PYC THERAPEUTICS

Entitlement offer – Investor Presentation

October 2019

Important statements and Disclaimer

- The purpose of this presentation is to provide general information about Phylogica Limited ("PYC" or the "Company"). This presentation relates to a proposed accelerated pro rata non-renounceable entitlement offer (the "Entitlement Offer") of new shares in the Company. The Entitlement Offer will be made to eligible institutional shareholders of the Company and to eligible retail shareholders of the Company. The Entitlement Offer will be made under section 708AA (as modified by ASIC Corporations Instrument 2016/84) and section 708A of the Corporations Act 2001 (Cth). It is not recommended that any person makes any investment decision in relation to the Company based solely on this presentation.
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- The retail offer booklet for the retail component of the Entitlement Offer will be available following its lodgement with ASX. Any eligible retail shareholder who wishes to participate in the retail component of the Entitlement Offer should consider the Retail Offer Booklet in deciding whether to apply under that offer. Anyone who wishes to apply for new shares under the retail component of the Entitlement Offer will need to apply in accordance with the instructions contained in the Retail Offer Booklet and the entitlement and acceptance form that will accompany it.
- Determination of eligibility of investors for the purposes of the institutional and retail components of the Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of the Company and the Company and its affiliates disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law.

Entitlement offer structure

- **A$26.8M entitlement offer at A$0.055 per share**
  - **1 for 5 fully underwritten accelerated non-renounceable entitlement offer for eligible shareholders**
  - **Entitlement Offer is fully underwritten by Australian Land Pty Ltd, an entity controlled by the Company's Non-Executive Chairman, Alan Tribe**

Summary of offer (all figures in millions)	
Current shares on issue	2,443
Entitlement offer shares issues	489
Shares post entitlement offer	2,931
Market cap. at 6.2c	A$182
Pro-forma cash position 1/11/19 (includes proceeds of offer minus costs)	A$32
Pro-forma enterprise value	A$149

Indicative timetable

Key event	Date
Announcement of the Entitlement Offer	31 October 2019
Institutional Entitlement Offer Opens	31 October 2019
Institutional Entitlement Offer Closes	1 November 2019
Shares recommence trading on ASX on an “ex-entitlement” basis	4 November 2019
Record Date for eligibility in the Entitlement Offer	5.00pm (WST) on 4 November 2019
Settlement of the New Shares issued under the Institutional Entitlement Offer	7 November 2019
Allotment and normal trading on ASX of New Shares issued under the Institutional Entitlement Offer	8 November 2019
Retail Entitlement Offer opens	9.00am (WST) on 7 November 2019
Retail Offer Document despatched	7 November 2019
Retail Entitlement Offer closes	5.00pm (WST) on 18 November 2019
Allotment of New Shares issued under the Retail Entitlement Offer	25 November 2019
Despatch of holding statements for the New Shares issued under the Retail Entitlement Offer	27 November 2019

PYC will use the proceeds of this entitlement offer to bring our lead program to market and build out our drug development pipeline

Time period	2020	2021	Beyond	Total
Use of funds				
Lead Program	$10m (IND-enabling)	$5m	*Anticipate funded through to market with R&D rebate*	$15m
Programs 2-4 to start of IND stage	$5m	$5m		$10m
US presence	$3m	$4m		$7m
Cash required				$32m
Cash available			$33m (~$7m existing[1] + $26m raise)	

NOTE: this is the intended use of capital at the time of this entitlement offer. As circumstances change the board and management of the company may decide to reallocate capital and expenditure to ensure the best return for the company. This current outlay assumes the continuation of the Australian Government's R&D tax rebate scheme

1 Includes expected R&D rebate of A$2.4M

With our lead program funded through to market, we can look to expand our precision medicine approach across additional diseases

Our post entitlement position will enable PYC to deliver on our core strategy to deliver shareholder return

Program	Discovery	Pre-clinical	Clinical	Marketed
Ocular 	Inherited retinal disease #1			
Major milestones in the immediate future		1. 'Clinical trial on a benchtop' Q1 2020	2. First in human results 2021	
More programs in development	Inherited retinal disease #2			
	Neurological disease #1			
Engaging with US regulator	Establishing US office in H1 2020			

Lead program to market and a pipeline of drugs close to clinical development

NOTE: this assumes successful completion of the entitlement offer. This current overview assumes the continuation of the Australian Government's R&D tax rebate scheme

PYC Corporate snapshot

Financial Information (assumes successful completion of Entitlement Offer)	
Share price (30/10/2019)	$0.062
Number of shares	2,931M
Market Capitalisation	$182M
Pro forma Cash post transaction	$33M
Debt (1-Nov-19)	Nil
Enterprise Value	$149M

Source: ASX

Note:

1 Excludes 10m unlisted options exercisable at A$0.06 before 30 May 2020

Share price performance (1 year)

