



Operational update – March Quarter

PERTH, Australia, 30 April 2018: Phylogica Limited (ASX:PYC) (**Phylogica** or the **Company**), developer of a leading intracellular drug delivery platform technology, is pleased to update shareholders on progress made during the March quarter.

Highlights include:

- Changes to the Board and Management team through the appointment of Alan Tribe as Chairperson and Dr Rohan Hockings as Chief Executive Officer to accelerate development of Phylogica's Functional Penetrating Peptide (FPP) delivery platform.
- Appointment of new Scientific Advisory Board (SAB) member, Professor Shosei Koide alongside Professor Judy Lieberman and Dr Stephen Doberstein.
- Increasing the biodiversity of Phylogica's proprietary library to enhance current FPP discovery and screening programs.
- The identification of novel FPPs and validation of these *in vitro*, notably with the successful delivery of new proof of concept cargos including:
 - o Cre recombinase enzyme into kidney cells *in vitro*,
 - o Temporin A, an antimicrobial peptide which has shown improved antibacterial activity of the resulting Phylomer fusion (conducted via Genentech partnership).

Changes to the Board and Management Team

This quarter has seen changes to Phylogica's Board and management team with the resignation of Ms Stephanie Unwin as CEO and Mr Michael Williams from the role of Non-Executive Director. Mr Alan Tribe has been appointed as new Chairperson and Dr Rohan Hockings has been appointed as new CEO.

Ms Unwin has played a valuable role in leading Phylogica's new strategic direction and the Company recognises and thanks Ms Unwin for her contribution during the past two years in the roles of both Chair and CEO.

Dr Rohan Hockings has been appointed to oversee the next phase of Phylogica's strategic development. This is a timely transition which leverages Dr Hockings' strengths through adding value to the development of Phylogica's FPP platform and its associated programs.

The appointment of Alan Tribe as Chairperson brings substantial commercial experience to the Phylogica Board, and his increased shareholding of 19.9% is well aligned with the interests of shareholders and evidence of his belief in the company's drug delivery platform.

Dr Hockings said, "Stephanie and I have been working together to ensure a smooth transition in the leadership of Phylogica. I am excited with the opportunity to take over as CEO and I look forward to updating the market on the company's progress"

Development and Validation of FPP Scientific Platform

During the quarter, Phylogica made significant headway in expanding its proprietary Phylomer library through the improvement of both the Library's complexity and biodiversity. Each new genome that has been added to the Phylomer Library has been optimised for FPP discovery and screening.

Through the improved Phylomer Library, Phylogica identified a number of novel FPPs and successfully validated these *in vitro* in a range of different cell types and expanded its unique functionally validated FPPs (Refer to Figure 1 for further details).

Notably, the FPP platform has been further validated with the effective delivery of Cre enzyme into kidney cells *in vitro* which allows Phylogica to use live animal systems for testing the delivery of drugs into the body, significantly reducing testing time. In the future, the incorporation of the Cre reporter system into our pipeline will allow Phylogica to rapidly validate new FPPs *in vitro* and to monitor systemic delivery of Cre recombinase *in vivo*. (Refer ASX release 2 March 2018)

Through collaborative efforts with Genentech during the quarter, Phylogica has also delivered the antibacterial compound Temporin A. This serves as additional validation of the FPP platform and shows potential for the FPP platform to be utilised in the area of superbug antibiotics.

