



# PHYLOGICA

BREAKTHROUGH PEPTIDE THERAPEUTICS

ACN 098 391 961

**NOTICE OF ANNUAL GENERAL MEETING  
AND  
EXPLANATORY STATEMENT**

**For the Annual General Meeting of Shareholders  
to be held on 16 November 2018 at 2:30pm (WST)  
at Level 5, Perth Children's Hospital, 15 Hospital Avenue, Nedlands, Western Australia**

***This is an important document. Please read it carefully.***

***If you are unable to attend the Meeting, please complete the form of proxy enclosed  
and return it in accordance with the instructions set out on that form.***

## TIME AND PLACE OF ANNUAL GENERAL MEETING AND HOW TO VOTE

### Venue

The Annual General Meeting of Phylogica Limited will be held at:

**Level 5  
Perth Children's Hospital  
15 Hospital Avenue  
Nedlands, Western Australia, 6009**

**Commencing  
at 2:30pm (WST)  
on 16 November 2018**

### How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

#### Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 2:30pm (WST).

#### Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible in accordance with the instructions on the proxy form so that it is received not later than 2:30pm (WST) on 14 November 2018.

**Your proxy form is enclosed.**

**PHYLOGICA LIMITED**  
**ACN 098 391 961**

**NOTICE OF ANNUAL GENERAL MEETING**

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Notice is hereby given that the Annual General Meeting of the Shareholders of Phylogica Limited will be held at Level 5, Perth Children's Hospital, 15 Hospital Avenue, Nedlands, Western Australia on 16 November 2018 at 2:30pm (WST) for the purpose of transacting the following business.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

**AGENDA**

**GENERAL BUSINESS**

**ACCOUNTS AND REPORTS**

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the Directors, the Directors' Report, the remuneration report and the auditor's report.

**RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT**

To consider and, if thought fit, to pass the following resolution as a **non-binding resolution**:

*"That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report in the Annual Report of the Company for the financial year ended 30 June 2018."*

**Voting exclusion:**

A vote in respect of Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons (the "voter"):

- (a) a member of the key management personnel, details of whose remuneration are included in the remuneration report; or
- (b) a closely related party of such a member.

However, the voter may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described in paragraphs (a) or (b) and either:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on Resolution 1; or
- (d) the voter is the chair of the meeting and the appointment of the chair as proxy:
  - (i) does not specify the way the proxy is to vote on the resolution; and
  - (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the entity.

**RESOLUTION 2 – ELECTION OF DIRECTOR – SAHM NASSERI**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That Sahm Nasser, being a Director of the Company appointed by the Directors as an additional Director and holding office until this Meeting in accordance with clause 13.4 of the Constitution of the Company and, being eligible, offers himself for election, is hereby elected as a Director of the Company."*

### **RESOLUTION 3 – ELECTION OF DIRECTOR – ALAN TRIBE**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That Alan Tribe, being a Director of the Company appointed by the Directors as an additional Director and holding office until this Meeting in accordance with clause 13.4 of the Constitution of the Company and, being eligible, offers himself for election, is hereby elected as a Director of the Company."*

### **RESOLUTION 4 – RE-ELECTION OF DIRECTOR – BERNARD HOCKINGS**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That Bernard Hockings, who retires by rotation in accordance with clause 13.2 of the Constitution of the Company, and being eligible, offers himself for re-election, is hereby re-elected as a director of the Company."*

### **RESOLUTION 5 – RATIFICATION OF PLACEMENT SHARES TO UNRELATED PARTIES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That for the purposes of Listing Rule 7.4 and for all other purposes, approval is given to the issue of 146,166,674 Shares being a placement to unrelated parties, on the terms set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associate of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

### **RESOLUTION 6 – APPROVAL FOR ALAN TRIBE TO PARTICIPATE IN PLACEMENT**

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 124,500,000 Shares to Alan Tribe or his nominees on the terms set out in the Explanatory Statement."*

**Voting exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Alan Tribe or his nominees or any associate of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the chair of the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

