BREAKTHROUGH PEPTIDE THERAPEUTICS

29 June 2018

CHIEF EXECUTIVE OFFICER – EMPLOYMENT TERMS

Phylogica Limited (**Phylogica** or **the Company**) is pleased to advise that the terms of Dr Rohan Hockings engagement as Chief Executive Officer (CEO) have been finalised.

The announcement of Dr Hockings' appointment as CEO was made on 11 April 2018. Dr Hockings holds a Bachelor of Medicine and Bachelor of Surgery with honours as well as a Juris Doctorate. He has worked in both medicine and law including in the equity capital markets division of Freehills. Dr Hockings has also spent 4 years working with McKinsey & Company on corporate strategy across a range of industries with a particular focus on healthcare.

In accordance with ASX Listing Rule 3.16.4 the material terms of the Employment Agreement are as follows:

Term: The Agreement will commence on 1 July 2018 and will continue for an Initial Term of two years following which the parties may negotiate to extend the employment on mutually agreed terms.

Salary: $395,000 per year (inclusive of superannuation)

Performance Based Bonus: The Company may, in its sole discretion, pay to the Executive a performance-based bonus over and above the Salary of up to $198,000 (including superannuation).

The Performance Based Bonus shall be based on performance outcomes aligned to an agreed strategic plan, as the Company may set from time to time, and any other matter that it deems appropriate.

Incentive Options: Subject to shareholder approval, to issue to the Executive 10,000,000 options to purchase Shares exercisable at an exercise price which equals a Share price which is 50% above the closing price of Shares on the ASX on 29 June 2018.

a) Subject to paragraph c) below, 5,000,000 Incentive Options will vest 12 months from the date of issue;

b) Subject to paragraph c) below, 5,000,000 Incentive Options will vest 24 months from the date of issue; and

c) In the event that the Employment is terminated for reason other than for serious breach, misconduct or being convicted of a major criminal offence, or in the event of a change of control, the Incentive Options will vest immediately.

Termination: The Company may at its sole discretion terminate the Employment in the following manner and in accordance with the NES under the Fair Work Act:

a) By giving written notice of the greater of:

  i) Twelve months; and

  ii) The remainder of the Initial Term;

b) By giving not less than six month's written notice if at any time the Executive:

  i) Is or becomes incapacitated by illness or injury of any kind which prevents the Executive from performing duties under the Agreement for a period of two consecutive months or any periods aggregating two months in any period of 12 months during the term of the Employment; or

c) By giving one month's written notice if at any time the Executive;

  i) Commits any serious or persistent breach of any of the provisions contained in the Agreement and the breach is not remedied within 14 days of the receipt of written notice from the Company to the Executive to do so;

The Executive may at his sole discretion terminate the Employment in the following manner:

a) By giving two month's written notice to the Company.

b) If at any time the Company commits any serious or persistent breach of any of the provisions contained in the Agreement and the breach is not remedied within 28 days of receipt of written notice from the Executive to the Company to do so, by giving notice effective immediately.

In the event that the Employment is terminated by the Executive in accordance with this clause (b) prior to the expiry of the Initial Term, subject to shareholder approval under section 200D of the Corporations Act, the Company will pay to the Executive the greater of the Salary which would have been payable for the remainder of the Initial Term; and the Salary payable for 12 months.

ENDS