



PHYLOGICA GENERATES MULTIPLE DRUG CANDIDATES FOR TREATMENT OF RHEUMATOID ATHRITIS

Key Points

- Multiple Phylomer® drug candidates proven to successfully bind to major Rheumatoid Arthritis (RA) disease targets
- Progresses major technical target for Commercial Ready Grant program (\$2.3 m)
- Phylomer® peptides libraries proven to be as effective as antibody libraries in identifying drug candidates for RA
- Phylogica's extends its competitive advantage of generating Phylomer® drug candidates that bind disease targets wherever they reside – both outside and inside the cell

Perth, Tuesday 15th May, 2007: Phylogica Limited (ASX: PYC) announced today that it has achieved a key aim of its Commercial Ready Grant funded Rheumatoid Arthritis (RA) program, by generating multiple Phylomer® drug candidates with high binding strength to several key targets in inflammatory diseases such as RA.

The \$2.3 million Commercial Ready Grant awarded to Phylogica in October 2005 is aimed at identifying Phylomer® drug candidates for RA by scanning Phylogica's exclusive libraries of Phylomer® peptides.

Phylogica's scientists have now generated more than 30 Phylomer® drug candidates that are able to tightly bind to their targets and potentially block critical interactions at the onset of RA and also as the disease progresses.

RA is a chronic autoimmune inflammatory disease that affects approximately 1% of the world's population. The RA biological therapeutics market is currently dominated by antibody-based drugs, against which Phylogica believes Phylomer® technology can establish a strong competitive position.

Phylogica's Vice President Drug Discovery, Dr Paul Watt, said: "We were thrilled with the large number of high quality drug candidates generated from our Phylomer® libraries."

Each of the Phylomer® drug candidates is able to bind very strongly to the disease target (refer to Figure 1). "The stronger the binding the better the drug candidate should perform in preclinical tests, and the lower the dose that may be required for therapy" he explained.

"We are pleased to report that our Phylomer® peptide libraries were as effective as antibody libraries in generating multiple strong binding drug candidates for RA," he added.

More specifically, the Phylomer® drug candidates were shown to bind strongly to two RA disease targets that lie outside of the cell, including the classical target Tumour Necrosis Factor (TNF) and CD40 ligand.

“Considering one of the current antibody drugs used to target TNF (Remicade - Johnson & Johnson) has annual sales of approximately \$2.5 billion, we’re very excited by the potential of pursuing these Phylomer® drug candidates and delivering on Phylogica’s vision of more targeted, more affordable drugs” said Phylogica CEO Dr Stewart Washer.

“Our new drug candidates for targeting RA from outside the cell build on our existing drug candidates for inflammatory targets inside the cell, so that we have now proved that we can block disease targets wherever they reside – both inside and outside the cell” he said. “Regardless of where the target resides, we are getting the quantity and quality of candidates we are looking for, demonstrating the versatility and efficiency of our Phylomer library approach”.

“This demonstrates yet again the power of the Phylomer® drug discovery engine and gives us major competitive advantages against other drug discovery engines.” said Dr Washer.

Phylogica Ltd (ASX: PYC) (www.phylogica.com) is a drug discovery company utilizing its proprietary Phylomer® technology to develop revolutionary new drugs for stroke, burns injury, and other anti-inflammatory diseases including rheumatoid arthritis and diabetes. The Company is preparing to commercialise its lead drugs through licensing deals. Phylogica was founded by the Telethon Institute for Child Health Research in Perth (www.ichr.uwa.edu.au) and the Fox Chase Cancer Center in Philadelphia, United States (www.fccc.edu).

