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Press Release Phylogica Ltd (ASX PYC)

PHYLOGICA FORMS TARGET DISCOVERY SPIN-OFF WITH UNIVERSITY OF CAMBRIDGE

- ..Unique platform for discovery of new disease-associated targets*
- ..World-renowned scientists to spearhead target discovery program*
- ..'Phenomica' to license IP from both Cambridge University & Phylogica*

PERTH, AUSTRALIA AND CAMBRIDGE UK 9 March 2011 – Leading Australian drug discovery company Phylogica Ltd (ASX: PYC, XETRA: PH7) will partner with researchers from the University of Cambridge in a spin-off company to pursue a novel application of its Phylomer® peptides for discovery of disease-associated targets. The spin-off complements Phylogica's existing business model by opening up a new market opportunity for the Company. It offers the potential to secure new revenue streams that would otherwise not be accessible to Phylogica without substantial investment in both capital and also in technical expertise. Phylogica has already initiated discussions with prospective partners who are interested in the capabilities of the new Phylogica-Cambridge University venture.

The spin-off company, named Phenomica, will combine Phylogica's Phylomer® libraries, which comprise billions of naturally derived peptides, with technology from Cambridge to identify vulnerable points in a disease that can be the focus for new drug development. Phylogica has signed a Memorandum of Understanding with Cambridge Enterprise, the University's commercialisation group, outlining plans to form Phenomica. The spin-off will be based in Cambridge, UK, maximising access to state-of-the-art research facilities. Its mission will be to discover and validate new disease-associated targets and to identify new avenues for therapeutic intervention.

Phylogica CEO Dr Paul Watt said: "The formation of Phenomica follows our extensive collaboration in the area of target discovery and validation with the molecular therapeutics programme directed by Professor Ashok Venkitaraman at the world-renowned Hutchison/Medical Research Council (MRC) Research Centre."

"The researchers at Cambridge, in collaboration with Phylogica, reported that phenotypic screening of Phylomer libraries against biological pathways associated with the development of cancer, resulted in exceptional hit rates for modulating these pathways and hence a better understanding of the disease process and how to block it. Since then, intense work on the technology by the Cambridge-based team has established that this novel application of our libraries can be used more broadly as a tool to identify and validate disease-relevant biological targets for drug discovery," Dr Watt continued.

Finding new ways to identify targets is becoming increasingly important as the 'low-hanging fruit' of traditional target classes such as kinases is diminishing, making it more difficult to develop new drugs without considerable competition and the need to navigate an increasingly complex patent landscape.



Phylogica is receiving growing interest from prospective pharmaceutical partners in the use of Phylomer libraries for target discovery. Through the creation of Phenomica, the Company is capitalising on the opportunity to generate new revenue streams from phenotypically-driven screening approaches - a major area of interest for large pharmaceutical companies.

Dr Watt said: "Phenomica will provide access to the expanding field of phenotypic screening for target discovery without competing with or distracting Phylogica from its core focus on drug discovery alliances."

Ashok Venkitaraman, Ursula Zoellner Professor of Cancer Research at the University of Cambridge, who directs the molecular therapeutics programme and the MRC Cancer Cell Unit in the Hutchison/MRC Research Centre, said: "I am excited to be transitioning our collaboration with Phylogica into a commercial operation. We have shown that the enormous structural diversity of Phylomer libraries can be harnessed in phenotypic screens that can identify and validate new targets for drug discovery with high efficiency."

Professor Venkitaraman continued: "Now that we've proven the concept, leading UK technology investors are showing interest in our work with Phylogica, which has prompted us to create Phenomica to accelerate our pursuit of the opportunity."

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Enquiries:

Nick Woolf
CFO, VP, Corporate Development
Australian mobile: +61 417 986 005

UK Mobile: +44 7766 234 206
nwoolf@phylogica.com

Rudi Michelson
Monsoon Communications
Tel: +61 3 9620 3333

About Phylogica

Phylogica Limited (ASX: PYC) is a biotechnology company based in Perth, Australia and Oxford UK, 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). Phylogica's strategy is to accelerate cash sustainability by focusing on collaborative drug discovery partnerships. The Company's Phylomer[®] libraries have been optimised by natural evolutionary selection for peptides with stable drug-like structures. The unique qualities of Phylogica's Phylomer libraries are validated by its partnerships with Roche, MedImmune (the worldwide biologics unit of AstraZeneca) and Pfizer.

About Phylomer[®] Peptides

Phylomer peptides are derived from biodiverse natural sequences, which have been selected by evolution to form stable structures that 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.



About University of Cambridge

The University of Cambridge's mission is to contribute to society through the pursuit of education, learning and research at the highest international levels of excellence. It admits the very best and brightest students, regardless of background, and offers one of the UK's most generous bursary schemes. The University of Cambridge's reputation for excellence is known internationally and reflects the scholastic achievements of its academics and students, as well as the world-class original research carried out by its staff. Some of the most significant scientific breakthroughs occurred at the University, including the splitting of the atom, invention of the jet engine and the discoveries of stem cells, plate tectonics, pulsars and the structure of DNA. From Isaac Newton to Stephen Hawking, the University has nurtured some of history's greatest minds and has produced more Nobel Prize winners than any other UK institution with over 80 laureates.

About Hutchison/MRC Research Centre

The Hutchison/MRC Research Centre is a world-renowned research institute housing the Medical Research Council's Cancer Cell Unit, that aims to translate laboratory research to clinical practice for the benefit of cancer patients.

About Cambridge Enterprise

Cambridge Enterprise Limited is a wholly owned subsidiary of the University of Cambridge, responsible for the commercialisation of University intellectual property. Activities include management and licensing of intellectual property and patents, proof of concept funding and support for University staff and research groups wishing to provide expert advice or facilities to public and private sector organisations. Cambridge Enterprise provides access to angel and early stage capital through the Cambridge Enterprise Seed Funds and Cambridge Enterprise Venture Partners, and offers business planning, mentoring, and other related programmes. Over the past three years, income from licensing, consultancy and equity transactions exceeded £27 million, of which £22 million represents distributions to University departments and academics.

About Phenotypic Screening:

Phenotypic screening is a powerful way to discover new drugs and new drug targets by screening directly for desired biological effects (such as killing of cancer cells or microorganisms). This approach was how many successful drugs such as penicillin were discovered, but has not been compatible with traditional peptide libraries, due to their lack of structural diversity and low hit rates.