

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

PHYLOGICA LIMITED

ABN

48 098 391 961

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | 1. Unlisted Options
2. Converting Notes |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 1. 6,000,000 Unlisted Options
2. 1,600 Converting Notes |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | 1. Exercisable at Nil Cost per share
On or before 2 December 2013
2. Converting on 2 December 2013
The issue price per Share will be the lesser of:
(i) \$0.053; and
(ii) the price determined by applying the Specified Discount (defined below) to the average of the daily volume weighted average price of Shares over the 30 trading days preceding and not including the Conversion Date. |

+ See chapter 19 for defined terms.

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4	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	The Options and Converting Notes will not be quoted. Options are a new class. Converting Notes are a new class. Shares issued upon exercise of options will rank equally with ordinary shares on issue. Shares issued upon conversion of converting notes will rank equally with ordinary shares on issue.
5	Issue price or consideration	Options issued free \$100 per Converting Note
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Incentive options issued to key management persons. Converting Notes issued to raise \$1,600,000 for working capital purposes.
6a	Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i	Yes
6b	The date the security holder resolution under rule 7.1A was passed	22 November 2012
6c	Number of +securities issued without security holder approval under rule 7.1	Nil
6d	Number of +securities issued with security holder approval under rule 7.1A	Nil

+ See chapter 19 for defined terms.

6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	6,000,000 Options 1,600 Converting Notes 22 November 2012	
6f	Number of securities issued under an exception in rule 7.2	Nil	
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	N/A	
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	111,722,686	
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	Converting Notes: 30 November 2012 Unlisted Options: 3 December 2012	
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	Number	+Class
		446,890,744	Ordinary Shares
9	Number and +class of all +securities not quoted on ASX (including the securities in section 2 if applicable)	71,090,028	Options exercisable at \$0.09 on or before 30 June 2016
		Number	+Class
		6,930,000	ORD Restricted 3/6/14
		6,930,000	ORD Restricted 3/6/15
		7,140,000	ORD Restricted 3/6/16
		7,237,500	Options 31/03/13 \$0.075
		8,125,000	Options 15/08/15 \$0.035
		6,000,000	Options 02/12/13 \$Nil
		1,600	Converting Notes 02/12/13

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|----|--|---|
| 10 | Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) | No dividend policy has been established |
|----|--|---|

Part 2 - Bonus issue or pro rata issue

- | | | |
|----|---|--|
| 11 | Is security holder approval required? | |
| 12 | Is the issue renounceable or non-renounceable? | |
| 13 | Ratio in which the ⁺ securities will be offered | |
| 14 | ⁺ Class of ⁺ securities to which the offer relates | |
| 15 | ⁺ Record date to determine entitlements | |
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | |
| 17 | Policy for deciding entitlements in relation to fractions | |
| 18 | Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents

<small>Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.</small> | |
| 19 | Closing date for receipt of acceptances or renunciations | |
| 20 | Names of any underwriters | |
| 21 | Amount of any underwriting fee or commission | |

⁺ See chapter 19 for defined terms.

22	Names of any brokers to the issue	
23	Fee or commission payable to the broker to the issue	
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders	
25	If the issue is contingent on ⁺ security holders' approval, the date of the meeting	
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	
28	Date rights trading will begin (if applicable)	
29	Date rights trading will end (if applicable)	
30	How do ⁺ security holders sell their entitlements <i>in full</i> through a broker?	
31	How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	
32	How do ⁺ security holders dispose of their entitlements (except by sale through a broker)?	
33	⁺ Despatch date	

+ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☒ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories

Unlisted Options		Converting Notes	
1 - 1,000	-	1 - 1,000	-
1,001 - 5,000	-	1,001 - 5,000	-
5,001 - 10,000	-	5,001 - 10,000	-
10,001 - 100,000	-	10,001 - 100,000	-
100,001 and over	4	100,001 and over	9

37 ☒ A copy of any trust deed for the additional +securities

Attachment A – Converting Note Conditions
Attachment B – Option Conditions

+ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of securities for which +quotation is sought					
39	Class of +securities for which quotation is sought					
40	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment					
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another security, clearly identify that other security)					
42	Number and +class of all +securities quoted on ASX (including the securities in clause 38)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 50%; padding: 5px;">Number</th> <th style="width: 50%; padding: 5px;">+Class</th> </tr> <tr> <td style="height: 80px;"></td> <td></td> </tr> </table>	Number	+Class		
Number	+Class					

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



(Company Secretary)
Graeme R Boden

Date: 03/12/2012

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	446,890,744
Add the following: - Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 - Number of fully paid ordinary securities issued in that 12 month period with shareholder approval - Number of partly paid ordinary securities that became fully paid in that 12 month period Note: - Include only ordinary securities here – other classes of equity securities cannot be added - Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed - It may be useful to set out issues of securities on different dates as separate line items	Nil
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	Nil
“A”	446,890,744

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	67,033,612
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued: - Under an exception in rule 7.2 - Under rule 7.1A - With security holder approval under rule 7.1 or rule 7.4 Note: <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> <i>It may be useful to set out issues of securities on different dates as separate line items</i>	Nil
“C”	Nil
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	446,890,744
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	446,890,744
Total [“A” x 0.15] – “C”	67,033,612 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	446,890,744
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	44,689,074
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained • It may be useful to set out issues of securities on different dates as separate line items	Nil
“E”	Nil

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Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	44,689,074
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	44,689,074
Total [“A” x 0.10] – “E”	44,689,074 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.

