

31 October 2019

The Manager
ASX Market Announcements
ASX Limited
Level 40, Central Park
152 - 158 St George's Terrace
Perth WA 6000

Dear Manager

Phylogica Limited (ASX:PYC) - cleansing notice in respect of accelerated non-renounceable entitlement offer

Notice under section 708AA(2)(f) of the *Corporations Act 2001* (Cth)

This notice is given by Phylogica Limited ACN 098 391 961 (**Company**).

This notice is given in accordance with under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) (**Act**), as modified by Australian Securities and Investments Commission's Corporations (Non-Traditional Rights Issues) Instrument 2016/84 (**Legislative Instrument**).

Background

On 31 October 2019, the Company announced an underwritten accelerated non-renounceable entitlement offer entitling eligible shareholders with a registered address in Australia and New Zealand (**Eligible Shareholders**) to subscribe for 1 new fully paid ordinary share (**New Share**) for every 5 existing shares held on the record date of 4 November 2019 (**Record Date**), at an issue price of \$0.055 per New Share, to raise up to approximately \$26.8 million (before costs) (**Entitlement Offer**). The Entitlement Offer is fully underwritten by Australian Land Pty Ltd, an entity controlled by the Company's Non-Executive Chairman, Alan Tribe.

Cleansing notice in respect of the Entitlement Offer

With respect to the Entitlement Offer, the Company advises that:

- (a) the Company will offer the New Shares under the Entitlement Offer without disclosure to investors under Part 6D.2 of the Act;
- (b) this notice is being given under section 708AA(2)(f) of the Act, as modified by the Legislative Instrument;
- (c) as at the date of this notice, the Company has complied with:
 - (i) the provisions of Chapter 2M of the Act as they apply to the Company; and
 - (ii) section 674 of the Act as it applies to the Company;
- (d) as at the date of this notice, there is no excluded information as defined in sections 708AA(8) and 708AA(9) of the Act, which is required to be set out under section 708AA(7) of the Act; and

- (e) the potential effect that the Entitlement Offer will have on the control of the Company, and the consequences of that effect, are described below.

The Entitlement Offer is fully underwritten by Australian Land Pty Ltd (**Underwriter**). As at the date of this notice, the Underwriter has a relevant interest in 559,566,247 fully paid ordinary shares in the capital of the Company (**Shares**), representing 22.91% of the Shares currently on issue.

The Underwriter is presently a shareholder of the Company (**Shareholder**) and the extent to which Shares are issued pursuant to the underwriting will increase the Underwriters' voting power in the Company.

The Underwriter's present relevant interest and changes under several scenarios are set out in the table below, based on the assumption that the Underwriter takes up its full entitlement under each scenario.

Event	Shares in which Underwriter has a relevant interest	Voting power of Underwriter
Date of this notice	559,566,247	22.91%
Completion of Entitlement Offer		
• Entitlement Offer is fully subscribed	559,566,247	22.91%
• Entitlement Offer is 75% subscribed	681,709,080	23.25%
• Entitlement Offer is 50% subscribed	803,851,913	27.42%
• Entitlement Offer is 25% subscribed	925,994,746	31.56%
• Only the Underwriter takes up its entitlement under the Entitlement Offer	1,048,137,679	35.75%

The potential effect that the issue of the Shares under the Entitlement Offer will have on the control of the Company is as follows:

- (i) if all Eligible Shareholders take up their entitlements under the Entitlement Offer, the issue of Shares under the Entitlement Offer will have no effect on the

control of the Company and all Shareholders will hold the same percentage interest in the Company, subject only to changes resulting from ineligible shareholders (ie. Shareholders other than Eligible Shareholders) (**Ineligible Shareholders**) being unable to participate in the Entitlement Offer;

- (ii) in the more likely event that there is a shortfall (ie. where New Shares are not applied for under the Entitlement Offer) (**Shortfall**), Eligible Shareholders who do not subscribe for their full entitlement under the Entitlement Offer and Ineligible Shareholders unable to participate in the Entitlement Offer, will be diluted relative to those Shareholders who subscribe for some or all of their entitlement; and
- (iii) in respect of any Shortfall, Eligible Shareholders who take up their full entitlement may also apply for additional new shares in excess of their entitlement from the Shortfall (**Additional New Shares**), at an issue price of \$0.055 per Additional New Share.

The allocation of Additional New Shares under the Shortfall will be at the discretion of the Company's directors, and may be subject to scale back.

The Company will not accept any application for Additional New Shares from the Underwriter or any of its associates.

No Additional New Shares will be issued to an applicant if doing so would, to the extent of the knowledge of the Company, result in a breach of the ASX Listing Rules or the restrictions on obtaining or increasing relevant interests of greater than 20% of the Company's issued voting shares under Chapter 6 of the Act, or would be otherwise contrary to the Act or ASX Listing Rules.

The Company's directors also reserve the right, subject to the requirements of the Corporations Act and the ASX Listing Rules, to place any New Shares under the Shortfall within 3 months after the closing date of the Entitlement Offer.

The Company has also entered into an arrangement with Chieftain Securities Pty Ltd (AFSL 492850) (**Chieftain**) whereby Chieftain has agreed to place (or for their nominees to place) any shortfall under the institutional component of the Entitlement Offer (**Institutional Entitlement Offer**) on a best endeavours basis, in priority to any shortfall under the Institutional Entitlement Offer flowing to the Underwriter (**Institutional Bookbuild**).

The Institutional Bookbuild is expected to reduce the amount of Shortfall flowing to the Underwriter and therefore is expected to mitigate the potential control impact of the Entitlement Offer. If the Institutional Bookbuild is successful and results in no Shortfall under the Institutional Entitlement Offer flowing to the Underwriter, the voting power of the Underwriter would increase to no more than 30.33% (assuming that no Shareholders subscribe for New Shares under the retail component of the Entitlement Offer and that the Underwriter takes up its entitlement under the Entitlement Offer). This assumes that 158,978,503 New Shares are offered to institutional shareholders under the Institutional Entitlement Offer, other than to Australian Land Pty Ltd.

An Appendix 3B with respect to the issue of the News Shares under the Entitlement Offer will be lodged by the Company with the ASX shortly.

Yours faithfully

Dr Rohan Hockings
Chief Executive Officer

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Phylogica Limited trading as PYC Therapeutics
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