About Phylomer® peptides

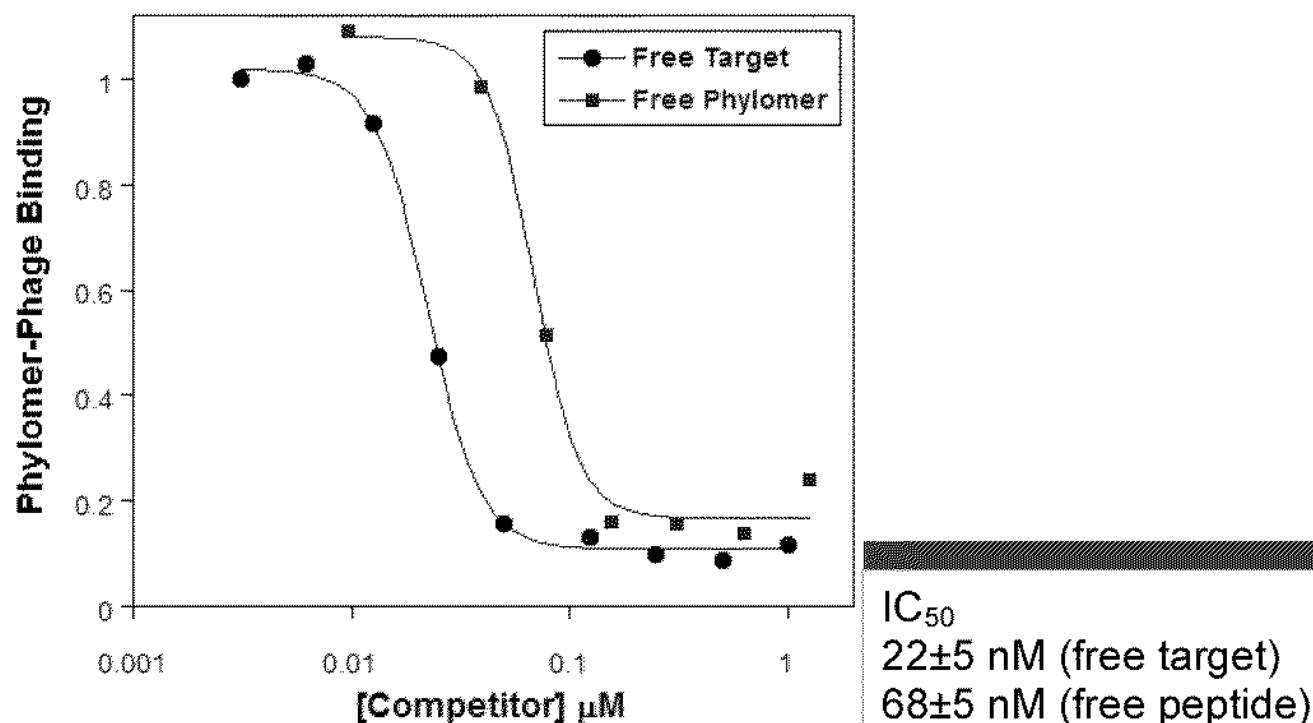
Phylomer® peptides are stable fragments of naturally-occurring proteins with the ability to bind tightly to target proteins and inactivate them as a result. Phylomer® peptides can be selected for activity against specific disease target proteins. The properties of Phylomer® peptides make them attractive as cost-effective alternatives to antibodies - a proven multi-billion drug class. Phylogica's proprietary Phylomer® libraries are collections of millions of Phylomer® peptides that represent a rich source of drug leads which can be used for multiple diseases.

For further information, please contact:

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FIGURE 1

Assessment of binding of a Phylomer peptide to its RA disease target
(CD40 Ligand competition ELISA assay)



LEGEND

Phylomer[®] peptides were shown to bind tightly to RA disease targets (eg CD40 Ligand and TNF). Strong binding Phylomers[®] are able to block the disease target more efficiently than weak binding Phylomers[®].

(This figure shows a low IC₅₀ value indicating high target affinity for one of the CD40 ligand Phylomer candidates. More than 30 such hits were identified with IC₅₀ constants in the nanomolar range, which were also demonstrated to be specific for their target).