ATTACHMENT A – TERMS AND CONDITIONS OF CONVERTING NOTES

All capitalised terms in these terms and conditions have the meaning given to them in the Subscription Agreement unless otherwise defined in this Converting Note Certificate (including this Schedule 1).

The terms of the Converting Notes are as follows:

- (a) Each Converting Note entitles the holder (**Noteholder**) to be issued:
- (i) the number of Shares determined in accordance with (b) below; and
 - (ii) the number of new PYCOA Options determined in accordance with (e) below,

on the Conversion Date.

- (b) The number of Shares to be issued on the conversion of the Converting Notes is determined by the following formula and is calculated on the Conversion Date:

$$A = \frac{B}{C}$$

Where:

A is the number of Shares to be issued;

B is the aggregate value of Converting Notes held by the Noteholder; and

C is the Issue Price (defined below) per Share.

- (c) The issue price per Share will be the lesser of:

- (i) \$0.053; and
- (ii) the price determined by applying the Specified Discount (defined below) to the average of the daily volume weighted average price of Shares over the 30 trading days preceding and not including the Conversion Date,

(Issue Price).

- (d) The specified discount (**Specified Discount**) will be:

- (i) 40%, if the Company has not entered into any binding research and development collaborations on similar financial terms to the Company's existing agreement with Janssen Biotech;
- (ii) 35%, if the Company has entered into 1 binding research and development collaboration on similar financial terms to the Company's existing agreement with Janssen Biotech or any number of binding research and development collaborations which in aggregate provide the Company an equivalent financial outcome;
- (iii) 30%, if the Company has either:
 - (A) entered into 2 binding research and development collaborations on similar financial terms to the Company's existing agreement with Janssen Biotech; or
 - (B) entered into 2 or more binding research and development collaborations which in aggregate provide the Company a financial outcome equal to or greater than having entered into 2 binding research and development collaborations on similar financial terms to the Company's existing agreement with Janssen Biotech; or

- (iv) 25%, if the Company has either:
 - (C) entered into 3 or more binding research and development collaborations on similar financial terms to the Company's existing agreement with Janssen Biotech or
 - (D) entered into 3 or more binding research and development collaborations which in aggregate provide Phylogica a financial outcome equal to or greater than having entered into 3 binding research and development collaborations on similar financial terms to the Company's existing agreement with Janssen Biotech,

in the period commencing on the date that the Converting Notes are issued and concluding on the Conversion Date.

- (e) The Noteholder will be issued 2 PYCOA Options for every 3 Shares issued to the Noteholder on the Conversion Date.
- (f) The Conversion Date of the Converting Notes is the Business Day that is 12 months after the date of issue of the Converting Notes or any Earlier Conversion Date (defined below) (if applicable) (**Conversion Date**).
- (g) Notwithstanding any other term of the Converting Notes, there will be an early Conversion Date in the following circumstances:
 - (i) 30 trading days after the Noteholder issues a Change of Control Notice (defined below) to the Company;
 - (ii) where there is a Change of Control Event (defined below);
 - (iii) where there is a Winding-Up Event (defined below); or
 - (iv) the Company and the Noteholder agree to bring forward the Conversion Date,

(each a **Earlier Conversion Date**).

Change of Control Notice: A Noteholder may issue a change of control notice to the Company in the form contained in Schedule 1 of the Subscription Agreement (**Change of Control Notice**) following the lodgement with ASIC of a bidders statement for a takeover bid to acquire all or some of the Shares pursuant to Chapter 6 of the Corporations Act (**Takeover Bid**) or a court ordering the holding of a meeting to approve a scheme of arrangement in accordance with Chapter 5.1 of the Corporations Act, which scheme would result in a person having a relevant interest in more than 50% of the Shares that will be on issue after the scheme is implemented (**Scheme**).

Change of Control Event: A change of control event occurs if there is a:

- (i) a takeover bid for all or some of the securities in the capital of the Company is made and the bid is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Shares on issue or the directors of the Company issue a statement recommending acceptance of the takeover bid; or
- (ii) a court orders the holding of a meeting to approve a scheme of arrangement and the members of the Company pass a resolution approving the Scheme,

(**Change of Control Event**), in either circumstance, the Conversion Date will be brought forward to the business day which is 3 business days after the occurrence of the Change of Control Event.

