

# PHYLOGICA LIMITED

TRADING AS



[www.pyctx.com](http://www.pyctx.com)

ACN 098 391 961

## RETAIL OFFER DOCUMENT

for

Fully underwritten accelerated 1 for 5 non-renounceable entitlement offer at an issue price of \$0.055 per New Share to raise approximately \$26.8 million

**Retail Entitlement Offer opens on 7 November 2019 and closes at 5.00pm (WST) on 18 November 2019 (unless varied)**

This Retail Offer Document is an important document and requires your immediate attention.

It should be read in its entirety and before you decide whether to participate in the Retail Entitlement Offer. If you have any questions about any part of the Retail Offer Document you should consult your professional adviser.

**This document may not be distributed in any country outside Australia or New Zealand**

## **IMPORTANT INFORMATION**

This Retail Offer Document is issued pursuant to section 708AA of the Corporations Act (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84) for the offer of New Shares without disclosure to investors under Part 6D.2 of the Corporations Act. This Retail Offer Document has been prepared by Phylogica Limited ACN 098 391 961 and was lodged with ASX on 4 November 2019. ASX takes no responsibility for the content of this Retail Offer Document.

### **No prospectus**

This Retail Offer Document is not a prospectus and does not contain all of the information that an investor would find in a prospectus or that may be required by an investor in order to make an informed investment decision regarding, or about the rights attaching to, New Shares. Nevertheless, this Retail Offer Document contains important information and requires your immediate attention. It should be read in its entirety. If you are in any doubt as to how to deal with this Retail Offer Document, you should consult your stockbroker, accountant, solicitor or other professional advisor as soon as possible.

### **Disclaimer**

No person is authorised to give any information or to make any representation in connection with the Retail Entitlement Offer that is not contained in this Retail Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Retail Entitlement Offer.

### **Eligibility**

Eligible Retail Shareholders can only take up their Entitlement by completing and returning the Entitlement and Acceptance Form accompanying this Retail Offer

Document. The Entitlement and Acceptance Form sets out an Eligible Retail Shareholder's Entitlement to participate in the Retail Entitlement Offer.

### **Overseas Shareholders**

This Retail Offer Document does not, and is not intended to, constitute an offer of New Shares in any place or jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or to issue this Retail Offer Document.

The Retail Entitlement Offer is not being extended and New Shares will not be issued to Shareholders with a registered address that is outside Australia and New Zealand. It is not practicable for the Company to comply with the securities laws of overseas jurisdictions (other than New Zealand) having regard to the number of overseas Shareholders, the number and value of New Shares being offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

No action has been taken to permit the offer of New Shares under this Retail Offer Document to existing Shareholders in any jurisdiction other than Australia and New Zealand. The distribution of this Retail Offer Document in jurisdictions outside Australia and New Zealand is restricted by law and persons outside of those jurisdictions should observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

### **No investment advice**

The information provided in this Retail Offer Document and the accompanying Entitlement and Acceptance Form is not financial product advice and has been prepared without taking into account each Eligible Retail Shareholder's investment objectives, financial circumstances or particular needs.

The information contained in this Retail Offer Document and the accompanying Entitlement and Acceptance Form should not be considered to be comprehensive or to comprise all the information that an Eligible Retail Shareholder may require in order to determine whether or not to subscribe for New Shares and the information may be changed, modified or amended at any time by the Company. This Retail Offer Document is not intended to, and does not, constitute representations or warranties of the Company. Neither the Company, nor any advisor of the Company intends to update this Retail Offer Document or accepts any obligation to provide the recipient with access to information or to correct any additional information or to correct any inaccuracies that may become apparent in this Retail Offer Document or in any other information that may be made available concerning the Company. Potential investors should conduct their own due diligence investigations regarding the Company.

If an Eligible Retail Shareholder has any questions, they should consult their professional adviser before deciding whether to accept all or any part of its Entitlement.

### **Forward-looking statements**

This Retail Offer Document may contain forward-looking statements which are identified by words such as "believes", "estimates", "expects", "intends", "may", "will", "would", "could", or "should" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Retail Offer Document, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management of the Company. Key risks associated with an investment in the Company are detailed in Section 5. These and other factors could cause actual results to differ materially from those expressed in any forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Retail Offer Document, except where required by law.

The Company cannot and does not give assurances that the results, performance or achievements expressed or implied in the forward-looking statements contained in this Retail Offer Document will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

### **Rounding**

Any discrepancies between totals and sums and components in tables and figures contained in this Retail Offer Document are due to rounding.

### **Other Important Information**

Please read this Retail Offer Document in full including the other important information set out in Section 6.

### **Glossary**

Defined terms used in this Retail Offer Document are set out in the glossary of terms in Section 7.

# Investment Overview

Retail Entitlement Offer	
<b>Ratio</b>	1 New Share for every 5 Shares held by Eligible Retail Shareholders as at the Record Date
<b>Offer Price</b>	\$0.055 per New Share payable in full on application
<b>Size</b>	488,571,332 New Shares
<b>Gross proceeds</b>	Approximately \$26.8 million

## Key dates

Key Event	Date
<b>Announcement of the Entitlement Offer</b>	31 October 2019
<b>Record Date for eligibility in the Entitlement Offer</b>	5.00pm (WST) on 4 November 2019
<b>Retail Entitlement Offer opens</b> (Retail Opening Date)	9.00am (WST) on 7 November 2019
<b>Retail Offer Document despatched</b>	7 November 2019
<b>Settlement of the New Shares issued under the Institutional Entitlement Offer</b>	7 November 2019
<b>Allotment and normal trading on ASX of New Shares issued under the Institutional Entitlement Offer</b>	8 November 2019
<b>Retail Entitlement Offer closes</b> (Retail Closing Date)	5.00pm (WST) on 18 November 2019
<b>Allotment of New Shares issued under the Retail Entitlement Offer</b>	25 November 2019
<b>Despatch of holding statements for the New Shares issued under the Retail Entitlement Offer</b>	27 November 2019

The above timetable is indicative only and dates may be subject to change. Subject to the Listing Rules and the Underwriting Agreement, the Directors reserve the right to extend the Retail Closing Date at their discretion. Should this occur, the extension may have a consequential effect on the anticipated date of issue of the New Shares.

The Company also reserves the right not to proceed with the Entitlement Offer in whole or in part at any time prior to allotment and issue of the New Shares under the Retail Entitlement Offer. In that event, the relevant Application Monies (without interest) will be returned in full to applicants. The commencement of quotation of New Shares is subject to the discretion of ASX..

## LETTER FROM THE CHIEF EXECUTIVE OFFICER

Dear Shareholder

On behalf of Phylogica Limited (**PYC or Company**), I am pleased to present you with an opportunity to subscribe for new fully paid ordinary shares in the Company by participating in the offer detailed in this Retail Offer Document.

### Entitlement Offer

The Company is undertaking an accelerated non-renounceable entitlement offer to Eligible Shareholders of New Shares at an issue price of \$0.055 per New Share on the basis of 1 New Share for every 5 Shares held on the Record Date.

The Entitlement Offer is fully underwritten by Australian Land Pty Ltd. Alan Tribe, the Company's Non-Executive Chairman, controls Australian Land Pty Ltd. See Section 3 for further details.

The Entitlement Offer consists of an accelerated non-renounceable entitlement offer to Institutional Investors (**Institutional Entitlement Offer**) and a non-renounceable entitlement offer to Retail Investors (**Retail Entitlement Offer**). This Retail Offer Document relates to the Retail Entitlement Offer.

### Use of proceeds

The Entitlement Offer will raise approximately \$26.8 million (before associated costs). Funds raised through the Entitlement Offer will be applied to the pre-clinical and clinical development of the Company's lead drug program, pre-clinical development of new drug programs, increasing the Company's US regulatory presence, as well as offer costs and working capital.

### Institutional Entitlement Offer

On 31 October 2019, Eligible Institutional Shareholders were given the opportunity to take up all or part of their Entitlement under the Institutional Entitlement Offer. Chieftain Securities Pty Ltd (AFSL 492850) also conducted a best endeavours placement of the shortfall under the Institutional Entitlement Offer, resulting in none of the shortfall under the Institutional Entitlement Offer flowing to the Underwriter.

The Institutional Entitlement Offer will raise approximately \$14,296,000 at an issue price of \$0.055 per Share.

### Major Shareholder support

The Company's largest shareholder, Australian Land Pty Ltd (a company controlled by Non-Executive Chairman, Alan Tribe), supports the Company's strategy and has informed the Company that he intends to subscribe for 100% of its Entitlements. Australian Land Pty Ltd has also agreed to fully underwrite the Entitlement Offer. See section 3 for more details.

## **Retail Entitlement Offer**

The number of New Shares to which you are entitled to subscribe for is detailed in the Entitlement and Acceptance Form that accompanies this Retail Offer Document. If you take up your full Entitlement you may also apply for Additional New Shares in excess of your Entitlement at \$0.055 per Additional New Share.

The Entitlement Offer is non-renounceable and therefore your Entitlements will not be tradeable on the ASX or otherwise transferrable. If you do not participate in the Retail Entitlement Offer, your Entitlement will lapse and you will receive no value for those lapsed Entitlements.

