Appendix 4E
Preliminary final report
Year ended 30 June 2011
PHYLOGICA LIMITED
ACN 098 391 961

Results for announcement to the market

			Current period ($A'000)		Previous corresponding period ($A'000)
Revenues from ordinary activities *(item 1.1)*	Up 259%	To	2,471	From	688
Profit (loss) from ordinary activities after tax attributable to members (*item 1.22*)	Down 21%	To	(3,605)	From	(4,573)
Net profit (loss) for the period attributable to members *(item 1.11)*	Down 21%	To	(3,605)	From	(4,573)

Dividends
There are no dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the financial year ended 30 June 2011.

Comments
During the year, Phylogica Limited continued to pursue the discovery and development of its novel technology platform and unique peptide libraries.

Phylogica has seen an increase in its commercial income of 405%, increasing from $433,120 in 2010 to $2,188,190 in 2011.

During the year ended 30 June 2011 a total of $7.609 million was raised by the issue of shares, together with the conversion of $1.340 million of convertible notes.

Net tangible assets per ordinary security	**30 June 2011**	**30 June 2010**
Net tangible assets	$4,352,723	($437,080)
Number of shares on issue at reporting date	405,197,346	235,751,764
Net tangible assets per ordinary security	1.07 cents	(0.19 cents)

Control Gained or Lost over Entities
Not applicable

Associates and joint ventures
Not applicable

Foreign Entities Accounting Framework
Not applicable

Audit/Review Status
This Appendix 4E and the attached interim financial report are based on accounts which are in the process of being audited.

The attached preliminary consolidated financial report for the year ended 30 June 2011 forms part of this Appendix 4E. This report should be read in conjunction with the Phylogica Limited 2010 annual financial report and the notes contained therein.

Appendix 4E
PHYLOGICA LIMITED
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Preliminary Consolidated Statement of Comprehensive Income
For the year ended 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Continuing Operations			
Commercial income		**2,188,190**	433,120
Government grant income		**170,342**	163,136
Net interest income		**112,520**	91,658
Contract research costs		**(2,249,925)**	(1,891,831)
Personnel expenses	*4*	**(1,491,967)**	(1,339,211)
Depreciation, amortisation & impairment		**(154,536)**	(66,941)
Professional services		**(687,930)**	(415,768)
Travel and accommodation		**(411,956)**	(228,940)
Licenses		**(10,000)**	(17,449)
Intellectual property maintenance		**(282,344)**	(293,539)
Laboratory consumables		**(496,381)**	(808,188)
Occupancy costs		**(35,877)**	(24,110)
Other operating expenses		**(255,305)**	(174,762)
Profit before income tax expense		**(3,605,169)**	(4,572,825)
Income tax expense		**-**	-
Net profit for the period		**(3,605,169)**	(4,572,825)
Other comprehensive income for the period, net of tax		**-**	-
Total comprehensive income for the period		**(3,605,169)**	(4,572,825)
Total comprehensive income for the period attributable to the members of Phylogica Limited		**(3,605,169)**	(4,572,825)
		Cents	Cents
Basic earnings per share	*5*	**(1.24)**	(2.02)
Diluted earnings per share	*5*	**(1.24)**	(2.02)

The accompanying notes form an integral part of these financial statements.

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Preliminary Consolidated Statement of Financial Position
For the year ended 30 June 2011

	Note	Consolidated 2011 $	2010 $
Current assets			
Cash and cash equivalents	*6*	**5,199,473**	1,281,044
Trade and other receivables	*7*	**112,844**	124,417
Prepayments	*8*	**62,216**	-
Total current assets		**5,374,533**	1,405,461
Non-current assets			
Property, plant and equipment	*9*	**286,544**	164,579
Total non-current assets		**286,544**	164,579
Total assets		**5,661,077**	1,570,040
Current liabilities			
Trade and other payables	*10*	**712,095**	603,991
Employee benefits	*11*	**546,598**	95,303
Deferred government grants		**-**	44,727
Total current liabilities		**1,258,693**	744,021
Non-current liabilities			
Employee benefits	*11*	**49,661**	25,408
Interest bearing liabilities	*12*	**-**	1,237,691
Total non-current liabilities		**49,661**	1,263,099
Total liabilities		**1,308,354**	2,007,120
Net assets		**4,352,723**	(437,080)
Equity			
Issued capital	*13*	**30,367,388**	21,973,323
Reserves	*14*	**1,016,029**	1,015,122
Accumulated losses	*15*	**(27,030,694)**	(23,425,525)
Total equity attributable to members of Phylogica Limited		**4,352,723**	(437,080)

The accompanying notes form an integral part of these financial statements.

