.

Professor Paul Watt

Adjunct Professor Watt is a founder of Phylogica and is the principal inventor of Phylogica's drug discovery technologies.

Prior to his appointment as a Non-Executive Director Professor Watt held the position of Chief Scientific Officer, from which he resigned, and will continue to provide strategic scientific services as Chief Scientific Advisor, on a part time contractual basis.

Professor Watt has published more than 55 peer reviewed papers, and has filed more than 24 patent applications many of which are granted in the US and Europe. Specialising in drug discovery biotechnology and experimental genetics, he has attracted over A\$9 million in research funding from Australia and the United States to develop the technology underpinning Phylogica.

Previously Professor Watt founded InfaMed Ltd, now owned by Cambridge, UK-based Avita Medical Ltd. They commercialised an FDA-approved / CE-marked paediatric drug delivery device that he invented, which is marketed internationally. He was appointed Adjunct Professor at the School of Paediatrics and Child Health at the University of Western Australia

and is now Director of Research Services and Innovation at the Telethon Kids Institute where Phylogica's discovery research is carried out.

Professor Watt carried out postdoctoral research in yeast genetics at Harvard and Oxford Universities, where he discovered and characterised proteins involved in maintaining genome stability. He has a DPhil in Molecular Biology from Oxford University and BSc (Hons) from the University of Western Australia.

Professor Watt has held no other Australian public company directorships in the last three years.

5.3 Independence

Ms Unwin and Professor Watt have no interests, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interest of the entity and its security holders generally.

If elected, the board considers Ms Unwin will be an independent director.

If elected, the board considers Professor Watt will not be an independent director because he has been an Executive of the Company within the last 3 years.

5.4 Board recommendation

The Board supports the re-election both of Ms Unwin and Professor Watt and recommends that Shareholders vote in favour of Resolutions 4 & 5.

6. RESOLUTION 6 & 7 – ISSUE OF OPTIONS TO RELATED PARTIES

6.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 30,000,000 Options (**Related Party Options**) to Ms Stephanie Unwin and Professor Paul Watt (**Related Parties**) on the terms and conditions set out below.

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 the Related Party Options constitutes giving a financial benefit and Ms Unwin and Professor Watt are related parties of the Company by virtue of being Directors.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Related Party Options to the Related Parties.

6.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Related Party Options:

- (c) the related parties are Ms Unwin and Professor Watt, and they are related parties by virtue of being Directors;

- (d) the maximum number of Related Party Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
- (i) 10,000,000 Related Party Options to Ms Unwin; and
 - (ii) 20,000,000 Related Party Options to Professor Watt;
- (e) the Related Party Options will be granted to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Options will be issued on one date;
- (f) the Related Party Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (g) the terms and conditions of the Related Party Options are set out in Schedule 1 (for Related Party Options to be issued to Ms Unwin) and Schedule 2 (for Related Party Options to be issued to Professor Watt);
- (h) the value of the Related Party Options and the pricing methodology is set out in Schedule 3;
- (i) the relevant interests of the Related Parties in securities of the Company are set out below:

Related Party	Shares
Ms Stephanie Unwin	-
Professor Paul Watt	23,517,197

- (j) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Ms Stephanie Unwin	\$70,000	\$25,866
Professor Paul Watt	\$310,945	\$239,808

- (k) if the Related Party Options granted to the Related Parties are exercised, a total of 30,000,000 Shares would be issued. This will increase the number of Shares on issue from 2,004,138,734 to 2,034,138,734 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 1.47%, comprising 0.49% by issue of 10,000,000 Options to Ms Unwin and 0.98% by issue of 20,000,000 Options to Dr Watt.

The market price for Shares during the term of the Related Party Options would normally determine whether or not the Related Party Options are exercised. As there is no exercise price for the Related Party Options, there may be a perceived cost to the Company on exercise of the Related Party Options. The Company has attached vesting conditions to the Options;

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

	Price	Date
Highest	1.9 cents	12,18 & 23 May 2016
Lowest	1.1 cents	14 & 15 March 2016
Last	1.5 cents	7 October 2016

- (m) the Board acknowledges the grant of Related Party Options to the Related Parties is contrary to Recommendation 8.2 of The Corporate Governance Principles and Recommendations with 2014 Amendments (3rd Edition) as published by The ASX Corporate Governance Council. However, the Board considers the grant of Related Party Options to the Related Parties is reasonable in the circumstances for the reason set out in paragraph(r);
- (n) the primary purpose of the grant of the Related Party Options to the Related Parties is to provide an incentive component in the remuneration package for the Related Parties to motivate and reward the performance of the Related Parties in their respective roles as Directors. The Company acknowledges that the Related Party Options have a nil exercise price and are therefore “in the money” upon issue.