## **Other information**

The Retail Offer Document contains important information, including:

- information on the Entitlement Offer and key risks for you to consider;
- instructions on how to apply, detailing how to participate in the Retail Entitlement Offer if you choose to do so, and a timetable of key dates;
- a personalised Entitlement and Acceptance Form which details your Entitlement, to be completed in accordance with the instructions on that form; and
- instructions on how to take up all or part of your Entitlement.

**The Retail Entitlement offer closes at 5.00pm (WST) on 18 November 2019.**

Please read in full the details on how to submit your application, which are set out in this Retail Offer Document.

You should also consult your stockbroker, solicitor, accountant or other professional adviser to evaluate whether or not to participate in the Retail Entitlement Offer.

On behalf of the Company's board of Directors, I encourage you to consider this investment opportunity and thank you for your ongoing support.

Yours sincerely

**Dr Rohan Hockings**  
**Chief Executive Officer**

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## 1. DETAILS OF THE ENTITLEMENT OFFER

### 1.1 Overview

On 31 October 2019, the Company announced that it is making an accelerated non-renounceable pro-rata entitlement offer of New Shares at an issue price of \$0.055 per New Share on the basis of 1 New Share for every 5 Shares held on the Record Date to raise approximately \$26.8 million (assuming no Options are exercised before the Record Date and before the payment of associated costs). The Entitlement Offer has two components:

- (a) **Institutional Entitlement Offer** - an initial offer to Eligible Institutional Shareholders; and
- (b) **Retail Entitlement Offer** - an offer to Eligible Retail Shareholders.

### 1.2 Institutional Entitlement Offer

On 31 October 2019, Eligible Institutional Shareholders were given the opportunity to take up all or part of their Entitlement under the Institutional Entitlement Offer. Chieftain Securities Pty Ltd (AFSL 492850) also conducted a best endeavours placement of the shortfall under the Institutional Entitlement Offer, resulting in none of the shortfall under the Institutional Entitlement Offer flowing to the Underwriter (the **Institutional Bookbuild**).

New Shares equivalent to the number not taken up by Eligible Institutional Shareholders under the Institutional Entitlement Offer were offered to Eligible Institutional Shareholders who applied for New Shares in excess of their Entitlement, as well as to certain other eligible Institutional Investors.

The Institutional Entitlement Offer will raise approximately \$14,296,000 at an issue price of \$0.055 per New Share.

### 1.3 Retail Entitlement Offer

Under the Retail Entitlement Offer, Eligible Retail Shareholders are being invited to subscribe for all or part of their Entitlement and are being sent this Retail Offer Document with a personalised Entitlement and Acceptance Form.

The Company is also offering Eligible Retail Shareholders the opportunity to apply for Additional New Shares in excess of their Entitlement. The allocation of Additional New Shares will be at the discretion of the Directors, and may be subject to scale back. See Section 1.8 for further details regarding the allocation of Additional New Shares.

The Retail Entitlement Offer constitutes an offer only to Eligible Retail Shareholders, being Shareholders on the Record Date who have a registered address in Australia or New Zealand and are eligible under all applicable laws to receive an offer under the Retail Entitlement Offer. See Section 1.12 for further details regarding eligibility to participate in the Retail Entitlement Offer.

**The Retail Entitlement Offer closes at 5.00pm (WST) on 18 November 2019 (unless varied), with New Shares expected to be allotted on 25 November 2019.**

#### 1.4 Minimum subscription

There is no minimum subscription. The Entitlement Offer is fully underwritten. See Section 3.3 for details of the Underwriting Agreement.

#### 1.5 Purpose of Entitlement Offer and use of funds

The Entitlement Offer proceeds are planned to be used as follows:

Use of funds	Amount (\$)
Pre-clinical and clinical development of lead drug program	15.0M
Pre-clinical development of new drug programs	5.0M
US regulatory presence	3.0M
Entitlement Offer costs	1.5M
Working capital (includes administration and overheads)	2.3M
<b>Total</b>	<b>26.8M</b>

The table above is an indication of current intentions as at the date of this Retail Offer Document. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way that the funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

#### 1.6 Entitlements and acceptance

The Entitlement of Eligible Retail Shareholders to participate in the Retail Entitlement Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement and Acceptance Form accompanying this Retail Offer Document.

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Applicant and the Company for the number of New Shares applied for by the Applicant. The Entitlement and Acceptance Form does not need to be signed to be a binding application for New Shares.

If the Entitlement and Acceptance Form is not completed correctly, it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

### 1.7 **No rights trading**

The rights to New Shares under the Entitlement Offer are non-renounceable. Accordingly, there will be no trading of rights on ASX and you may not dispose of your rights to subscribe for New Shares under the Retail Entitlement Offer to any other party. If you do not take up your Entitlement to New Shares under the Retail Entitlement Offer by the Retail Closing Date, your Entitlement will lapse.

### 1.8 **Shortfall**

Eligible Retail Shareholders who take up their full Entitlement may also apply for Additional New Shares in excess of their Entitlement from the Shortfall at the Issue Price per Additional New Share. Applications for Additional New Shares will only be satisfied to the extent that there is Shortfall available. The allocation of Additional New Shares under the Shortfall will be at the discretion of the Directors, and may be subject to scale back.

Where the total applications for Additional New Shares exceeds the Shortfall, to the extent practical, Additional New Shares will be allocated to Eligible Retail Shareholders in proportion to their respective Entitlements.

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 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 Corporations Act, or would be otherwise contrary to the Corporations Act or Listing Rules.

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

There is no guarantee that an Eligible Retail Shareholder will receive any of the Additional New Shares they have applied for. The Company will have no liability to any Eligible Retail Shareholder who receives less than the number of Additional New Shares they applied for. If an Eligible Retail Shareholder receives less Additional New Shares than they have applied for, the Application Monies for those Additional New Shares which have not been allocated will be returned to the relevant Eligible Retail Shareholder without interest.

The Directors also reserve the right, subject to the requirements of the Corporations Act and Listing Rules, to place any New Shares under the Shortfall within 3 months after the Retail Closing Date.

The Company will only place New Shares under the Shortfall to the Underwriter and its associates in accordance with the Underwriting Agreement, after all other requests for Shortfall have been satisfied.

Shortfall Shares will be issued at a price not less than the issue price of New Shares under the Retail Entitlement Offer. The Directors reserve the right to issue any New Shares at a price higher than the Issue Price.

### **1.9 Retail Opening and Closing Dates**

The Retail Entitlement Offer opens on the Retail Opening Date, being 7 November 2019. The Company will accept Entitlement and Acceptance Forms until the Retail Closing Date, being 5.00 pm (WST) on 18 November 2019, or such other date as the Directors in agreement with the Underwriter shall determine, subject to the Listing Rules and the Underwriting Agreement.

Please note that payment made by cheque, bank draft or money order must be received by no later than 5:00 pm (WST) on the Retail Closing Date. Please note that payment made by BPAY® must be received by no later than 5:00 pm (WST) on the Retail Closing Date. It is the responsibility of all Eligible Retail Shareholders to ensure that their BPAY® payments are received by the Company on or before the Retail Closing Date.

The Directors may at any time decide to withdraw this Retail Offer Document or the Entitlement Offer, in which case the Company will return all Application Monies (without interest) in accordance with the Corporations Act.

### **1.10 Issue and dispatch**

The expected date for the issue of New Shares offered by this Retail Offer Document and dispatch of holding statements are expected to occur on the date specified in the Indicative Timetable.

It is the responsibility of Applicants to determine their allocation prior to trading in New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

All Application Monies will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Retail Offer Document until the New Shares are issued. All Application Monies will be returned (without interest) if the New Shares are not issued. The Company will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim any such interest.

### **1.11 Quotation and trading**

The Company will apply to ASX for the official quotation of the New Shares in accordance with Listing Rule requirements. Subject to approval being granted, it is expected that normal trading of New Shares will commence on 26 November 2019.

### 1.12 Ineligible Shareholders

This Retail Offer Document and accompanying Entitlement and Acceptance Form do not, nor are they intended to, constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Retail Offer Document.

The Company has determined, pursuant to Listing Rule 7.7.1(a) of the Listing Rules and section 9A(3)(a) of the Corporations Act, that it would be unreasonable to make offers to Shareholders in countries other than Australia or New Zealand in connection with the Retail Entitlement Offer, having regard to:

- (a) the relatively small number of Shareholders in the other jurisdictions where the Retail Entitlement Offer would be made;
- (b) the number and value of New Shares for which such Shareholders would otherwise have been entitled; and
- (c) the costs of complying with the legal and regulatory requirements in each other jurisdiction where the Retail Entitlement Offer would be made.

The Company has applied to appoint Euroz Securities Limited ACN 089 314 983 (AFSL 243302) (**Nominee**) as a nominee approved by ASIC under section 615 of the Corporations Act in respect of Ineligible Shareholders, and the following process will be followed with respect of those Ineligible Shareholders:

- (a) the Company will issue the Nominee the New Shares that Ineligible Shareholders would otherwise have been entitled to apply for had they been entitled to participate in the Retail Entitlement Offer;
- (b) the Nominee is permitted to sell the Ineligible Shareholders' New Shares in such manner and at such time as it sees fit, with the objective of achieving the best price for those New Shares that is reasonably obtainable on market at the time of the relevant sale, however the Nominee is not responsible for achieving any particular price for the New Shares or achieving the sale in any particular timeframe; and
- (c) the Nominee will remit the net proceeds (ie. sale proceeds less brokerage and applicable GST) to either the Company or the Share Registry for ultimate pro rata distribution to the Ineligible Shareholders.