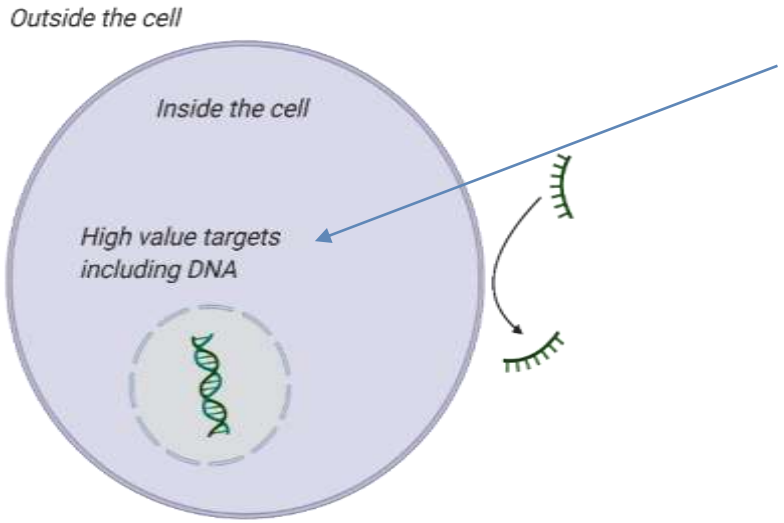
Board of Directors

Alan Tribe – Chairman
Dr Rohan Hockings – Executive Director
Dr Bernard Hockings – Non-Executive Director

Top shareholders	%
Alan Tribe	22.9%
Dr Bernard Hockings	14.9%
Sietsma Holdings	10.9%
Anthony Barton	6.0%

The delivery challenge: getting big drugs inside cells

Solving the ‘delivery challenge’ opens the door to new treatments and breakthrough medicines



Opportunity

Highest value drug targets exist ***<u>inside</u> cells***

Challenge

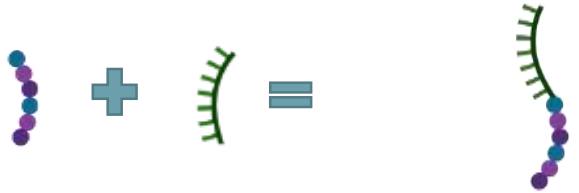
But… The cell membrane has evolved over hundreds of millions of years to ***keep foreign substances out (like drugs)***

Many emerging therapeutics ***fail due to an inability to reach their target***

PYC Therapeutics solves the delivery challenge with our Cell-Penetrating Peptide (CPP) technology

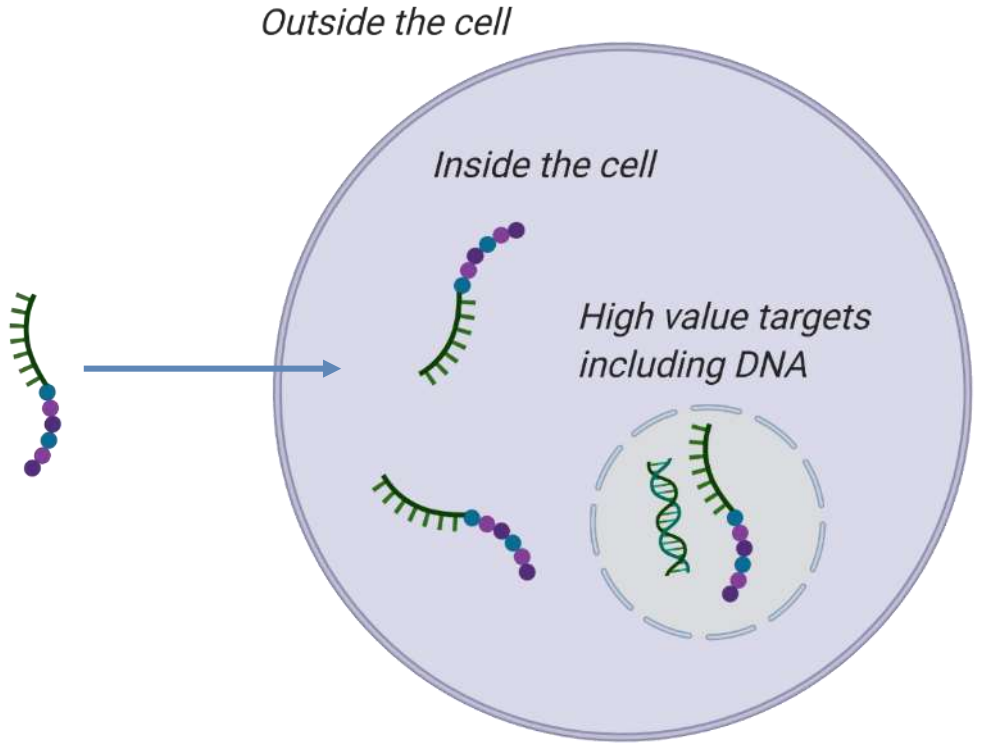
PYC Therapeutics' solution

PYC's Cell Penetrating Peptides (CPPs) ***cross the cell membrane*** and can be ***joined to a drug cargo*** to deliver it ***inside the cell***



CPP *Drug* *CPP-Drug complex*

Precision medicine is now a reality



"If you have a leaking faucet in your kitchen, today's drugs work by mopping up the floor; we shut off the spigot"