## **RESOLUTION 7 – APPROVAL FOR BERNARD HOCKINGS TO PARTICIPATE IN PLACEMENT**

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 33,333,334 Shares to Bernard Hockings or his nominees on the terms set out in the Explanatory Statement."*

**Voting exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Bernard Hockings or his nominees or any associate of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the chair of the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

## **RESOLUTION 8 – APPROVAL OF POTENTIAL TERMINATION BENEFIT TO ROHAN HOCKINGS**

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That for the purposes of sections 200B and 200E of the Corporations Act and Listing Rule 10.19, and for all other purposes, approval is given for the giving of benefits to Rohan Hockings in connection with his ceasing to hold a managerial or executive office in the Company on the terms set out in the Explanatory Statement."*

**Voting exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Rohan Hockings or his nominees or any associate of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

**Restriction on proxy voting by key management personnel or closely related parties:** A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the key management personnel for the Company; or
  - (ii) a closely related party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the chair of the meeting provided the chair is not the related party the subject of the Resolution or is an associate of the related party; and
- (d) the appointment expressly authorises the chair of the meeting to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

Where the chair is the related party the subject of the Resolution or is an associate of the related party, the chair cannot cast undirected proxies in respect of the Resolution.

## RESOLUTION 9 - APPROVAL TO ISSUE OPTIONS TO ROHAN HOCKINGS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That for the purposes of sections 200B, 200E and Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue to Rohan Hockings or his nominees up to 10,000,000 Options on the terms set out in the Explanatory Statement."*

**Voting exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Rohan Hockings or his nominees or any associate of those persons. However, the Company will not disregard a vote cast on this Resolution if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

**Restriction on proxy voting by key management personnel or closely related parties:** A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the key management personnel for the Company; or
  - (ii) a closely related party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the chair of the meeting provided the chair is not the related party the subject of the Resolution or is an associate of the related party; and
- (d) the appointment expressly authorises the chair of the meeting to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

Where the chair is the related party the subject of the Resolution or is an associate of the related party, the chair cannot cast undirected proxies in respect of the Resolution.

## VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the chair of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. The chair of the Meeting will vote undirected proxies on, and in favour of, all of the proposed resolutions, including Resolutions 1, 8 and 9. The proxy form expressly authorises the chair of the Meeting to exercise the proxy in relation to Resolutions 1, 8 and 9 even though these resolutions are connected directly or indirectly with the remuneration of a member of key management personnel. Any undirected proxies held by a Director, any member of the key management personnel or any of their closely related parties (who are not the chair) will not be voted on Resolutions 1, 8 or 9.
4. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 14 November 2018 at 4.00pm (WST).
5. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.

**By order of the Board**



**Kevin Hart**  
**Company Secretary**

Dated: 26 September 2018

**PHYLOGICA LIMITED**  
**ACN 098 391 961**

**EXPLANATORY STATEMENT**

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This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

**1. FINANCIAL STATEMENTS AND REPORTS**

The business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company is not required to provide a hard copy of the Company's annual financial report to Shareholders unless a Shareholder has specifically elected to receive a printed copy.

Whilst the Company will not provide a hard copy of the Company's annual financial report unless specifically requested to do so, Shareholders may view the Company annual financial report on its website at [www.phylogica.com](http://www.phylogica.com).

Shareholders will be offered the following opportunities:

- (a) discuss the Annual Financial Report for the financial period ended 30 June 2018;
- (b) ask questions and make comment on the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit, preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.

**2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT**

**2.1 General**

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the Remuneration Report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2018.

A reasonable opportunity will be provided for questions about or comments on the Remuneration Report at the Annual General Meeting.

## 2.2 Voting Consequences

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "Spill Resolution") that another general meeting be held within 90 days at which all of the Directors (other than the Managing Director) must go up for re-election.

## 2.3 Previous voting results

At the Company's previous annual general meeting, the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Meeting.

