



Operational update and conference call – December quarter

PERTH, Australia, 31 January 2018: Phylogica Limited (ASX:PYC) (**Phylogica** or the **Company**), developer of a leading intracellular drug delivery platform technology, is pleased to update shareholders on progress made during the December quarter in validating the Company's platform technology, implementing a new strategic focus, and strengthening both corporate and scientific resources - highlights include:

- Successful delivery of cancer immunotherapy peptide vaccine using Phylogica's Functional Penetrating Peptide (FPP), generating further evidence of *in vivo* efficacy of Company's platform technology, extending the survival of mice with melanoma by an average of ~100%.
 - o Positive data demonstrates ability of FPP delivery technology to carry diverse cargoes and target high value cell types, in this case providing Phylogica with *in vivo* results in an area of potential significant interest to biopharmaceutical companies.
- Expansion of intellectual property portfolio with joint filing of Australian patent (AU2018900032) by Phylogica and Telethon Kids Institute for cancer vaccine conjugates inducing an immune response (above).
- Development and successful application of an assay that shows FPP-mediated delivery of green fluorescent protein (eGFP) to tumor cells at the site of injection in mice. This data provides additional validation category of Phylogica's validation matrix (see Figure 1 below). This novel assay will allow the Company to determine which cells are transformed with FPP, and the effect and *in vivo* properties of the molecule.
- Launch and implementation of new corporate strategy '*Pivot to Platform*' focusing the Company's resources on additional validation of its unique drug delivery platform, while de-prioritising previous internal development programs (iMyc, Stat5 and YB1) in order to provide a defined and shorter path to value creation for shareholders.

- Attendance at BioEurope in November 2017 and BioShowcase (held alongside the JP Morgan healthcare conference) in January 2018 to hold commercial and scientific discussions with potential Pharma collaborators.
- Relationship with UK partner PhoreMost Ltd continues, with Phylogica taking up its pro rata allocation in spin off company NeoPhore Ltd whose goal is to develop novel small molecule immuno-oncology therapeutics that will improve patient outcomes.
- Appointment of Michael Williams as Non-Executive Director, bringing significant and diverse global pharmaceutical experience to the Company's board at an important time in the commercialisation of Phylogica's unique platform technology and engagement with potential partners.
- Additions of Professor Paul Watt and Professor Shohei Koide to Phylogica's Scientific Advisory Board (SAB), with Professor Watt providing continuity of corporate knowledge and Professor Koide providing extensive scientific knowledge across a range of areas relevant to biologics design.
- Receipt of a \$2,170,000 cash refund subsequent to quarter end under the Federal Government's R&D Tax Incentive Scheme, with funds used to advance Phylogica's drug development programs.

Relevance of Progress

Positive *in vivo* data using Phylogica's FPP technology to deliver peptide cancer vaccine conjugates provides further evidence of FPP efficacy in animal models, an area of high pharmaceutical interest. Revenues for the global cancer vaccines market are forecast to grow at a compound annual growth rate (CAGR) of 16.93%, from \$2.5 billion in 2015 to \$7.5 billion in 2022¹.

The successful delivery of an immunotherapy peptide vaccine into dendritic cells and the eGFP protein into the cytosol of breast cancer cells is further validation of Phylogica's powerful drug delivery platform (see enhanced FPP validation matrix below at Figure 1). Matrix validation is a key strategic focus for Phylogica in 2018, together with library enhancement and commercialisation through Pharma collaborations.

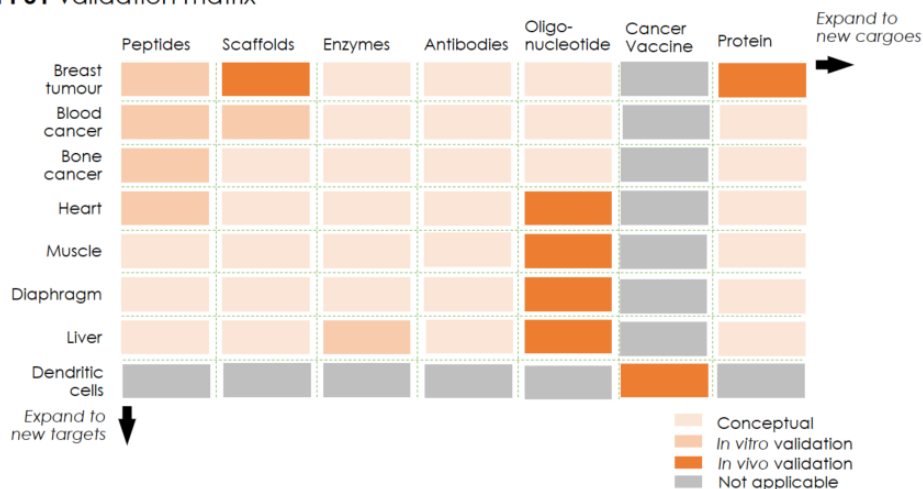
By expanding the number of cargoes and cell types FPP delivery technology can address, Phylogica is able to open up new potential markets, operate at a greater scale, and better serve pharmaceutical partners.

