

## Phylogica Shareholder Update

- **Successful \$10m capital raise underpins drug development momentum**
- **Development strategy for next-generation drugs to treat cancer**
- **Upcoming milestones**
- **Promising progress in Genentech collaboration**

### Letter from the CEO



Dear Shareholders,

2015 has been a landmark year for Phylogica. In August we completed a fully underwritten rights issue to raise \$10 million – the largest capital raise in the company's history. These funds provide the company with an unprecedented capital runway to drive our development program for the next three years. We were delighted by the strong support from new and existing shareholders.

Phylogica is now positioned to become an oncology company focussed on developing a new generation of therapies against cancer targets found inside cells. This is made possible by advances to Phylogica's powerful Phylomer platform which offer three core capabilities:

- A structurally diverse library of peptides selected by nature for the ability to bind and modulate potential drug targets
- A unique platform for discovery of cell penetrating peptides that can deliver drugs inside cells with vastly superior efficacies
- A drug discovery platform that is optimised for generation of potent Phylomer lead molecules against cancer targets found inside cells.

These capabilities create the potential for Phylogica to access the 80% of drug targets found inside cells but which have proved beyond the reach of conventional drugs. By expanding the druggable landscape the company is aiming to address a major area of unmet medical and commercial need.

### Review of strategic priorities

The Board and Executive management teams have initiated a series of reviews aimed at defining the key steps involved in translating the promise of our platform technology into a lead candidate for evaluation in a clinical trial. This will be an externally facilitated process with appropriate experts to frame the critical questions and strategy to achieve this objective.

This will translate into formal drug development including the step-by-step process. Our technology is unique with potentially profound improvements in drug efficacy; that we will be both thoughtful and aggressive in striving to achieve success in our drug development.

### Expanded animal model studies

Earlier this year Phylogica announced the results of a pilot study, which tested the activity of OmoMyc fused to a leading cell penetrating Phylomer in a breast cancer animal model. We were encouraged by results showing a substantial reduction in tumour size

following direct injection of the drug when compared to controls. To our knowledge, this was the first report of Omomyc working as a drug in an animal model.

Experiments are now underway to repeat these studies using a greater number of animals to confirm their significance. We expect to report results early Q4 2015. A positive outcome will lead to work in more complex animal models which are more representative of human disease.

### **Confirming proprietary Phylomer hits against Myc**

Efforts to evaluate the activity of a panel of proprietary Phylomer Myc hits are continuing. Candidates are being expressed as proteins fused to a cell penetrating Phylomer and then tested for activity when delivered as drugs into various cancer cell lines. The overall goal is to identify proprietary leads that function with equivalent or greater potency than Omomyc. Results from these studies will be reported early Q4 2015.

### **Genentech**

In December 2014 Phylogica entered into an agreement with global partner Genentech to discover novel anti-microbial compounds to treat drug resistant superbugs. This collaboration has progressed well with a number of technical milestones being achieved.

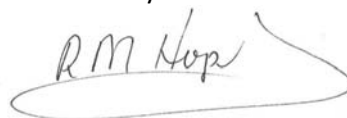
Several promising candidates have been identified during the screening process, which is expected to conclude within two months. Genentech will then have up to 12 months to evaluate results before deciding whether to licence or extend its option over the peptides. In either case Phylogica would be eligible to receive a significant milestone payment.

### **In conclusion**

Your company is pioneering a novel approach to develop cancer drugs against targets found inside cells. We look forward to updating investors on a regular basis with our drug development progress and plans.

We are very grateful for the ongoing support of investors who have helped ensure we are financially positioned for success.

Yours faithfully



**Dr Richard Hopkins**

Chief Executive Officer

### **Phylogica 4Q 2015 milestones**

**Final validation studies for the MYC hits report on outcomes**

**Experiments repeating the extraordinary animal results reported earlier this year using the CPP Omomyc fusion**

**Antimicrobial candidates transferred to Genentech triggering 12 month evaluation period**

### **About Phylogica**

Phylogica Limited (ASX: PYC) is a biotechnology company based in Perth, Australia with a world-class drug discovery platform harnessing the rich biodiversity of nature to discover novel peptide therapeutics from the most structurally diverse libraries available. The Company listed on the ASX in 2005 as a spin out from the Telethon Kids Institute (Perth, Australia) and the Fox Chase Cancer Centre (Philadelphia, USA). The Company's drug discovery platform is based on its proprietary Phylomer® libraries containing over 400 billion unique natural peptides, which have been optimised by evolutionary selection to adopt stable drug-like structures. Phylogica offers fully integrated drug discovery services to the pharmaceutical industry utilising its Phylomer® libraries and proprietary screening technologies in exchange for licence fees, milestones and royalties. Partners from discovery alliances within the last 5 years include Roche, MedImmune, Pfizer, Janssen, Cubist Pharmaceuticals and Genentech.