## 2.4 Proxy restrictions

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Resolution 1 (Remuneration Report) by marking either "For", "Against" or "Abstain" on the Proxy Form for Resolution 1.

If you appoint a member of the key management personnel whose remuneration details are included in the Remuneration Report (who is not the Chairman) or a closely related party of that member as your proxy, and you do not direct that person on how to vote on this Resolution 1, the proxy cannot exercise your vote and your vote will not be counted in relation to this Resolution 1.

The Chairman intends to vote all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the proxy form you are giving express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

Key management personnel of the Company are the Directors and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's key management personnel for the financial year to 30 June 2018. Their closely related parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

## 3. RESOLUTION 2 – ELECTION OF DIRECTOR – SAHM NASSERI

Clause 13.4 of the Company's Constitution provides that any Director appointed by the Board as an additional director holds office until the next following annual general meeting and is eligible for election at that meeting. Additionally, Listing Rule 14.4 provides that a Director appointed as an additional director must not hold office (without re-election) past the next annual general meeting.

Mr Sahm Nasseri was appointed by the Board as an additional Director on 23 October 2017.

Mr Sahm Nasseri holds office until this Meeting and, being eligible, offers himself for election as a Director of the Company.

Mr Sahm Nasseri is a non-executive director of the Company. Details of the qualifications and expertise of Mr Sahm Nasseri are set out in the 2018 Annual Report.

The Board of the Company recommends the election of Mr Sahm Nasseri as a Director.

#### **4. RESOLUTION 3 – ELECTION OF DIRECTOR – ALAN TRIBE**

As set out above, clause 13.4 of the Company's Constitution and Listing Rule 14.4 requires a Director appointed as an additional director by the Board must not hold office without election past the next annual general meeting.

Mr Alan Tribe was appointed by the Board as an additional Director on 10 April 2018.

Mr Alan Tribe holds office until this Meeting and, being eligible, offers himself for election as a Director of the Company.

Mr Alan Tribe is the non-executive chairman of the Company. Details of the qualifications and expertise of Mr Alan Tribe are set out in the 2018 Annual Report.

The Board of the Company recommends the election of Mr Alan Tribe as a Director.

#### **5. RESOLUTION 4 – RE-ELECTION OF DIRECTOR – BERNARD HOCKINGS**

Clause 13.2 of the Constitution requires that at each annual general meeting, one-third of directors for the time being (rounded up in the case of doubt) shall retire from office. Additionally, Listing Rule 14.4 provides that a Director must retire from office no later than the longer of the third annual general meeting of the Company or 3 years following that Director's last election or appointment. The retirement rules do not apply to the managing director.

Mr Bernard Hockings was appointed to the Board on 23 January 2014 and was last re-elected on 25 November 2016 at the 2016 annual general meeting. Mr Bernard Hockings retires by rotation in accordance with the Constitution, and being eligible, offers himself for re-election as a Director.

Mr Bernard Hockings is a non-executive director of the Company. Details of the qualifications and experience of Mr Bernard Hockings is set out in the Company's 2018 Annual Report.

The Board of the Company recommends the re-election of Mr Bernard Hockings as a Director.

#### **6. RESOLUTION 5 – RATIFICATION OF PLACEMENT SHARES TO UNRELATED PARTIES**

As announced on 12 September 2018, the Company has undertaken a Placement to raise \$9,120,000 before costs being \$4,385,000 to unrelated parties (the subject of this Resolution) and \$4,735,000 to related parties (the subject of Resolutions 6 and 7). The Placement to unrelated parties and related parties is on the same terms.

This Resolution seeks Shareholder approval in relation to the issue of 146,166,674 Shares issued on 21 September 2018 as the Placement Shares to unrelated parties.

Listing Rule 7.1 provides, subject to certain exceptions, a listed company must not issue equity securities where the number of equity securities proposed to be issued represents more than 15% of the company's shares then on issue without the approval of shareholders.

