



BREAKTHROUGH PEPTIDE THERAPEUTICS

26th May 2016

Dear Option Holder

**YOUR OPTIONS TO ACQUIRE PHYLOGICA LIMITED SHARES AT \$0.09 PER SHARE
EXPIRE ON 30TH JUNE 2016**

We are writing to you as a registered holder of listed options in **PHYLOGICA LIMITED** to remind you that the options will expire at 5:00pm (WST) on 30th June 2016.

Your option holding may be exercised in whole or in part by payment of \$0.09 for each option by no later than 30th June 2016. If payment is not received by 5:00pm (WST) on 30th June 2016 the options will lapse and all rights under the options will cease at that time.

Some of the courses of action available to you as a holder of these soon to expire options are:

- a) Exercise the options on or before 30th June 2016.
- b) Sell your options. Quotation of the options will cease at the close of trading on Friday, 24th June 2016.
- c) Do nothing (ie, allow your options to expire). If you do not exercise or sell your options they will expire on 30th June 2016 and your right to subscribe for ordinary shares in **PHYLOGICA LIMITED** at \$0.09 per share will lapse.

There is no obligation on option holders to exercise their options. However, under paragraph 6.1 of Appendix 6A of the Australian Securities Exchange (**ASX**) Listing Rules, the Company is required to advise option holders of the information contained in this notice.

The market sale price of ordinary shares in **PHYLOGICA LIMITED** on ASX was 1.5 cents on 25th May 2016, being the last trading day in Perth prior to the date of this notice.

During the three (3) months preceding the date of this notice:

- the highest market sale price of ordinary shares on ASX was 1.9 cents on 18th and 23rd May 2016; and
- the lowest market sale price of ordinary shares on ASX was 1.3 cents on 5th April 2016.

If you wish to exercise your options then you must complete your "Notice of Exercise of Options" form on the reverse of this notice and forward it together with payment of \$0.09 per option exercised to be received no later than 5:00pm (WST) on **30th June 2016** to the Company's share registry, being:

Security Transfer Registrars Pty Ltd

**PO Box 535
APPLECROSS WA 6953**

OR **770 Canning Highway
APPLECROSS WA 6153**

Cheques should be made payable to "**PHYLOGICA LIMITED**" in Australian dollars only and should be crossed "Not negotiable". If you have any further questions please do not hesitate to contact our Registry on telephone (08) 9315 2333, facsimile (08) 9315 2233, or e-mail registrar@securitytransfer.com.au.

Yours faithfully

Phylogica Limited

**Graeme Boden
Company Secretary**

PHYLOGICA LIMITED

ACN 098 391 961

Terms and Conditions of Options Expiring 30 June 2016

- Each option (**Option**) entitles the holder to subscribe for one (1) fully paid ordinary share (**Share**) in Phylogica Limited (**Company**) at an exercise price of \$0.09 each.
- The Options shall expire on or before 30 June 2016. Any Option not exercised by the expiry date will automatically expire.
- The Options are transferable. Subject to the ASX Listing Rules and the Corporations Act 2001 (Cth) (Corporations Act), the optionholder may transfer some or all of the Options at any time before they expire by a:
 - proper ASTC transfer or any other method permitted by the Corporations Act; or
 - prescribed instrument of transfer.
- An instrument of transfer of an Option must be: in writing; in any usual form or in any other form approved by the directors that is otherwise permitted by law; subject to the Corporations Act, executed by or on behalf of the transferor, and if required by the Company, the transferee; and delivered to the Company, at the place where the Company's register of optionholder is kept, together with the certificate (if any) of the Option to be transferred and any other evidence as the directors require to prove the title of the transferor to that Option, the right of the transferor to transfer that Option and the proper execution of the instrument of transfer.
- The Company will apply to ASX for quotation of the Shares issued on exercise of the Options.
- The optionholder is not entitled to participate in any new issue to existing shareholders of securities in the Company unless they have exercised their Options before the "record date" for determining entitlements to the new issue of securities and participate as a result of holding shares. The Company must give the optionholder notice of the proposed terms of the issue or offer in accordance with the ASX Listing Rules.
- If the Company makes a bonus issue of shares or other securities to shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, then the number of underlying shares over which the Option is exercisable is increased by the number of shares which the optionholder would have received if the optionholder had exercised the Option before the "record date" for determining entitlements to the issue.
- If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the optionholder (including the number of Options to which the optionholder is entitled to and the exercise price) is changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- Any calculations or adjustments which are required to be made will be made by the Company's board of directors and will, in the absence of manifest error, be final and conclusive and binding on the Company and the optionholder.
- The Company must, within a reasonable period, give to the optionholder notice of any change to the exercise price of any Options held by the optionholder or the number of shares which the optionholder is entitled to subscribe for on exercise of an Option.
- To exercise Options, the optionholder must give the Company or its share registry, at the same time:
 - a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of Options being exercised and shares to be issued;
 - payment of the exercise price for the shares, the subject of the exercise notice, by way of bank cheque or by other means of payment approved by the Company; and
 - any certificate for the Options.
- The optionholder may only exercise Options in multiples of 5,000 Options unless the optionholder exercises all Options held by the optionholder.
- Options will be deemed to have been exercised on the date the exercise notice is lodged with the directors of the Company.
- If the optionholder exercises less than the total number of Options registered in the optionholder's name:
 - the optionholder must surrender their Option certificate (if any); and
 - the Company must cancel the Option certificate (if any) and issue the optionholder a new Option certificate or holding statement stating the remaining number of Options held by the optionholder.
- Within ten (10) days after receiving an application for exercise of Options and payment by the optionholder of the exercise price, the Company must issue the optionholder the number of Shares specified in the application.
- Subject to the Company's constitution, all Shares issued on the exercise of Options will rank in all respects (including rights relating to dividends) equally with the existing ordinary Shares of the Company at the date of issue.
- These terms and the rights and obligations of the optionholder are governed by the laws of Western Australia. The optionholder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

NOTICE OF EXERCISE OF OPTIONS

The Directors
Phylogica Ltd
15 Lovegrove Close
MOUNT CLAREMONT WA 6010

Share Registry:
Security Transfer Registrars Pty Ltd
PO Box 535
APPLECROSS WA 6953
Email: registrar@securitytransfer.com.au
Ph: (618) 9315 2333 Fax: (618) 9315 2233

I/We

Optionholder Number:

Of

Being the registered holder of Options hereby exercise such Options to subscribe for Ordinary fully paid shares at \$0.09 per share. I/We enclose application money of \$ And authorise you to register me/us as the holder of the shares to be allotted to me/us and /we agree to accept such shares subject to the Rules of the Constitution of the Company

Individual or Holder 1

Director

Contact Name

Securityholder 2

Director/Secretary

Contact Telephone Number

Securityholder 3

Sole Director/Secretary

Date:

Day / Month / Year

This application, with application money in Australian Currency, should be lodged at the Company's Share Registry on or before the Expiry Date.

NOTE: Cheque should be made payable to PHYLOGICA LIMITED and forwarded to Security Transfer Registrars Pty Ltd.