Why does this matter? A human example (1/3) – PYC's lead drug program

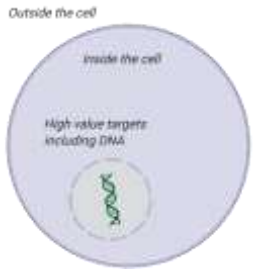
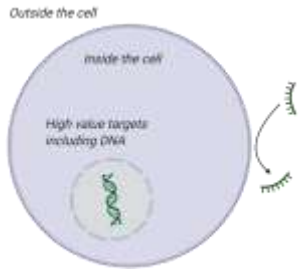
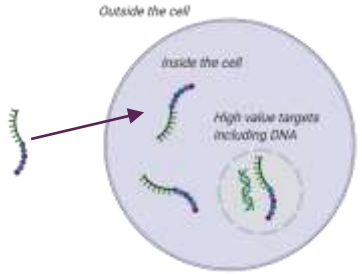
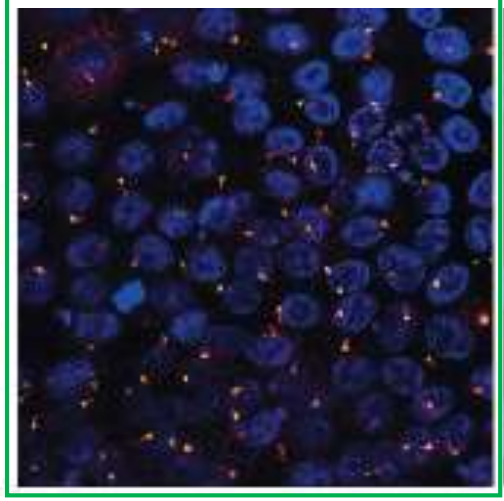
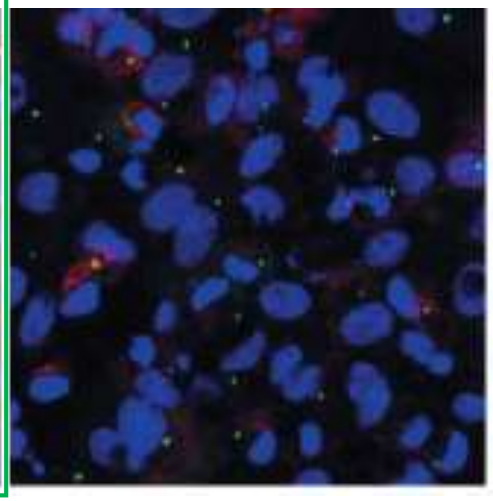
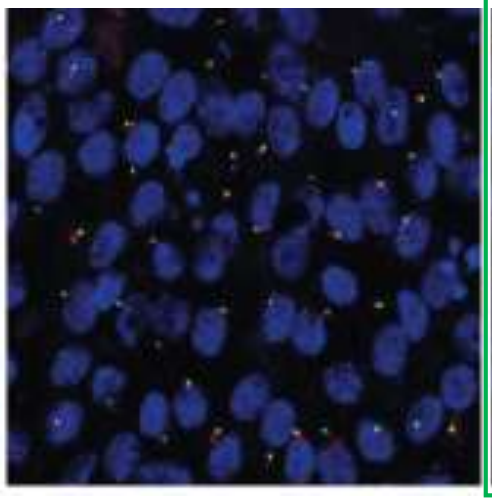
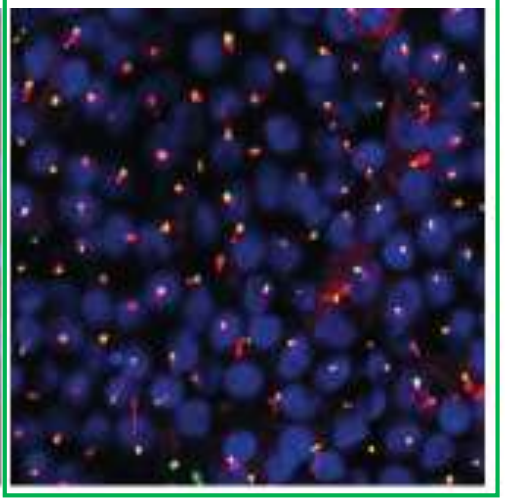
Key points

- Retinitis Pigmentosa (RP) is the leading cause of childhood blindness
- Children with RP lose their night vision before progressing through peripheral visual loss and ultimately to blindness
- PYC are developing a treatment that has reversed this disease process in human cells
- We are working with world-leading experts in the design of precision medicines (Prof. Sue Fletcher) and ocular medicine (Lions Eye Institute) to advance this drug into human trials

Normal vision

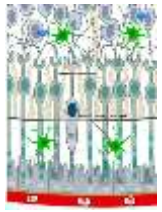
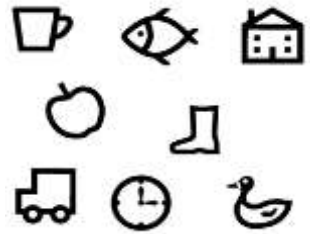
Vision with Retinitis Pigmentosa

Why does this matter? A human example (2/3)

Cell type:	Healthy cells	Diseased cells	Diseased cells	Diseased cells
Treatment:	None	None	Drug alone	Delivery + Drug
Illustration:				
Image of actual human cells:				

PYC's 'delivery + drug' solution reverses the disease process and restores the cilia (in red) essential for normal cell function in humans

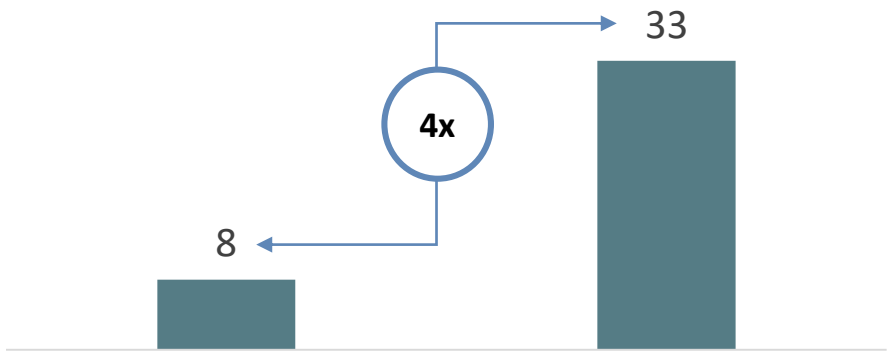
Why does this matter? A human example (3/3)