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.

#### **1.13 Investor Presentation**

Please refer to the Investor Presentation annexed to this Retail Offer Document for further information on the rationale of the Entitlement Offer, use of proceeds of the Entitlement Offer, and for further information on Phylogica and its strategy.

#### **1.14 Risk factors**

An investment in New Shares should be regarded as highly speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company that are detailed in Section 5.

#### **1.15 Enquiries concerning Retail Offer Document**

If you have any questions in relation to this Retail Offer Document they can be directed to the Company Secretary, Mr Kevin Hart, on +61 8 9316 9100.

If you have any questions on the Entitlement and Acceptance Form, please contact the Share Registry on +61 8 9315 2333.

## **2. ACTION REQUIRED BY SHAREHOLDERS**

### **2.1 What Eligible Retail Shareholders may do**

The number of New Shares to which Eligible Retail Shareholders are entitled to is shown on the accompanying personalised Entitlement and Acceptance Form. Eligible Retail Shareholders may:

- (a) accept their Entitlement in full (refer to Section 2.2);
- (b) accept their Entitlement in full and apply for Additional New Shares (refer to Section 2.3);
- (c) accept a proportion of their Entitlement (refer to Section 2.4); or
- (d) not take up any of their Entitlement (refer to Section 2.5).

### **2.2 Acceptance of your full Entitlement**

If you wish to accept your Entitlement to New Shares in full, you should complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the form and submit your acceptance either electronically by BPAY® or together with a cheque by mail to reach the Share Registry by the times set out in Section 1.9. Please read the instructions on the Entitlement and Acceptance Form carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the total number of New Shares you wish to apply for and the Application Monies (calculated at \$0.055 per New Share accepted).

Refer to Sections 2.6 and 2.7 for further details regarding payment.

### **2.3 Acceptance of your full Entitlement and apply for Additional New Shares**

If you wish to accept your Entitlement to New Shares in full and apply for Additional New Shares, you should complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the form and submit your acceptance either electronically by BPAY® or together with a cheque by mail to reach the Share Registry by the times set out in Section 1.9. Please read the instructions on the Entitlement and Acceptance Form carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of New Shares you wish to apply for (being your Entitlement plus the Additional New Shares) and the Application Monies (calculated at \$0.055 per New Share accepted).

Refer to Sections 2.6 and 2.7 for further details regarding payment.

## 2.4 **Acceptance of part of your Entitlement**

Should you wish to only take up part of your Entitlement, you should complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the form and submit your acceptance either electronically by BPAY® or together with a cheque by mail to reach the Share Registry by the times set out in Section 1.9. Please read the instructions on the Entitlement and Acceptance Form carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of New Shares you wish to accept and the Application Monies (calculated at \$0.055 per New Share accepted).

Refer to Sections 2.6 and 2.7 for further details regarding payment.

## 2.5 **Entitlement not taken up**

If you do not wish to accept any of your Entitlement under the Retail Entitlement Offer, you do not need to do anything.

The number of Shares you currently hold and the rights attaching to those Shares will not be affected should you choose not to accept your Entitlement, however, your percentage holding in the Company will be diluted.

## 2.6 **Payment by cheque / bank draft / money order**

If you wish to pay other than by BPAY®, your completed Entitlement and Acceptance Forms must be accompanied by a cheque, bank draft or money order in Australian dollars, crossed "Not Negotiable" and made payable to "Phylogica Limited".

Your completed Entitlement and Acceptance Form and cheque, bank draft or money order must reach the Share Registry, at the address detailed below, no later than 5.00 pm (WST) on the Retail Closing Date.

By Post

*Phylogica Limited  
Security Transfer Australia Pty Ltd  
PO Box 535  
Applecross WA 6953*

*770 Canning Highway  
Applecross WA 6153*

## 2.7 **Payment by BPAY®**

If you wish to pay by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY® you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form.



It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00 pm (WST) on the Retail Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

## **2.8 Application Monies**

Application Monies will be held on trust for Applicants until allotment of the New Shares. Interest earned on Application Monies will be for the benefit of the Company. No interest will be paid on any Application Monies received or refunded.

## **2.9 Entitlement and Acceptance Form is binding**

**Completing and returning your personalised Entitlement and Acceptance Form** or paying any Application Monies by BPAY® will be taken to constitute a binding acceptance of New Shares on the terms and conditions set out in this Retail Offer Document and, once lodged or paid, cannot be withdrawn.

If the Entitlement and Acceptance Form is not completed correctly, it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

## **2.10 Representations by acceptance**

By completing and returning your personalised Entitlement and Acceptance Form or paying any Application Monies by BPAY®, in addition to the representations set out elsewhere in this Retail Offer Document and in the Entitlement and Acceptance Form, you:

- (a) represent to the Company that you are an Eligible Retail Shareholder;
- (b) acknowledge that you have received a copy of this Retail Offer Document and the accompanying Entitlement and Acceptance Form, and read them both in their entirety;
- (c) agree to be bound by the terms of the Retail Entitlement Offer, the provisions of this Retail Offer Document and the Constitution;
- (d) authorise the Company to register you as the holder(s) of the New Shares allotted to you;
- (e) declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- (f) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;

- (g) acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application Monies, the Application may not be varied or withdrawn except as required by law;
- (h) agree to accept and be issued up to the number of New Shares specified in the Entitlement and Acceptance Form at the issue price of \$0.055 per New Share;
- (i) authorise the Company and its respective officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in the Entitlement and Acceptance Form;
- (j) declare that you were the registered holder at 5:00pm (WST) on the Record Date of the Shares indicated on your personalised Entitlement and Acceptance Form as being held by you at 5:00pm (WST) on the Record Date;
- (k) acknowledge that this Retail Offer Document is not a prospectus or product disclosure statement, does not contain all of the information that you may reasonably require in order to make an informed assessment of an investment in the Company and is given in the context of the Company's past and ongoing continuous disclosure announcements to ASX;
- (l) acknowledge that neither the Company, its Directors, officers, employees, agents, consultants nor advisers, nor the Underwriter, guarantee the performance of the New Shares offered under the Retail Entitlement Offer or the performance of the Company, nor do they guarantee the repayment of capital from the Company;
- (m) acknowledge the statement of risks in Section 5 and that an investment in the Company is subject to risk;
- (n) acknowledge that the information contained in this Retail Offer Document and the Entitlement and Acceptance Form does not constitute investment advice, nor a recommendation that New Shares are suitable for you given your individual investment objectives, financial situation or particular needs;
- (o) represent and warrant that the law of any place does not prohibit you from being given this Retail Offer Document and the Entitlement and Acceptance Form, nor does it prohibit you from accepting New Shares and that you are otherwise eligible to participate in the Retail Entitlement Offer;
- (p) represent and warrant that you are not in the United States and you are not acting for the account or benefit of a person in the United States;
- (q) understand and acknowledge that neither the Entitlement nor New Shares have been, or will be, registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction in the United States, or in any other jurisdiction outside Australia or New Zealand and accordingly, the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws;

- (r) agree not to send this Retail Offer Document, the Entitlement and Acceptance Form or any other material relating to the Retail Entitlement Offer to any person in the United States or that is a person in the United States, or is acting for the account or benefit of a person in the United States;
- (s) if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is resident in Australia or New Zealand and is not in the United States or any other country and is not acting for the account or benefit of a person in the United States or any other country, and you have not sent this Retail Offer Document, the Entitlement and Acceptance Form or any information relating to the Retail Entitlement Offer to any such person;
- (t) agree that if in the future you decide to sell or otherwise transfer your New Shares you will only do so in transactions where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, in the United States or a person in the United States; and
- (u) agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and/or of your holding of Shares on the Record Date.

### **3. UNDERWRITING**

#### **3.1 Australian Land Pty Ltd**

The Entitlement Offer is fully underwritten by Australian Land Pty Ltd (**Underwriter**) on the terms of an Underwriting Agreement entered into between the Company the Underwriter.

#### **3.2 Related party**

Mr Alan Tribe, the Company's Non-Executive Chairman, controls the Underwriter and is taken to be a related party of the Company for the purposes of the Corporations Act. As at the date of this Retail Offer Document, the Underwriter has a relevant interest in 559,566,247 Shares, representing 22.91% of the Shares currently on issue.

The Board considers that the terms of the Underwriting Agreement would be reasonable in the circumstances if the Company and the Underwriter were dealing at arms' length or, in any event, are on terms that are less favourable to the Underwriter than arm's length terms. Accordingly, the Company has entered into the Underwriting Agreement in reliance on section 210 of the Corporations Act.

#### **3.3 Underwriting Agreement**

The material terms of the Underwriting Agreement are as follows:

- (a) the Underwriter will receive an underwriting fee of 5.0% of the total proceeds of the Entitlement Offer (other than money raised by the Underwriter taking up its Entitlement under the Institutional Entitlement Offer);
- (b) the Underwriter may appoint third party sub-underwriters to sub-underwrite the Entitlement Offer;
- (c) the Company may terminate the Entitlement Offer and the Underwriting Agreement unless unlawful to do so; and
- (d) the Underwriter does not have an express termination right under the Underwriting Agreement. However, the Company and the Underwriter may agree to terminate the Underwriting Agreement in writing.

