

## Operational update – Q2 2019

**23 July 2019:** Phylogica has successfully navigated the pre-clinical drug development pathway and we have now set our sights firmly on the clinical evaluation of our technology.

In the second quarter of 2019, we demonstrated that our Cell Penetrating Peptides (CPPs) outperform the current benchmark for clinical development (See ASX announcement of 27 June 2019). In doing so, we have confirmed that the competitive advantages of our CPPs are maintained as we progress from cellular level experiments into the more complex environment of an animal (the critical milestone on the journey to demonstrating efficacy in humans). The demonstration of this competitive advantage was achieved in our flagship development program directed towards delivery of an Anti-Sense Oligonucleotide (ASO) drug cargo into a target cell within the retina (a tissue at the back of the eye).

This successful outcome represents realisation of the full set of objectives outlined in the company's 2017 strategic review. We now have the opportunity to leverage the breadth of our platform in the selection of the lead candidates that we will progress into the final stages of formal pre-clinical development and through to the clinic.

Delivering a sufficient amount of drug cargo inside cells in a safe manner remains the rate-limiting step in the development of a new class of precise and highly potent therapeutics. Our priority drug cargo (ASOs) are at the forefront of this '*white hot*'<sup>1</sup> field of RNA therapeutics. CPP-ASO conjugates hold the promise of the synergy of two powerful technologies that come of age simultaneously. Multiple CPP-ASO candidates have entered clinical development this year alone and it is against this backdrop that our competitive advantage demonstrated in the animal models described above must be viewed.

The focus of the team in Q3 and Q4 2019 is to finalise selection of our lead candidate for clinical development (as described above) and to build out the data pack in support of demonstrating our ability to translate into humans the results that we have already obtained in animals. The elements of the data pack required to do this have been previously described (see *Next Steps* in ASX announcement of 27 June 2019).

We look forward to updating our shareholders on further details of the progress made at our upcoming investor morning at 9am on Wednesday 24 July in Seminar Room 612a of the Harry Perkins Institute (North campus located next to Sir Charles Gairdner Hospital).

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<sup>1</sup> Chemical and Engineering News, 'Stanley Crooke on finally making sense out of antisense'

*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.*

**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")**

30 JUNE 2019

| <b>Consolidated statement of cash flows</b>  | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|--|------------------------------------|---|
| <b>1. Cash flows from operating activities</b>                                       |                                    |   |
| 1.1 Receipts from customers  | -                                  | -   |
| 1.2 Payments for   |                                    |   |
| (a) research and development   | (2,021)                            | (6,734)   |
| (b) product manufacturing and operating costs  | -                                  | -   |
| (c) advertising and marketing  | -                                  | -   |
| (d) leased assets  | -                                  | -   |
| (e) staff costs  | (64)                               | (828)   |
| (f) administration and corporate costs   | (150)                              | (576)   |
| 1.3 Dividends received (see note 3)  | -                                  | -   |
| 1.4 Interest received  | 50                                 | 95  |
| 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   |
| <b>1.9 Net cash from / (used in) operating activities</b>                            | <b>(2,185)</b>                     | <b>(5,139)</b>                                  |
| <b>2. Cash flows from investing activities</b>                                       |                                    |   |
| 2.1 Payments to acquire:   |                                    |   |
| (a) property, plant and equipment<br><i>(Re-location to Harry Perkins Institute)</i> | (219)                              | (458)   |
| (b) businesses (see item 10)   | -                                  | -   |
| (c) investments  | -                                  | -   |
| (d) intellectual property  | -                                  | -   |
| (e) other non-current assets   | -                                  | -   |

| <b>Consolidated statement of cash flows</b> |  | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|---|--|------------------------------------|---|
| 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)  | -                                  | -   |
| <b>2.6</b>                                  | <b>Net cash from / (used in) investing activities</b>                        | <b>(219)</b>                       | <b>(458)</b>                                    |
| <b>3.</b>                                   | <b>Cash flows from financing activities</b>                                  |                                    |   |
| 3.1   | Proceeds from issues of shares   | -                                  | 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)   |
| 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)  | -                                  | -   |
| <b>3.10</b>                                 | <b>Net cash from / (used in) financing activities</b>                        | <b>-</b>                           | <b>8,617</b>                                    |
| <b>4.</b>                                   | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |                                    |   |
| 4.1   | Cash and cash equivalents at beginning of quarter/year to date               | 8,571                              | 3,147   |
| 4.2   | Net cash from / (used in) operating activities (item 1.9 above)              | (2,185)                            | (5,139)   |
| 4.3   | Net cash from / (used in) investing activities (item 2.6 above)              | (219)                              | (458)   |
| 4.4   | Net cash from / (used in) financing activities (item 3.10 above)             | -                                  | 8,617   |
| 4.5   | Effect of movement in exchange rates on cash held                            | -                                  | -   |
| <b>4.6</b>                                  | <b>Cash and cash equivalents at end of quarter</b>                           | <b>6,167</b>                       | <b>6,167</b>                                    |

| 5. <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Bank balances  | 1,662                      | 1,550                       |
| 5.2 Call deposits  | 4,505                      | 7,021                       |
| 5.3 Bank overdrafts  | -                          | -                           |
| 5.4 Other (provide details)  | -                          | -                           |
| <b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>   | <b>6,167</b>               | <b>8,571</b>                |

| 6. <b>Payments to directors of the entity and their associates</b>                                       | Current quarter<br>\$A'000 |
|--|----------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2                                   | 138                        |
| 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. <b>Payments to related entities of the entity and their associates</b>                                | Current quarter<br>\$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. <b>Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>   | Total facility amount<br>at quarter end<br>\$A'000 | Amount drawn at<br>quarter end<br>\$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                  | 1,370        |
| 9.2        | Product manufacturing and operating costs | -            |
| 9.3        | Advertising and marketing                 | -            |
| 9.4        | Leased assets                             | -            |
| 9.5        | Staff costs                               | 180          |
| 9.6        | Administration and corporate costs        | 340          |
| 9.7        | Other                                     | -            |
| <b>9.8</b> | <b>Total estimated cash outflows</b>      | <b>1,890</b> |

| 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: 23 July 2019

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.