Milestone	Animal models	Human cells	3D 'retina in a dish' models	Humans	Patient impact and Revenue
					
PYC's lead drug program…	Is **4x more effective** in animals than our nearest competitor	Has **reversed our target disease** in human cells…	Has proven to be **highly effective in 3D models of human retinas** (made from human stem cells)	Will prove effective in **clinical trials**?	Will create the **first treatment** for children with a form of Retinitis Pigmentosa and **capture a $1bn p.a. market**?
Outcome					

PYC has a clear competitive advantage in the amount of drug cargo that we can deliver

PYC's delivery technology delivers 4x more drug cargo inside cells than our nearest competitor's

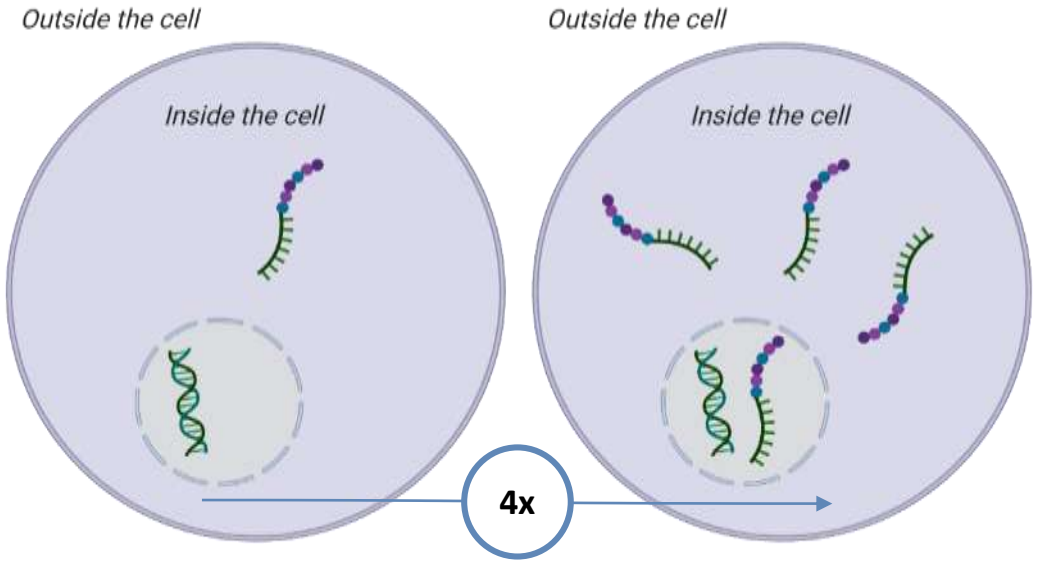
% of cells with drug successfully delivered[1]



Competitor technology

PYC THERAPEUTICS

Getting enough drug cargo inside the cell is the rate-limiting step in the development of precision drugs



Competitor technology

PYC THERAPEUTICS

PYC's competitive advantage has been proven in both animals and human cells

See ASX announcement *'Animal Models – 400% outperformance of gold standard'* from the 23/07/2019 and ASX announcement *'Phylogica's Technology is Effective in Human Cells'* from the 6/08/2019

1 A competitive read-out of exon skipping in retinal pigment epithelium (RPE)/choroid cells demonstrating 410% outperformance of PYC's CPP over benchmark (RXR)4 7 days post-administration of a single dose of 1.6 micrograms CPP-ASO per eye. The ASO is Survival of Motor Neuron 1 and the outcome measured is successful exon skipping.

We drive shareholder returns through two commercial applications of our delivery 'platform'

1 Development of PYC's own pipeline of drugs

PYC's delivery platform
+
PYC's drug

- Develop PYC's own drug cargoes for our initial area of focus - Genetic Eye Diseases

2 Licensing PYC's delivery platform and RNA programs

PYC's delivery platform
+
Licensee's drug

- License our delivery technology or RNA therapeutics using our delivery technology to Pharma/Biotech companies and ***generate revenue from fees, milestones and royalties***

① Our lead program has major de-risking events immediately ahead with assessment in 3D models of multiple patient retinas in Q1 2020

Lead drug program – Retinitis Pigmentosa

Development stage

Discovery → Pre-clinical → IND-enabling → Phase 1 → Phase 2 → Phase 3 → Marketing

Current progress

★ **We are here**

Timeline

Q1 2020 — **2021**

Major milestones

★ **'Clinical trial on a benchtop'** – Optic cups from Phase 1 patients

★ **Effectiveness in humans –** phase 1 read-out

★ **Market entry –** $1bn p.a. market

PYC's success to date sets us on a path to make a major difference for patients across a range of inherited retinal diseases

Success in animal models
Both efficacy and toxicology

Success in human cells
Proof of concept established

Success in 3D human retina model
Organoid or "retina in a dish" model demonstrates effectiveness

Success from similar drugs
ASOs in other inherited retinal diseases are clinically validated

Serving unmet need
Opportunity to combine phases 2/3 in clinical trials

Accessible patient population
Disease registries assist distribution

② Our technology scales rapidly and is capable of supporting both internal programs and out-licensing opportunities