Any New Shares which are not taken up by Eligible Retail Shareholders pursuant to their Entitlement and option to subscribe for Additional New Shares will be taken up by the Underwriter as a last resort.

#### **3.4 Sub-underwriting**

The Underwriter may enter into sub-underwriting arrangements with third parties at its own cost and risk. The Company is not aware of the Underwriter having entered into any sub-underwriting arrangements as at the date of this document.

#### 4. EFFECT ON THE COMPANY

##### 4.1 Effect on capital structure

The effect of the Entitlement Offer on the capital structure of the Company, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, is set out below:

Shares	Number
Shares currently on issue <sup>1</sup>	2,442,856,658
New Shares offered pursuant to Entitlement Offer	488,571,332
<b>Total Shares on issue after completion of the Entitlement Offer</b>	<b>2,931,427,990</b>

**Notes:**

1. The above figures assume that no existing options over Shares will be exercised prior to the Record Date. There are currently 20,000,000 Options on issue with exercise prices ranging from \$0.039 to \$0.06.

No Shares or Options on issue are subject to escrow restrictions, either voluntary or ASX imposed.

##### 4.2 Details of substantial shareholders

Based on publicly available information as at the date of this Retail Offer Document, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Name	Number of Shares	% of Issued Capital
Australian Land Pty Ltd	559,566,247	22.91
BE & DC Hockings	351,257,519	14.38
D Sietsma	298,493,182	12.22
Anthony Barton & Associates	145,141,814	5.94

<b>TOTAL</b>	<b>1,354,458,762</b>	<b>55.45</b>
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**Notes:**

1. These figures are obtained from the latest substantial holder notices lodged with the Company as at the date of this Retail Offer Document.

In the event all Entitlements are accepted in full there will be no change to the substantial holders on completion of the Entitlement Offer. However, Australian Land's holdings and the holdings of other Shareholders may change as a result of their participation in the Shortfall Offer and the underwriting arrangements in relation to the Retail Entitlement Offer, as set out in Section 4.

#### 4.3 **Impact on control**

The potential effect that the issue of the New Shares under the Entitlement Offer will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including investor demand.

As set out in Section 3, the Entitlement Offer is fully underwritten by Australian Land Pty Ltd. Alan Tribe, the Company's Non-Executive Chairman, controls Australian Land Pty Ltd. As at the date of this Retail Offer Document, the Underwriter has a relevant interest in 559,566,247 Shares, representing 22.91% of the Shares currently on issue. Further details regarding Australian Land Pty Ltd are set out in Section 3. As disclosed in Section 1.2 none of the shortfall under the Institutional Entitlement Offer will flow to the Underwriter.

The Underwriter is presently a Shareholder of the Company and the extent to which Shares are issued pursuant to the underwriting (on the terms of the Underwriting Agreement) 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.

<b>Event</b>	<b>Underwriter's relevant interest</b>	<b>Underwriter's voting power</b>
<b>Date of Retail Offer Document</b>	559,566,247	22.91%
<b>Retail Offer is fully subscribed</b>	671,479,497	22.91%
<b>Retail Offer is 75% subscribed</b>	728,638,731	24.86%

<b>Retail Offer is 50% subscribed</b>	785,797,966	26.81%
<b>Retail Offer is 25% subscribed</b>	842,957,200	28.76%
<b>Only the Underwriter takes up its Entitlement under the Retail Offer</b>	900,116,435	30.71%

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 being unable to participate in the Entitlement Offer;
- (ii) in the more likely event that there is a 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, as shown by the table in Section 4.5; 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, at the Issue Price per Additional New Share.

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 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 Corporations Act, or would be otherwise contrary to the Corporations Act or Listing Rules.

Further details regarding the allocation of Additional New Shares under the Shortfall is set out in Section 1.8

#### 4.4 Underwriter's future intentions

The Underwriter has informed the Company that, based on the facts and circumstances presently known to it, the Underwriter supports the Company's current strategy and does not currently intend to make any major changes to the direction or objectives of the Company.

The intentions of the Underwriter are based on information concerning the Company, its business and the business environment which is known to the Underwriter at the date of

this Retail Offer Document. These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

#### 4.5 Dilution

If Eligible Shareholders take up their Entitlement, each Eligible Shareholder's percentage interest in the Company will remain the same and will not be diluted.

If Eligible Shareholders do not participate in the Entitlement Offer and the Shortfall is taken up in accordance with the Underwriting Agreement, the holdings of Shareholders who do not participate will be diluted by 20% (as compared to their holdings and number of Shares on issue as at the date of this Retail Offer Document).

Examples of how the dilution may impact Shareholders is set out in the table below:

Example	Shares held at Record Date	Shareholding (%) at Record Date	Entitlement to New Shares	Shareholding if Entitlement not taken up	Shareholding (%) post
<b>Shareholder 1</b>	100,000,000	4.09%	20,000,000	100,000,000	3.41%
<b>Shareholder 2</b>	50,000,000	2.05%	10,000,000	50,000,000	1.70%
<b>Shareholder 3</b>	20,000,000	0.82%	4,000,000	20,000,000	0.68%
<b>Shareholder 4</b>	10,000,000	0.41%	2,000,000	10,000,000	0.34%



## 5. COMPANY UPDATE

### 5.1 Key milestones achieved

The Company has successfully delivered a series of significant milestones in the third quarter of 2019 (**Q3**).

Q3 was a tipping point for the Company where Phylogica started the quarter as a drug delivery Company and ended it as a drug development Company. Going forward the focus will be on driving the lead program into clinical development, being a treatment for Retinitis Pigmentosa, the leading cause of childhood blindness.

Q3 saw three elements of the pre-clinical data pack successfully realised, including:

- (a) animal model data demonstrating the competitive advantage of Phylogica's delivery technology (see ASX announcement of 23 July 2019), with 400% more drug effectively delivered with Phylogica's technology than with the current industry 'gold-standard' delivery technology;
- (b) the first evidence that Phylogica technology is capable of reversing a disease process in human cells (see ASX announcements of 6 August and 1 October 2019); and
- (c) demonstrating the durability of response to a drug using Phylogica delivery technology over time (see ASX announcements of 22 August and 25 September 2019), with sustained drug efficacy over a 4 week period after a single low dose.

Each of these outcomes represent an important piece of the puzzle in the creation of a high impact precision medicine. The significance of this progress was highlighted when the Company announced a strategic partnership with Lions Eye Institute of Western Australia (**LEI**). The future collaboration will develop a precision drug to address the leading cause of childhood blindness.

The company is pursuing multiple paths to commercialisation, including:

**(a) Pipeline development**

*taking precision medicines to market;*

**(b) Licensing of precision medicines that can now be created internally**

*designing drugs for others to take to market; and*

**(c) Drug delivery licensing options**

*licensing Phylogica delivery technology to third parties for use with their own drugs*

## 5.2 Pipeline development (taking precision medicines to market)

Phylogica has materially enhanced its ability to build shareholder value by formalising its agreement with the Ocular Tissue Engineering Laboratory at LEI. Importantly, LEI provide Phylogica with the necessary expertise to conduct clinical trials of the drugs that can now be developed 'in house' (see 'Precision medicine platform' below).

Preparations for the Company's first clinical trial in partnership with LEI are now well underway. Potential phase 1 trial participants have donated skin samples that LEI will use to create 'optic cup'/'retina in a dish' models for assessment of Phylogica's lead drug molecule. This is scheduled to occur in the first quarter of 2020. Reversal of the disease process in these 'optic cup'/'retina in a dish' models will provide a strong indication of success. The patients from whom these 3- dimensional models were created may again be involved when the phase 1 clinical trial begins.

The path to clinical development for Phylogica's flagship Retinitis Pigmentosa lead drug program can be replicated rapidly in other inherited retinal diseases. The Company is now progressing additional early stage programs to expand its pipeline.

## 5.3 Licencing of precision medicines created internally (designing drugs for others to take to market)

Phylogica has now moved from focusing solely on its drug delivery technology platform to being a drug development Company.

The Company has made a number of appointments, including Professor Sue Fletcher as Chief of R&D. This creates the capability for Phylogica to develop Anti-Sense Oligonucleotides (ASOs) to combine with Phylogica's drug delivery technology to develop a class of drug called an 'RNA therapeutic'. This class of precision medicine is gaining significant traction due to the advantages it offers over alternative classes of therapeutic including DNA therapies (eg. CRISPR and gene therapy).

The ability to design RNA therapeutics that couple Phylogica's proprietary delivery platform has been enhanced by the clinical development expertise flowing from the collaboration with LEI.

Phylogica is now positioned to take multiple drugs from 'bench to bedside'.

Where the Company does not have the capacity to advance precision medicines developed in-house, it will consider licencing arrangements with third parties. It is important for the Company to focus on its lead development program and recognize its resource limitations.

## 5.4 Drug Delivery Licencing Options (licensing our delivery technology)

The Company has undertaken a substantial body of work to refresh the Intellectual Property (IP) protection that we have over its delivery platform as it realises the long-held promise of being incorporated into drug molecules entering clinical development.

