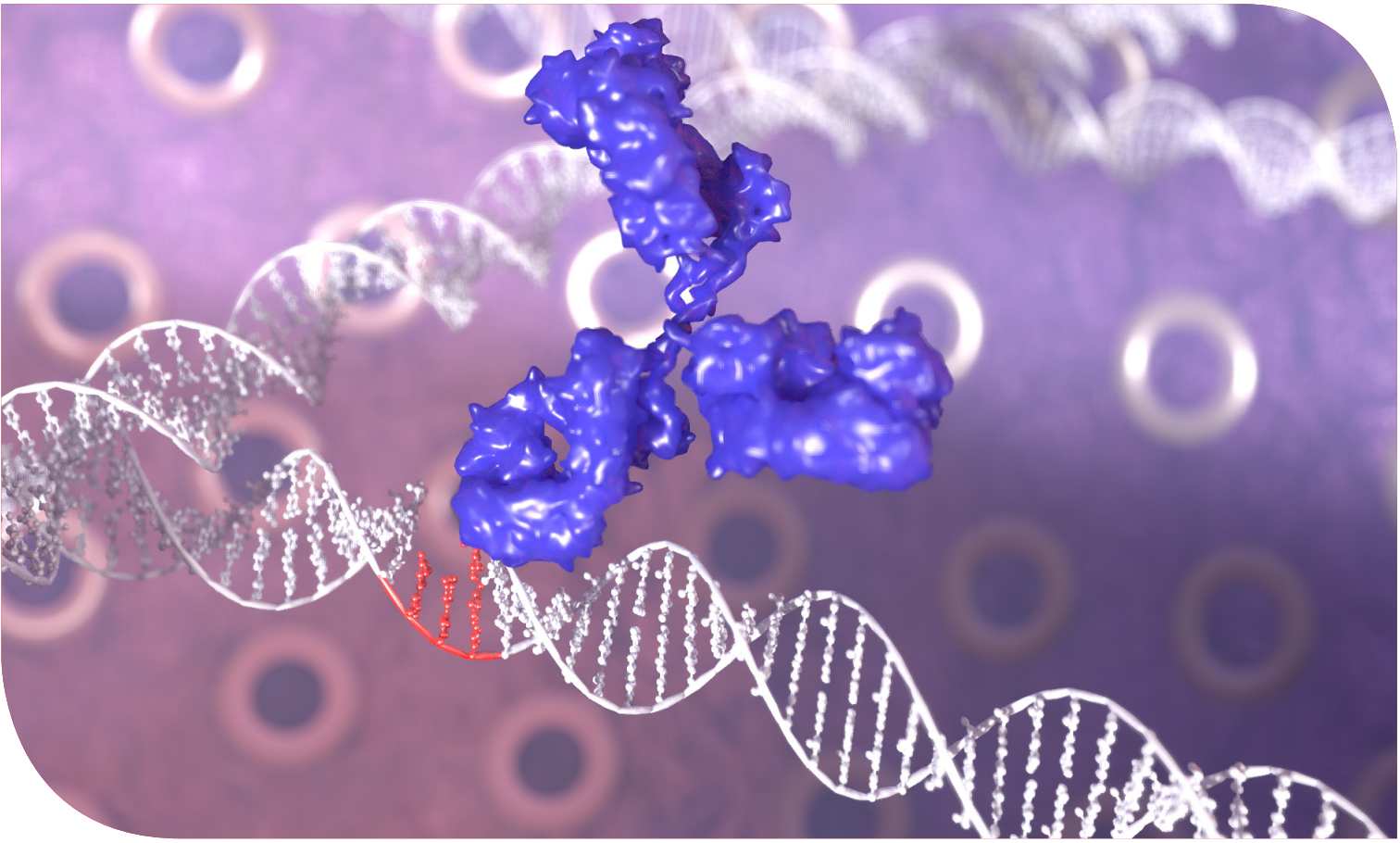
patrys



2017 ANNUAL REPORT

Company Profile

Patrys is a therapeutic antibody development company with operations in Australia and the United States of America.

Patrys' expertise and assets target antibody therapeutics in the field of oncology with both IgM antibodies and IgG antibody fragments under development.

Patrys has successfully out-licensed a clinical candidate, PAT-SC1, for the Chinese oncology market and has conducted two clinical trials with another lead candidate from its IgM platform, PAT-SM6. Patrys has in-licensed from Yale University a suite of novel, nucleus-penetrating antibodies (Deoxymabs 3E10 and 5C6) and Deoxymab 3E10 conjugated to nanoparticles which it will progress through development. Patrys will continue to advance lead candidates from both its technology platforms towards the market.

Patrys Limited is an ASX listed company (ASX:PAB), with corporate headquarters in Melbourne, Australia.

For further information on Patrys, visit www.patrys.com

Operations

- Corporate headquarters in Melbourne, Australia
- Preclinical work conducted in multiple Australian and overseas sites, including Yale University, United States of America
- Patrys Limited trades on the Australian Securities Exchange (ASX:PAB)

Milestones

2H 2016

- Humanisation and optimisation of Deoxymab 3E10
- Non-dilutive supplier recoveries received
- Appointment of Scientific Advisory Board

1H 2017

- Deoxymab 3E10 lead candidate, PAT-DX1 confirmed
- Further non-dilutive supplier recoveries received
- Acquisition of additional novel nucleus-penetrating antibody assets developed at Yale University (Deoxymab 3E10 conjugated to nanoparticles; PAT-DX1-NP)
- Initiation of preclinical animal studies of PAT-DX1

Assets

- **PAT-SC1** is an immunoglobulin M (IgM) type antibody which targets an isoform of the membrane-bound CD55 (DAF-B). This isoform has been shown to be significantly over-expressed on the membrane of gastric cancer tissues (74%), while no expression was detected on healthy cells and tissues. In September 2015, Patrys signed an exclusive development and commercialisation license agreement for all oncology indications in China for PAT-SC1 with the Chinese company Hefei Co-source Biomedical Co.

- **PAT-SM6** is a fully human monoclonal antibody (mAb) of the IgM type which targets a variant of human GRP78 and human apolipoprotein B100 (apoB100) found in low-density lipoprotein (LDL) and very low-density lipoprotein (VLDL). It has been successfully utilised in both melanoma and multiple myeloma clinical trials. Further clinical trials for this product candidate have been deferred due to manufacturing issues.

- **PAT-LM1** is a fully human IgM mAb that targets a variant of the human NONO protein (also named nmt55 and p54nrb), which is described to be a multi-functional nuclear protein. PAT-LM1 has shown promise in a range of preclinical cancer models.

- **Deoxymab 3E10** is a lupus autoantibody that penetrates live cell nuclei by binding to DNA or its precursors outside of cells and then following it into cell nuclei through a nucleoside transporter. Once in the nucleus, Deoxymab 3E10 interferes with DNA repair processes. To prepare Deoxymab 3E10 for clinical development Patrys has humanised and optimised the antibody. The lead candidate, to be known as **PAT-DX1**, was selected from a large number of humanised 3E10 variants that Patrys designed to optimise for efficacy, manufacturability and novelty. The selection of PAT-DX1 was based on its performance in a suite of *in vitro* assays where it surpassed other variants in its ability to penetrate into cells' nuclei, and also subsequently kill cancers cells; PAT-DX1 significantly outperformed native forms of the 3E10 antibody in the screening assays. It is currently in preclinical development. Patrys recently acquired the rights to technology conjugating nanoparticles to Deoxymab 3E10. The Company will further develop PAT-DX1 to nanoparticles, designated **PAT-DX1-NP**.

- **Deoxymab 5C6** is another lupus autoantibody that penetrates live cell nuclei. Similar to Deoxymab 3E10, 5C6 is highly toxic to cancer cells with DNA repair deficiencies and has similar potential to be used in cancer therapy. Deoxymab 5C6 is currently in preclinical development.

Pipeline

Product *(Target)*	Discovery	Preclinical	Phase I	Phase 2a	
PAT-SC1 *(CD55)*					*Chinese rights out-licensed*
PAT-SM6 *(GRP78)*					*M. Myeloma Trial Deferred*
PAT-LM1 *(NONO)*					*Licensing candidate*
PAT-DX1 *(DNA)*					*Licensed from Yale University*
PAT-DX1-NP *(DNA)*					*Licensed from Yale University*
Deoxymab 5C6 *(DNA)*					*Licensed from Yale University*

Letter from Chairman and CEO

Dear Shareholders,

Welcome to Patrys' 2017 Annual Report.

Patrys has had a successful year progressing development and consolidating a number of alliances to lay the groundwork for the eventual commercialisation of both of its novel antibody technologies. The Board and Management team are excited by the opportunities in the cancer space, and Patrys' potential to play a significant role. While advances have been made in the sector, there is still a need for treatments that improve quality of life and reduce overall healthcare costs.

During this phase of development, there may be long periods between announcements which is reflective of the nature of the work being undertaken. The Board appreciates your patience throughout these times as we focus on consolidating Patrys' programs and clinical outlook.

With the continued deferment of the planned phase 1b/2a combination clinical trial of PAT-SM6 in patients with relapsed and refractory multiple myeloma due to previously described manufacturing issues, the Company is now focusing its efforts on the licensed novel nucleus-penetrating antibody technology platform ("Deoxymab") from Yale University, until non-dilutive capital can be sourced to progress the PAT-SM6 program.

Deoxymab

Deoxymab 3E10 is the name assigned by Patrys to 3E10, a lupus derived autoantibody. Unlike normal antibodies that the body produces to bind to foreign cells (eg. pathogens) or aberrant cells (eg cancer cells) and trigger an immune response, autoantibodies bind to normal cells. While most antibodies bind to markers on the surface of cells, Deoxymab 3E10 penetrates cells' nuclei and binds directly to DNA. Having bound to the DNA, Deoxymab 3E10 inhibits DNA repair and damages DNA. Normal cells repair DNA damage utilising intact DNA repair processes, however, Deoxymab 3E10 can kill cells that have mutations or deficiencies in DNA repair mechanisms as found in various cancer cells. As well as showing single agent therapeutic potential, Deoxymab 3E10 has been shown to significantly enhance the efficacy of both chemo and radiotherapies.

Since acquiring the rights to develop and commercialise Deoxymab 3E10, Patrys has completed detailed *in silico* biology to optimise Deoxymab 3E10 and selected a lead candidate PAT-DX1, a di-scFv antibody. This is a major milestone for the Company and allows Patrys to move forward with pre-clinical animal models in the coming year. The Company looks forward to receiving data from these animal studies that will guide the development strategy on this asset; the data is expected to be available in H2 2017.

PAT-DX1 has potential as a therapy for cancers that remain difficult to treat including endometrial, ovarian, pancreatic, colon and some breast cancers.

PAT-DX1 is a very exciting development stage asset with a number of patents filed around the technology to create a barrier to entry for competitors. In addition, there is the possibility to pair this technology with other existing treatments and create combination therapies, enhancing the attractiveness of this asset to potential partners. With this in mind, during the financial year, Patrys also acquired further intellectual property from Yale University - the worldwide rights to develop and commercialise technology pertaining to the linking of Deoxymab 3E10 to nanoparticles. The nanoparticles can be loaded with standard chemotherapeutic (or other) drugs and have been demonstrated to significantly increase the efficacy of the drug therapy in pre-clinical models. This acquisition expands the Deoxymab platform and Deoxymab 3E10-nanoparticles (newly designated PATDX1-NP) can be developed concurrently with the PAT-DX1 program.

IgM assets

During the past year the Company completed an investigation into the fundamental issues that arose with the manufacturing of PAT-SM6 antibody, and has identified a path forward to enable the manufacturing and development of PAT-SM6 and its other IgM assets. Given the significant cost and time involved with these programs, Patrys will only consider reactivation on a partnered, risk sharing basis or if non-dilutive funds can be accessed. Discussions with a number of potential partners are ongoing.

The Company is also committed to pursuing a number of insurance claims related to the failed manufacturing of PAT-SM6. Given the magnitude, number and complexity of the claims, this has been a protracted process and Patrys continue to progress the claims with its insurers.

The IgM patent portfolio has reached maturity and the majority of patents have now been granted. A research collaboration with Macquarie University is ongoing, and will be extended into 2018.

Patrys has been pleased to report in the period on progress of its asset PAT-SC1, which was licensed in 2015 to Hefei Co-source Biomedical, an integrated Chinese drug development company. Our Chinese partners have been working diligently to progress the development of PAT-SC1, and the first Joint Development Committee meeting was held in China in October 2016. This license deal covers the exclusive development and commercialisation rights for all oncology indications in China for PAT-SC1. Patrys received an up-front licensing fee, and may, pending the achievement of prescribed milestones, receive multiple milestone payments and royalties on eventual product sales.