Developmental stage of PYC and Partner's pipeline in 2020

Program	Discovery	Pre-clinical	Clinical	Marketed
Ocular 	Inherited retinal disease #1			
	Inherited retinal disease #2			
	Inherited retinal disease #3			
Brain 	Neuro-degenerative disease			
Liver 	Genetic liver disease			
New therapeutic area	Oncology target			

Programs #2 and #3 leverage all pre-clinical development work done for program #1 and start in an advanced stage of pre-clinical development

"Haven't heard of RNA Therapeutics yet? You will"[1]

1 Joshua Peters, Massachusetts Institute of Technology

PYC trades substantially below the valuation of our peers

		Eye disease landscape examples		Antisense Oligo landscape examples	
	PYC THERAPEUTICS	KODIAK	Apellis	ProQR THERAPEUTICS	STOKE THERAPEUTICS
Geographic base	Australia	US	US	Netherlands	US
Platform or asset	Platform	Platform	Asset	Asset	Platform
Development stage	Pre-clinical	Clinical (Phase 1)	Clinical (Phase 2)	Clinical (Phase 1b)	Pre-clinical
Lead indication	Ocular rare disease	Wet AMD	Ocular immunotherapy	Ocular rare disease	Neurological rare disease
Cash reserves (AUD) as at 30 June 2019	~$10M	~$120M	~$260M	~$140M	~$350M
Market Cap (AUD) as at 26 August 2019	~$130M	~$580M	~$2,500M	~$415M	~$1,600M

1 PYC Cash as at 1 Jul 2019 including FY2019 R&D rebate estimated to be worth $2.4m; All company Cash from 10-Q SEC filing. Market Cap from NASDAQ listings
Note: all figures in AUD (0.715 AUD:USD)

We have a world-class scientific team

Scientific Advisory Board

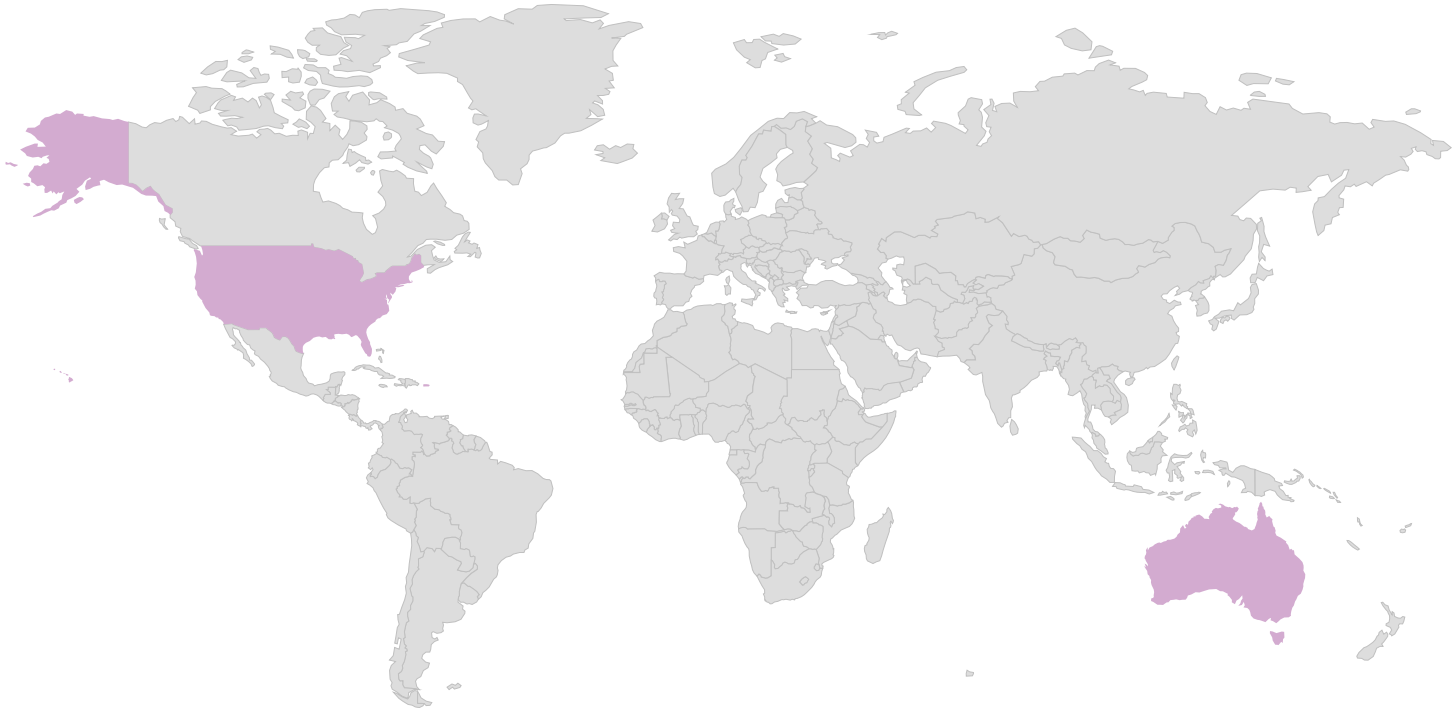
Prof. Judy Lieberman
MD, Ph.D
Professor of Pediatrics at **Harvard Medical School**
First-class University board representation

Stephen Doberstein
B.Sc.Ch.E, Ph.D
Chief Research & Development Officer at **Nektar Therapeutics**
17 years experience in biotechnology