Additional *in vivo* data using enzymes, anti-microbial peptides and Cre-recombinase will be available and announced to the ASX across the first half of 2018. We will also progress research plans to use our FPP technology to deliver CRISPR/Cas9; siRNA, and antibodies.

¹ [CBI Research](#). Global Cancer Vaccines Market to 2022 – Robust Growth Driven by Increasing Prevalence, New Therapeutic Vaccine Approvals and Strong Uptake of Treatments Targeting CD19

Figure 1: Phylogica is validating platform diverse set of cargoes and cell types

FPP01 validation matrix



Phylogica is **validating FPP's across a matrix** of possible cargoes and targets to maximise value:

- Validating each matrix 'cell' **opens up another potential market** for Phylogica
- Multiple offerings allows Phylogica to **operate at scale** serving multiple customer needs

In addition to research progress during the quarter, appointments made to Phylogica's Board and SAB demonstrate the growing interest around Phylogica's platform technology and its potential value to biopharmaceutical companies. Both Michael Williams and Professor Shohei Koide bring unique skills and expertise that are highly relevant to Phylogica at this time in the Company's development.

Conference Call Details

Shareholders are invited to join a conference being held at **11.30am AEST / 8.30am AWST on Wednesday February 7**, hosted by CEO, Stephanie Unwin and CSO, Dr Robert Hayes, to discuss activity during the quarter, followed by Q&A with participants. To submit a question in advance of the call, please email your questions to Ben Walsh at bwalsh@we-buchan.com. To pre-register for the call, with diary note automatically sent to your calendar, [click here](#).

Conference code: **594105**

Dial in numbers:

Australia Toll Free:	1 800 558 698
Australia (Alternate)	02 9007 3187
New Zealand Toll Free:	0800 453 055
Hong Kong:	800 966 806
Singapore:	800 101 2785
United Kingdom:	0800 051 8245
United States:	(855) 881 1339

ENDS

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About Phylogica

Phylogica Limited (ASX: PYC) is a biotech company focused on commercialising its intracellular drug delivery platform and screening its Phylomer libraries to identify drug cargoes for development against a wide range of disease targets. Phylogica controls access to the world's most structurally diverse source of peptides called Phylomers, which have the ability to act as effective drug delivery agents, penetrating cell walls to reach previously 'undruggable' targets across a range of disease types, but also drug cargoes. Phylogica's platform of proprietary cell penetrating peptides is showing promise in delivering a diverse range of drug cargoes into cells with three key *in vivo* proof of concept data packs now demonstrating the diversity and successful intracellular reach of the technology. The company has had collaborations with several pharmaceutical companies including Roche, Medimmune, Pfizer, Janssen and is currently working with Genentech.

Forward looking statements

Any forward-looking statements in this ASX announcement have been prepared on the basis of a number of assumptions which may prove incorrect and the current intentions, plans, expectations and beliefs about future events are subject to risks, uncertainties and other factors, many of which are outside Phylogica's control. Important factors that could cause actual results to differ materially from assumptions or expectations expressed or implied in this ASX announcement include known and unknown risks. Because actual results could differ materially to assumptions made and Phylogica's current intentions, plans, expectations and beliefs about the future, you are urged to view all forward-looking statements contained in this ASX announcement with caution. Phylogica undertakes no obligation to publicly update any forward-looking statement whether as a result of new information, future events or otherwise.

This ASX announcement should not be relied on as a recommendation or forecast by Phylogica. Nothing in this ASX announcement should be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.

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Phylogica Ltd

ABN 48 098 391 961

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

PHYLOGICA LIMITED

ABN

48 098 391 961

Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers	-	-	-
1.2 Payments for			
(a) research and development	(1,170)	(2,606)	
(b) product manufacturing and operating costs	-	-	
(c) advertising and marketing	-	-	
(d) leased assets	-	-	
(e) staff costs	(297)	(745)	
(f) administration and corporate costs	(118)	(378)	
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	7	51	
1.5 Interest and other costs of finance paid	-	-	
1.6 Income taxes paid	-	-	
1.7 Government grants and tax incentives	-	-	
1.8 Other - Consulting fees business development strategy	(1,500)	(1,500)	
1.9 Net cash from / (used in) operating activities	(3,078)	(5,178)	
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment	-	(8)	
(b) businesses (see item 10)	-	-	
(c) investments	-	-	

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(8)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	135
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	135
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	7,968	9,940
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,078)	(5,178)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(8)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	135

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	4,889	4,889

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	389	91
5.2	Call deposits	4,500	7,877
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,889	7,968

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

258

-

Directors Fees, Consulting Fees and Superannuation

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	2,470
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	260
9.6 Administration and corporate costs	290
9.7 Other	-
9.8 Total estimated cash outflows	3,020

Note: Federal R&D Tax Credit of \$2.17 million was received in January 2018.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Company secretary)

Date: 31 January 2018

Print name: Kevin Hart

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.