Phylogica has built a substantial data set of Cell Penetrating Peptide (**CPP**) performance both *in vitro* (in a test tube) and now also *in vivo* (in an animal). The Company has developed sufficient data to 'train' a machine learning algorithm on what features of the CPP drive higher effectiveness and lower toxicity. This powerful new technique has been used to inform a refreshed patent claim that leverages the insight of the computing power. This approach brings broad IP protection around the properties of the CPPs that achieve both high effectiveness and low toxicity.

Within Phylogica's core capability of delivering drugs inside cells, the 'IP clock' has been re-started.

## 5.5 Upcoming milestones

What lies ahead is an exciting path both to and through the clinic. This journey will include:

- (a) a final, and additional assessment of Phylogica's lead drug's ability to reverse a disease process in human cells that have the target disease (Retinitis Pigmentosa) – known as a 'phagocytosis assay', this provides an assessment of whether our drug can restore the cells' ability to rid itself of toxic build up (anticipated in Q1 2020);

*This result builds on the highly encouraging results in human cells already completed*

- (b) a 'clinical trial on a benchtop' with 'optic cups'/'retinal organoids' from patients likely to be enrolled in our phase 1 study (anticipated in Q1 2020); and
- (c) initiation of IND-enabling studies demonstrating the safety of the lead drug candidate in larger animal species (anticipated to begin in Q2 2020).

The results of these first two read-outs will provide significant insight into the clinical success. They will have substantial implications for the value of the Retinitis Pigmentosa drug program, and confirm our proof of concept results in the animal models and human cells reported to date. Positive results from these two models, with the already highly encouraging results to date, will lay the foundation for rapid progression through clinical development and to Phylogica's final goal of positively impacting patient's lives.

## **6. OTHER IMPORTANT INFORMATION**

### **6.1 Risk factors**

The Investor Presentation annexed to this Retail Offer Document details important factors and risks that could affect the financial and operating performance of Phylogica. When making an investment decision in connection with this Retail Entitlement Offer, it is important that you consider these risk factors carefully in light of your individual personal circumstances, including financial and taxation issues.

### **6.2 Taxation**

There may be tax consequences for Shareholders who decide to participate in the Retail Entitlement Offer and receive New Shares. the Company does not consider that it is appropriate to give advice regarding the taxation consequences of applying for New Shares under the Retail Entitlement Offer. The taxation consequences will depend on the circumstances of each Applicant. Applicants should consult their own professional adviser in connection with the taxation implications of subscribing for New Shares offered in the Retail Entitlement Offer.

### **6.3 Notice to nominees and custodians**

Nominees and custodians may not distribute this Retail Offer Document, and may not permit any beneficial shareholder to participate in the Retail Entitlement Offer, in any country outside Australia or New Zealand except with the consent of the Company, or to beneficial shareholders resident in certain other countries where the Company may determine it is lawful and practical to make the Retail Entitlement Offer. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of the regulations of such jurisdictions.

### **6.4 Rights and liabilities attaching to New Shares**

The New Shares offered under this Retail Offer Document will rank equally in respect of dividends and have the same rights in all other respects (e.g. voting, bonus issues) as existing Shares.

Full details of the rights and liabilities attaching to New Shares are set out in the Constitution, a full copy of which is available from Company on request free of charge.

### **6.5 Continuous disclosure obligations**

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX. As such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the securities markets conducted by ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain exceptions) to notify ASX immediately of any

information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price of value of its securities.

This Retail Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company, which has been notified to ASX, and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for New Shares under the Retail Entitlement Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from ASX's website at [www.asx.com.au](http://www.asx.com.au).

Additionally, the Company is required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. These reports are released to ASX and published on the ASX website.

#### **6.6 Jurisdiction**

This Retail Offer Document (including the Entitlement and Acceptance Form) and the contracts that arise from the acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Western Australia.

#### **6.7 Cleansing Notice**

The Company will lodge a Cleansing Notice with ASX immediately after lodgement of this Retail Offer Document. The Cleansing Notice will be able to be viewed on the ASX website.

#### **6.8 Privacy**

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes set out in this Retail Offer Document and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application. An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

## 6.9 New Zealand

The New Shares are not being offered to the public within New Zealand other than to existing Shareholders of Phylogica 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* (New Zealand) and the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016* (New Zealand).

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 under the *Financial Markets Conduct Act 2013* (New Zealand). This document is not a product disclosure statement, investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement, investment statement or prospectus under New Zealand law is required to contain.

## 7. GLOSSARY

In this Retail Offer Document, unless the context requires otherwise:

**\$** means Australian dollars.

**Additional New Shares** means New Shares in excess of a Shareholder's Entitlement.

**Applicant** refers to a person who submits an Entitlement and Acceptance Form under the Retail Entitlement Offer.

**Application** refers to the submission of an Entitlement and Acceptance Form by an Applicant to the Company under the Retail Entitlement Offer.

**Application Monies** means application monies for New Shares received by the Company from an Applicant.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or, where the context permits, the market operated by it.

**Board** means the board of Directors.

**Cleansing Notice** means the notice lodged by the Company with ASX in accordance with section 708AA(2)(f) of the Corporations Act (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84) in respect of the Entitlement Offer.

**Company** or **Phylogica** means Phylogica Limited ACN 098 391 961.

**Constitution** means the constitution of the Company as at the date of this Retail Offer Document.

**Corporations Act** means *Corporations Act 2001* (Cth).

**Director** means a director of the Company as at the date of this Retail Offer Document.

**Eligible Institutional Shareholder** means an Institutional Shareholder which has been invited to participate in the Institutional Entitlement Offer.

**Eligible Retail Shareholder** means a Shareholder on the Record Date who:

- has a registered address in Australia or New Zealand;
- is not an Institutional Shareholder; and
- is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

**Eligible Shareholder** means an Eligible Institutional Shareholder or an Eligible Retail Shareholder.

**Entitlement** means the entitlement to subscribe for 1 New Share for every 5 Shares held by an Eligible Shareholder on the Record Date.

**Entitlement and Acceptance Form** means the entitlement and acceptance form accompanying this Retail Offer Document.

**Entitlement Offer** means the offer of New Shares under the Institutional Entitlement Offer and the Retail Entitlement Offer.

**Indicative Timetable** means the indicative timetable set out on page 4 of this Offer Document.

**Ineligible Shareholder** means a Shareholder that is neither an Eligible Institutional Shareholder nor an Eligible Retail Shareholder.

**Institutional Entitlement Offer** the offer of New Shares to Eligible Institutional Shareholders and Institutional Investors, as described in Section 1.2.

**Institutional Investor** means a person:

- in the case of a person with a registered address in Australia, who is an "exempt investor" as defined in ASIC Corporations (Non-Traditional Rights Issue) Instrument 2016/84; or
- if outside Australia, to whom offers for issue of Shares may lawfully be made without the need for a prospectus or other disclosure document or other lodgement, registration, filing with or approval by a governmental agency (other than one with which Phylogica is willing, in its absolute discretion, to comply).

**Institutional Shareholder** a holder of Shares on the Record Date who is an Institutional Investor.

**Issue Price** means \$0.055.

**Listing Rules** means the official listing rules of ASX.

**New Share** means a new Share offered under the Entitlement Offer.

**Option** means an option to acquire a Share.

**Record Date** means 5.00pm (WST) on the date set out in the Indicative Timetable.

**Retail Closing Date** means the closing date of the Retail Entitlement Offer as set out in the Indicative Timetable.

**Retail Entitlement Offer** the offer of New Shares to Eligible Retail Shareholders, as described in Section 1.3.

**Retail Offer Document** means this offer document dated 4 November 2019.

**Retail Opening Date** means the opening date of the Retail Entitlement Offer as set out in the Indicative Timetable.

**Section** means a section of this Retail Offer Document.



**Share** means an ordinary fully paid share in the capital of the Company.

**Shareholder** means a registered holder of Shares.

**Share Registry** means Security Transfer Registrars Pty Ltd ACN 008 894 488.

**Shortfall** means those New Shares not applied for under the Entitlement Offer.

**Underwriter** means Australian Land Pty Ltd ACN 008 808 517.

**Underwriting Agreement** means the underwriting agreement between the Underwriter and the Company dated 30 October 2019.