Looking ahead

The Patrys team is focused on progressing its Deoxymab platform, and lead candidate PAT-DX1, in parallel with the newly licensed Deoxymab 3E10 nanoparticle technology in a cost-effective manner. We are also focused on finding a suitable path forward for our existing IgM assets. With prudent financial controls in place and guidance from our newly established Scientific Advisory Board, the Company believes it's in an excellent position to build value from its existing base of capital and assets and looks forward to sharing this journey with its shareholders over the coming year.

John Read
Chairman

Dr James Campbell
Managing Director and CEO

The Board of Directors

John Read, BSc (Hons), MBA, FAICD

Chairman

Mr. Read is an experienced Chairman and Director in public, private and government organisations. Through his extensive career in venture capital, private equity and commercialisation he has gained a depth of experience in the formation and growth of emerging companies with an emphasis on commercial entities that provide broad societal benefits. He is currently the Chairman of CVC Limited (ASX: CVC) and previously Chairman of Eildon Capital Limited (ASX:EDC) from 2013 to 2016, Pro-Pac Packaging Limited (ASX:PPG) from 2005 to 2010, The Environmental Group Limited (ASX:EGL) from 2001 to 2012 and The Central Coast Water Corporation from 2011 to 2014.

James Campbell, BSc (Hons), PhD, MBA, GAICD

Managing Director & Chief Executive Officer

Dr. Campbell has more than 20 years of international biotechnology research, management and leadership experience and has been involved in the creation and/or transformation of multiple successful Australian and international biotechnology companies. Dr. Campbell was previously the CFO and COO of ChemGenex Pharmaceuticals Limited (ASX:CXS), where, as a member of the executive team he helped transform a research-based company with a market capitalization of $10M to a company with completed clinical trials and regulatory dossiers submitted to the FDA and EMA. In 2011 ChemGenex was sold to Cephalon for $230M.

Dr. Campbell was a foundation executive of Evolve Biosystems, and has assisted private biotechnology companies in Australia, New Zealand and the USA with successful capital raising and partnering negotiations.

Dr. Campbell sits on the IP and Commercialisation Advisory Committee of the CRC for Mental Health, and sits on the Advisory Board of Deakin University's Centre for Innovation in Mental and Physical Health and Clinical Treatment (IMPACT). Dr. Campbell is a Non-Executive Director of both Invion Limited (ASX:IVX) and Prescient Therapeutics Limited (ASX:PTX).

Michael Stork, BBA

Non-Executive Director

Mr. Stork is the Managing Director of Stork Holdings Ltd, an Investment Holding company active in the Canadian technology startup sector.

Mr. Stork was until early this year active on the Board of Governors of the University of Waterloo and is the Chairman of the Waterloo Accelerator Centre, a technology company incubator affiliated with the University.

He is currently the Chairman of Spartan Biosciences Inc., an Ottawa based DNA analytics company, the Chairman of Dejero Labs Inc., a Waterloo based broadcast technology company, and active on the Boards of a number of other leading Canadian technology startup companies.

Suzy Jones

Non-Executive Director

Ms. Jones is Founder and Managing Partner of DNA Ink LLC, a life sciences advisory firm in San Francisco. Prior to starting her own firm, Ms. Jones spent 20 years at Genentech where she served in many roles in business development, product development and immunology research. She also managed several product teams during this time including the Rituxan team, the first monoclonal antibody launched to treat cancer. Ms. Jones has extensive networks within the pharmaceutical industry and the VC community in North America. Ms. Jones is also a Non-Executive Director of Calithera Biosciences, Inc. (Nasdaq:CALA), a clinical-stage biotech company focused on discovering and developing novel small molecule drugs directed against tumour metabolism and tumour immunology targets for the treatment of cancer.

Management

Melanie Leydin, BBus (Acc Corp Law)

Company Secretary

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies specialising in the resources, technology, bioscience and biotechnology sector. Melanie has over 25 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of companies and shareholder relations.

Deanne Greenwood, BSc (Hons), PhD, MBA, GAICD

Vice President, Business Development & Intellectual Property

Dr. Greenwood joined Patrys in 2008 and has held various roles during that time. Dr. Greenwood's efforts are focused on commercialisation of the IgM and Deoxymab assets and management of the extensive intellectual property portfolio. Dr. Greenwood has extensive experience related to the drug development, relationship management, contracts and grants. Dr. Greenwood led the negotiations with Hefei Co-source Biomedical Co. LTD, a Chinese based company which has taken an exclusive license to PAT-SC1. Prior to joining Patrys, Dr. Greenwood spent 10-years in academia conducting immunology research in the areas of vaccine development and autoimmunity, with the last four years at the Centre for Animal Biotechnology, The University of Melbourne. Dr. Greenwood has a PhD degree in Immunology from the Monash University, Masters of Business Administration (Technology) from La Trobe University and is a graduate of the Australian Institute of Company Directors. Dr. Greenwood is a co-author on 11 publications on immunological related topics.

Valentina Dubljevic, BSc, MBB, GAICD

Vice President, Scientific & Clinical Development

Ms. Dubljevic joined Patrys in June 2012 and is responsible for the pre-clinical and clinical development of Patrys' products. Ms. Dubljevic brings more than 20 years of scientific and commercial experience in the areas of anti- cancer therapies, vaccine development, and diagnostics. Prior to joining Patrys, she worked at the Monash University conducting research on malaria vaccine development; at Cytopia Limited developing small molecule anti-cancer drugs and at Monash Institute of Medical Research (MIMR) developing antibody therapies for cancer. She has extensive experience related to the drug development, management of pre-clinical studies, manufacturing, regulatory and clinical operations, contracts and project management and has co-authored multiple scientific papers and grants. Ms. Dubljevic holds a Bachelor of Biomedical Science degree from Griffith University, Brisbane, a Masters in Biotechnology and Business degree from RMIT and is a graduate of the Australian Institute of Company Directors (GAICD).

Scientific Advisory Board

Pamela M. Klein, BSc, MD

Dr. Pamela M. Klein completed her medical training at Loyola University in Chicago before working at the U.S. National Cancer Institute. Dr. Klein then moved to Genentech where, as Vice President, Development she led the development of a large portfolio of drugs including all the HER (Herceptin, Tarceva, Perjeta), Apoptosis (antibodies and small molecules) and Hematology compounds. After Genentech Dr. Klein was appointed to the position of Chief Medical Officer of Intellikine where she built the clinical development capability and brought multiple early compounds from laboratory to clinic prior to Intellikine being acquired by Milleinium/Takeda. Dr. Klein currently serves as an advisor to a range of different biotech and investment companies, with roles on Scientific Advisory Boards and Corporate Boards as well as broader advisory roles.

Allen Ebens, BSc, PhD

Dr. Allen Ebens completed a PhD at UCLA and completed a Post-Doc at UCSF before joining Exelixis as a scientist in the Discovery Biology group. After more than 5 years with Exelixis Dr. Ebens moved to Genentech where over 11 years in the Research Oncology group he worked from concept to clinic across multiple therapeutic platforms including antibodies, small molecule drugs, antibody-drug conjugates, and cell-based therapies. Dr. Ebens was recruited from Genentech to establish the oncology research lab at Juno Therapeutics, and he is currently the Senior Director, Immune Oncology at NGM Biopharmaceuticals in South San Francisco. Over a significant career Dr. Ebens' contributions include advancement of five discovery projects to clinical development and leadership of T cell recruiting bi-specific antibody teams to proof of concept for multiple targets including one clinical candidate.

About Anti-DNA Autoantibodies

The study of the generation of autoantibodies has helped shape our understanding of the basic mechanisms of immune regulation. Normally, the immune system is able to recognise and ignore the body's own healthy proteins, cells, and tissues, and to not overreact to non-threatening substances in the environment. On occasion, the immune system ceases to recognise one or more of the body's normal constituents as "self", leading to the production of pathological autoantibodies, and emergence of autoimmune diseases. Quantitative changes in particular autoantibody profiles can be indictors of disease status. Many autoimmune diseases (notably systemic lupus erythematosus; SLE) are distinguished by the production of autoantibodies that specifically bind to DNA (known as anti-DNA autoantibodies). The development of anti-DNA autoantibodies has not been fully elucidated.

It was originally thought that because the vast majority of DNA is housed within the nucleus, an area where antibodies were considered unable to gain access, production of anti-DNA autoantibodies was unlikely to occur. It was believed that these anti-DNA autoantibodies could only bind to the small amounts of free DNA present outside of cells (so-called extracellular DNA, or xDNA). However, in recent years, a large body of evidence has accumulated demonstrating that a select group of lupus anti-DNA autoantibodies can traverse into the nucleus of living cells where they can bind to their target DNA.

This finding raised the possibility that such autoantibodies could be used in molecular therapy techniques, in particular for the treatment of cancer. Among the many antibodies that have been considered, two stand out as having great potential for use against cancer, Deoxymabs 3E10 and 5C6.

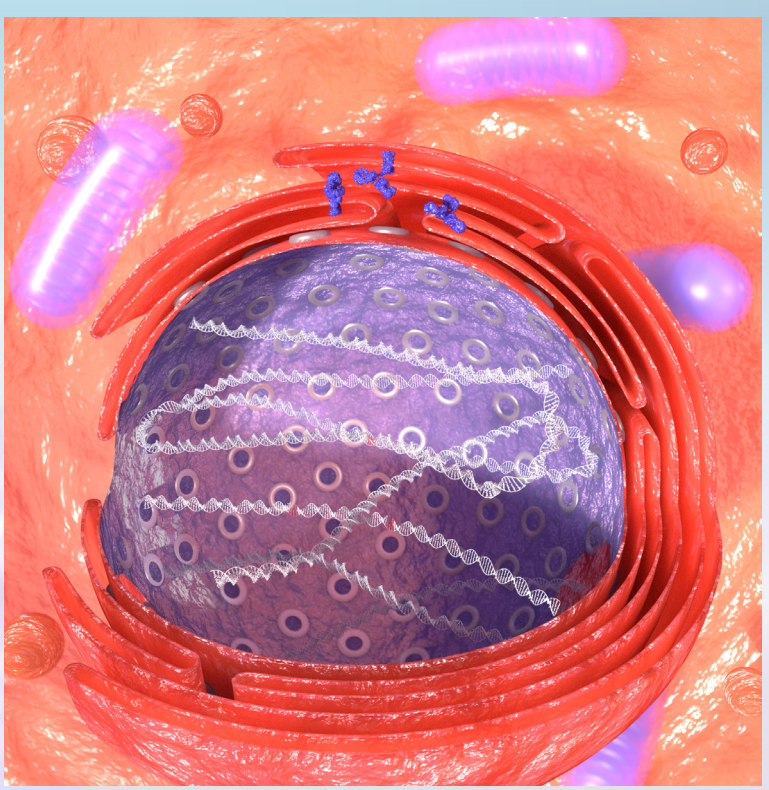
About Deoxymab 3E10

Deoxymab 3E10 is a lupus autoantibody that penetrates live cell nuclei by binding to DNA or its precursors outside of cells and then following it into cell nuclei through a nucleoside transporter. Once in the nucleus, Deoxymab 3E10 interferes with DNA repair processes, but with modest inhibition and not enough to kill normal cells that have the ability to repair DNA damage. Alternatively, cancer cells, that are exquisitely sensitive to DNA damage because their DNA repair machinery is already impaired, accumulate more DNA damage than they can tolerate when they encounter Deoxymab 3E10, and ultimately die.

Deoxymab 3E10 is therefore selectively toxic to cancer cells that have deficiencies in DNA repair, including a wide range of malignancies such as gliomas, melanomas, prostate, breast and ovarian cancers. When combined with DNA-damaging agents such as chemotherapy or radiation, Deoxymab 3E10 has an even greater effect on these cancer cells.

Deoxymab 3E10 is particularly well suited for use in cancer therapy because it preferentially localises to tumours, and not normal tissues. As tumours grow and go through cycles of proliferation they are constantly releasing xDNA, and this results in the accumulation of a "swarm" of xDNA in the tumour vicinity. Deoxymab 3E10 is specifically attracted to DNA, and is dependent on the presence of xDNA in order to penetrate cell nuclei. Therefore, the swarm of xDNA in the tumour vicinity not only attracts Deoxymab 3E10 to the tumour, but also facilitates nuclear penetration by Deoxymab 3E10 into the tumour cell nuclei where it then inhibits DNA repair, sensitises them to DNA-damaging agents and kills the tumour cells.

deoxymab



Next Generation Deoxymab 3E10 Lead Candidate, PAT-DX1

Since acquiring the rights to develop and commercialise Deoxymab 3E10, Patrys has completed detailed *in silico* analysis in order to prepare Deoxymab 3E10 for clinical development. The Deoxymab 3E10 parental murine sequence has been humanised and de-immunised to remove any components that might cause lupus-like side effects and de-risked for manufacturing. In addition, the new Deoxymab 3E10 variants generated were optimised to enhance their binding to DNA and increase their effect on DNA repair-deficient cancer cells. Sixteen different sequence variants of di-scFv Deoxymab 3E10 fragments were synthesised, cloned, expressed and tested in functional assays. The rationale behind creating di-scFv antibody format is to allow more than one binding site to DNA (ie. di-scFv has two binding sites).