Listing Rule 7.4 provides that an issue of securities made without the approval under Listing Rule 7.1 is treated as having been made with approval if the issue of securities did not breach Listing Rule 7.1 (that is, the issue was within the Company's 15% capacity or any additional 10% placement under Listing Rule 7.1A) and shareholders subsequently approve it.

The Shares issued the subject of this Resolution were issued within the Company's 15% capacity. The Company seeks Shareholder approval to ratify the securities issued and refresh the Company's 15% capacity.

In accordance with Listing Rule 7.5, the following information is provided to Shareholders:

- (a) The number of securities issued was 146,166,674 Shares.
- (b) The Shares were issued at an issue price of 3 cents each.
- (c) The Shares are fully paid ordinary shares in the Company and rank equally with the Company's current issued shares.
- (d) The Shares were issued to sophisticated, professional and other investors who are exempt from the disclosure requirements under Chapter 6D of the Corporations Act. None of the subscribers is a related party of the Company.
- (e) The Company will use the net funds from the Placement to accelerate its path toward first in human trials of its Cell Penetrating Peptides (CPPs) and for general working capital.

## **7. RESOLUTIONS 6 AND 7 – APPROVAL FOR DIRECTORS TO PARTICIPATE IN PLACEMENT**

Resolutions 6 and 7 seek Shareholder approval so that the Company may issue Shares to each of Alan Tribe and Bernard Hockings or their nominees. Each of Alan Tribe and Bernard Hockings are Directors of the Company and are therefore related parties of the Company. They will participate in the Placement on the same terms as unrelated parties.

Listing Rule 10.11 requires a company to obtain shareholder approval prior to the issue of securities to a related party. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Information about Listing Rule 7.1 is set out in Section 6 above.

In accordance with Listing Rule 10.13, the following information is provided to Shareholders:

- (a) The Shares will be issued to Alan Tribe or his nominees (Resolution 6) and Bernard Hockings or his nominees (Resolution 7).
- (b) The maximum number of securities the Company will issue is 124,500,000 Shares to Alan Tribe or his nominees (Resolution 6) and 33,333,334 Shares to Bernard Hockings or his nominees (Resolution 7).
- (c) The Shares will be issued no later than 1 month after the date of this Meeting (or a later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (d) Each of Alan Tribe and Bernard Hockings is a Director and is therefore a related party of the Company.
- (e) The Shares will be issued at an issue price of 3 cents each and the Shares will be fully paid ordinary Shares in the Company and rank equally with the Company's current issued Shares.
- (f) The Company intends to use the funds from the Placement to accelerate its path towards first in human trials of its CPPs and for general working capital.

The Directors of the Company independent of the particular related party to be issued the securities in each case have resolved that the issue of the securities the subject of the relevant Resolution is on reasonable arms length terms for the Company as the related party will be

issued with securities on the same terms as unrelated parties and otherwise on commercial terms. By reason of this, no separate related party approval under the Corporations Act is sought.

Alan Tribe's voting power 6 months before the issue of Shares that will occur under Resolution 6 was 19.91%. Alan Tribe will have maintained voting power of at least 19% throughout the 6 months before the issue of the Shares to him or his nominees under Resolution 6.

Alan Tribe will use the creep exception in section 611 item 9 of the Corporations Act (3% creep in 6 months) to enable the issue of Shares to him or his nominees under Resolution 6. Alan Tribe's voting power after the issue of Shares to him under Resolution 6 will be 22.89%.

## 8. RESOLUTION 8 – APPROVAL OF POTENTIAL TERMINATION BENEFIT TO ROHAN HOCKINGS

### 8.1 Chief Executive Officer Agreement

The Company has entered into an agreement with Rohan Hockings, pursuant to which Rohan Hockings will serve as the Company's Chief Executive Officer. The material terms of the agreement are as follows:

