

Operational update – Q4 2018

Delivering drug cargoes across cell membranes is the major challenge in the development of a revolutionary new class of drugs. Cell Penetrating Peptides (CPPs) can overcome this challenge and provide access to the 'undruggable genome' – the highest value drug targets that exist inside cells. Phylogica (ASX:PYC) owns the world's most structurally diverse peptide library and is using these libraries to identify a new generation of highly efficient CPPs.

31 January 2019: The final quarter of 2018 has set Phylogica up for a series of important milestones in 2019. The primary outcomes that we achieved in this time period included, by area:

- i) **Platform development** – identification of a pool of 'second generation' Cell Penetrating Peptides (CPPs) that are more than 10x as efficient at delivering a cargo inside of cells than our 'first generation' CPPs;
- ii) **Anti-Sense Oligonucleotide (ASO) program** – development of a quantitative assay to evaluate how efficiently our CPPs can deliver ASO cargoes into cell types of interest and assessment of different linker technologies to 'join' our CPPs to the ASO cargoes in preparation for upcoming *in vitro* and *in vivo* models;
- iii) **CRISPR/Cas9 program** – established proof of concept for the delivery of Cas9 inside cells 'ex vivo'; and
- iv) **Peptide vaccine program** – design of an optimised variant of our first generation CPP specifically for this program in preparation for a head-to-head read-out with commercially available competitive technologies in an *in vivo* model in 1Q2019.

The broader environment for CPPs is gaining momentum as evidenced by:

- >A\$100m raised in equity capital by CPP companies in late 2018; and
- multiple CPP programs scheduled to progress into the clinic in 2019.

These observations reflect a growing interest in CPPs as a delivery technology and we are well positioned to take advantage of the trend as we translate our *in vitro* outperformance of competitive technologies into *in vivo* outcomes.

ENDS

For further information, please contact:



About Phylogica

Phylogica Limited (ASX: PYC) is a biotech company focused on commercialising its intracellular drug delivery platform and screening its peptide 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 which have the ability to act as effective drug delivery agents and drug cargoes, penetrating cell walls to reach previously 'undruggable' targets across a range of disease types. Phylogica's platform of proprietary cell penetrating peptides has been validated across multiple animal models for the ability to deliver a diverse range of drug cargoes into cells. The company has collaborations with several pharmaceutical companies including Roche, Medimmune, Pfizer, Janssen and 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.

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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 DECEMBER 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(1,436)	(3,017)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(429)	(600)
(f) administration and corporate costs	(109)	(379)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	22	32
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 R&D Rebate	2,904	2,904
1.9 Net cash from / (used in) operating activities	952	(1,060)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	2	2
	(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	2	2
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	4,735	9,120
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(503)	(503)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	4,232	8,617
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	5,520	3,147
4.2	Net cash from / (used in) operating activities (item 1.9 above)	952	(1,060)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2	2
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,232	8,617
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	10,706	10,706

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	686	5,520
5.2 Call deposits	10,020	-
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)	10,706	5,520

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	599
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 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 <i>Add notes as necessary for an understanding of the position</i>	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	2,400
9.2	Product manufacturing and operating costs	-
9.3	Advertising and marketing	-
9.4	Leased assets	-
9.5	Staff costs	140
9.6	Administration and corporate costs	80
9.7	Other	-
9.8	Total estimated cash outflows	2,620

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

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



Sign here:
(Company secretary)

Date: 31st January 2019

Print name: Kevin Hart

Notes

- 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.
- 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.
- 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.