Patrys has selected lead candidate PAT-DX1, a di-scFv from the collection of 3E10 variants based on its physicochemical attributes and ability to penetrate nuclei and selectively cause DNA damage and cell death in cancer cells with DNA repair defects.

The selection of PAT-DX1 allows Patrys to move forward with production of the autoantibody to be used in range of animal models of cancer over the coming months. The data from these will be announced in H2 2017.

Patrys has established a research collaboration with Yale University, and has been utilising the expertise from Dr. James Hansen's laboratory to progress PAT-DX1 through pre-clinical development.

Further Intellectual Property Licensed from Yale University - Deoxymab 3E10 Nanoparticles

In June 2017, Patrys announced that it had licensed from Yale University the worldwide rights to develop and commercialise technology pertaining to the linking Deoxymab 3E10 to nanoparticles. The nanoparticles can be loaded with standard chemotherapeutic (or other) drugs and have been demonstrated to significantly increase the efficacy of drug therapy in pre-clinical models.

The new technology builds on one of the central attributes of Deoxymab 3E10, the fact that it is attracted to

the extracellular DNA (xDNA) that is associated with dying cancer cells. Using this targeting mechanism, the 3E10-nanoparticle conjugate is preferentially attracted to tumour tissues, and delivers its payload (the chemotherapy) to where it is most needed. This drives a progressive cycle as increased cancer cell death attracts even more of the conjugated 3E10-nanoparticle to the tumour, and significantly enhances treatment efficacy in animal models.

The 3E10-nanoparticle conjugation intellectual property is the subject of a patent application filed by Yale University, which, if granted, will extend patent protection to 2036.

The synergistic nature of the PAT-DX1 and nanoparticle programs allows both to be developed concurrently, allowing the leverage of development cost savings. The new Deoxymab 3E10 nanoparticle product has been designated PAT-DX1-NP.

About Deoxymab 5C6

Deoxymab 5C6 is another lupus autoantibody that penetrates live cell nuclei. Similar to Deoxymab 3E10, 5C6 is highly toxic to cancer cells with DNA repair deficiencies and has similar potential to be used in cancer therapy. Yale University has also found that 5C6 has a toxic effect on BRCA2-deficient cells in colon cancer.

IgM Assets

Patrys' IgM natural human antibody assets have shown anti-tumour activity in mice and in humans, and have shown a very good safety profile and signals of clinical efficacy. These antibodies can theoretically be combined with existing chemotherapeutic treatments potentially without any cumulative toxicology effects. Patrys is one of only a few companies worldwide with expertise in development of the IgM class of antibody. We continue with business development efforts for all IgM assets in our portfolio.

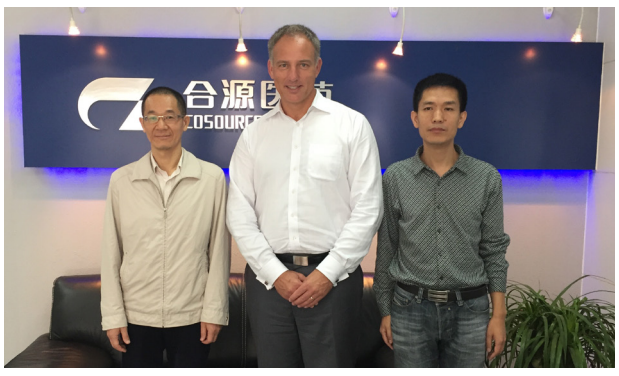
- **PAT-SC1 License Update:**

In 2015, the Chinese rights for PAT-SC1 were licensed to Hefei Co-source Biomedical Co. LTD, which is progressing well with its development plans. The Joint Development Committee met in October 2016, and Patrys' CEO Dr. James Campbell was pleased to be hosted by our partner at its site in China. The PAT-SC1 program is progressing well, and a further Joint Development Meeting is planned to be held in October 2017. This alliance provides possible future milestone payments and royalties. Patrys has retained the right to develop and commercialise PAT-SC1 outside of China.

Hefei Co-source Bio-medical Co. Ltd building Shushan District, Hefei, Anhui, P.R China.

- **PAT-SM6 update**

Patrys in conjunction with its partners completed a review focussed on the fundamental issues that arose with manufacturing of PAT-SM6 antibody. The proposed clinical trial of PAT-SM6 in multiple myeloma will remain on hold until non-dilutive capital can be sourced.



From left to right: Dr Shu Gao, Founder and CEO of Hefei Co-source, Dr. James Campbell, Patrys CEO, Dr. Shanchun Zhang, CEO of Hefei Bio-Medicine prepare for a meeting of the Joint Development Committee

• Intellectual Property

Patrys' patent portfolio undergoes a constant process of expansion and consolidation.

The five patents underlying Deoxymab, PAT-DX1, Deoxymab Nanoparticles and 5C6 and licensed from Yale University include:

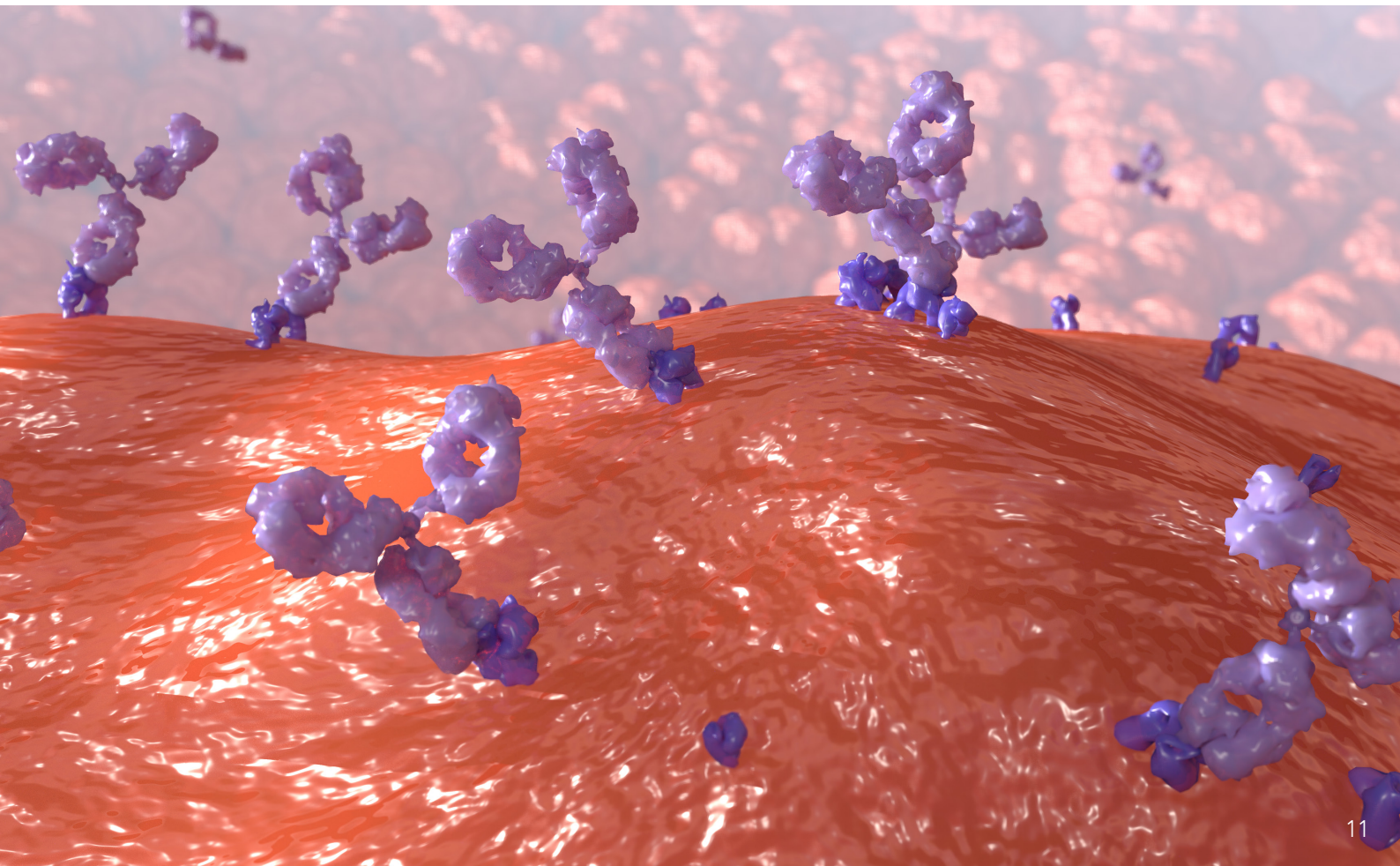
- Cell-penetrating anti-DNA antibodies and uses thereof to inhibit DNA repair
- Multivalent fragments of antibody 3E10 and methods of use thereof
- Cell penetrating nucleolytic antibody based cancer therapy
- Antibody mediated autocatalytic, targeted delivery of nanocarriers to tumours
- Binding proteins

The first patent in the Deoxymab family "Cell-penetrating anti-DNA antibodies and uses thereof to inhibit DNA repair" for cancer treatment has recently been granted in the U.S., with pending applications in China, Europe and Japan. The predicted expiry date for the first filed patent is April 2031.

The six patents that encompass the current IgM portfolio covering products PAT-SM6 and PAT-LM1 include:

- Adenocarcinoma specific antibody SAM-6, and uses thereof
- Human monoclonal antibody having fat-reducing effect
- Novel glycosylated peptide target in neoplastic cells
- Neoplasm specific antibodies and, uses thereof
- LM-antibodies, functional fragments, LM-1 target antigen, and methods for making and using same
- PAT-LM1 epitopes and methods for using same

There are 24 granted applications in these families combined, and only 2 applications still under examination. The first of these patents will expire in 2024. Patrys is seeking to partner the IgM assets in its portfolio.



Recent Publications

Deoxymab 3E10

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Deoxymab 5C6

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Overview

Patrys is a biopharmaceutical Company devoted to the development and commercialisation of novel antibody technologies to improve the clinical outcomes for cancer patients.

The Company has two technology platforms; the Deoxymab nuclear-penetrating antibodies which were in-licensed from Yale University in March of 2016 and an IgM platform that has yielded assets that showed safety and signals of efficacy in both melanoma and multiple myeloma patients.

Deoxymabs
Patrys has licensed the exclusive global rights to two nuclear-penetrating antibodies (3E10 and 5C6) for cancer therapy from Yale University. Deoxymab 3E10 is the more advanced of these assets, and the Company has a fully-costed development plan to progress this asset towards the clinic within the next two years.

Deoxymab 3E10 has the capacity to penetrate cancer cell nuclei, inhibit DNA repair and kill DNA repair-deficient cancer cells with the BRCA2 and/or PTEN mutations. The antibody has the ability to sensitise cancer cells to radiation and chemotherapy and interfere with their ability to sustain themselves through DNA repair. These characteristics of Deoxymab 3E10 open up new avenues for researching treatment of BRCA2 and PTEN-related cancers including breast, brain gliomas, astrocytomas, head and neck carcinoma are examples.

Under Patrys' guidance over the past 15 months Deoxymab 3E10 has been re-formatted as a di-single chain fragment (scFv) that is likely to reduce the risk of non-specific activation and associated side effects. A potent engineered form of Deoxymab 3E10, PAT-DX1 has been selected for testing in a range of pre-clinical cell and animal models, with data to be announced in coming months.

Patrys convened its inaugural Scientific Advisory Board (SAB) in late 2016 and the SAB members, Dr. Pamela M. Klein and Dr. Allen Ebens, were involved in a review of the Deoxymab program in February and the selection of PAT-DX1 as the lead candidate for pre-clinical animal studies.

Finally, Patrys has licensed global rights to 3E10 linked to nanoparticles from Yale University. The nanoparticles can be loaded with standard chemotherapeutic (or other) drugs and have been demonstrated to significantly increase the efficacy of the drug therapy in pre-clinical models.

IgM assets
The Company has completed an investigation into the fundamental issues that arose with the manufacturing of PAT-SM6 antibody, and has identified a path forward to restart the development of PAT-SM6 and its other IgM assets. Given the significant cost and time involved with these programs Patrys will only consider reactivation on a partnered, risk sharing basis or if non-dilutive funds can be accessed.

In 2015 Patrys out-licensed the Chinese development and commercialization rights for its asset PAT-SC1 to Hefei Co-source Biomedical, an integrated Chinese drug development Company. Patrys received an up-front licensing fee, and may, pending the achievement of prescribed milestones, receive multiple milestone payments and royalties on eventual product sales. Patrys retains the right to develop and commercialize PAT-SC1 outside of China.

Through a Joint Development Committee and personal relationships Patrys maintains a close alliance with Hefei Co-source Biomedical, and is very pleased with the progress being made.