Rakesh Veedu Ph.D
Head of precision nucleic acid therapeutics research at the **Centre for Comparative Genomics**
Expert in antisense oligos

Opthamology Advisory Board

Fred K. Chen
MBBS (Hons), Ph.D, FRANZCO
Clinician and leader of Ocular Tissue Engineering Laboratory at **Lions Eye Institute**
Expert in diagnosis and treatment of Inherited Retinal and Macular Diseases, and clinical trials for ophthalmic indications



Operational Team

Rohan Hockings
MBBS (Hons.), JD GDLP
Experience across both clinical and commercial roles

Prof. Sue Fletcher
Ph.D, B.Sc
Leading global expert in RNA therapeutics, co-inventor of Eteplirsen for DMD

Kaggen Ausma
LLB, B.Econs (Hons.)
Previous roles in McKinsey & Co and CLSA Asia-Pacific

Katrin Hoffmann,
Ph.D, B.Sc
20 years experience in biomedical research

Science Team
23 Scientists based at the Harry Perkins Institute of Medical Research

Key collaborators

Lions Eye Institute

Clinical expertise in the eye, ocular tissue engineering, and patient engagement

Appendix: General risks

Securities investments	There are risks associated with any securities investment. The prices at which the securities of the Company trade may fluctuate in response to a number of factors. Furthermore, the stock market, and in particular the market for biotechnology companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that trading prices will be sustained. These factors may materially affect the market price of the securities of the Company regardless of its operational performance
Dilution risk	Eligible shareholders that do not take up all or part of their entitlements will be diluted by not participating to the full extent in the Entitlement Offer, but and will not be exposed to future increases or decreases in the Company's share price in respect of those shares which would have been issued to them had they taken up all of their entitlement
Share market conditions	Share market conditions may affect the value of the Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as: ▪ general economic outlook; ▪ interest rates and inflation rates; ▪ currency fluctuations; ▪ changes in investor sentiment toward particular market sectors, including healthcare and biotechnology; ▪ the demand for, and supply of, capital; ▪ terrorism or other hostilities; and ▪ other factors beyond the control of the Company. The market price of the Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company, or any return on an investment in the Company.
Economic	The financial performance and value of the Company may be influenced by various economic factors such as inflation, interest rates, domestic and international economic growth, taxation policies, legislative change, political stability, stock market conditions in Australia and elsewhere, changes in investor sentiment towards particular market sectors, exchange rate fluctuations and acts of terrorism
Policies and legislation	Any material adverse changes in government policies or legislation of Australia or any other country that the Company has economic interests may affect the viability and profitability of the Company include changes to the tax treatment of expenses incurred for medical Research and Development
Accounting standards	Australian accounting standards are set by the Australian Accounting Standards Board (AASB) and are outside the Company's control. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in the Company's financial statements.

Appendix: Risks specific to an investment in the Company

Technology risks	For the Company to be competitive in the drug discovery and development market, the Directors expect it will need to continue to develop or acquire new technologies and platforms, develop niche markets and to take early advantage of technological advancements. While the Directors regard the Company's "Peptide Libraries' and "Antisense Oligonucleotide design capabilities" as being at the forefront of drug discovery, competition and new technologies have the potential to negatively impact market share, product prices, profit margins, and the financial value of products. Further, it may render the Company's research projects and the high costs associated with such research and development obsolete. Outcomes of research and development work will affect the future performance of the Company and its Shares.
Peptide and Oligonucleotide therapeutic risk	Drug development is a long and highly regulated process with many identified potential risks. Therapeutics derived from peptides and oligonucleotides are subject to some of these potential risks as described below. These risks can indirectly influence the possibility of the Company to obtain downstream revenue from drug sales or milestone payments and royalties from drugs it discovers or develops being taken through clinical development and subsequent marketing. Difficulty could be encountered with absorption, delivery, metabolism, toxicity, stability, delivery or efficacy in animal or human trials. This could result in early termination of a specific drug candidate program. Formulation difficulties such as poor solubility may also be encountered or other chemical or manufacturing controls related issues which may occur with the drug candidate. Drugs developed from peptides and oligonucleotides may not be suitable for all individuals such as different genetic backgrounds, patients suffering from particular conditions. Unforeseen interactions with other pharmaceuticals or substances may be encountered. Peptides and oligonucleotides that appear specific at early stages of drug discovery may nonetheless exhibit unforeseen side effects in animal or human trials resulting in early termination of the specific drug candidate program. Government regulatory bodies are the final arbiters of approval of drugs for market. Applications for approval may not be granted in all instances in all markets.
Research and development	The Company can make no representations that any of its research and development will be successful, that the Company's development milestones will be achieved or that the Company will develop products that are commercially exploitable. Prior to commercialisation, projects may be delayed or terminated for a range of unexpected scientific, preclinical, clinical, regulatory or commercial reasons. Being at the forefront of both peptide and antisense oligonucleotide drug discovery and development, the Company is entering unchartered territory which may present unforeseen biological complexities. The Company may need to develop new technologies to resolve these complexities and to advance its programs.