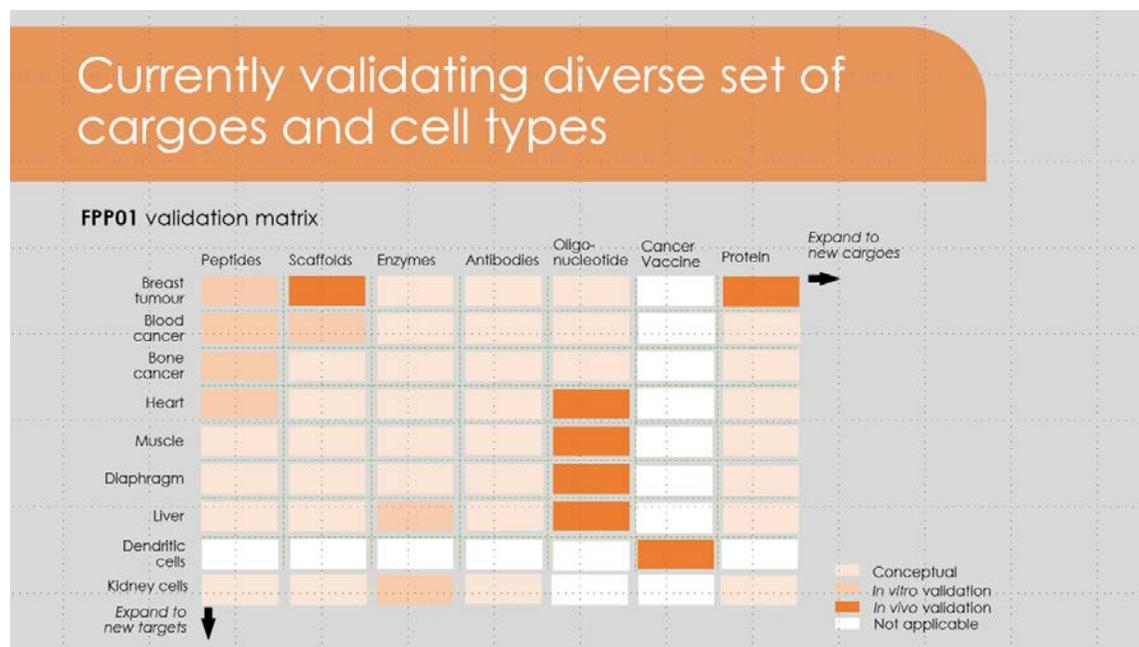
Temporin A was fused to an FPP, and the resulting Phylomer fusion was found to have increased activity in gram-negative bacteria. Further modification of this fusion peptide led to increased antimicrobial activity due to its increased protease stability. Also, during the Temporin A project, Phylogica identified three more Phylomers with a bacteria-penetrating activity that also have good mammalian cell penetrating properties. These are currently being evaluated in a variety of cell lines.

These results indicate that Phylogica’s antibacterial arm of the FPP platform can be utilised to increase the arsenal of drugs against hard-to-treat bacterial pathogens, or superbugs.

Refer to Figure 1 below for the diverse set of cargoes and cell types that Phylogica is currently pursuing.

Dr Robert Hayes, Phylogica’s Chief Scientific Officer stated, “our scientific team has had another productive quarter further validating our FPP platform with the delivery of new cargoes including Cre and Temporin A, and importantly we have also increased the biodiversity of the library to improve our discovery and screening processes.”

Figure 1: Phylogica is validating platform diverse set of cargoes and cell types



Conference Call Details

Shareholders are invited to join a conference call being held at **11.30am AEST/ 8.30am AWST** on Monday May 7 2018, hosted by CEO Dr Rohan Hockings and CSO Dr Robert Hayes, to discuss activity during the quarter, followed by a Q&A with participants. To submit a questioning advance please email your questions to Ben Walsh at bwalsh@we-buchan.com. To pre-register for the call, with a diary note automatically sent to your calendar, [click here](#).

Conference call ID: **529491**

| Country | Dial- in number |
|--------------------------|-----------------|
| Australia: | 1 800 558 698 |
| Australian (alternative) | 02 9007 3187 |
| New Zealand: | 0800 453 055 |
| Hong Kong | 800 966 806 |
| Singapore: | 800 101 2785 |
| United Kingdom: | 0800 051 8245 |
| United States: | (855) 881 1339 |

ENDS

For further information, please contact:

INVESTORS

Dr Rohan Hockings
Phylogica Limited
rohanhockings@phylogica.com

MEDIA

Ben Walsh
WE Buchan
bwalsh@buchanwe.com.au
0411 520 012

About Phylogica

Phylogica Limited (ASX: PYC) is a biotech company focused on commercialising its intracellular drug delivery platform and screening its Phylomer libraries to identify drug cargoes for development against a wide range of disease targets. Phylogica controls access to the world's most structurally diverse source of peptides called Phylomers, which have the ability to act as effective drug delivery agents, penetrating cell walls to reach previously 'undruggable' targets across a range of disease types, but also drug cargoes.

Phylogica's platform of proprietary cell penetrating peptides is showing promise in delivering a diverse range of drug cargoes into cells with three key *in vivo* proof of concept data packs now demonstrating the diversity and successful intracellular reach of the technology. The company has had collaborations with several pharmaceutical companies including Roche, Medimmune, Pfizer, Janssen and is currently working with Genentech.