Looking ahead
The small and dedicated Patrys team remains focused on progressing its Deoxymab assets, particularly PAT-DX1 and cost-effectively developing its IgM assets.

The Company is also committed to pursuing a number of insurance claims related to the failed manufacturing run of PAT-SM6 in 2014/15. Given the magnitude, number and complexity of the claims this has been a protracted process, and the Patrys management team continues to progress Patrys' claims with its insurers.

With strong governance, tight financial control and a clear path forward Management and the Board believe that the Company is well positioned to build value from its existing base of capital and assets and looks forward to sharing this journey with its shareholders over the coming year.

Strategic focus
The Company completed a cost and risk review of its programs in the previous financial year, and is guided by this analysis

and updates thereof. The objective of the Company's activities are to cost-effectively build shareholder value, and to minimise the need for dilutive capital until the value of the existing assets has been recognised.

The current strategy is to build value into the Deoxymab program through pre-clinical activities, and to seek to partner or fund through non-dilutive sources the costly clinical development programs for the Company's IgM assets.

Business development
Patrys has an active alliance for the development of PAT-SC1 for the Chinese cancer market with the integrated Chinese drug development Company, Hefei Co-source Biomedical. This partnership delivers annual fees with potential milestone payments, revenue sharing and royalties. The Company has ongoing efforts to establish additional partnerships for its IgM assets.

Operating Results
The loss for the Group after providing for income tax amounted to $1,057,876 (30 June 2016: $1,080,784).

The Group held cash and term deposits of $1,910,952 (2016: $3,215,039) at reporting date. The Group's policy is to hold its cash and cash equivalent deposits in 'A' rated or better deposits.

The Group's strategy is to outsource product development expenses, including manufacturing, regulatory and clinical trial expenses, to specialist, best of breed partner organisations. As a consequence, the Group has not incurred any major capital expenditure for the period and does not intend to incur substantial commitments for capital expenditure in the immediate future.

Consolidated revenue during the period was $531,729 (2016: $867,653). This revenue includes interest of $44,512 (2016: $76,869), R&D tax incentive income of $410,163 (2016: $502,485), licencing income of $52,708 (2016: $274,970) and Government grants of $23,791 (2016: $Nil).

Other income for the period consisted of supplier refunds of $846,579 (2016: $Nil) offset by realised foreign exchange movement during the period of ($22,968) (2016: $48,572).

Total consolidated operating expenses for the period were $2,413,216 (2016: $1,997,009).

Research and development costs of $1,265,377 (2016: $1,042,256) have been expensed in the year they were incurred. The increase in R&D costs in 2017 is due to increased activity on the Deoxymab project with commencement of pre-clinical and manufacturing works in the financial year.

Administration and management costs contributed a further $1,147,839 (2016: $954,753) to expenses from continuing operations. The increase during the financial year relates to an increase in corporate costs for insurance, assistance with the R&D tax incentive application offset by a decrease in employee costs relating to R&D in 2017.

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Patrys Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors

The following persons were Directors of Patrys Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr. John Read (Non-Executive Chairman)
Mr. James Campbell (Managing Director & CEO)
Ms. Suzy Jones (Non-Executive Director)
Mr. Michael Stork (Non-Executive Director and Deputy Chairman)

Principal activities

During the financial year the principal continuing activities of the Group consisted of:

- Commercialisation of the Group's proprietary technologies to develop natural human antibody-based therapeutic products for the treatment of cancer; and
- Pursuit of non-dilutive funding sources.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Significant changes in the state of affairs

During the financial year, the Company issued 27,000,000 unlisted options exercisable at $0.0078 (0.78 cents) per option.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

On 12 July 2017, the Group achieved the second milestone of the Nucleus agreement and was granted the first US Patent protecting the use of Deoxymab 3E10, securing development and commercialization rights. In accordance with the contract, the second tranche of 34,789,333 fully paid ordinary shares were issued at a deemed issue price of $0.005174 ($0.5174 cents) per share on 17 July 2017.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Group will continue to pursue its objective of developing antibodies as therapies for a range of different cancers. Patrys has a pipeline of anti-cancer antibodies for both internal development and as partnering opportunities.

The Group’s focus for the coming period will be on advancing its PAT-DX1 cell-penetrating antibody development program, and on sourcing non-dilutive capital to restart the clinical development of the natural human IgM antibody PAT-SM6 which has been shown to have anti-cancer properties in clinical studies.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name:	John Read
Title:	Non-Executive Chairman
Qualifications:	BSc (Hons), MBA, FAICD
Experience and expertise:	Mr. Read is an experienced Chairman and Director in public, private and government organisations. Through his extensive career in venture capital, private equity and commercialization he has gained a depth of experience in the formation and growth of emerging companies with an emphasis on commercial entities that provide broad societal benefits. He is currently the Chairman of CVC Limited (ASX: CVC) and previously Chairman of Eildon Capital Limited (ASX:EDC) from 2013 to 2016, Pro-Pac Packaging Limited (ASX:PPG) from 2005 to 2010, The Environmental Group Limited (ASX:EGL) from 2001 to 2012 and The Central Coast Water Corporation from 2011 to 2014.
Other current directorships:	CVC Ltd (since 1989).
Former directorships (last 3 years):	Eildon Capital Limited (ASX: EDC)
Interests in shares:	6,560,855 ordinary shares

Name:	James Campbell
Title:	Managing Director and Chief Executive Officer
Qualifications:	Ph.D, MBA
Experience and expertise:	Dr. Campbell has more than 20 years of international biotechnology research, management and leadership experience and has been involved in the creation and/or transformation of multiple successful Australian and international biotechnology companies. Dr. Campbell was previously the CFO and COO of ChemGenex Pharmaceuticals Limited (ASX:CXS), where, as a member of the Executive team he helped transform a research-based Company with a market capitalization of $10M to a Company with completed clinical trials and regulatory dossiers submitted to the FDA and EMA. In 2011 ChemGenex was sold to Cephalon for $230M. Dr. Campbell was a foundation Executive of Evolve Biosystems, and has assisted private biotechnology companies in Australia, New Zealand and the USA with successful capital raising and partnering negotiations. Dr. Campbell sits on the IP and Commercialization Advisory Committee of the CRC for Mental Health, and sits on the Advisory Board of Deakin University's Centre for Innovation in Mental and Physical Health and Clinical Treatment (IMPACT). Dr. Campbell is a Non-Executive Director of both Invion Limited (ASX:IVX) and Prescient Therapeutics Limited (ASX:PTX).
Other current directorships:	Non-Executive Director of Invion Limited (ASX:IVX) and Prescient Therapeutics Limited (ASX:PTX).
Former directorships (last 3 years):	Non-Executive Director of Medibio Limited (ASX:MEB) (resigned 30/9/2016)
Interests in shares:	25,000 fully paid ordinary shares
Interests in options:	15,000,000 unlisted options exercisable at $0.0078 per option, expiring 24/11/2021

Name:	Michael Stork
Title:	Non-Executive Director and Deputy Chairman
Qualifications:	BBA
Experience and expertise:	Mr. Stork is the Managing Director of Stork Holdings Ltd, an Investment Holding Company active in the Canadian technology startup sector. Mr. Stork was until early this year active on the Board of Governors of the University of Waterloo and is the Chairman of the Waterloo Accelerator Centre, a technology Company incubator affiliated with the University. He is currently the Chairman of Spartan Biosciences Inc., an Ottawa based DNA analytics Company, the Chairman of Dejero Labs Inc., a Waterloo based broadcast technology Company, and active on the Boards of a number of other leading Canadian technology startup companies.
Other current directorships:	None.
Former directorships (last 3 years):	None.
Interests in shares:	95,731,764 fully paid ordinary shares (These shares are held by Stork Holdings 2010 Ltd. The shares are held by a related trust which Michael Stork in his own right does not control).

Name:	Suzy Jones
Title:	Non-Executive Director
Experience and expertise:	Ms. Jones is Founder and Managing Partner of DNA Ink LLC, a life sciences advisory and business development firm with clients in the United States, Germany, Israel and France. DNA Ink provides corporate strategic guidance to its clients leading to transactions that support corporate growth including licensing, M&A and fundraising transactions. Prior to starting her own firm, Ms. Jones spent 20 years at Genentech where she served in many roles including Interim Head of Partnering, Head of Business Development, Senior Project Manager and Research Associate. She managed several products during this time including Rituxan, the first monoclonal antibody launched to treat cancer. Ms. Jones has very extensive networks within the pharmaceutical and biotech companies and VC community in North America. Ms. Jones is a Non-Executive Director of Calithera Biosciences, Inc. (Nasdaq:CALA), a clinical-stage pharmaceutical Company focused on discovering and developing novel small molecule drugs directed against tumor metabolism and tumor immunology targets for the treatment of cancer.
Other current directorships:	Nil.
Former directorships (last 3 years):	None.
Interests in shares:	3,000,000 fully paid ordinary shares.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer. The practice provides outsourced Company secretarial and accounting services to public and private companies specialising in the resources, technology, bioscience and biotechnology sector. Melanie has over 25 years' experience in the accounting profession and has extensive experience in relation to public Company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2017, and the number of meetings attended by each Director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
John Read	8	8	-	-	2	2
James Campbell*	8	8	-	-	-	2
Suzy Jones	7	8	-	-	2	2
Michael Stork	8	8	-	-	2	2

Held: represents the number of meetings held during the time the Director held office.

* James Campbell was not a member of the Nomination & Remuneration Committee or the Audit & Risk Committee but was invited to attend these meetings.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's Executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns Executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that Executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of Executive compensation
- transparency
- capital management

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, the Non-Executive Chairman and the Senior Management team. The Board has established a Nomination & Remuneration Committee, comprising of three Directors, the majority of which are Non-Executive Directors. This Committee is primarily responsible for making recommendations to the board on:

- The over-arching Executive remuneration framework
- The operation of the incentive plans, including key performance indicators and performance hurdles
- Remuneration levels of Executive directors and other key management personnel; and
- Non-Executive Director fees

The objective of the Committee is to ensure that remuneration policies and structures are fair and competitive and aligned with the long term interests of the Company. The Corporate Governance Statement provides further information on the role of this committee.

The Company has structured an Executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

The Company’s remuneration framework seeks alignment with shareholders’ interests and is in particular aligned to the rapid commercialisation of the Company’s intellectual property and in achieving its milestones in a highly ethical and professional manner.

The Executive remuneration framework provides a mix of fixed and variable pay and performance incentive rewards. Presently, the Company’s policy in relation to performance incentive rewards is to issue only equity (and not cash bonuses) to executives. The Company does not have a policy or practice of cancelling or clawing-back performance-based remuneration of its executives other than in accordance with the relevant plan rules.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director remuneration is separate.

Non-Executive directors remuneration
Directors’ fees are determined by reference to industry standards and were last reviewed effective 1 September 2012. Components of the remuneration package include a cash element together with medium term equity instruments.

Directors’ fees are currently set at $95,000 for the Chairman and $60,000 per Non-Executive Director (note Ms. Jones receives US$60,000) and reflect the demands which are made on and the responsibilities of the Directors. However, one Non-Executive Director, Mr. Michael Stork, does not receive monetary Director fees and received no remuneration of any kind during the year.

ASX listing rules require the aggregate Non-Executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 27 November 2009, where the shareholders approved a maximum annual aggregate remuneration of $250,000.

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The Executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the Executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the Executive.

Incentives are payable to executives based upon the attainment of agreed corporate and individual milestones and are reviewed and approved by the Board of Directors. The Board of Directors have determined that given the current economic climate, no cash incentives will be paid for the year ended 30 June 2017 (2016: Nil).

Executives and Directors are issued with equity instruments as LTIs (long term incentives) in a manner that aligns this element of remuneration with the creation of shareholder wealth. LTI grants are made to executives and Directors who are able to influence the generation of shareholder wealth and thus have a direct impact on the creation of shareholder wealth. The Board of Directors issued 15,000,000 unlisted options to James Campbell during the period in accordance with an approval from members at the Annual General Meeting held on 24 November 2016.

Consolidated entity performance and link to remuneration
Equity instruments may be issued to new employees, and upon performance review based on performance of the individual and the Company both in absolute terms and relative to competitors in the biotechnology sector. Equity instruments that are issued for performance are subject to performance targets set and approved by the Nomination and Remuneration Committee.

The Company’s remuneration policy seeks to reward staff members for their contribution to achieving significant operational, strategic, partnering, preclinical, clinical and regulatory milestones. These milestones build sustainable and long term shareholder value.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Voting and comments made at the Company's 24 November 2016 Annual General Meeting ('AGM')
At the 24 November 2016 AGM, 99.47% of the votes received supported the adoption of the remuneration report for the year ended 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

2017	Short-term benefits Cash salary and fees $	Short-term benefits Annual Leave $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled options $	Termination Payments Cash and fees $	Total $
Non-Executive Directors:							
Suzy Jones*	79,310	-	-	-	-	-	79,310
John Read	95,000	-	-	-	-	-	95,000
Executive Directors:							
James Campbell	280,389	-	19,616	-	37,513	-	337,518
Other Key Management Personnel:							
Melanie Leydin	96,000	-	-	-	-	-	96,000
	550,699	-	19,616	-	37,513	-	607,828

* 1. Ms Jones was paid $60,000 USD at an average exchange rate of $0.7565 USD to 1 AUD.