Appendix: Risks specific to an investment in the Company *Continued*

Clinical trials and Development	We are in the preclinical testing stages for our most advanced research programs. We have not initiated clinical development of any product candidate and expect that it will be many years, if ever, before we have a product candidate ready for commercialisation Clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to the outcome. The commencement of clinical trials may be delayed and the Company may incur further costs if the FDA or other regulatory authorities observe deficiencies that require resolution or request additional studies be conducted in addition to those that are currently planned. A change in regulation may also adversely affect the Company's ability to commercialise and manufacture its treatments. Failure, negative or inconclusive results can occur at many stages in development and the results of earlier clinical trials are not necessarily predictive of future results. In addition, data obtained from trials is susceptible to varying interpretations, and regulators may not interpret the data as favourably as the Company, which may delay, limit or prevent regulatory approval.
Product Safety and Efficacy	Therapeutic products can develop unexpected safety or efficacy concerns. Generally the side effects profile of therapeutic products cannot be fully established based upon preapproval clinical trials. The carrying out of clinical trials may have many associated risks which may impact the Company's profitability and commercial potential. Clinical trials may prove unsuccessful or non-efficacious, impracticable or costly. The clinical trials could be terminated and this would likely have a significant adverse effect on the Company, the value of its securities and the future commercial development of the Company's products. After approval the Company's products may be used for longer periods of time by a larger number of patients and regulators and payers collect additional information on marketed products by continuous monitoring of use. The Company may conduct post-market surveillance and clinical studies that may result in labelling changes to the Company's products. Labelling changes could potentially impact commercialisation. Serious safety or product performance issues could result in reputational harm to the Company or reduced market acceptance of its products, and lead to product recalls and/or product liability claims and resulting liability, and increased regulatory reporting. The Company intends to obtain product liability insurance where available on reasonable terms at the appropriate time in order to minimise its liability to such claims however there can be no assurance that adequate insurance coverage will be available at an acceptable cost. Any health, safety or efficacy concerns are likely to lead to reduced customer demand and impact on potential future profits of the Company
Intellectual property	The Company regards its patents, copyrights, trademarks, trade secrets and similar intellectual property as critical to its success. The Company relies on patent, trademark and copyright law, trade secret protection and duties of confidence and licence agreements with third parties to protect its intellectual property rights. Applications for patents and trademarks may not be granted in particular jurisdictions. Moreover the grant of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop competing intellectual property. While the Company will use all reasonable endeavours to protect these rights, the steps that the Company takes to protect its intellectual property rights may be inadequate. The unauthorised use or disclosure of its proprietary technology and systems may have adverse effects on the operation and financial performance of the Company. The Company may incur substantial costs in obtaining or asserting any patents or intellectual property rights and in defending legal action against itself relating to such rights. It is possible that some patent rights could be revoked following such legal action. No formal valuation has been completed on the intellectual property of the Company. The Company makes no representation as to the value of its intellectual property. It is recommended that impending investors and their advisors should make their own assessment as to the value of the Company's intellectual property.

Appendix: Risks specific to an investment in the Company *Continued*

Drug Discovery and Development alliance risk	The Company is open to creating value through drug discovery and development alliances. This requires a flow of new contracts and/or extensions of existing agreements to grow revenue. While great care will be taken in the alliances that Phylogica commits to, there is a risk that partner selections and performance may not be adequate, resulting in lost time, money and opportunity. Similarly, the Company may not be able to secure new contracts at the rate required or with sufficient near-term contract revenue to meet its revenue goals.
Customers and end-market risk	The Company's primary goal is to deliver a marketed drug, and the Company anticipates our lead program will not reach market in the next 3 years. As such there may be changes in the consumers ability to access drugs with our anticipated price point over that time driven by changes in the regulatory and commercial environment in major market including but not limited to the United States of America and the European Union. The Company customers will most likely require re-imbursement through health insurers in key markets such as the US. The policy adopted by those health insurers will impact the ability of customers to access our potential drug and is a risk to the accessible patient population. The Company may also pursue licencing deals with the aim of increasing the value of the platform. The success of these deals depend largely on the success of companies in these industries and their demand for its products.
Competition	The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change, both in Australia and internationally, and there are no guarantees about the Company's ability to successfully compete. Although the Board believes that the Company's technology is unique and will be effective in identifying and developing drug candidates, there are competing technologies which will continue to be used and other competitors unknown to the Company may emerge from time to time. The introduction of new competitors or a more successful outcome from existing participants may affect the operating performance of the Company
Funding	The Company's long-term value requires its in-house drug candidates and potential partner's to be successful in development and to reach the market. Otherwise, it may be dependent upon the funds raised by this the Entitlement Offer, existing collaboration agreements, and its ability to obtain future equity or debt funding to support commercialisation of its technology and in-house research and development. The Company's ability to raise further equity or debt or to divest part of its interest in its technology, and the terms of such transactions, will vary according to a number of factors, including the success of research and development results and the future development of the Company's technology and stock market conditions. While the Directors believe that the Company will have sufficient funds to fund its activities in the short term, the Company is operating in a dynamic and complex industry. There can be no assurance that the Company will not seek to exploit business opportunities of a kind which will require it to raise additional funding from equity or debt sources. There can be no assurance that the Company will be able to raise such funding on favourable terms or at all. Any additional equity raising may dilute the interest of Shareholders and any debt financing may involve financial covenants which limit the Company's operations. If the Company is unable to obtain such additional funding, the Company may be required to reduce the scope of any expansion, which could adversely affect its financial performance.

Appendix: Risks specific to an investment in the Company *Continued*

Drug Discovery and Development alliance risk	The Company is open to creating value through drug discovery and development alliances. This requires a flow of new contracts and/or extensions of existing agreements to grow revenue. While great care will be taken in the alliances that Phylogica commits to, there is a risk that partner selections and performance may not be adequate, resulting in lost time, money and opportunity. Similarly, the Company may not be able to secure new contracts at the rate required or with sufficient near-term contract revenue to meet its revenue goals.
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Key personnel	The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment. The Company's future ability to recruit and retain highly qualified management personnel will also be critical to its success.