Forward looking statements

Any forward-looking statements in this ASX announcement have been prepared on the basis of a number of assumptions which may prove incorrect and the current intentions, plans, expectations and beliefs about future events are subject to risks, uncertainties and other factors, many of which are outside Phylogica's control. Important factors that could cause actual results to differ materially from assumptions or expectations expressed or implied in this ASX announcement include known and unknown risks. Because actual results could differ materially to assumptions made and Phylogica's current intentions, plans, expectations and beliefs about the future, you are urged to view all forward-looking statements contained in this ASX announcement with caution. Phylogica undertakes no obligation to publicly update any forward-looking statement whether as a result of new information, future events or otherwise.

This ASX announcement should not be relied on as a recommendation or forecast by Phylogica. Nothing in this ASX announcement should be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.

Tel: +61 8 9384 3284 | Fax: +61 8 9284 3801

www.phylogica.com

Phylogica Ltd

ABN 48 098 391 961

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

PHYLOGICA LIMITED

ABN

48 098 391 961

Quarter ended ("current quarter")

31 March 2018

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | - | - |
| 1.2 Payments for | | |
| (a) research and development | (1,490) | (3,999) |
| (b) product manufacturing and operating costs | - | - |
| (c) advertising and marketing | - | - |
| (d) leased assets | - | - |
| (e) staff costs | (226) | (990) |
| (f) administration and corporate costs | (437) | (893) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 24 | 76 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | 2,171 | 2,171 |
| 1.8 Other - Consulting fees business development strategy | - | (1,500) |
| 1.9 Net cash from / (used in) operating activities | 42 | (5,135) |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | - | (9) |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |
| (d) intellectual property | - | - |
| (e) other non-current assets | - | - |
| 2.2 Proceeds from disposal of: | | |
| (a) property, plant and equipment | - | - |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |
| (d) intellectual property | - | - |
| (e) other non-current assets | - | - |
| 2.3 Cash flows from loans to other entities | - | - |
| 2.4 Dividends received (see note 3) | - | - |
| 2.5 Other (provide details if material) | - | - |
| 2.6 Net cash from / (used in) investing activities | - | (9) |
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | - | - |
| 3.2 Proceeds from issue of convertible notes | - | - |
| 3.3 Proceeds from exercise of share options | - | 135 |
| 3.4 Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 Proceeds from borrowings | - | - |
| 3.6 Repayment of borrowings | - | - |
| 3.7 Transaction costs related to loans and borrowings | - | - |
| 3.8 Dividends paid | - | - |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--|------------------------------------|--|
| 3.9 Other (provide details if material) | - | - |
| 3.10 Net cash from / (used in) financing activities | - | 135 |

| | | |
|---|--------------|--------------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of quarter/year to date | 4,889 | 9,940 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | 42 | (5,135) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | - | (9) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | - | 135 |
| 4.5 Effect of movement in exchange rates on cash held | - | - |
| 4.6 Cash and cash equivalents at end of quarter | 4,931 | 4,931 |

| 5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|------------------------------------|-------------------------------------|
| 5.1 Bank balances | 260 | 389 |
| 5.2 Call deposits | 4,671 | 4,500 |
| 5.3 Bank overdrafts | | - |
| 5.4 Other (provide details) | | - |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 4,931 | 4,889 |

6. Payments to directors of the entity and their associates

| Current quarter \$A'000 |
|----------------------------|
| 236 |
| - |

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Directors Fees, Consulting Fees and Superannuation

7. Payments to related entities of the entity and their associates

| Current quarter \$A'000 |
|----------------------------|
| - |
| - |

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8. Financing facilities available
Add notes as necessary for an understanding of the position

| Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|
| - | - |
| - | - |
| - | - |

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

N/A

| 9. | Estimated cash outflows for next quarter | \$A'000 |
|------------|---|----------------|
| 9.1 | Research and development | 1,508 |
| 9.2 | Product manufacturing and operating costs | - |
| 9.3 | Advertising and marketing | - |
| 9.4 | Leased assets | - |
| 9.5 | Staff costs | 275 |
| 9.6 | Administration and corporate costs | 319 |
| 9.7 | Other | - |
| 9.8 | Total estimated cash outflows | 2,102 |

| 10. | Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Disposals |
|------------|--|---------------------|------------------|
| 10.1 | Name of entity | - | - |
| 10.2 | Place of incorporation or registration | - | - |
| 10.3 | Consideration for acquisition or disposal | - | - |
| 10.4 | Total net assets | - | - |
| 10.5 | Nature of business | - | - |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Company secretary)

Date: 30 April 2018

Print name: Kevin Hart

Notes

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. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.