2016	Short-term benefits Cash salary and fees $	Short-term benefits Annual Leave $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled options $	Termination Payments Cash and fees $	Total $
Non-Executive Directors:							
Suzy Jones*	81,484	-	-	-	-	-	81,484
John Read	95,000	-	-	-	-	-	95,000
Executive Directors:							
James Campbell**	217,761	-	2,240	-	-	-	220,001
Other Key Management Personnel:							
Melanie Leydin***	60,000	-	-	-	-	-	60,000
Roger McPherson***	66,539	33,061	4,054	32,693	-	70,593	206,940
	520,784	33,061	6,294	32,693	-	70,593	663,425

* 1. Ms Jones was paid $60,000 USD at an average exchange rate of $0.7363 USD to 1 AUD.
** 2. Dr Campbell's hours increased to full time as of 1 March 2016.
*** 3. Roger McPherson resigned, and Melanie Leydin was appointed on 1 October 2015.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2017	2016	2017	2016	2017	2016
Non-Executive Directors:						
John Read	100%	100%	-	-	-	-
Suzy Jones	100%	100%	-	-	-	-
Executive Directors:						
James Campbell	89%	100%	-	-	11%	-
Other Key Management Personnel:						
Roger McPherson	-	100%	-	-	-	-
Melanie Leydin	100%	100%	-	-	-	-

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	James Campbell
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	12 November 2014 as Non-Executive Director and 13 April 2015 as Managing Director
Term of agreement:	No fixed term for an ongoing term subject to termination by the Company with 6 months' notice and termination by the employee with 6 months' notice of the employee to the Company.
Details:	Dr Campbell will be entitled to an annual salary (inclusive of superannuation) of $300,000. The Remuneration Package is inclusive of any fringe benefits tax for which the Company is liable in respect of the employee's total remuneration and any superannuation contributions. The employee's performance will be reviewed annually or more frequently if required.

Name:	John Read
Title:	Non-Executive Chairman
Agreement commenced:	29 May 2007. A new agreement became effective 1 December 2009
Term of agreement:	No fixed term.
Details:	$95,000 per annum to be reviewed independently and annually by the Board of Directors.

Name:	Suzy Jones
Title:	Non-Executive Director
Agreement commenced:	15 December 2011
Term of agreement:	No fixed term.
Details:	$US60,000 per annum to be reviewed independently and annually by the Board of Directors.

Name:	Melanie Leydin
Title:	Company Secretary
Agreement commenced:	1 October 2015
Term of agreement:	No fixed term, with 1 months' notice.
Details:	$8,000 per month for Company secretarial and accounting services

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Options
Details of options over ordinary shares granted, vested and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Grant date	Vesting date	Number of options granted	Value of options granted $	Value of options vested $	Number of options lapsed	Value of options lapsed $
James Campbell	24/11/2016	24/11/2016	5,000,000	20,370	5,000,000	-	-
James Campbell	24/11/2016	24/11/2017	5,000,000	17,995	-	-	-
James Campbell	24/11/2016	24/11/2018	5,000,000	15,440	-	-	-

Additional information
The earnings of the Group for the five years to 30 June 2017 are summarised below:

	2017 $	2016 $	2015 $	2014 $	2013 $
Revenue and other income	531,729	867,653	2,224,481	759,683	1,175,624
Net profit/(loss) before tax	(1,057,876)	(1,080,784)	(8,463,492)	(7,280,929)	(3,522,634)
Net profit/(loss) after tax	(1,057,876)	(1,080,784)	(8,470,382)	(7,289,090)	(3,529,095)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2017	2016	2015	2014	2013
Share price at financial year start ($)	0.01	0.01	0.03	0.02	0.02
Share price at financial year end ($)	0.01	0.01	0.01	0.03	0.02
Basic earnings per share (cents per share)	(0.14)	(0.15)	(1.22)	(1.21)	(0.72)

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
Ordinary shares					
John Read*	6,660,890	-	-	(100,035)	6,560,855
Michael Stork	95,731,764	-	-	-	95,731,764
James Campbell	25,000	-	-	-	25,000
Suzy Jones	3,000,000	-	-	-	3,000,000
	105,417,654	-	-	(100,035)	105,317,619

* The disposals during the 2017 financial year relate to expired shares as part of the loan share plan.

Option holding
The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
James Campbell	-	15,000,000	-	-	15,000,000
	-	15,000,000	-	-	15,000,000

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Patrys Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
2 December 2009	27 November 2017	$0.14000	5,952
1 July 2010	1 July 2018	$0.10000	3,600
8 December 2011	8 December 2017	$0.03000	7,334
8 December 2011	8 December 2018	$0.03000	7,333
8 December 2011	8 December 2019	$0.03000	7,333
21 August 2012	21 August 2018	$0.02000	10,000
21 August 2012	21 August 2019	$0.02000	10,000
21 August 2012	21 August 2010	$0.02000	10,000
20 May 2014	20 May 2020	$0.05000	25,000
20 May 2014	20 May 2021	$0.05000	25,000
20 May 2014	20 May 2022	$0.05000	25,000
24 November 2016	24 November 2021	$0.00780	24,000,000
19 April 2017	19 April 2022	$0.00780	1,750,000
19 April 2017	1 July 2021	$0.00780	1,250,000
			27,136,552

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Patrys Limited issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

Share based compensation to Directors and key management personnel

General overview

The Company issues equity to Directors, Patrys employees and key consultants under either the Loan Share Plan (LSP) or the Executive Share Option Plan (ESOP). Under the plans, participants are issued with equity to foster an ownership culture within the Group to motivate Directors, employees and consultants to achieve performance targets of the Company and the Group. Participation in the plans is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The Company introduced the LSP in December 2009 following approval of the plan at the 2009 Annual General Meeting. Only Australian residents are eligible to participate in the plan. The plan allows non-recourse, interest free loans to be provided to eligible participants to acquire shares under the plan. If and when an issue is made it is treated as an in-substance grant of options and expensed over the vesting period because of the limited recourse nature of the loans. Generally shares issued under the plan will vest over a three year period. The shares are acquired in the name of the participant and each participant authorises and appoints the Company Secretary to act on their behalf. Any dividends paid on the shares are used to repay the loan. In all other respects the shares issued under the LSP carry the same rights as other ordinary shares on issue. If the participant leaves the Company, any shares that have not vested will be brought back by the Company and cancelled along with the loan. In respect of shares that have vested the loan balance must generally be paid in full within six months of termination or the shares will be sold and the proceeds applied to settle the loan balance. The issue price of the shares in the Company held under LSP is not included in equity until the loan has been repaid.

Options are granted under the ESOP. Under the ESOP each option granted converts into one ordinary share of Patrys Limited. Options are granted under the plan for no consideration and carry no dividend or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

If a participant ceases to be appointed as a Director or employed by any member of the group (other than due to his/her death) then options that have vested at the date of cessation will generally lapse if not exercised within six months of the cessation date (unless an extension is granted by the Board). In the case of death of the participant then the exercise period is generally extended to twelve months. All unvested options will generally lapse on cessation.

In accordance with the rules of both the LSP and ESOP the Board has the ability to vary the terms in respect of issues in circumstances it considers appropriate. The valuations of shares issued under the LSP and options issued under the ESOP are determined by using an industry standard option pricing model taking into account the terms and conditions upon which the instruments were issued.

Participants in equity based plans are not permitted to enter into transactions which limit the economic risk of participating in the plan save in relation to the LSP. As noted above the LSP allows participants access to a limited recourse loan to fund the acquisition of any shares issued under the LSP.

Equity issued to Directors and key management personnel

Details of equity issued in the Company provided as remuneration to each Director of Patrys Limited and each of the key management personnel of the Company are set in the Remuneration Report. When vested, prior to the Director or key management personnel being able to deal with each share, the loan advanced to acquire the share under the LSP must be repaid. In the case of the options, the exercise price must be paid prior to each being converted into one ordinary share of Patrys Limited. Details are also provided for the number of equity instruments that have vested during the 2017 financial year.

The assessed fair value at the date of issue of the equity instruments is allocated over the period from issue date to vesting date, and this amount is included in the remuneration tables above. Fair values at issue date are determined using the Binomial or the Black-Scholes option pricing model that takes into account the exercise price (or amount of loan), the term of the option (or loan), the share price at issue date and expected price volatility of the Patrys shares, the expected dividend yield and the risk-free interest rate for the term of the option (or loan).

Further information on the shares and options issued under the LSP and ESOP, including factors and assumptions used in determining fair value is set out in Note 27 to the financial statements.

Following the implementation of the LSP, some Australian residents choose to participate in the LSP and not the ESOP. Details of shares and options that have been issued and vested in this or the previous year are outlined in the table below. The tables only include transactions whilst a member of the key management personnel.

There are no performance criteria that need to be met in relation to the shares issued above. Participants need to be appointed as a Director or employed by a Group Company at the vesting date. Unvested shares are brought back by the Company at the cessation of appointment or employment at the issue price.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amount paid or payable to the auditor (BDO East Coast Partnership) for audit and non-audit services provided during the year are set out in Note 19.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit & Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement APES 110, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Officers of the Company who are former partners of BDO East Coast Partnership

There are no officers of the Company who are former partners of BDO East Coast Partnership.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Mr. John Read
Chairman

28 August 2017

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF PATRYS LIMITED

As lead auditor of Patrys Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Patrys Limited and the entities it controlled during the period.

David Garvey
Partner

BDO East Coast Partnership

Melbourne, 28 August 2017

Patrys Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Revenue	5	531,729	867,653
Other income	6	823,611	48,572
Expenses			
Research & development expenses		(1,265,377)	(1,042,256)
Administration & management expenses		(1,147,839)	(954,753)
Loss before income tax expense		(1,057,876)	(1,080,784)
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the Owners of Patrys Limited		(1,057,876)	(1,080,784)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		4,797	25,408
Other comprehensive income for the year, net of tax		4,797	25,408
Total comprehensive income for the year attributable to the Owners of Patrys Limited		(1,053,079)	(1,055,376)
		Cents	**Cents**
Basic earnings per share	26	(0.14)	(0.15)
Diluted earnings per share	26	(0.14)	(0.15)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Patrys Limited
Statement of financial position
As at 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Assets			
Current assets			
Cash and cash equivalents	9	1,910,952	3,215,039
Trade and other receivables	10	500,728	259,307
Other		78,860	69,762
Total current assets		2,490,540	3,544,108
Non-current assets			
Property, plant and equipment		4,341	5,870
Intangibles	11	663,750	708,750
Total non-current assets		668,091	714,620
Total assets		3,158,631	4,258,728
Liabilities			
Current liabilities			
Trade and other payables	12	415,120	543,708
Employee benefits		64,874	51,338
Total current liabilities		479,994	595,046
Non-current liabilities			
Employee benefits		15,540	25,213
Total non-current liabilities		15,540	25,213
Total liabilities		495,534	620,259
Net assets		2,663,097	3,638,469
Equity			
Issued capital	13	60,035,971	60,035,971
Reserves	14	518,155	505,645
Accumulated losses		(57,891,029)	(56,903,147)
Total equity		2,663,097	3,638,469

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Patrys Limited
Statement of changes in equity
For the year ended 30 June 2017

Consolidated	Issued capital $	Foreign currency translation reserve $	Share option reserve $	Share loan plan reserve $	Other reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2015	59,675,971	(43,931)	167,008	274,047	-	(56,102,755)	3,970,340
Loss after income tax expense for the year	-	-	-	-	-	(1,080,784)	(1,080,784)
Other comprehensive income for the year, net of tax	-	25,408	-	-	-	-	25,408
Total comprehensive income for the year	-	25,408	-	-	-	(1,080,784)	(1,055,376)
Reallocation of value of expired and cancelled equity	-	-	(159,573)	(120,819)	-	280,392	-
Transactions with owners in their capacity as owners:							
Share-based payments (note 27)	-	-	1,923	1,582	-	-	3,505
Issue of shares in consideration for Nucleus	360,000	-	-	-	360,000	-	720,000
Balance at 30 June 2016	60,035,971	(18,523)	9,358	154,810	360,000	(56,903,147)	3,638,469

Consolidated	Issued capital $	Foreign currency translation reserve $	Share option reserves $	Share loan plan reserve $	Other reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2016	60,035,971	(18,523)	9,358	154,810	360,000	(56,903,147)	3,638,469
Loss after income tax expense for the year	-	-	-	-	-	(1,057,876)	(1,057,876)
Other comprehensive income for the year, net of tax	-	4,797	-	-	-	-	4,797
Total comprehensive income for the year	-	4,797	-	-	-	(1,057,876)	(1,053,079)
Reallocation of value of expired and cancelled equity	-	-	-	(64,578)	-	64,578	-
Vested & lapsed options	-	-	(5,416)	-	-	5,416	-
Share based payments (note 27)	-	-	76,968	739	-	-	77,707
Balance at 30 June 2017	60,035,971	(13,726)	80,910	90,971	360,000	(57,891,029)	2,663,097

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Patrys Limited
Statement of cash flows
For the year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Cash flows from operating activities			
Payments to suppliers and employees		(2,312,898)	(2,134,947)
Interest and other income		60,120	67,741
R&D tax incentive		203,668	260,879
Government grants		15,340	-
Supplier refunds		729,289	-
Licensing income		27,500	274,970
Net cash used in operating activities	25	(1,276,981)	(1,531,357)
Cash flows from investing activities			
Payments for property, plant and equipment		(2,771)	(4,900)
Proceeds from disposal of property, plant and equipment		-	68,973
Net cash from/(used in) investing activities		(2,771)	64,073
Cash flows from financing activities			
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(1,279,752)	(1,467,284)
Cash and cash equivalents at the beginning of the financial year		3,215,039	4,646,527
Effects of exchange rate changes on cash and cash equivalents		(24,335)	35,796
Cash and cash equivalents at the end of the financial year	9	1,910,952	3,215,039

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Patrys Limited as a Group consisting of Patrys Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Patrys Limited's functional and presentation currency.

