



BREAKTHROUGH PEPTIDE THERAPEUTICS

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**PHYLOGICA AGREES BASIS FOR RECAPITALISATION OF THE COMPANY**

- **FULLY UNDERWRITTEN RIGHTS ISSUE TO RAISE \$6 MILLION**
- **CONVERTING NOTE CONVERSION DETAILS AGREED**

PERTH, AUSTRALIA: 11 November 2013 – Leading peptide drug discovery company Phylogica Ltd (ASX: PYC, XETRA: PH7) has signed an underwriting agreement to raise \$6 million through a non-renounceable rights issue and has agreed variations with holders of existing converting notes in relation to the timing of the conversion process, as an enabling step to maximize the benefit for the Company from the rights issue.

**Rights Issue**

The Company has signed an agreement with its largest shareholder, Bernard and Dianne Hockings (as trustees of the B Hockings Superannuation Fund) (“the Hockings”) to fully underwrite a non-renounceable rights issue to raise \$6 million. The offer will be on the basis of two new shares for every three shares held on the record date of the issue and the issue price will be 1.5 cents per share. The underwriters intend to seek sub-underwriters for a significant portion of their commitment.

It is planned that a rights issue offer and associated documents will be lodged with ASX prior to opening of trading on or about Monday 18 November 2013, which will commence the formal rights issue timetable in accordance with the ASX Listing Rules. Full details of the rights issue, including the timetable for acceptances, will be contained in the offer documentation.

This capital raising will provide the Company with sufficient funds for at least two years assuming expenditure and continuation of the Research & Development tax rebate remain at current levels. Phylogica’s CEO, Dr Richard Hopkins, said “The Company is grateful for the support of the Hockings family in securing a longer-term capital runway for the Company. The outcome reflects the impressive advances the Company has made validating the Phylomer platform and will help accelerate commercialisation of its novel technologies such as the endosomal escape trap.”

**Converting Notes**

Converting notes to the value of \$1.6 million (“Notes”) were approved at the 2012 annual general meeting, with the subsequent issue of the Notes resulting in a conversion date of the Notes being 2 December 2013. The Hockings are also the largest holder of the Notes, with 78% of those on issue. The proposed timetable will enable the Hockings to manage their holding of shares in the Company so that upon issue of the shares resulting from conversion of their Notes, their shareholding will not exceed 20%.

To facilitate the best outcome for all parties and to have the rights issue conclude before Christmas, the Company and the Note holders have agreed as follows.

- To set 1 November 2013 as the conversion date upon which the market price is calculated according to the Note terms, resulting in a VWAP of 1.9 cents and an issue price of 1.14 cents for each share to be issued upon conversion of the notes.
- To allow the issue of shares to the Hockings in relation to conversion of their Notes to be at any time prior to close of business on 20 November 2013, the planned "ex date" of the rights issue.

Dr Bernard Hockings commented on the transaction: "I can see significant potential in the Phylomer platform and have been observing with interest the progress made by the Company in recent months. I am keen to continue my ongoing support for Phylogica by underwriting the Rights Issue which will provide sufficient financial certainty for the Company to focus on unlocking the full potential of the platform."

On the basis outlined above, the number of shares that would be issued for conversion of the Notes would be 140,350,877. The number of listed options (PYCOA) that would also be issued is 93,567,251.

The resultant capital structure of the Company after the conversion of the Notes and conclusion of the rights issue would be:

|                                      | <b>Shares PYC</b>    | <b>Options PYCOA</b> |
|--------------------------------------|----------------------|----------------------|
| Balance at 30 June 2013              | 466,890,744          | 71,090,028           |
| Shares in process of being cancelled | (6,000,000)          | -                    |
| Conversion of Notes                  | 140,350,877          | 93,567,251           |
| Rights Issue                         | 400,827,747          | -                    |
| <b>Total</b>                         | <b>1,002,069,368</b> | <b>164,657,279</b>   |

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#### **About Phylogica**

Phylogica Limited (ASX: PYC) is a biotechnology company based in Perth, Australia with a world-class drug discovery platform harnessing the rich biodiversity of nature to discover novel peptide therapeutics. The Company was incorporated in 2001 as a spin out from the Telethon Institute for Child Health Research (Perth, Australia) and the Fox Chase Cancer Centre (Philadelphia, USA). The Company's drug discovery platform is based on its proprietary Phylomer<sup>®</sup> libraries containing over 400 billion unique natural peptides, which have been optimised by evolutionary selection to have stable drug-like structures. Phylogica offers fully integrated drug discovery services to the pharmaceutical industry utilising its Phylomer<sup>®</sup> libraries and proprietary screening technologies. Its current partners include Genentech (a member of the Roche Group), MedImmune (the worldwide biologics arm of AstraZeneca), Pfizer and Janssen (the pharmaceutical arm of Johnson & Johnson).

#### **About Phylomer<sup>®</sup> Peptides**

Phylomer peptides are derived from biodiverse natural sequences, which have been selected by evolution to form stable structures, which can bind tightly, and specifically to disease associated target proteins, both inside and outside cells. Suitable targets for blockade by Phylomers include protein interactions that promote multiple diseases, such as infectious diseases, cancer, autoimmunity and heart disease. Phylomer peptides can have drug-like properties, including specificity, potency and thermal stability, and are capable of being produced by synthetic or recombinant manufacturing processes. Phylomer peptides are also readily formulated for administration by a number of means, including parenteral or intranasal delivery approaches.