**US Securities Act** has the meaning given in Section 2.10(q).

**WST** means Western Standard Time as observed in Perth, Western Australia.

## **CORPORATE DIRECTORY**

### **Directors**

Mr Alan Tribe	Non-Executive Chairman
Dr Rohan Hockings	Chief Executive Officer & Executive Director
Dr Bernard Hockings	Non-Executive Director

### **Company Secretary**

Mr Kevin Hart

### **Principal Place of Business**

Address: Level 5, The Harry Perkins Institute of Medical Research, QEII Medical Centre, 6 Verdun Street, Nedlands, WA

Tel: +61 8 6151 0992  
Fax: +61 8 9315 5475  
Email: [info@pyctx.com](mailto:info@pyctx.com)  
Website: [www.pyctx.com](http://www.pyctx.com)  
ASX Code: PYC

### **Share Registry**

Address: Security Transfer Australia Pty Ltd  
PO Box 535  
Applecross WA 6953  
  
770 Canning Highway  
Applecross WA 6153

Tel: +61 8 9315 2333  
Fax: +61 8 9315 2233

### **Lawyers**

HWL Ebsworth Lawyers  
Level 20, 240 St Georges Terrace  
Perth WA 6000

### **Underwriter**

Australian Land Pty Ltd ACN 008 808 517  
33B Walters Drive  
Osborne Park WA 6017

## **ANNEXURE A**

## **INVESTOR PRESENTATION**



# 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.
- This presentation contains summary information about the Company and its activities and is current as at 31 October 2019. This document does not necessarily contain all information which may be material to the making of a decision in relation to the Company. Any investor should make their own independent assessment and determination as to the Company’s prospects prior to making any investment decision, and should not rely on the information in this presentation for that purpose.
- This presentation does not involve or imply a recommendation or a statement of opinion in respect of whether to buy, sell or hold securities in the Company. The securities issued by the Company are considered speculative and there is no guarantee that they will make a return on the capital invested, that dividends will be paid on the shares or that there will be an increase in the value of the shares in the future.
- This presentation contains certain statements which may constitute “forward-looking statements”. The forward-looking statements in this presentation speak only as at the date of this presentation. Any forward looking statements in this presentation involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies and other factors, including the risks described in this presentation under “General risks” and “Risks”. Such risks may be outside the control of, and are unknown to, PYC and its officers, employees, agents or associates. Any forward looking statement included in this presentation are provided as a general guide only. Such statements are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward-looking statements. No representation or warranty, express or implied, is made by the Company that the matters stated in this presentation will be achieved or prove to be correct. Recipients of this presentation must make their own investigations and inquiries regarding all assumptions, risks, uncertainties and contingencies which may affect the future operations of the Company or the Company’s securities.
- The Company does not purport to give financial or investment advice. No account has been taken of the objectives, financial situation or needs of any recipient of this document. Recipients of this document should carefully consider whether the securities issued by the Company are an appropriate investment for them in light of their personal circumstances, including their financial and taxation position. Cooling off rights do not apply to the acquisition of new shares. Recipients may wish to seek independent financial and taxation advice before making any decision in respect of this presentation.
- This presentation is presented for informational purposes only. It is not intended to be, and is not, a prospectus, product disclosure statement, offering memorandum or private placement memorandum for the purpose of Chapter 6D of the Corporations Act 2001. Except for statutory liability which cannot be excluded, the Company, its officers, employees and advisers expressly disclaim any responsibility for the accuracy or completeness of the material contained in this presentation and exclude all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this presentation or any error or omission there from. The Company accepts no responsibility to update any person regarding any inaccuracy, omission or change in information in this presentation or any other information made available to a person nor any obligation to furnish the person with any further information.
- The presentation is not and should not be considered as an offer or invitation to acquire shares in PYC or any other financial product in any jurisdiction and neither this presentation nor anything in it shall form any part of any contract for the acquisition of PYC shares. The distribution of this presentation in jurisdictions outside Australia and New Zealand may be restricted by law and you should observe any such restrictions. In particular, this presentation is not an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any shares described in this presentation have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration of the US Securities Act and applicable US state securities law. See section captioned “International Offer Restrictions”.
- 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 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.

- 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)

<b>Current shares on issue</b>	2,443
Entitlement offer shares issues	489
<b>Shares post entitlement offer</b>	2,931
Market cap. at 6.2c	A\$182
Pro-forma cash position 1/11/19 (includes proceeds of offer minus costs)	A\$32
<b>Pro-forma enterprise value</b>	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	<i>Anticipate funded through to market with R&amp;D rebate</i>	\$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<sup>1</sup> + \$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

<sup>1</sup> 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*



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

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

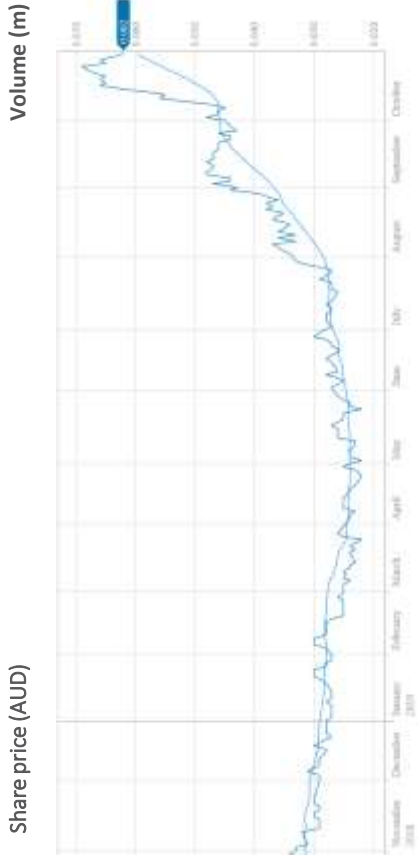
Note:

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

Board of Directors

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

Share price performance (1 year)

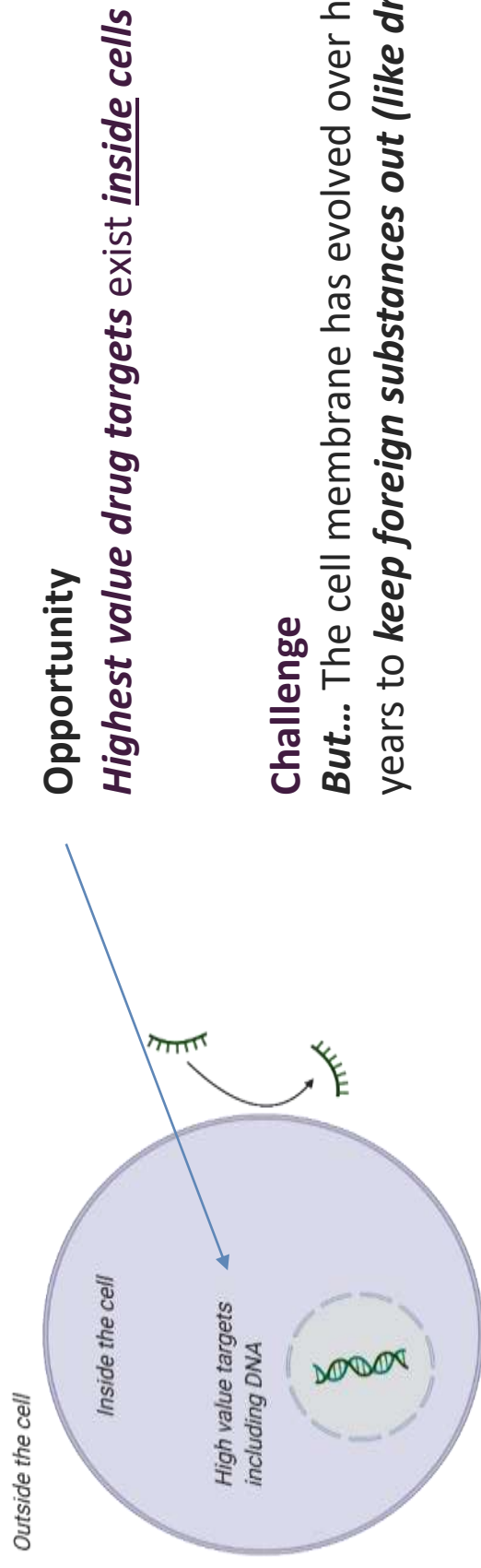


Top shareholders

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



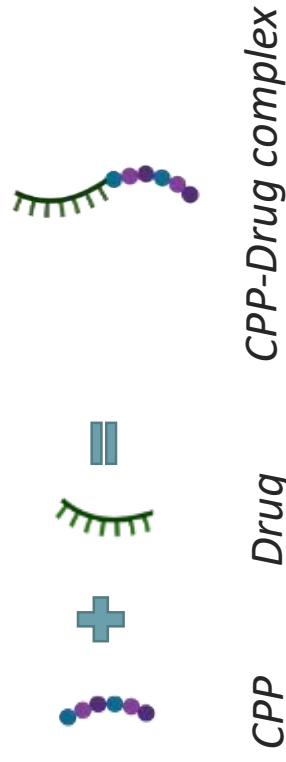
Many emerging therapeutics fail due to an inability to reach their target