Patrys Limited is a listed public Company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 August 2017. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

It is noted that for 2017 financial year, the Group incurred a loss from continuing operations after income tax of $1,057,876 (2016: $1,080,784) and had consolidated net cash outflows of $1,276,981. At present, the Group does not have a confirmed source of income sufficient to meeting operating costs, and as at the date of the financial report, the Group anticipates this trend will continue. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

The financial statements have been prepared on the basis that the Group is a going concern, which contemplates normal business activity, realisation of assets and the settlement of liabilities in the normal course of business for the following reasons:

- At 30 June 2017, the Group had net current assets of $2,010,546 (30 June 2016: $2,949,062);
- The Board of Directors has the ability to downscale its operations and discontinue programs should the need arise, whilst meeting minimum expenditure commitments;
- Directors have a number of external funding alternatives available such as out-licensing arrangements or raising additional equity funds;
- At 30 June 2017, the Group recognised a receivable of $431,005 from the R&D tax incentive, which is expected to be received in the first half of the 2018 financial year;
- Cash flow forecasts prepared by management demonstrate that with modest additional funding the Group has sufficient funds to meet commitments over the next twelve months; and
- The Company has a history of successfully undertaking capital raisings during the last 10 years and will raise additional funds as required.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Note 2. Significant accounting policies (continued)

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 22.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Patrys Limited ('Company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Patrys Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Patrys Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Note 2. Significant accounting policies (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Note 2. Significant accounting policies (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 January 2018 and it is not expected to materially impact the Company's performance.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 January 2018 and it is not expected to materially impact the Company's performance.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision
As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 4. Operating segments

Identification of reportable operating segments
A segment is a component of the consolidated entity that engages in business activities to provide products or services within a particular economic environment. The consolidated entity operates in one business segment, being the conduct of research and development activities in the biopharmaceutical sector. The Board of Directors assess the operating performance of the group based on management reports that are prepared on this basis. The group has established activities in more than one geographical area, however these activities support the research and development conducted by the consolidated entity and are considered immaterial for the purposes of segment reporting. The group invests excess funds in short term deposits but this is not regarded as being a separate segment.

Accounting policy for operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Revenue

	Consolidated	
	2017	2016
	$	$
Licensing income	52,708	274,970
R&D tax incentive income	410,163	502,485
Interest income	44,512	76,869
Other income	555	10,485
Realised foreign currency gain	-	2,844
Government grants	23,791	-
Revenue	531,729	867,653

Accounting policy for revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 6. Other income

	Consolidated	
	2017	2016
	$	$
Foreign exchange gain/(loss)	(22,968)	48,572
Supplier refunds	846,579	-
Other income	823,611	48,572

Note 7. Expenses

	Consolidated 2017 $	Consolidated 2016 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	2,545	8,891
Amortisation/Impairment		
License and registered patents	45,000	11,250
Total depreciation and amortisation	47,545	20,141
Operating expenses		
Research and development expenses	1,265,377	1,042,256
Operating lease expenses	16,194	46,292
	1,281,571	1,088,548
Bad debts		
Bad debt	-	8,238
Employee salary and benefit expense		
Defined contribution superannuation expense	43,933	68,800
Salary and employee benefit expenses	710,676	895,156
Total employment expenses	754,609	963,956
Share Based Payments Expense		
Share Based Payments Expense	77,707	3,474

Note 8. Income tax expense

	Consolidated 2017 $	Consolidated 2016 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(1,057,876)	(1,080,784)
Tax at the statutory tax rate of 30%	(317,363)	(324,235)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of revenue that is not assessable in determining taxable loss	(131,713)	(150,745)
Effect of expenses that are not deductible in determining taxable loss	342,840	155,690
Deferred tax assets not brought to account	106,236	319,290
Income tax expense	-	-

Note 8. Income tax expense (continued)

	Consolidated 2017 $	Consolidated 2016 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses - revenue	15,076,259	14,854,005
Deductible temporary differences	332,991	202,726
Total deferred tax assets not recognised	15,409,250	15,056,731

These deferred tax assets (not recognised) will only be obtained if:

(i) the entities derive future assessable income of a nature and of an amount sufficient to enable the benefits from the deduction for losses to be realised;

(ii) the entities continue to comply with the conditions for deductibility imposed by the law; and no changes in tax legislation adversely affect the entities in realising the relevant benefits from deduction for the losses; and

(iii) no changes in tax legislation adversely affect the entities in realising the relevant benefits from deduction for the losses.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

> When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
> When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 9. Current assets - cash and cash equivalents

	Consolidated 2017 $	Consolidated 2016 $
Cash at bank	1,260,952	1,215,039
Cash on deposit	650,000	2,000,000
	1,910,952	3,215,039

The Group's exposure to interest rate and foreign currency risk is discussed in Note 16.

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 10. Current assets - trade and other receivables

	Consolidated 2017 $	Consolidated 2016 $
Accrued revenue	25,208	-
Research & development incentive receivable	431,005	241,606
Other receivables	44,515	17,701
	500,728	259,307

During the period, the Group recognised an accrual for the research and development tax incentive receivable. Under this regime, as Patrys has an aggregated annual turnover of under $20 million, it is entitled to a refundable R&D credit of 43.5% (2016: 45%) on the eligible R&D expenditure incurred on eligible R&D activities.

The 43.5% (2016: 45%) refundable R&D tax offset is accounted for under AASB 120 Accounting for Government Grants and Disclosure of Government Assistance and is recorded as income in the Statement of profit or loss & other comprehensive income.

At reporting date, the Group is currently awaiting approval from AusIndustry for an overseas finding for work completed outside of Australia on the Nucleus Therapeutics project.

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 11. Non-current assets - intangibles

	Consolidated 2017 $	Consolidated 2016 $
Intellectual property - at cost	720,000	720,000
Less: Accumulated amortisation	(56,250)	(11,250)
	663,750	708,750

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Intellectual property $	Total $
Balance at 1 July 2015	-	-
Additions - Acquisition of Nucleus Intellectual Property	720,000	720,000
Amortisation expense	(11,250)	(11,250)
Balance at 30 June 2016	708,750	708,750
Amortisation expense	(45,000)	(45,000)
Balance at 30 June 2017	663,750	663,750

Amortisation and impairment expense is included in the line item 'research and development' in the Statement of profit or loss and other comprehensive income.

Intangible assets comprise licences, intellectual property, trademarks and registered patents and have a finite useful life. Amortisation has been historically calculated using straight line method over the estimated useful life, which ranges from 5 to 20 years. The Group amortises the Nucleus intellectual property based on an estimated useful life of 16 years.

Intellectual property which includes platform technology and product related intellectual property is reviewed on a regular basis and where a decision has been made not to pursue a product, the remaining value recorded as an asset is impaired. At balance date, the directors also review the intellectual property portfolio to determine whether there are any indicators of impairment related to intellectual property.

During the previous financial year the Group acquired Nucleus intellectual property. The acquisition provides Patrys with licence rights to a portfolio of novel anti-DNA antibodies that penetrate cell nuclei. This novel pre-clinical oncology asset and platform has multiple potential applications to treat a range of cancers.

Accounting policy for intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Intellectual property
Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5-20 years.

Note 12. Current liabilities - trade and other payables

	Consolidated	
	2017	2016
	$	$
Trade payables	65,276	35,489
Other creditors and accruals	349,844	508,219
	415,120	543,708

Refer to note 16 for further information on financial instruments.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 13. Equity - issued capital

	Consolidated			
	2017	2016	2017	2016
	Shares	Shares	$	$
Ordinary shares - fully paid	744,432,206	745,253,370	60,035,971	60,035,971

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2015	696,585,986		59,675,971
Tranche 1 consideration shares issued to shareholders of Nucleus Therapeutics Pty Ltd	30 March 2016	50,033,425	$0.00700	360,000
Expiration of shares from share loan plan	30 June 2016	(1,366,041)	$0.00000	-
Balance	30 June 2016	745,253,370		60,035,971
Expiration of shares from share loan plan	19 December 2016	(537,804)	$0.00000	-
Expiration of shares from share loan plan	30 June 2017	(283,360)	$0.00000	-
Balance	30 June 2017	744,432,206		60,035,971

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the consolidated statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 13. Equity - issued capital (continued)

The Group would look to raise capital when an opportunity to invest in a business or Company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 14. Equity - reserves

	Consolidated	
	2017	2016
	$	$
Foreign currency reserve	(13,726)	(18,523)
Share options reserve	80,910	9,358
Share loan plan reserve	90,971	154,810
Other reserves	360,000	360,000
	518,155	505,645

Foreign currency reserve
Exchange differences relating to translation from functional currencies of the Group's foreign controlled entities into Australian Dollars are bought to account by entries made directly to the foreign currency translation reserve.

Share loan plan reserve
The equity settled employee benefits reserves arise on issue of equity under the Loan Share Plan or the Executive Share Option Plan to executives and senior employees. Amounts are transferred out of the reserves and into issued capital when the loans are repaid or the options are exercised. Amounts are transferred to accumulated losses when the shares or options are cancelled. Further information about share based payments to Directors and key management personnel is made at Note 27 of the financial statements.

Share based payment reserve
The equity settled share based payment reserves arise on issue of options under the Employee Share Based Payment plan to executives and senior employees. Amounts are transferred out of the reserves and into issued capital when the options are converted to shares. Amounts are transferred to accumulated losses when the shares or options are cancelled. Further information about share based payments to Directors and key management personnel is made at Note 27 of the financial statements.

Other reserves
The other reserve is made up of Tranche 2 and Tranche 3 shares for the acquisition of Nucleus Intellectual Property. When the Group meets the relevant milestone and the shares are issued, the amount is transferred out of the reserve and into issued capital.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out in the Statement of changes in equity

Note 15. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 16. Financial instruments

Financial risk management objectives
The Group's treasury function monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. There have been no changes to these risks since the previous financial year.

The Board of Directors ensures that the Group maintains a competent management structure capable of defining, analysing, measuring and reporting on the effective control of risk inherent in the Group's underlying financial activities and the instruments used to manage risk. Key financial risks including interest rate risk and foreign currency risk are reviewed by management on a regular basis and are communicated to the Board so that it can evaluate and impose its oversight responsibility. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Company and the Group have a policy regarding foreign exchange risk management. This and other financial risks are managed prudently by the Board and the Audit & Risk Committee.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising and optimisation of the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 13, and 14, respectively. The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the Group's assets.

Market risk

Foreign currency risk
The Group's activities expose it primarily to the financial risks of changes in foreign currency rates. The Group's exposure to foreign currency is predominately in US dollars, Pound Sterling and Euros. The Group has maintained cash in US dollars, Pound Sterling and Euros to cover a portion of its anticipated US dollar and Euro expenditures.