With respect to the Related Party Options to be granted to Ms Unwin, part of the objective is to provide remuneration for the additional burden which she has assumed as Chair of the board in a time of significant management restructuring and strategic planning. The vesting conditions over two years are an incentive to remain with the Company during this phase of its development and the Directors (other than Ms Unwin) consider the benefit represented at present market prices is a reasonable reflection of reward for expected effort. The potential upside from share price increase is to further align her interests with increases in shareholder wealth.

With respect to the Related Party Options to be issued to Prof Watt, the vesting conditions are a 67% and a 277% increased on the recent share price and are offered as an incentive to remain as Chief Scientific Advisor and increase shareholder wealth substantially;

- (o) Ms Unwin declines to make a recommendation to Shareholders in relation to Resolution 6 due to her material personal interest in the outcome of the Resolution on the basis that she is to be granted Related Party Options in the Company should Resolution 6 be passed;
- (p) Professor Watt declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Options in the Company should Resolution 7 be passed;
- (q) with the exception of Ms Unwin (with regards to Resolution 6) and Professor Watt (with regards to Resolution 7), no other Director has a personal interest in the outcome of Resolutions 6 and 7;
- (r) the directors (other than, Ms Unwin in relation to Resolution 6, and Professor Watt in relation to Resolution 7) recommend that Shareholders vote in favour of Resolutions 6 and 7, for the reasons set out below:
 - (i) the grant of Related Party Options to the Related Parties will align the interests of the Related Parties with those of Shareholders;
 - (ii) the grant of the Related Party 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 Parties; 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 Related Party Options upon the terms proposed;
- (s) in forming their recommendations, each Director considered the experience of the Related Parties, the current market price of Shares, the current market practices when determining the number of Related Party Options to be granted as well as the exercise price, vesting conditions and expiry date of those Related Party Options; and

- (t) 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 Resolutions 6 and 7.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Options to the Related Parties 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 3.

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.

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.

Optionholder means a holder of an Option.

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

Proxy Form means the proxy form accompanying the Notice.

Related Party Option means an Option granted pursuant to Resolutions 6 and 7 with the terms and conditions set out in Schedules 1 and 2.

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 2016.

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

Section means a section of the Explanatory Statement.

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

Shareholder means a registered holder of a Share.

Option means an option to acquire a Share with the terms set out in Schedules 1 and 2.

Variable A means "A" as set out in the calculation in Section 3.

VWAP means Volume Weighted Average Price, calculated over the specified number of Business Days.

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

SCHEDULE 1 – RELATED PARTY OPTION TERMS AND CONDITIONS – MS STEPHANIE UNWIN

The Options will entitle the holders to subscribe for Shares on the following terms:

1. Each Option entitles the holder to subscribe for and be allotted one Share.
2. The Options have a nil exercise price (**Exercise Price**).
3. The Options will vest as follows:
 - (a) 3,333,333 (one third) of the Options granted will vest on issue;
 - (b) 3,333,333 (one third) of the Options granted will vest 30 November 2017; and
 - (c) 3,333,334 (one third) of the Options granted will vest 30 November 2018 (**Vesting Date**).
4. The Options shall expire at 5.00pm WST on 30 November 2019 (**Expiry Date**).
5. Options may be exercised at any time after the Vesting Date and on or before the Expiry Date.
6. Taxation of any discount arising in relation to the issue of the Options will be deferred until the Options are exercised.
7. Options not exercised on or before the Expiry Date will automatically lapse.
8. On an Option lapsing, all rights of the Option holder in respect of the Option cease and no consideration or compensation will be payable for or in relation to that lapse.
9. Following allotment of the Options, a transaction confirmation statement will be issued by the Company for the Options.
10. Subject to these conditions, Options may be exercised on or before the Expiry Date by the Option holder:
 - (a) lodging with the Company a Notice of Exercise signed by the Option holder for a parcel of not less than one thousand (1,000) except that if the Option holder holds less than one thousand (1,000) Options then such Options may be exercised; and
 - (b) paying the Company the Exercise Price in respect of the Options exercised.