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PHYLOGICA LIMITED
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Preliminary Consolidated Statement of Cash Flows
For the year ended 30 June 2011

	Note	Consolidated 2011 $	2010 $
Cash flows from operating activities			
Commercial income received		**2,188,190**	433,120
Government grants received		**158,668**	204,947
Cash paid to suppliers and employees		**(5,398,786)**	(4,480,722)
Cash generated from operations		**(3,051,928)**	(3,842,655)
Interest received		**109,331**	90,893
Income taxes refunded		**-**	123,078
Net cash used in operating activities	*16*	**(2,942,597)**	(3,628,684)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(193,039)**	(158,780)
Proceeds from sale of property, plant and equipment		**-**	15,603
Net cash used in investing activities		**(193,039)**	(143,177)
Cash flows from financing activities			
Proceeds from the issue of convertible notes		**-**	100,000
Proceeds from the issue of share capital		**7,609,478**	2,000,000
Payment of transaction costs		**(555,413)**	(120,000)
Net cash from financing activities		**7,054,065**	1,980,000
Net increase/ (decrease) in cash and cash equivalents		**3,918,429**	(1,791,861)
Cash and cash equivalents at 1 July		**1,281,044**	3,072,905
Cash and cash equivalents at 30 June	*6*	**5,199,473**	1,281,044

The accompanying notes form an integral part of these financial statements.

Preliminary Consolidated Statement of Changes in Equity
For the year ended 30 June 2011

	Note	Consolidated			
		Share Capital	**Accumulated Losses**	**Reserves**	**Total**
		$	**$**	**$**	**$**
Balance at 1 July 2009		20,093,323	(18,852,700)	670,621	1,911,244
Loss attributable to members of the consolidated entity		-	(4,572,825)	-	(4,572,825)
Other comprehensive income		-	-	-	
Total comprehensive income/(loss)		-	(4,572,825)	-	(4,572,825)
Shares issued during the year	*13*	2,000,000	-	-	2,000,000
Share capital transaction costs	*13*	(120,000)	-	-	(120,000)
Share-based payments	*14*	-	-	454,399	454,399
Convertible notes equity component	*14*	-	-	(109,898)	(109,898)
Balance at 30 June 2010		21,973,323	(23,425,525)	1,015,122	(437,080)
Balance at 1 July 2010		**21,973,323**	**(23,425,525)**	**1,015,122**	**(437,080)**
Loss attributable to members of the consolidated entity		**-**	**(3,605,169)**	**-**	**(3,605,169)**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income/(loss)		**-**	**(3,605,169)**	**-**	**(3,605,169)**
Shares issued during the year	*13*	**8,949,478**	**-**	**-**	**8,949,478**
Share capital transaction costs	*13*	**(555,413)**	**-**	**-**	**(555,413)**
Share-based payments	*14*	**-**	**-**	**103,216**	**103,216**
Convertible notes equity component	*14*	**-**	**-**	**(102,309)**	**(102,309)**
Balance at 30 June 2011		**30,367,388**	**(27,030,694)**	**1,016,029**	**4,352,723**

The accompanying notes form an integral part of these financial statements.

Appendix 4E
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Notes to the Financial Statements

Note 1: Basis of Preparation

For the year ended 30 June 2011 the Company has incurred a loss of $3,605,169 (2010: $4,572,825) and at year end the Company had working capital of $4,115,840 (2010: deficiency $576,251) including a cash and cash equivalents balance of $5,199,473 (2010: $1,281,044).

The Directors believe that it is appropriate to prepare the financial report on a going concern basis because:

- There is capacity for the Company to reduce its operating cost structure;
- Cash flow forecasts for the next twelve months demonstrate the ability of the Company to continue as a going concern on the basis that expected revenue is received and/ or further capital is raised; and
- To the extent that further equity is required the Directors are confident that a sufficient capital raising can be completed.

	2011	2010
Note 2: Income from ordinary activities	**$**	**$**
Grants received	170,342	163,136
Commercial income	2,188,190	433,120
Interest Income	112,520	91,658
	2,471,052	687,914
Note 3: Loss from ordinary activities		
Loss from ordinary activities before income tax expense has been arrived at after charging the following items:		
Depreciation of equipment	154,536	66,941
Note 4: Personnel expenses		
Wages & salaries	1,238,358	790,386
Other associated staff costs	27,536	14,558
Superannuation contributions	60,696	49,187
(Decrease)/Increase in annual leave liability	62,161	30,681
Equity settled transactions	103,216	454,399
	1,491,967	1,339,211
Note 5: Earnings per share		
Net Loss used in the calculation of basic earnings per share	(3,605,169)	(4,572,825)
	Number	**Number**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	290,310,178	226,107,928

Diluted earnings per share is not disclosed as the result of exercise of options would be anti- dilutive in nature.