- (a) **Term:** The term of the employment commenced on 1 July 2018 and will continue for a fixed initial period of 2 years (until 30 June 2020) ("**Initial Term**"), following which the parties may agree to extend the agreement on mutually agreed terms.
- (b) **Salary and Performance Based Bonus:**
  - (i) The Company will pay Rohan Hockings a salary of \$395,000 per annum (inclusive of superannuation), to be reviewed annually.
  - (ii) The Company may, in its sole discretion, pay Rohan Hockings a performance based cash bonus of up to \$198,000 (including superannuation) per annum.
- (c) **Incentive Options:** The Company has agreed, subject to Shareholder approval, to issue Rohan Hockings the Options detailed in Resolution 9.
- (d) **Termination by the Company:** The Company may at its sole discretion terminate the CEO's employment in the following manner and in accordance with the NES under the Fair Work Act:
  - (i) by giving written notice, of the greater of:
    - (A) 12 months; and
    - (B) the remainder of the Initial Term.
  - (ii) by giving not less than 6 months' written notice if at any time the CEO:
    - (A) is or becomes incapacitated by illness or injury of any kind which prevents the CEO from performing duties under the agreement for a period of 2 consecutive months or any periods aggregating 2 months in any period of 12 months during the term of the employment; or
    - (B) is or becomes of unsound mind or under the control of any committee or officer under any law relating to mental health;
  - (iii) by giving 1 month's written notice if at any time the CEO:

- (A) commits any serious or persistent breach of any of the provisions contained in the agreement and the breach is not remedied within 14 days of the receipt of written notice from the Company to the CEO to do so;
- (B) in the reasonable opinion of the Board, is absent in, or demonstrates incompetence with regard to the performance of the CEO's duties under the agreement, or is neglectful of any duties under the agreement or otherwise does not perform all duties under the agreement in a satisfactory manner, provided that the CEO:
  - (1) has been counselled on at least 3 separate occasions of the specific matters complained of by the Board; and
  - (2) after each such occasion has been provided with a reasonable opportunity of at least 1 month to remedy the specific matters complained of by the Board;
- (C) commits or becomes guilty of any gross misconduct; or
- (D) refuses or neglects to comply with any lawful reasonable direction or order given to the CEO by the Company which the CEO, after receipt of prior notice, has failed to rectify to the reasonable satisfaction of the Company within 21 business days of receipt of that notice;
- (iv) summarily without notice, if at any time the CEO is convicted of any major criminal offence which brings the company or any of its related bodies corporate into lasting disrepute, by giving notice effective immediately and without payment of any salary other than salary accrued to the date of termination; or
- (v) where the CEO ceases to serve as CEO of the Company, subject to any required shareholder approval, effective immediately, by paying the CEO the salary payable for the remainder of the Term.

Subject to shareholder approval under section 200D of the Corporations Act, the Company may at its sole discretion dispense with the written notice period that must be given to the CEO under section 8.1(d)(i), (ii) or (iii) above, and immediately terminate the employment by making a payment to the CEO equal to the salary payable for the relevant period of notice ("**Company Termination Payment**");

- (e) **Termination by the CEO:** The CEO may terminate the employment in the following manner:
  - (i) if at any time the Company commits any serious or persistent breach of any of the provisions contained in the agreement and the breach is not remedied within 28 days of receipt of written notice from the CEO to the Company to do so, by giving notice effective immediately; or
  - (ii) by giving 2 months' written notice to the Company.

In the event that the employment is terminated in accordance with clause 8.1(e)(i) prior to the expiry of the Initial Term, subject to shareholder approval under section 200D of the Corporations Act, the Company will pay to the CEO the greater of:

- (A) the salary which would have been payable for the remainder of the Initial Term; and

- (B) the salary payable for 12 months  
("CEO Termination Payment").

## 8.2 Part 2D.2 of the Corporations Act

Part 2D.2 of the Corporations Act restricts the benefits which can be given to certain persons who hold a "*managerial or executive office*" (as defined in the Corporations Act) on leaving their employment with a company or any of its related bodies corporate, unless an exception applies.

Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with them ceasing to hold a managerial or executive office if the benefit is approved by shareholders or an exemption applies.