Winding-Up Event: A winding-up event occurs if an order is made by a court or a resolution is passed by the members of the Company for the winding-up of the Company other than for the purposes of a solvent reorganisation of the Company (**Winding-Up Event**). In such circumstance, the Conversion Date will be brought forward to the business day which is 3 business days after the Winding-Up Event has occurred.

- (h) The Company will ensure that an offer of the Shares and PYCOA Options issued on the conversion of the Converting Notes for sale within 12 months after their issue will not require disclosure under section 707(3) of the Corporations Act by either giving the ASX:
 - (i) a notice under section 708A(6) of the Corporations Act on the day following the Conversion Date; or
 - (ii) a prospectus as contemplated by section 708A(11) of the Corporations Act as soon as reasonably practicable.
- (i) Prior to the Conversion Date, the Company will not without the prior written consent of Bernard Hockings (as a representative of the Noteholders or other nominee of the Noteholders) (**Representative**) such consent not to be unreasonably delayed, issue any new Shares or make any changes to the capital structure of the Company from the date that the Converting Notes are issued. This prohibition does not restrict the issue of any securities the subject of any of the Resolutions at the Annual General Meeting of the Company for the financial year ended 30 June 2012.
- (j) Notwithstanding any other term of the Converting Notes, if the Company issues new Shares or changes its capital structure without the prior written consent of the Representative, then the applicable Specified Discount for the conversion of the Converting Notes will be 40% irrespective of the number of research and development collaborations entered into by the Company.
- (k) A Converting Note does not confer any rights to dividends, any right to vote or any right to participate in a new issue of Shares by the Company.
- (l) The Converting Notes are not transferable.
- (m) All Shares issued on the conversion of Converting Notes will upon allotment rank pari passu in all respects with other Shares.
- (n) All PYCOA Options issued on the conversion of Converting Notes will be the same terms as the PYCOA Options currently on issue.
- (o) The Company will not apply for quotation of the Converting Notes on ASX.
- (p) If at any time the issued capital of the Company is reconstructed, all rights of a Noteholder in relation to the Converting Notes are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (q) There are no participation rights or entitlements inherent in the Converting Notes and Noteholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Converting Notes without converting the Converting Notes.

ATTACHMENT B- TERMS AND CONDITIONS OF INCENTIVE OPTIONS

The terms of the Incentive Options (**Options**) are as follows:

- (a) Each Option entitles the holder to subscribe for one Share upon exercise of the Option.
- (b) The Options have a nil exercise price and will expire on the Conversion Date of the Converting Notes (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The Conversion Date of the Converting Notes is 2 December 2013 or as otherwise determined by the Converting Note conditions.
- (d) The Options are exercisable at any time between the date that the Vesting Conditions (defined below) are first met and on or prior to the Expiry Date.
- (e) The Options may be exercised by notice in writing to the Company (**Notice of Exercise**) for the Options being exercised. Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.
- (f) Within 15 Business Days after the later of the following:
 - (i) receipt of a Notice of Exercise given in accordance with these terms and conditions; and
 - (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,but in any case no later than 20 Business Days after receipt of a Notice of Exercise given in accordance with these terms and conditions the Company will:
 - (i) allot and issue the Shares pursuant to the exercise of the unlisted options;
 - (ii) give ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Shares for resale under section 708A(11) of the Corporations Act; and
 - (iii) apply for official quotation on ASX of Shares issued pursuant to the exercise of the unlisted options.If a notice delivered under (e)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must no later than thirty (30) days after the date of issue of the Shares lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.
- (g) The Options will only be able to be exercised upon achievement of both of the following performance milestones:
 - (iii) the Company has entered into three or more binding research and development collaborations on similar financial terms to the Company's existing agreements with Janssen Biotech or has entered into three or more binding research collaborations which, in aggregate, provide the Company with an equivalent financial outcome to having entered into three or more such collaborations; and
 - (v) the average of the daily volume weighted average price of Shares on ASX over the 5 trading days preceding and not including the Conversion Date of the Converting Notes is a minimum of 10 cents,

(Vesting Conditions).

- (h) Options, unless otherwise determined by the Board, that have been issued to, but not yet vested with, the Optionholder will automatically lapse on the date upon which the Optionholder ceases employment with the Company, other than if the Optionholder ceases employment through retirement, total and permanent disablement, redundancy or death in which case the Optionholder may exercise the options within one month of the date of retirement, total and permanent disablement, redundancy or death and before the Expiry Date.
- (i) The Options held by each Optionholder must be exercised in their entirety.
- (j) The Options are not transferable.
- (k) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (l) The Company will not apply for quotation of the Options on ASX.
- (m) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (n) An Option does not confer the right to a change in the exercise price (nil) or a change in the number of underlying securities over which the Option can be exercised.
- (o) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.