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

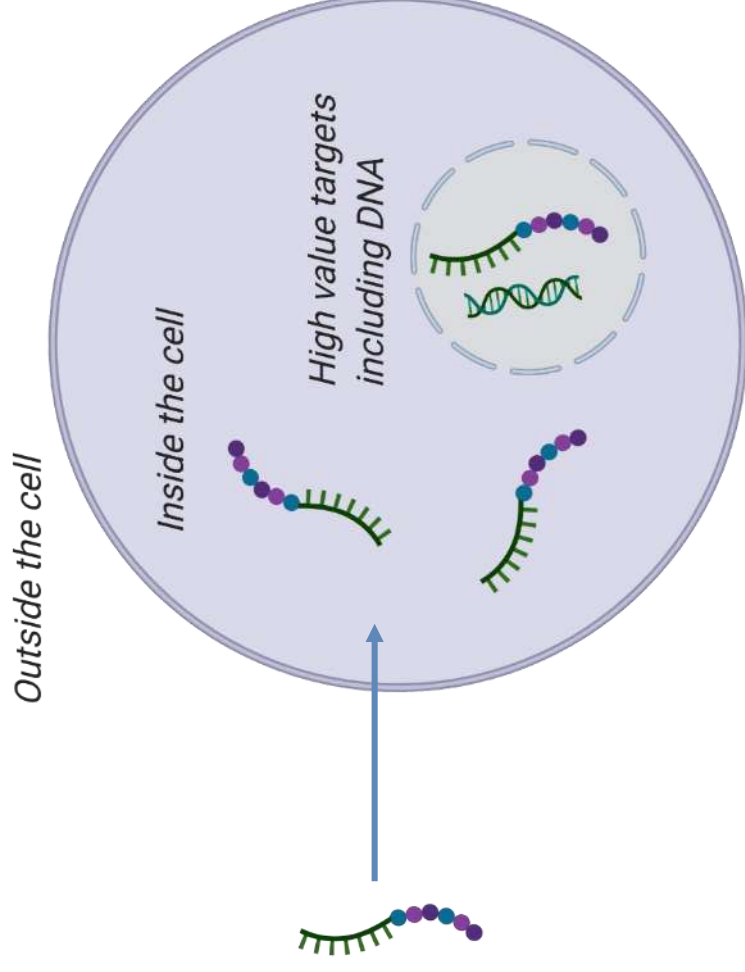


## PYC Therapeutics' solution

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



***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**



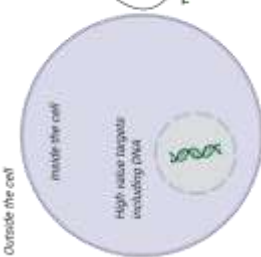
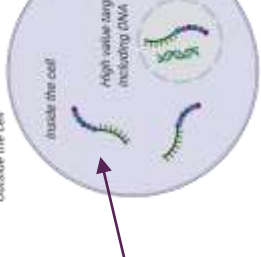
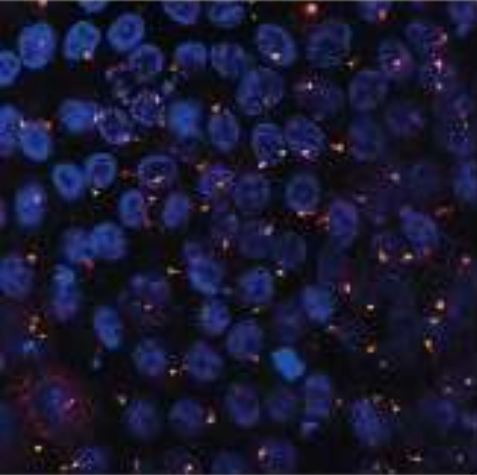
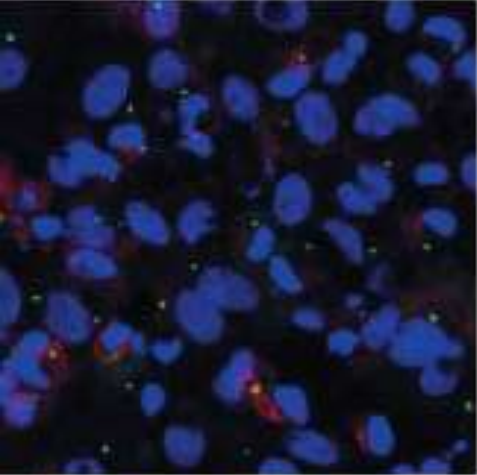
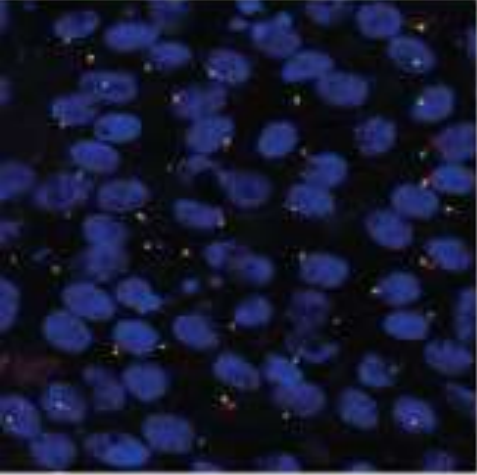
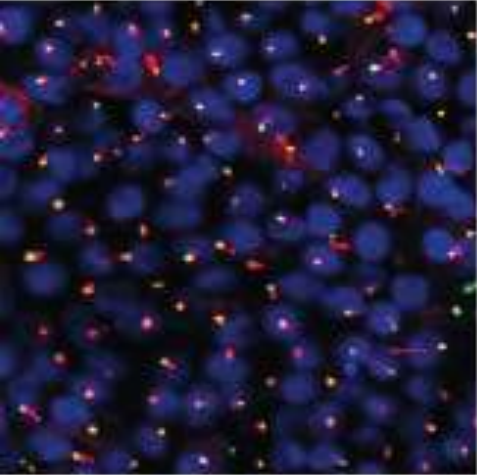


**Vision with Retinitis Pigmentosa**





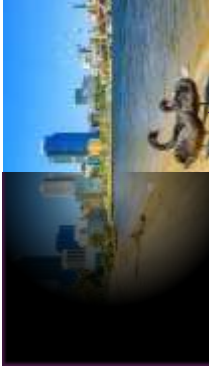








# Why does this matter? A human example (2/3)

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)

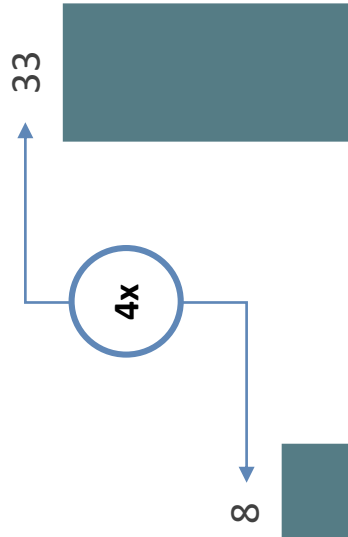
Milestone	Animal models	Human cells	3D 'retina in a dish' models	Humans	Patient impact and Revenue
PYC's lead drug program...					
	Is <b>4x more effective</b> in animals than our nearest competitor	Has <b>reversed our target disease</b> in human cells...	Has proven to be <b>highly effective in 3D models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

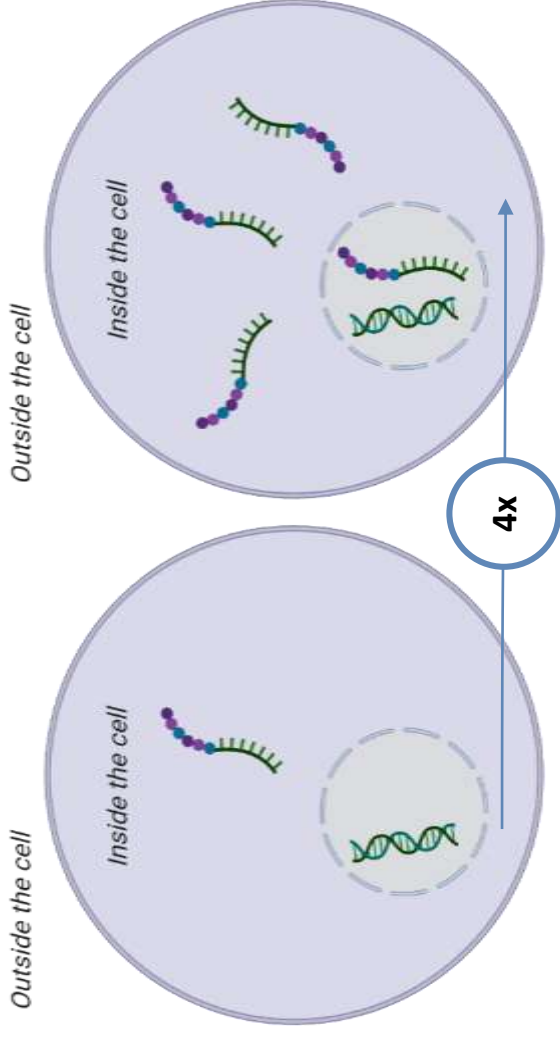
% of cells with drug successfully delivered<sup>1</sup>



Competitor technology



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



Competitor technology



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

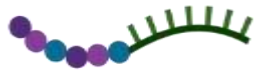
See ASX announcement 'Animal Models – 400% outperformance of gold standard' from the 23/07/2019 and ASX announcement 'Phylogica's Technology is Effective in Human Cells' from the 6/08/2019  
1 A competitive read-out of exon skipping in retinal pigment epithelium (RPE)/choroid cells demonstrating 410% 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