An exercise of Options will only be valid and effective once the Company has received, in cleared funds, the full amount of the Exercise Price payable.
11. A Notice of Exercise, once lodged with the Company, is irrevocable and by giving a Notice of Exercise the Option holder:
 - (a) agrees to subscribe for that number of Shares equivalent to the number of Options exercised in the Notice of Exercise;
 - (b) agrees to be bound by the Constitution on the issue of Shares; and
 - (c) without limiting any other clause in these conditions, must pay the Exercise Price in respect of the Options exercised at the time the Notice of Exercise is lodged with the Company.
12. The Options may be exercised in whole or in part.
13. For each Option that is exercised, the Company must issue to the Option holder one Share, credited as fully paid and, within 10 Business Days (or such other period as is required by the Listing Rules) after the date of exercise of the Option, issue (or cause to be issued) to the Option holder a holding statement or other appropriate evidence of title for each Share that is issued.
14. If an Option holder exercises only some of the Options held, the Company must issue (or cause to be issued) a holding statement or other appropriate evidence of title for each remaining Option held by the Option holder.

15. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the rights of the Option holder will be treated in the manner prescribed by the ASX Listing Rules applying to reconstructions at that time.
16. If:
 - (a) a takeover bid within the meaning of the Corporations Act is made for the Shares and the bidder becomes entitled to compulsorily acquire Shares, any Options not exercised by the end of the bid period will lapse; or
 - (b) a court orders a meeting to be held in relation to a proposed scheme of arrangement under Part 5.1 of the Corporations Act in relation to the Company, which, if implemented, would result in a person having a relevant interest in at least 90% of Shares, any Options not exercised during the period that ends seven days after the date of the court order will lapse.
17. The options will not be listed on the ASX.
18. All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then existing Shares. The Company will apply for Official Quotation by the ASX of all Shares issued upon exercise of the Options.
19. There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, if from time to time on or prior to the Expiry Date the Company makes an issue of new Shares to Shareholders, the Company will announce the issue to ASX prior to the record date in accordance with the requirements of the ASX Listing Rules. This will give holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
20. There is no right to a change in the Exercise Price of the Options or to the number of Shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Options.
21. Options are not transferrable.
22. Unless otherwise authorised by Directors, vested Options which are not exercised within thirty days of cessation of employment, for whatever reason, will lapse.
23. Unless otherwise authorised by Directors, Options which have not vested at the date of cessation of employment will lapse.
24. These conditions will be interpreted and applied in a manner that is consistent with the Listing Rules. If any of these conditions are inconsistent with the requirements of the Listing Rules, they may be amended by the Company to comply with the Listing Rules. The Company will advise Option Holders of any such amendments.

SCHEDULE 2 – RELATED PARTY OPTION TERMS AND CONDITIONS – PROFESSOR PAUL WATT

The Options will entitle the holders to subscribe for Shares on the following terms:

1. Each Option entitles the holder to subscribe for and be allotted one Share.
2. The Options have a nil exercise price (**Exercise Price**).
3. The Options will vest as follows:
 - (a) 10,000,000 (one half) of the Options granted will vest when the 5 day VWAP of Shares reaches a price of \$0.03 per Share; and
 - (b) 10,000,000 (one half) of the Options granted will vest 5 day VWAP of Shares reaches a price of \$0.05 per Share (**Vesting Date**).
4. The Options shall expire at 5.00pm WST on 30 June 2018 (**Expiry Date**).
5. Options may be exercised at any time after the Vesting Date and on or before the Expiry Date.
6. Taxation of any discount arising in relation to the issue of the Options will be deferred until the Options are exercised.
7. Options not exercised on or before the Expiry Date will automatically lapse.
8. On an Option lapsing, all rights of the Option holder in respect of the Option cease and no consideration or compensation will be payable for or in relation to that lapse.
9. Following allotment of the Options, a transaction confirmation statement will be issued by the Company for the Options.
10. Subject to these conditions, Options may be exercised on or before the Expiry Date by the Option holder:
 - (a) lodging with the Company a Notice of Exercise signed by the Option holder for a parcel of not less than one thousand (1,000) except that if the Option holder holds less than one thousand (1,000) Options then such Options may be exercised; and
 - (b) paying the Company the Exercise Price in respect of the Options exercised.