Provided Shareholder approval is given, the value of the termination benefits may be disregarded when applying section 200F(2)(b) or section 200G(1)(c) of the Corporations Act (ie the approved benefit will not count towards the statutory cap under the legislation).

In accordance with the terms of the agreement, Shareholder approval for the Company Termination Payment and the CEO Termination Payment (together, the "**Termination Payments**") is being sought pursuant to sections 200B and 200E of the Corporations Act.

## 8.3 Part 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Termination Payments constitute giving a financial benefit and the CEO is a related party as there is reasonable grounds to believe he will become a Director in the future (section 228(6) of the Corporations Act) and he is the son of Bernard Hockings, a Director (section 228(3) of the Corporations Act).

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Termination Payments because the agreement to make the Termination Payments as part of the CEO's remuneration package was negotiated on an arms length basis and in the circumstances reflects reasonable arms length terms.

## 8.4 Listing Rule 10.19

Listing Rule 10.19 provides that, without the approval of ordinary shareholders, an entity must ensure that no officer of the entity or any of its child entities will be, or may be, entitled to termination benefits if the value of those benefits and the termination benefits that are or may become payable to all officers together exceed 5% of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules.

The value of the Termination Payments exceeds 5% of the Company's equity interest as set out in the latest accounts given to ASX. Accordingly, Shareholder approval is being sought under Listing Rule 10.19 in respect of the Termination Payments.

## 9. RESOLUTION 9 – APPROVAL TO ISSUE OPTIONS TO ROHAN HOCKINGS

### 9.1 General

Resolution 9 seeks Shareholder approval so that the Company may issue Options as an incentive to Rohan Hockings.

Rohan Hockings is Chief Executive Officer of the Company but not currently a Director. The Board has reasonable grounds to believe that it is likely Rohan Hockings will become a Director in the future. Thereby, in accordance with section 228(6) of the Corporations Act, Rohan Hockings will be treated by the Company as a related party. Further, Rohan Hockings is the son of Bernard Hockings, a Director and as such by section 228(3) of the Corporations Act is a related party.

Shareholder approval is required for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.11 because Rohan Hockings is a related party of the Company. These are dealt with below.

### 9.2 Section 200B and 200E of the Corporations Act

In the event that employment of Rohan Hockings is terminated for reason other than those specified in section 8.1(d)(iii) or (iv), or in the event of a change of control, any unvested Options will vest immediately.

Shareholder approval of the benefits that may become payable to Rohan Hockings as a result of the automatic vesting conditions attached to the Options, is sought under section 200E of the Corporations Act.

Section 200B of the Corporations Act prevents a company from giving a benefit to a person retiring or being removed from a managerial or executive office or position ("**Retiree**"), unless the company's shareholders approve that benefit under section 200E or unless the benefit falls within certain exceptions set out in the Corporations Act.

A payment will only fall within the exceptions set out in the Corporations Act if the amount of the payment is less than a prescribed multiple of the Retiree's remuneration or if the nature of the payment falls within one or a number of categories set out in the Corporations Act (for example, a payment by way of damages for breach of contract or a payment for past services). The possible automatic vesting of the Options may not fall within any of the categories of exception set out in the Corporations Act and accordingly Shareholder approval is sought.

Section 200E of the Corporations Act requires that where shareholders are asked to approve a payment or other benefit to a Retiree that would otherwise be prohibited by section 200B, shareholders must be given details of the amount of the payment, or, if the amount cannot be ascertained at the time of the disclosure, the manner in which the amount is to be calculated and any matter, event or circumstance that will, or is likely to affect the calculation of the amount.

The current indicative value of the Options proposed to be issued to Rohan Hockings is \$126,258 utilising the Black and Scholes Pricing Model (see Section 9.3 below).

### 9.3 Chapter 2E of the Corporations Act - Related Party transaction

The proposed issue of Options to Rohan Hockings is a financial benefit to a related party requiring Shareholder approval under the Corporations Act in the absence of a specified exception applying.

The following information is provided to Shareholders for the purposes of the Corporations Act.