	2011	2010
Note 6: Cash and cash equivalents	**$**	**$**
Bank balances	5,199,473	1,281,044
	5,199,473	1,281,044
Note 7: Trade & other receivables		
GST receivable (net)	108,890	78,883
Accrued Interest	3,954	765
Other receivables	-	44,769
	112,844	124,417
Note 8: Prepayments		
Prepaid Plant & Equipment	62,216	-
Note 9: Property, plant and equipment		
Office and laboratory equipment at cost	659,878	383,377
Accumulated depreciation	(373,334)	(218,798)
	286,544	164,579

Notes to the Financial Statements (Cont.)

Note 9: Property, plant and equipment (Cont.)	**2011**	**2010**
Movements in the carrying value of the single class of fixed asset presently held by the Company, between the beginning and end of the financial year were:	**$**	**$**
Balance at beginning of year	164,579	72,740
Additions	276,501	158,780
Disposals	-	-
Depreciation	(154,536)	(66,941)
Balance at end of year	286,544	164,579

Note 10: Trade & other payables		
Trade payables	542,518	561,261
Accrued expenses	144,823	26,567
Other	24,754	16,163
	712,095	603,991

Note 11: Employee Benefits		
Current		
Liability for annual leave	144,543	82,382
Superannuation payable	24,079	12,921
Incentive provision	377,976	-
	546,598	95,303
Non-Current		
Long service leave provision	49,661	25,408

	Incentive Provision $	**Long Service Leave $**	**Annual Leave $**
Balance at 1 July 2010	-	25,408	82,382
Payments made	-	-	(31,571)
Charges raised	377,976	24,253	93,732
Balance at 30 June 2011	377,976	49,661	144,543

	2011	**2010**
Note 12: Interest bearing liabilities – non-current	**$**	**$**
Convertible note face value	1,237,691	1,340,000
Transferred from/ (to) equity reserve	102,309	(102,309)
Transferred to issued capital on conversion	(1,340,000)	-
Interest bearing liabilities	-	1,237,691

The convertible notes were issued at nil interest and matured on 30 April 2011. The notes were converted at maturity at $0.04 per share resulting in the issue of 33,500,000 shares with a value of $1,340,000.

	2011	**2010**
Note 13: Issued capital	**$**	**$**
405,197,346 ordinary shares fully paid (2010 235,751,764)	30,367,388	21,973,323

Movements in issued capital during the year:	**2011**	**2011**	**2010**	**2010**
Shares issued during the year:	**Shares**	**$**	**Shares**	**$**
Opening balance	235,751,764	21,973,323	235,751,764	21,973,323
Issued at $0.10	-	-	20,000,000	2,000,000
Issued at $0.05	47,150,353	2,357,517	-	-
Issued at $0.08	524,500	41,960	-	-
Issued at $0.074	135,135	10,000	-	-
Issued at $0.059	28,000,000	1,652,000	-	-
Issued at $0.04 (see note 12)	33,500,000	1,340,000	-	-
Issued at $0.059	60,135,594	3,548,000	-	-
Share issue costs	-	(555,413)	-	(120,000)
Closing balance	405,197,346	30,367,388	235,751,764	21,973,323

Notes to the Financial Statements (Cont.)

Note 14: Reserves	**2011 $**	**2010 $**
Opening balance	1,015,122	670,621
Share based payments for the period	103,216	454,399
Equity component of convertible note	(102,309)	(109,898)
Closing balance	1,016,029	1,015,122

Note 15: Accumulated Losses

Opening balance	(23,425,525)	(18,852,700)
Loss for period	(3,605,169)	(4,572,825)
Accumulated losses at the end of the period	(27,030,694)	(23,425,525)

Note 16: Statement of cash flows

Reconciliation of loss after income tax to net cash used in operating activities:

Operating loss after income tax	(3,605,169)	(4,572,825)
Depreciation, amortisation and impairment	154,536	66,941
Share based payment expense	103,216	454,399
Increase/(decrease) provisions for employee entitlements	451,295	55,553
Increase/(decrease) in payables	(46,332)	165,692
(Increase)/decrease in receivables	(143)	201,556
Net cash used in operating activities	(2,942,597)	(3,628,684)