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. Exchange rate exposures are managed within approved policy parameters. The Group manages the currency risk by monitoring the trend of the US dollar, Pound Sterling and Euro. The Group maintains US dollar, Pound Sterling and Euro bank accounts to cover a portion of its anticipated expenditures in the respective foreign currencies.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2017	2016	2017	2016
Consolidated	**$**	**$**	**$**	**$**
US dollars	373,621	842,460	160,899	255,949
Euros	499	97,746	107,350	74,638
Pound Sterling	52	90,543	5,594	90,106
	374,172	1,030,749	273,843	420,693

Note 16. Financial instruments (continued)

Consolidated - 2017	% change	AUD strengthened Effect on profit before tax	Effect on equity	% change	AUD weakened Effect on profit before tax	Effect on equity
Euros	10%	(45)	(45)	(10%)	55	55
US Dollars	10%	(33,966)	(33,966)	(10%)	41,513	41,513
Pound Sterling	10%	(5)	(5)	(10%)	6	6
		(34,016)	(34,016)		41,574	41,574

Consolidated - 2016	% change	AUD strengthened Effect on profit before tax	Effect on equity	% change	AUD weakened Effect on profit before tax	Effect on equity
Euros	10%	(8,886)	(8,886)	(10%)	10,861	10,861
US Dollars	10%	(76,587)	(76,587)	(10%)	93,607	93,607
Pound Sterling	10%	(8,231)	(8,231)	(10%)	10,606	10,606
		(93,704)	(93,704)		115,074	115,074

Price risk
Price risk is the risk that future cashflows derived from financial instruments will be changed as a result of a market price movement, other than foreign currency rates and interest rates. The Group is not exposed to any material commodity price risks.

Interest rate risk
The Group's exposure to market interest rates relates primarily to the Group's short term deposits held and deposits at call. The variance in market interest rates on interest income is not material.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to pay its debts as and when they fall due. The Group has no borrowings at reporting date and the Directors ensure that the cash on hand is sufficient to meet the commitments of the Group at all times during the research and development phase.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash and where necessary unutilized borrowing facilities are maintained.

Note 16. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the Statement of financial position.

Consolidated - 2017	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	415,120	-	-	-	415,120
Total non-derivatives		415,120	-	-	-	415,120

Consolidated - 2016	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	543,708	-	-	-	543,708
Total non-derivatives		543,708	-	-	-	543,708

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 17. Fair value measurement

Accounting policy for fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Note 18. Key management personnel disclosures

Directors
The following persons were Directors of Patrys Limited during the financial year:

Mr. John Read
Mr Michael Stork
Dr. James Campbell
Ms. Suzy Jones

Note 18. Key management personnel disclosures (continued)

Other key management personnel
The following person also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

Ms. Melanie Leydin

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated 2017 $	Consolidated 2016 $
Short-term employee benefits	550,699	553,845
Post-employment benefits	19,616	6,294
Long-term benefits	37,513	32,693
Termination benefits	-	70,593
	607,828	663,425

Note 19. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by , the auditor of the Company, and its network firms:

	Consolidated 2017 $	Consolidated 2016 $
Audit services -		
Audit or review of the financial statements	59,729	54,465
Other services -		
Advice on taxation and other matters and review and lodgement of corporate tax returns	10,250	5,500
	69,979	59,965
Other services - network firms		
Advice on taxation and other matters and review and lodgement of corporate tax returns	-	953

Note 20. Commitments

Patrys has entered into several agreements whereby Patrys is obliged to make royalty payments on future sales and make future cash milestone payments if certain events occur. These agreements include:

- Vollmers Acquisition Agreement: milestone payments and royalty payments;
- OncoMab Acquisition Agreement: royalty payments;
- Würzburg Cooperation Agreements: royalty payments; and
- Confirmation Assignment Agreement: Patrys, University of Würzburg and Acceptys, Inc.: royalty payments.

Note 20. Commitments (continued)

Vollmers Acquisition Agreement

Patrys is committed to making certain milestone payments if certain hurdles are achieved as follows:

- Milestone payments for products derived from the Vollmers Hybridomas and Residual Hybridomas, payable only once for each product, in the amount of $250,000 upon attaining the first Phase II clinical trials and a payment upon attaining regulatory approval in any of the following markets: US, Japan, UK, France, Germany, Italy or Spain;
- Milestone payments for products derived from the PAT-SM6 LDL Rights in the amount of $250,000 upon attaining Phase 2 clinical trials, $400,000 for attaining Phase 3 clinical trials and a payment for regulatory approval in a major market; and
- Certain later stage milestone payments (at regulatory approval) and royalties on sales of products derived from the assigned assets are also payable in amounts and at rates that are typical in the industry for transactions of this nature and for such products.

OncoMab Acquisition Agreement
Patrys must pay to OncoMab certain royalties on sales of products derived from the assigned assets in amounts and at rates that are typical in the industry for transactions of this nature and for such products.

University of Wurzberg Cooperation Agreement
The University of Würzburg assigned to Patrys all of its rights, title and interest in a library of hybridomas in consideration for payment of a lump sum of US$75,000 and royalties payable on the sale of products that derive from the New IPR. These payments and royalty rates are typical in the industry for transactions of such nature.

Confirmation Assignment Agreement
The University of Würzburg assigned to Patrys all of its rights, title and interest in a library of hybridomas in consideration for payment of a lump sum of US$75,000 and royalties payable on the sale of products that derive from the New IPR. These payments and royalty rates are typical in the industry for transactions of such nature.

Capital expenditure commitments
There was no capital expenditure contracted for at reporting date but not provided for in the accounts.

Operating and finance lease commitments
There are no operating or finance lease commitments in place at 30 June 2017.

Licence agreement
Patrys has entered into a number of licence agreements in respect of technologies and assets as outlined below:

Patrys - Crucell 2009 Research Licence Agreement
In July of 2009, Patrys entered into a research licence agreement with Crucell Holland B.V., covering the use of Crucell's PER.C6® human antibody production technologies for potential use for 5 Patrys' products, including PAT-SM6 and PAT-LM1. Patrys is committed to make an annual license fee of €50,000. If Patrys wishes to commercialise any of the products developed under the research licence agreement it has the right to enter into a commercial license with Crucell which would incur annual payments and royalties payable on the sale of products that derive from the licensed PER.C6® cell line. These payments and royalty rates are typical in the industry for transactions of such nature.

Patrys - Debiovision - Option License and Assignment Agreement
In August of 2009, Patrys acquired the rights to product SC-1 (renamed PAT-SC1) from Debiovision Inc. Once developed, Patrys royalties will be payable to Debiovision on the sale of products that derive from PAT-SC1. These royalty rates are typical in the industry for transactions of this nature.

Nucleus Therapeutics – Yale University – License, Commercialization and Development Agreement
In March of 2016, Patrys acquired the private Company Nucleus Therapeutics Pty Ltd, in order to obtain the global license for the development as anti-cancer agents the antibodies 3E10 and 5C6 from Yale University. Once developed, certain milestone payments and royalties will be payable to Yale University regarding products that derive from 3E10 and/or 5C6. These milestones and royalties are typical in the industry for transactions of this nature.

Note 20. Commitments (continued)

Payload Therapeutics – Yale University – License, Commercialization and Development Agreement
In June of 2017, Payload Therapeutics (a wholly-owned subsidiary of Patrys) obtained the global license for the development as anti-cancer agents the antibodies 3E10 nanoparticles from Yale University. Once developed, certain milestone payments and royalties will be payable to Yale University regarding products that derive from 3E10 nanoparticles. These milestones and royalties are typical in the industry for transactions of this nature.

Note 21. Related party transactions

Parent entity
Patrys Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 23.

Key management personnel
Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the Directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2017	**2016**
	$	**$**
Current payables:		
Trade payables to Director related entity of Mr. John Read for directors' fees for his services*	23,750	23,750

* The fees outstanding for 2017 were paid to Mr. Read on 10 July 2017.

Loans to/from related parties
Transactions with controlled entities

The parent entity has signed a Services Agreement with Patrys GmbH (a wholly owned subsidiary) to reimburse the subsidiary its expenses plus 5%. The amount expensed for the period to 30 June 2017 was $318 (2016: $166,574). At 30 June 2017 there was an inter-Company loan balance owed to Patrys GmbH of ($442,339) (2016: ($442,020)). This loan is non-interest bearing and unsecured.

The parent entity also has intercompany loans with Nucleus Therapeutics and Payload Therapeutics (both wholly owned subsidiaries). At 30 June 2017, the parent entity has receivables of $1,056,015 and $8,560 for each subsidiary respectively. The loans are non-interest bearing and unsecured.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 22. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2017	**2016**
	$	**$**
Profit/(loss) after income tax	70,468	(1,329,048)
Total comprehensive income	70,468	(1,329,048)

Statement of financial position

	Parent	
	2017	**2016**
	$	**$**
Total current assets	3,106,708	3,099,450
Total assets	3,774,798	3,814,069
Total current liabilities	411,830	594,703
Total liabilities	427,370	619,916
Equity		
Issued capital	60,035,971	60,035,971
Foreign currency reserve	5,090	-
Share options reserve	440,910	369,358
Share loan plan reserve	90,972	154,810
Accumulated losses	(57,225,515)	(57,365,986)
Total equity	3,347,428	3,194,153

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2017.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2017.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 23. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
Patrys Limited	Australia	-	-
Patrys GmbH	Germany	100	100
Nucleus Therapeutics Pty Ltd	Australia	100	100
Payload Therapeutics Pty Ltd (incorporated on 27 May 2017)	Australia	100	-

Note 24. Events after the reporting period

On 12 July 2017, the Group achieved the second milestone of the Nucleus agreement and was granted the first US Patent protecting the use of Deoxymab 3E10, securing development and commercialization rights. In accordance with the contract, the second tranche of 34,789,333 fully paid ordinary shares were issued at a deemed issue price of $0.005174 ($0.5174 cents) per share on 17 July 2017.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 25. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2017 $	Consolidated 2016 $
Loss after income tax expense for the year	(1,057,876)	(1,080,784)
Adjustments for:		
Depreciation and amortisation	47,545	20,141
Net loss/(gain) on disposal of non-current assets	1,747	(10,486)
Unrealised foreign exchange losses/(gains)	29,140	-
Share based payments	77,707	3,474
Change in operating assets and liabilities:		
Increase in trade and other receivables	(241,421)	(245,982)
Increase in prepayments	(18,226)	(35,825)
Increase in deposits	9,128	-
Decrease in trade and other payables	(128,588)	(125,068)
Increase/(decrease) in other provisions	3,863	(56,827)
Net cash used in operating activities	(1,276,981)	(1,531,357)

Note 26. Earnings per share

	Consolidated 2017 $	Consolidated 2016 $
Loss after income tax attributable to the Owners of Patrys Limited	(1,057,876)	(1,080,784)

Note 26. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	744,890,370	709,672,151
Weighted average number of ordinary shares used in calculating diluted earnings per share	744,890,370	709,672,151

	Cents	Cents
Basic earnings per share	(0.14)	(0.15)
Diluted earnings per share	(0.14)	(0.15)

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the Owners of Patrys Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 27. Share based payments

Employee equity

The Company issues equity to Patrys (including subsidiaries Patrys GmbH, Nucleus Therapeutics and Payload Therapeutics) directors, employees and key consultants under either the Loan Share Plan (LSP) or the Executive Share Option Plan (ESOP). Under the plans, participants are issued with equity to foster an ownership culture within the Company to motivate them to achieve performance targets of the Group. Participation in the plans is at the Board's discretion and no individual has a contractual right to participate in the plans or to receive any guaranteed benefits.

The Company introduced the LSP in December 2009, following approval of the plan at the 2009 Annual General Meeting. Only Australian residents are eligible to participate in the plan. The plan allows non-recourse, interest free loans to be provided to eligible participants to acquire shares under the plan. When an issue is made it is treated as an in-substance grant of options and expensed over the vesting period because of the limited recourse nature of the loans. Generally shares issued under the plan vest over a three year period. The shares are acquired in the name of the participant and each participant authorises and appoints the Company Secretary to act on their behalf. Any dividends paid on the shares are used to repay the loan. If the participant leaves the Company, any shares that have not vested are bought back by the Company and cancelled along with the loan. In respect of shares that have vested, generally, the loan balance must be paid in full within six months of termination of appointment or the shares are sold and the proceeds applied to settle the loan balance. The issue price of the shares in the Company held under the LSP is not included in equity until the loan has been repaid.

Options are granted under the ESOP. Under the ESOP each option granted converts into one ordinary share of Patrys Limited. Options are granted under the plan for no consideration and carry no dividend or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The options are typically issued in two or three equal tranches which vest over a three year period, each tranche having an expiry date of five years after vesting date. The exercise period in relation to an option, means the period in which the option may be exercised, and is specified by the Board. If a participant ceases to be appointed as a Director or employed by any member of the group (other than due to his/her death) then, generally, options that have vested at the date of cessation of appointment/employment will lapse if not exercised within six months of the cessation date unless an extension is granted by the Board. In the case of death of the participant then the exercise period is extended to twelve months. All unvested options will generally lapse on cessation.

The valuations of shares issued under the LSP and options issued under the ESOP are determined by using an industry standard option pricing model taking into account the terms and conditions upon which the instruments were issued.

Note 27. Share based payments (continued)

The Board aims to ensure that the aggregate number of shares or options which may be issued pursuant to the LSP and ESOP shall not at any time exceed 5% of the total number of issued shares of the Company. All issues of shares or options under the plans are subject to approval by the Nomination & Remuneration Committee. In accordance with the rules of both the LSP and ESOP the Board has the ability to vary the terms in respect of issues in circumstances it considers appropriate.