(a) **The related party to whom the proposed Resolution would permit the financial benefit to be given**

The related party is Rohan Hockings or his nominees.

(b) **The nature of the financial benefit**

The proposed financial benefit to be given is the issue of up to 10,000,000 Options to Rohan Hockings or his nominees.

The terms of the Options are set out in Schedule 1.

(c) **Directors' recommendation and basis of financial benefit**

The purpose of the issue of the Options is to incentivise Rohan Hockings as Chief Executive Officer to provide ongoing dedicated services to the Company and link remuneration to the Share price performance of the Company.

The Options are also a way of granting an incentive while preserving the Company's cash reserves.

The Board consider that the particular number and terms of the Options to be issued to Rohan Hockings constitute an appropriate number to adequately reward and incentivise him in the circumstances in light of his skill and experience and when considered together with his other remuneration as a Chief Executive Officer (as detailed below).

The Company considers the issue of the Options to be reasonable in the circumstances of the stage of the Company's development and given the importance of maintaining the Company's cash reserves.

The Options have an exercise price of 3.9 cents and an expiry date of 16 November 2021. The full terms of the Options are set out in Schedule 1.

The Directors in each case recommend that Shareholders vote in favour of the Resolution.

(d) **Dilution**

The passing of the Resolutions would have the effect of issuing Rohan Hockings (or his nominees) a total of 10,000,000 Options.

If any of the Options are exercised into Shares, the effect would be to dilute the shareholding of existing Shareholders. If all 10,000,000 Options were exercised into Shares, the effect would be to dilute the shareholding of the existing Shareholders by approximately 0.4% (based on the total current number of Shares on issue after the Placement being 2,442,856,658 Shares).

The actual dilution will depend on the extent of further equity raised by the Company and whether any of the Options are exercised.

**(e) Remuneration of Rohan Hockings**

The current remuneration package received by Rohan Hockings is \$395,000 salary per annum inclusive of superannuation. The Company may, in its sole discretion, pay to Rohan Hockings a performance based cash bonus over and above salary of up to \$198,000 including superannuation.

**(f) Existing relevant interest**

At the date of this Notice, Rohan Hockings has the following relevant interest in securities of the Company.

Shares	Options
0	0

**(g) Trading history**

The following table gives details of the highest, lowest and the latest closing market price of the Company's Shares trading on the ASX over the last 12 months.

	Date	Closing price
Highest price	8 January 2018	4.7 cents
Lowest price	12 and 13 June 2018	2.2 cents
Latest price	25 September 2018	3 cents

**(h) Valuation of the Options**

The Options will not be quoted on ASX.

The Company have valued the Options to be granted to the Directors or their nominees by reference to the Black and Scholes pricing model.

The following assumptions have been made regarding the inputs required for the option pricing model:

- Underlying share price of 3 cents based on the closing market price on 20 September 2018.
- Dividend yield of nil as the Company has not forecast any future dividend payments.
- Risk free rate of 2.15% being the Reserve Bank of Australia 3 year government interest free rate.
- Volatility rate of 73% based on the historical volatility of the Company's Shares over a 1 year period.

- No discount rate has been applied for the lack of marketability even though the options will not be listed on the ASX or transferable.
- Expiry date of 16 November 2021.
- An exercise price of 3.9 cents.

Based on the above assumptions the Options to be issued to Rohan Hockings under the Resolution have been valued as follows:

<b>Value per Option (\$)</b>	<b>Number of Options issued</b>	<b>Total value of Options (\$)</b>
1.263 cents	10,000,000	\$126,258

(i) **Other Information**

The Directors do not consider that there are opportunity costs to the Company or benefits foregone by the Company in issuing the Options.

For accounting purposes, the Options will be recognised as an expense.

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass the Resolution.

9.4 **Listing Rule 10.11**

Listing Rule 10.11 requires a company to obtain shareholder approval prior to the issue of securities to a related party. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1 (and the issue of Shares will not be included in the placement capacity calculations).