Appendix: Risks specific to an investment in the Company *Continued*

Product liability and uninsured risks	Through its intended business, the Company is exposed to potential product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products or products developed with future co-development alliance partners. It will be necessary to secure insurance to help manage such risks. The Company may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims. Although the Company endeavours to work to rigorous standards there is still the potential for the products to contain defects which may result in system failures. These defects or problems could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to the Company's reputation or increased insurance costs. If the Company fails to meet its clients' expectations, the Company's reputation could suffer and it could be liable for damages. Further the Company is exposed to the risk of catastrophic loss to necessary laboratory equipment, computer equipment or other facilities which would have a serious impact on the Company . The Company gives no assurance that all such risks will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance.
Regulatory Approval	The Company operates within a highly regulated industry, relating to the manufacture, distribution and supply of pharmaceutical products. Accordingly, the Company is continually exposed to the risk of changes in laws, regulation and government policies in Australia, US, EU and other international target markets. If we fail to comply with the regulatory requirements and receive applicable marketing approvals, our target market will be reduced and our ability to realise the full market potential of our product candidates will be harmed and our business will be adversely affected. We may not obtain regulatory approvals on a timely basis, if at all. Our failure to obtain approval of any of our product candidates by regulatory authorities in another country may significantly diminish the commercial prospects of that product candidate and our business prospects.
Commercial Risk	The Company may, from time to time, consider acquisition, licensing, partnership or other corporate opportunities for the Company's product development programs. There can be no assurance that any such acquisition, licensing, partnership or corporate opportunities can be concluded on terms that are, or are believed by the Company to be, commercially acceptable. In the case of licensing and partnership opportunities, even if such terms are agreed there is a risk that the performance of distributors and the delivery of contracted outcomes by collaborators will not occur due to a range of unforeseen factors relating to environment, technology and market conditions.
Dependence on commercial partners	The Company utilises third parties, including suppliers and third-party service providers for product development, manufacture and commercialisation of products, and certain financial transactional processes. For example, the operation of clinical trials may be outsourced to a contract research organisation. Outsourcing these functions involves the risk that the third party service provider may not comply with regulatory and legal requirements, may not produce reliable results, may not perform in a timely manner or fail to perform at all, may not maintain confidentiality or meet contractual or other obligations. Failure of these third parties could have a material adverse effect on the Company.

Appendix: Risks specific to an investment in the Company *Continued*

Delay risk	The Company is at an early stage in development and commercialisation of its technology and products and any material delays in this process may substantially increase the cost of development. Material delays could also result in the Company failing to commercialise its products. Delays could occur during any stage of the development and commercialisation process including during toxicology studies, regulatory approval for clinical trials, manufacture of drug substance for clinical trials, enrolment of patients into clinical trials and/or scheduling delays by suppliers.
Drug development and commercialisation	If one or more of the product candidates that we develop is approved for commercial sale, we anticipate incurring significant costs associated with commercializing any approved product candidate. Even if we are able to generate revenues from the sale of any approved products, we may not become profitable and may need to obtain additional funding to continue operations We have not yet succeeded and may not succeed in demonstrating the efficacy and safety of any of our product candidates in clinical trials or in obtaining marketing approval thereafter. We have not yet initiated a clinical trial of any product candidate and we have not yet assessed safety of any product candidate in humans. As such, there may be adverse effects from treatment with any of our current or future product candidates that we cannot predict at this time
Litigation	There has been substantial litigation and other proceedings in the pharmaceutical and biotechnology industries. There is a risk that the Company may in future be the subject of or required to commence litigation. There is, however, no litigation currently underway or threatened.
Dividends	The Company has never paid a dividend and the Company does not intend on paying dividends in the foreseeable future which means that holders of shares may not receive any return on their investment from dividends.

Appendix: International Offer Restrictions

Offer Jurisdictions

This document does not constitute an offer for shares in the Company in any jurisdiction which it would be unlawful. The Entitlement Offer is not being extended to any shareholder with a registered address outside Australia or New Zealand (**Overseas Shareholders**) having regard to the small number and value of New Shares that would be offered in such jurisdictions and the cost of complying with the legal and regulatory requirements in those jurisdictions.

New Zealand

The Entitlement Offer is not being extended to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016. This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Nominee pursuant to section 615 of the Corporations Act

In accordance with section 615 of the Corporations Act, Phylogica Limited proposes to appoint an ASIC-approved nominee (the **Nominee**) to arrange for the sale on ASX of the New Shares which represent the full entitlement of Overseas Shareholders (**Sale Shares**). Phylogica Limited has applied to ASIC for the approval of Euroz Securities Limited as the Nominee for this purpose. The appointment will be made in accordance with section 615 of the Corporations Act and as such Eligible Shareholders and the Underwriter will be able to rely on the exception for rights issues in item 10 of section 611 of the Corporations Act.

You should note that the Entitlement Offer remains subject to ASIC's approval of the Company's application to appoint the Nominee. The Company sees no reason why such approval should not be obtained, however, there is no guarantee that it will be obtained. If the approval is not obtained, the Company will either seek to appoint another nominee or the Entitlement Offer will not proceed in its current form and the Company will need to reconsider its options at that time. The Company will keep the market informed in the event that its application is not approved.

Not for release or distribution in the United States

Disclaimer

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