**We are here**

**Current progress**

**Timeline**

**Major milestones**

Q1 2020

★ ‘Clinical trial on a benchtop’ – Optic cups from Phase 1 patients

2021

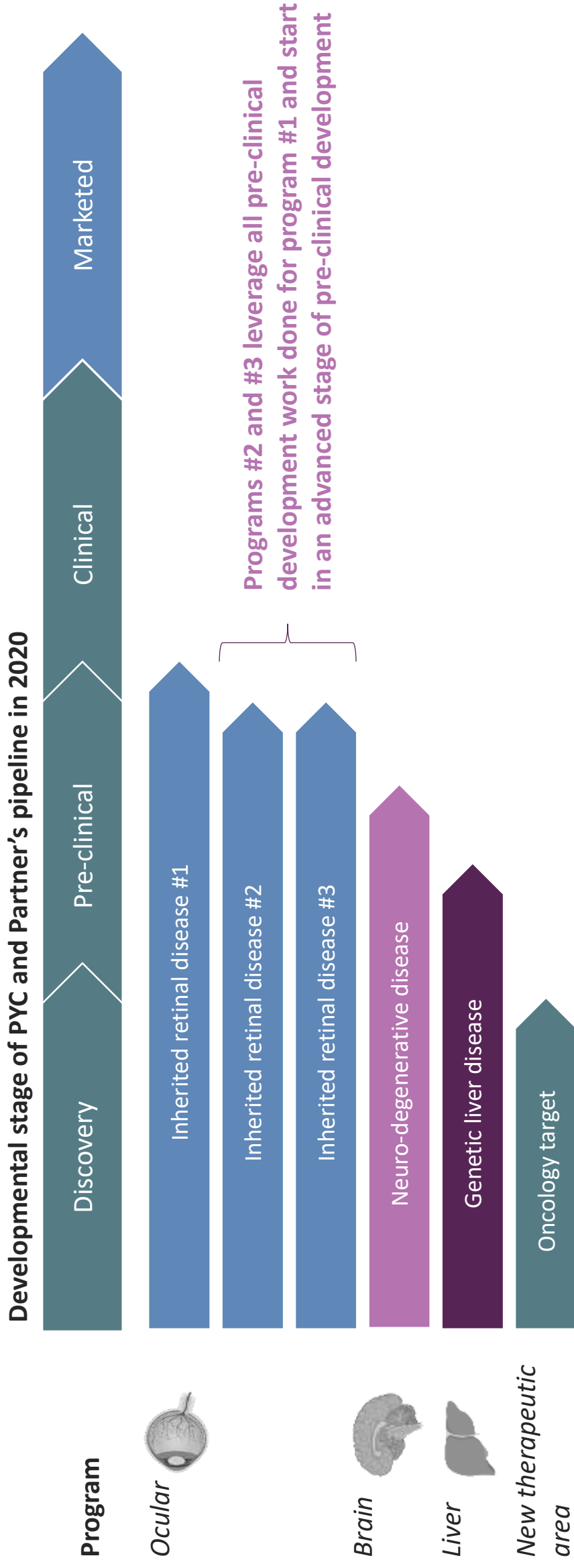
★ Effectiveness in humans – phase 1 read-out

★ 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

<p><b>Success in animal models</b> <i>Both efficacy and toxicology</i></p>	<p><b>Success in 3D human retina model</b> <i>Organoid or “retina in a dish” model demonstrates effectiveness</i></p>	<p><b>Serving unmet need</b> <i>Opportunity to combine phases 2/3 in clinical trials</i></p>
<p><b>Success in human cells</b> <i>Proof of concept established</i></p>	<p><b>Success from similar drugs</b> <i>ASOs in other inherited retinal diseases are clinically validated</i></p>	<p><b>Accessible patient population</b> <i>Disease registries assist distribution</i></p>











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



*“Haven’t heard of RNA Therapeutics yet? You will”<sup>1</sup>*

# PYC trades substantially below the valuation of our peers



Eye disease landscape examples			Antisense Oligo landscape examples		
<div></div>			<div></div>		
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*

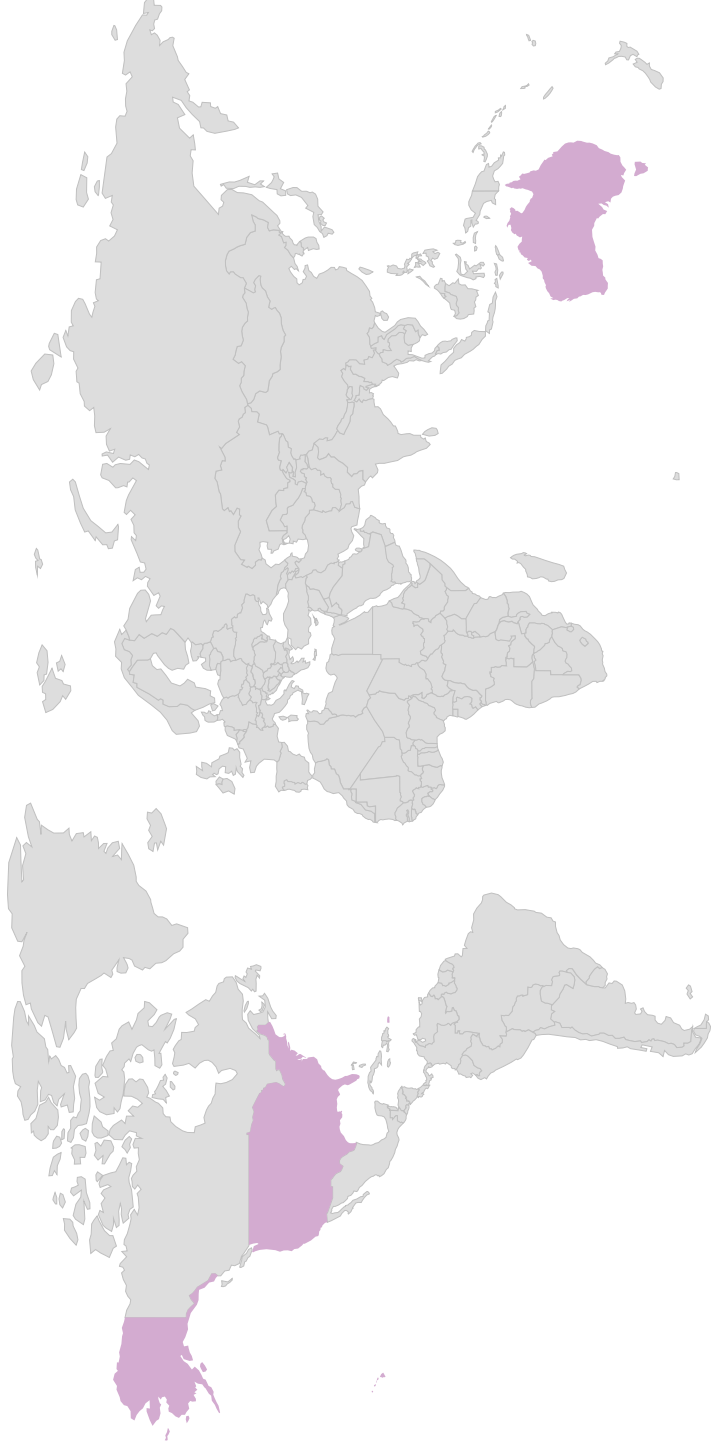


**Rakesh Veedu Ph.D**  
Head of precision nucleic  
acid therapeutics  
research at the **Centre  
for Comparative  
Genomics**  
*Expert in antisense oligos*

## 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



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

<b>Securities investments</b>	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
<b>Dilution risk</b>	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
<b>Share market conditions</b>	<p>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:</p> <ul style="list-style-type: none"> <li>▪ general economic outlook;</li> <li>▪ interest rates and inflation rates;</li> <li>▪ currency fluctuations;</li> <li>▪ changes in investor sentiment toward particular market sectors, including healthcare and biotechnology;</li> <li>▪ the demand for, and supply of, capital;</li> <li>▪ terrorism or other hostilities; and</li> <li>▪ other factors beyond the control of the Company.</li> </ul> <p>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.</p>
<b>Economic</b>	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
<b>Policies and legislation</b>	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
<b>Accounting standards</b>	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

<b>Technology risks</b>	<p>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.</p>
<b>Peptide and Oligonucleotide therapeutic risk</b>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<b>Research and development</b>	<p>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.</p> <p>Being at the forefront of both peptide and antisense oligonucleotide drug discovery and development, the Company is entering uncharted territory which may present unforeseen biological complexities. The Company may need to develop new technologies to resolve these complexities and to advance its programs.</p>

# Appendix: Risks specific to an investment in the Company

## Continued

<b>Clinical trials and Development</b>	<p>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.</p> <p>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.</p>
<b>Product Safety and Efficacy</b>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Any health, safety or efficacy concerns are likely to lead to reduced customer demand and impact on potential future profits of the Company</p>
<b>Intellectual property</b>	<p>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.</p> <p>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.</p> <p>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.</p>



# Appendix: Risks specific to an investment in the Company

## Continued

<b>Drug Discovery and Development alliance risk</b>	<p>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.</p>
<b>Customers and end-market risk</b>	<p>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.</p> <p>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.</p> <p>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.</p>
<b>Competition</b>	<p>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.</p> <p>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.</p> <p>The introduction of new competitors or a more successful outcome from existing participants may affect the operating performance of the Company</p>
<b>Funding</b>	<p>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.</p> <p>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.</p> <p>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.</p>

# Appendix: Risks specific to an investment in the Company

## Continued

<b>Drug Discovery and Development alliance risk</b>	<p>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.</p>
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<b>Key personnel</b>	<p>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.</p>

# Appendix: Risks specific to an investment in the Company

## Continued

<b>Product liability and uninsured risks</b>	<p>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.</p>
<b>Regulatory Approval</b>	<p>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.</p>
<b>Commercial Risk</b>	<p>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.</p>
<b>Dependence on commercial partners</b>	<p>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.</p>



# Appendix: Risks specific to an investment in the Company

## Continued



<b>Delay risk</b>	<p>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.</p>
<b>Drug development and commercialisation</b>	<p>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</p> <p>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</p>
<b>Litigation</b>	<p>There has been substantial litigation and other proceedings in the pharmaceutical and biotechnology industries.</p> <p>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.</p>
<b>Dividends</b>	<p>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.</p>

# 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

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