In accordance with Listing Rule 10.13, the following information is provided to Shareholder:

- The Options will be issued to Rohan Hockings or his nominees.
- The maximum number of securities the Company will issue is 10,000,000 Options to Rohan Hockings or his nominees.
- The Options will be granted no later than 1 month after the date of this meeting (or a later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- Rohan Hockings is a related party as there is reasonable grounds to believe he will become a Director in the future (section 228(6) of the Corporations Act) and he is the son of Bernard Hockings, a Director (section 228(3) of the Corporations Act).
- The Options will be granted for nil consideration. The exercise price of the Options is 3.9 cents and the expiry date is 16 November 2021. The full terms of the Options are set out in Schedule 1.
- No funds will be raised by the issue of the Options.

## SCHEDULE 1

### TERMS OF OPTIONS (Resolution 9)

The terms of the Options are:

1. Each Option entitles the holder to one Share in the capital of the Company.
2. The exercise price of the Options is 3.9 cents each.
3. Subject to paragraph 4 below, the Options may be exercised at any time prior to 5.00pm WST on 16 November 2021.
4.
  - (a) Subject to paragraph (c), 5,000,000 of the Options vest and may only be exercised if Rohan Hockings continues as an employee until 30 June 2019.
  - (b) Subject to paragraph (c), 5,000,000 of the Options vest and may only be exercised if Rohan Hockings continues as an employee until 30 June 2020.
  - (c) The vesting conditions are waived so that full vesting occurs in the event of a change of control of the Company or where Rohan Hockings' employment is terminated for reasons other than for serious breach, gross misconduct or being convicted of a major criminal offence.
5. The Options are only transferable with Board approval. The Options are not intended to be quoted on ASX.
6. The Company will provide to the Option holder a notice that is to be completed when exercising the Options (Notice of Exercise). Subject to vesting hurdles being met, Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share.
7. All Shares issued upon the exercise of the Options will rank equally in all respects with the Company's then issued Shares. The Company will apply to the ASX in accordance with the Listing Rules for all Shares issued pursuant to the exercise of the Options to be admitted to quotation.
8. There are no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues or pro-rata issues of capital to Shareholders during the term of the Options. Thereby, the Option holder has no rights to a change in the exercise price of the Option or a change to the number of underlying securities over which the Option can be exercised. The Company will ensure, for the purposes of determining entitlements to any issue, that Option holder will be notified of a proposed issue after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in such issues.

9. If there is a bonus issue (Bonus Issue) to Shareholders, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder would have received if the Option had been exercised before the record date for the Bonus Issue (Bonus Shares). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue, and upon issue will rank equally in all respects with the other Shares on issue as at the date of issue of the Bonus Shares.
10. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the Option holder shall be reconstructed (as appropriate) in accordance with the Listing Rules.

GLOSSARY

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In the Notice and this Explanatory Statement the following expressions have the following meanings:

"**Annual General Meeting**" or "**Meeting**" means the meeting convened by this Notice.

"**ASX**" means the ASX Limited (ACN 008 624 691).

"**ASX Listing Rules**" or "**Listing Rules**" means the Listing Rules of the ASX.

"**Board**" means the Board of Directors of the Company.

"**Chair**" or "**Chairman**" means the chairman of the Company.

"**Company**" or "**PYC**" means Phylogica Limited (ACN 098 391 961).

"**Constitution**" means the constitution of the Company.

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

"**Directors**" mean the directors of the Company from time to time.

"**Explanatory Statement**" means this Explanatory Statement.

"**Notice**" means the notice of meeting that accompanies this Explanatory Statement.

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

"**Placement**" means the placement of Shares the subject of Resolutions 5, 6 and 7 of this Notice.

"**Resolution**" means a resolution referred to in the Notice.

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

"**Shareholder**" means a registered holder of Shares in the Company.

"**WST**" means Western Standard Time, Perth, Western Australia.

"**A\$**" "**AUD**" or "**\$**" means Australian dollars unless otherwise stated.