The following share-based payment arrangements were in existence during the current and/or prior reporting period:

Set out below are summaries of options granted under the plan:

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2008	01/07/2016	$0.33000	22,500	-	-	(22,500)	-
02/12/2009	27/11/2016	$0.14000	5,952	-	-	(5,952)	-
02/12/2009	27/11/2017	$0.14000	5,952	-	-	-	5,952
01/07/2010	01/07/2016	$0.10000	3,600	-	-	(3,600)	-
01/07/2010	01/07/2017	$0.10000	3,600	-	-	-	3,600
01/07/2010	01/07/2018	$0.10000	3,600	-	-	-	3,600
08/12/2011	08/12/2017	$0.03000	7,334	-	-	-	7,334
08/12/2011	08/12/2018	$0.03000	7,333	-	-	-	7,333
08/12/2011	08/12/2019	$0.03000	7,333	-	-	-	7,333
21/08/2012	21/08/2018	$0.02000	10,000	-	-	-	10,000
21/08/2012	21/08/2019	$0.02000	10,000	-	-	-	10,000
21/08/2012	21/08/2020	$0.02000	10,000	-	-	-	10,000
20/05/2014	20/05/2020	$0.05000	25,000	-	-	-	25,000
20/05/2014	20/05/2021	$0.05000	25,000	-	-	-	25,000
20/05/2014	20/05/2022	$0.05000	25,000	-	-	-	25,000
24/11/2016	24/11/2021	$0.00780	-	7,999,999	-	-	7,999,999
24/11/2016	24/11/2021	$0.00780	-	8,000,000	-	-	8,000,000
24/11/2016	24/11/2021	$0.00780	-	8,000,001	-	-	8,000,001
19/04/2017	19/04/2022	$0.00780	-	1,750,000	-	-	1,750,000
19/04/2017	01/07/2021	$0.00780	-	1,250,000	-	-	1,250,000
			172,204	27,000,000	-	(32,052)	27,140,152

The weighted average remaining contractual life of options outstanding at the end of the financial year was 4.3678 years (2016: 2.4172 years).

Note 27. Share based payments (continued)

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2008	01/07/2015	$0.33000	162,500	-	-	(162,500)	-
01/07/2008	01/07/2016	$0.33000	162,499	-	-	(139,999)	22,500
28/11/2008	25/05/2016	$0.26000	240,000	-	-	(240,000)	-
02/12/2009	27/11/2015	$0.14000	165,584	-	-	(165,584)	-
02/12/2009	27/11/2016	$0.14000	165,585	-	-	(159,633)	5,952
02/12/2009	27/11/2017	$0.14000	165,585	-	-	(159,633)	5,952
01/07/2010	01/07/2016	$0.10000	100,601	-	-	(97,001)	3,600
01/07/2010	01/07/2017	$0.10000	100,602	-	-	(97,002)	3,600
01/07/2010	01/07/2018	$0.10000	100,602	-	-	(97,002)	3,600
08/12/2011	08/12/2017	$0.03000	90,668	-	-	(83,334)	7,334
08/12/2011	08/12/2018	$0.03000	90,666	-	-	(83,333)	7,333
08/12/2011	08/12/2019	$0.03000	90,666	-	-	(83,333)	7,333
21/08/2012	21/08/2018	$0.02000	76,667	-	-	(66,667)	10,000
21/08/2012	21/08/2019	$0.02000	76,667	-	-	(66,667)	10,000
21/08/2012	21/08/2020	$0.02000	76,666	-	-	(66,666)	10,000
20/05/2014	20/05/2020	$0.05000	125,000	-	-	(100,000)	25,000
20/05/2014	20/05/2021	$0.05000	125,000	-	-	(100,000)	25,000
20/05/2014	20/05/2022	$0.05000	125,000	-	-	(100,000)	25,000
			2,240,558	-	-	(2,068,354)	172,204

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
24/11/2016	24/11/2021	$0.00600	$0.00780	118.48%	-	2.37%	$0.00407
24/11/2016	24/11/2021	$0.00600	$0.00780	118.48%	-	2.37%	$0.00359
24/11/2016	24/11/2021	$0.00600	$0.00780	118.48%	-	2.37%	$0.00308
19/04/2017	19/04/2022	$0.00700	$0.00780	121.94%	-	2.04%	$0.00578
19/04/2017	19/04/2022	$0.00700	$0.00780	121.94%	-	2.04%	$0.00578
19/04/2017	01/07/2021	$0.00700	$0.00780	123.72%	-	1.99%	$0.00554
19/04/2017	01/07/2021	$0.00700	$0.00780	123.72%	-	1.99%	$0.00554

Note 27. Share based payments (continued)

Set out below are the summaries of shares issued under the Share Loan Plan:

2017:

Loan Share Plan - Series	Issue price $	Balance at start of year	Issued during The year	Loans repaid during the year	Loans cancelled during the year	Balance at end of year
Director LSP Tranche 2	0.144	184,641	-	-	(184,641)	-
Director LSP Tranche 3	0.144	184,641	-	-		184,641
Employee LSP Tranche 2	0.144	172,727	-	-	(172,727)	-
Employee LSP Tranche 3	0.144	172,727	-	-	(66,690)	106,037
Employee LSP Tranche 4	0.106	180,436	-	-	(130,188)	50,248
Employee LSP Tranche 5	0.106	180,436	-	-	(83,583)	96,853
Employee LSP Tranche 6	0.106	180,436	-	-	(33,335)	147,101
Employee LSP Tranche 9	0.039	255,002	-	-	-	255,002
Employee LSP Tranche 10	0.039	254,999	-	-	-	254,999
Employee LSP Tranche 11	0.039	254,999	-	-	-	254,999
Employee LSP Tranche 12	0.022	255,000	-	-	(50,000)	205,000
Employee LSP Tranche 13	0.022	255,000	-	-	(50,000)	205,000
Employee LSP Tranche 14	0.022	255,000	-	-	(50,000)	205,000
Employee LSP Tranche 15	0.038	37,500	-	-	-	37,500
Employee LSP Tranche 16	0.038	37,500	-	-	-	37,500
Employee LSP Tranche 17	0.05	100,000	-	-	-	100,000
Employee LSP Tranche 18	0.05	100,000	-	-	-	100,000
Employee LSP Tranche 19	0.05	100,000	-	-	-	100,000
		3,161,044	-	-	(821,164)	2,339,880

2016:

Loan Share Plan - Series	Issue price $	Balance at start of year	Issued during The year	Loans repaid during the year	Loans cancelled during the year	Balance at end of year
Director LSP Tranche 1	0.144	209,651	-	-	(209,651)	-
Director LSP Tranche 2	0.144	209,650	-	-	(25,009)	184,641
Director LSP Tranche 3	0.144	209,650	-	-	(25,009)	184,641
Employee LSP Tranche 1	0.144	307,351	-	-	(307,351)	-
Employee LSP Tranche 2	0.144	307,351	-	-	(134,624)	172,727
Employee LSP Tranche 3	0.144	307,351	-	-	(134,624)	172,727
Employee LSP Tranche 4	0.106	180,436	-	-	-	180,436
Employee LSP Tranche 5	0.106	180,436	-	-	-	180,436
Employee LSP Tranche 6	0.106	180,436	-	-	-	180,436
Director LSP Tranche 4	0.083	176,591	-	-	(176,591)	-
Director LSP Tranche 5	0.083	176,591	-	-	(176,591)	-
Director LSP Tranche 6	0.083	176,591	-	-	(176,591)	-
Employee LSP Tranche 9	0.039	255,002	-	-	-	255,002
Employee LSP Tranche 10	0.039	254,999	-	-	-	254,999
Employee LSP Tranche 11	0.039	254,999	-	-	-	254,999
Employee LSP Tranche 12	0.022	255,000	-	-	-	255,000
Employee LSP Tranche 13	0.022	255,000	-	-	-	255,000
Employee LSP Tranche 14	0.022	255,000	-	-	-	255,000
Employee LSP Tranche 15	0.038	37,500	-	-	-	37,500
Employee LSP Tranche 16	0.038	37,500	-	-	-	37,500
Employee LSP Tranche 17	0.05	100,000	-	-	-	100,000
Employee LSP Tranche 18	0.05	100,000	-	-	-	100,000
Employee LSP Tranche 19	0.05	100,000	-	-	-	100,000
		4,527,085	-	-	(1,366,041)	3,161,044

Accounting policy for share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Note 27. Share based payments (continued)

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Patrys Limited
Directors' declaration
30 June 2017

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Mr. John Read
Chairman

28 August 2017

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Patrys Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Patrys Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recoverability of Nucleus Intellectual Property	***How the matter was addressed in our audit***
Refer to note 11 of the accompanying financial statements. At 30 June 2017 the statement of financial position includes an intangible asset with a carrying value of $663,750 in relation to the Nucleus Intellectual Property acquired in 2016. As an intangible asset with a finite life, management must perform an annual review to test for any indicators of impairment. Considerable judgement is required with respect to a number of assumptions relating to the asset's development potential including future market and economic conditions.	In assessing intellectual property for any indicators of impairment we have performed the following audit procedures: • Obtained a copy of Management's impairment assessment and challenged the key assumptions and adherence to AASB 136 *Impairment of Assets* and AASB 138 *Intangible Assets*. • Reviewed expenditure incurred in relation to the intangible asset to confirm ongoing development of the asset. • Considered whether there were any subsequent events that may impact the intangible asset impairment assessment.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the

financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

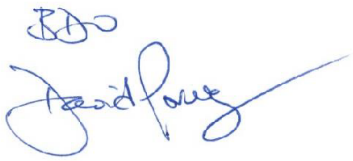
We have audited the Remuneration Report included in pages 7 to 13 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Patrys Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership



David Garvey
Partner

Melbourne, 28 August 2017

Patrys Limited
Shareholder information
30 June 2017

The shareholder information set out below was applicable as at 24 August 2017.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of units
1 to 1,000	61	5,234
1,001 to 5,000	69	263,789
5,001 to 10,000	109	887,421
10,001 to 100,000	635	28,345,299
100,001 and over	589	750,003,156
	1,463	779,504,899
Holding less than a marketable parcel	804	22,501,743

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
STORK HOLDINGS 2010 LTD	95,731,764	12.28
DR DAX MARCUS CALDER	70,521,428	9.05
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,253,091	3.11
MR MLADEN MARUSIC	20,314,889	2.61
ONCOMAB GMBH	20,250,000	2.60
MR ANDREW JOHN FLECK	18,000,000	2.31
YALE UNIVERSITY	16,116,324	2.07
LGL TRUSTEES LIMITED <THE KONDA FAMILY A/C>	13,999,999	1.80
MR XIAOKE XIE	12,999,999	1.67
KILINWATA INVESTMENTS PTY LTD	10,789,397	1.38
MARGINATA PTY LTD <ROY BOLTON SUPER FUND A/C>	10,000,000	1.28
TOWNS CORPORATION PTY LTD <PAE FAMILY A/C>	10,000,000	1.28
MR STEVEN JAMES STREICHER	8,000,000	1.03
J P MORGAN NOMINEES AUSTRALIA LIMITED	7,404,787	0.95
MR PAUL ANTHONY HENRY	7,000,000	0.90
PENZ INVESTMENT INC	6,500,000	0.83
MR ROBBERT PIERRE VAN KAMPEN	6,500,000	0.83
EDSTOP PTY LIMITED <SUPERANNUATION FUND A/C>	6,288,566	0.81
STAFFWEAR PTY LTD <DAX CALDER S/F A/C>	6,026,226	0.77
ESTELLEANNE PTY LTD	6,000,000	0.77
VALUI PTY LTD <FORTIS SUPER FUND A/C>	6,000,000	0.77
	382,696,470	49.09

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	27,136,552	7

Patrys Limited
Shareholder information
30 June 2017

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
STORK HOLDINGS 2010 LTD	95,731,764	12.86
DR DAX MARCUS CALDER	70,521,428	9.47

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Corporate Directory

Directors

Mr John Read, Chairman
Dr James Campbell, Managing Director & CEO
Mr Michael Stork, Non-Executive Director
Ms Suzy Jones, Non-Executive Director

Company Secretary

Ms Melanie Leydin

Registered Office

Level 4, 100 Albert Road,
South Melbourne, VIC 3204
P: 03 9670 3273
E: info@patrys.com
W: www.patrys.com

Australian Business Number

97 123 055 363

Securities Exchange Listing

Australian Securities Exchange
ASX Code: PAB

Auditors

BDO
Melbourne
Australia

Lawyers

Arnold Bloch Liebler
Melbourne
Australia

Share Registry

Computershare
Yarra Falls, 452 Johnston Street, Abbotsford, VIC 3067
Ph: 03 9414 5000
F: 03 9473 2500
W: www.computershare.com

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