An exercise of Options will only be valid and effective once the Company has received, in cleared funds, the full amount of the Exercise Price payable.
11. A Notice of Exercise, once lodged with the Company, is irrevocable and by giving a Notice of Exercise the Option holder:
 - (a) agrees to subscribe for that number of Shares equivalent to the number of Options exercised in the Notice of Exercise;
 - (b) agrees to be bound by the Constitution on the issue of Shares; and
 - (c) without limiting any other clause in these conditions, must pay the Exercise Price in respect of the Options exercised at the time the Notice of Exercise is lodged with the Company.
12. The Options may be exercised in whole or in part.
13. For each Option that is exercised, the Company must issue to the Option holder one Share, credited as fully paid and, within 10 Business Days (or such other period as is required by the Listing Rules) after the date of exercise of the Option, issue (or cause to be issued) to the Option holder a holding statement or other appropriate evidence of title for each Share that is issued.
14. If an Option holder exercises only some of the Options held, the Company must issue (or cause to be issued) a holding statement or other appropriate evidence of title for each remaining Option held by the Option holder.

15. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the rights of the Option holder will be treated in the manner prescribed by the ASX Listing Rules applying to reconstructions at that time.
16. If:
 - (a) a takeover bid within the meaning of the Corporations Act is made for the Shares and the bidder becomes entitled to compulsorily acquire Shares, any Options not exercised by the end of the bid period will lapse; or
 - (b) a court orders a meeting to be held in relation to a proposed scheme of arrangement under Part 5.1 of the Corporations Act in relation to the Company, which, if implemented, would result in a person having a relevant interest in at least 90% of Shares, any Options not exercised during the period that ends seven days after the date of the court order will lapse.
17. The options will not be listed on the ASX.
18. All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then existing Shares. The Company will apply for Official Quotation by the ASX of all Shares issued upon exercise of the Options.
19. There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, if from time to time on or prior to the Expiry Date the Company makes an issue of new Shares to Shareholders, the Company will announce the issue to ASX prior to the record date in accordance with the requirements of the ASX Listing Rules. This will give holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
20. There is no right to a change in the Exercise Price of the Options or to the number of Shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Options.
21. Options are not transferrable.
22. Unless otherwise authorised by Directors, vested Options which are not exercised within thirty days of cessation of employment, for whatever reason, will lapse.
23. Unless otherwise authorised by Directors, Options which have not vested at the date of cessation of employment will lapse.
24. These conditions will be interpreted and applied in a manner that is consistent with the Listing Rules. If any of these conditions are inconsistent with the requirements of the Listing Rules, they may be amended by the Company to comply with the Listing Rules. The Company will advise Option Holders of any such amendments.

SCHEDULE 3 – VALUATION OF RELATED PARTY OPTIONS

The Options to be issued to the Related Parties pursuant to Resolutions 6 and 7 have been valued by internal management.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Related Party Options have a theoretical value equal to the present market price.

Assumptions:	Ms Stephanie Unwin
Valuation date	7 October 2016
Market price of Shares	1.50 cents
Exercise price	Nil
Vesting conditions	Not applicable
Expiry date	30 November 2019
Risk free interest rate	1.650%
Volatility	100%
Indicative value per Option at present market price:	1.50 cents
Value of Options to be issued to S Unwin:	\$150,000

Assumptions:	Professor Paul Watt		
Valuation date	7 October 2016		
Market price of Shares	1.50 cents		
Exercise price	Nil		
Vesting conditions	<p>(1) 10,000,000 (one half) of the Options granted will vest when the 5 day VWAP reaches a price of \$0.03 per Share.</p> <p>(2) 10,000,000 (one half) of the Options granted will vest 5 day VWAP reaches a price of \$0.05 per Share.</p>		
Expiry date	30 June 2018		
Risk free interest rate	1.665%		
Volatility	100%		
Indicative value per Option at present market price	1.50 cents		
Probability that both Vesting Conditions Met	0%	50%	100%
Indicative value per Option	0 cents	0.75 cents	1.50 cents
Value of Options to be issued to P Watt:	0	\$150,000	\$310,000

Note: The valuation noted above is not necessarily the market price at which the Options could be traded 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 Friday, 25 November 2016 at 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, 6 and 7 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 6 and 7 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 Approval of 10% placement capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Re-election of Director, Dr Bernard Hockings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Re-election of Director, Ms Stephanie Unwin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Re-election of Director, Professor Paul Watt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Issue of Options – Ms Stephanie Unwin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Issue of Options – Professor Paul Watt	<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

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 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.