



PHYLOGICA AND DYNAMIC MICROBIALS SIGN ANTI-BACTERIAL DEAL

Key Points:

- Phylogica and Dynamic Microbials sign exclusive Licence Agreement for Phylogica's anti-bacterial applications
- Phylogica secures significant shareholding in Dynamic Microbials
- Phylogica's technology applied to new sector without distracting internal resources

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Perth, Western Australia.

Phylogica Limited (ASX: PYC) and private Australian biotechnology company Dynamic Microbials Limited (Dynamic), today announced that they have signed a Licence Agreement to develop anti-bacterial applications from Phylogica's exclusive technology.

The agreement gives Dynamic exclusive rights to develop anti-bacterial, anti-fungal and anti-prion applications from Phylogica's proprietary Phylomer® libraries. The deal includes non exclusive rights in the field of anti-viral applications.

The companies have also signed a Subscription Agreement, which formalises Phylogica's significant shareholding (approximately 38%) in Dynamic (ASX release 24/08/07). Phylogica will receive a royalty on direct sales of future products, as well as a percentage of other commercialisation income.

Phylogica Executive Chairman Mr Aki Von Roy said the licence is of great strategic value to Phylogica.

"This deal provides a template for development of the Phylomer® technology in new fields without diverting company resources from its core development area of inflammation," he said.

"The licence, and the work already done by Dynamic, represents further commercial validation of our technology," added Mr Von Roy. "In addition, the structure of the transaction gives Phylogica potential for further value as the core Phylomer® technology progresses and is further commercialised."

Dynamic Microbials Managing Director of Dynamic Mr Geoff Pocock said they were delighted to bring the Phylomer® technology into the company and have

the support of Phylogica as a major shareholder. “Phylogica’s unique Phylomer® peptide library represents a significant pool of potential antimicrobial leads and drugs, and our initial screening has been extremely positive with a number of preliminary hits showing significant antibacterial activity,” he said. “Dynamic is now undertaking further research to develop those hits into drug candidates that can potentially be licensed to major pharmaceutical companies.”

Analysts, regulators and other pharmaceutical industry stakeholders are increasingly concerned about the lack of new antibiotic drugs and the underdevelopment of drug pipelines in this area. With the continued growth of antibiotic resistant bacterial infections in both hospital and community settings, this lack of new drugs has been labelled one of the 5 most significant unmet therapeutic needs globally

Mr Pocock remarked “We are continuing to see significant levels of activity in both licensing deals and M&A activity as big pharma look to bring new antibiotic drugs to market. Our expectation is that we can use the Phylomer® peptide library as an engine to continue to develop a substantial number of novel leads and candidates that will be of interest to major pharma.”

Dynamic are currently evaluating Phylomer® peptides generated against *Acinetobacter baumannii*, a “super-bug” responsible for a significant number of hospital based infections. The incidence of antibiotic resistance in these cases is growing, indicating the urgent medical need for the development of new classes of anti-bacterial compounds. Dynamic have identified a number of peptides with activity against *A. baumannii* comparable to or greater than both known antimicrobial peptides and commercial antibiotics. These hits are currently being developed to create pre-clinical lead compounds.

For further information, please contact:

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Phylogica Ltd (ASX: PYC) (www.phylogica.com) is a biotechnology company involved in drug discovery, using its proprietary Phylomer® peptide libraries. Phylomer® peptides are stable fragments of naturally-occurring proteins which bind tightly and specifically to disease targets. Phylomer® peptides have drug-like properties, including specificity, potency, stability and flexible production, allowing for chemical or recombinant means of manufacturing. In addition, these unique peptides are able to block both extracellular and intracellular disease targets. Phylogica's proprietary Phylomer® libraries are collections of hundreds of millions of Phylomer® peptides that represent a rich source of drug leads for a broad range of disease targets.