

patrys



ANNUAL
REPORT
2020



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From the Chairman

To our valued shareholders and supporters,

I would like to again extend my gratitude for your ongoing support of our business this year.

At a time of considerable global uncertainty and heartache due to the Coronavirus (COVID-19) pandemic, we have managed to lean into our community of academic and commercial partners to facilitate valuable progress in our research and development (R&D).

I am enormously proud of the work we have undertaken to develop our Deoxymab platform. Earlier this year Patrys' research collaborators from Yale School of Medicine, Dr James Hansen and Dr Jiangbing Zhou, gained insights into the unique mechanism of action of our lead candidates PAT-DX1 and PAT-DX1-NP, revealing how these novel antibodies can potentially target aggressive cancers.

We now know that PAT-DX1 exploits the DNA Damage Response (DDR) mechanism to block DNA repair and preferentially kill cancer cells. In animal models, it has shown efficacy in killing cancer cells with a range of DDR gene mutations. Unlike other known antibodies and 98% of small molecules, it can also cross the blood brain barrier (BBB) to access cancer cells in the central nervous system.

Our research collaborators in the US and Australia have been successful in obtaining multiple prestigious grants to the value of US\$3.13m (A\$4.87m) over the next five years to progress this work. This is a significant endorsement of their discoveries to date and an important commercial and reputational boost for our Company too.

We look forward to progressing our development programs with the intention of working towards finalising stable cell line development this calendar year, completing toxicology studies in the new year and filing for a clinical trial in late 2021 or early 2022. With the PAT-DX1 development program on track and progressing well we will also start to broaden the range of platform applications for the Deoxymab technology, including investigating alternate formats of the antibody and expanding our efforts on nanoparticle conjugation. This will ensure that the Company has both breadth and depth in its development portfolio, and position us well for business development discussions.

Thank you once again for your support and we look forward to another productive and rewarding year ahead.



John Read

Patrys Chairman



“We are dedicated to improving the health and quality of life of those diagnosed with aggressive forms of cancer with our novel Deoxymab platform.”

- Patrys Chairman, John Read



Patrys people

Patrys has attracted respected global leaders in clinical research, pharmaceutical development, and commercialisation. We have a lean, multidisciplinary team, committed to maintaining the highest standards in research and development.

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.



James Campbell, BSc (Hons), PhD, MBA, GAICD
Chief Executive Officer and Managing Director

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.



Michael Stork, BBA
Non-Executive Director

Mr Stork is the Managing Director of Stork Holdings Ltd, an investment company active in the Canadian technology start-up sector. Mr Stork is active on the Boards of a number of leading Canadian technology companies and other institutions.



Suzy Jones
Non-Executive Director

Ms Jones is Founder and Managing Partner of DNA Ink LLC, a life sciences advisory firm in San Francisco with clients in the United States and Europe. Ms. Jones has extensive networks within the pharmaceutical and biotech companies and venture capital community in North America.



Pamela M. Klein, BSc, MD
Non-Executive Director

Dr. Pamela M. Klein completed her medical training at Stritch School of Medicine, Loyola University in Chicago, followed by internal medicine training at Cedars-Sinai, Los Angeles, prior to spending 7 years 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 Herceptin, Tarceva and Perjeta. More recently Dr. Klein has held a range of executive, advisory and board positions including the board of Argenx (Euronext and NASDAQ).

Scientific Advisory Board



Allen Ebens, BSc, PhD

Dr Allen Ebens completed a PhD at UCLA and Post-doctoral training at UCSF. Over 20 years his distinguished career has seen significant contributions to the scientific literature as well as advancement of five discovery projects to clinical development at companies including Exelixis, Genentech and Juno Therapeutics.



Peter Ordentlich, BSc, PhD

Dr Peter Ordentlich completed a PhD in Immunology at the University of Pennsylvania and a Post-Doc at the Salk Institute for Biological Studies. He worked at at X-Cepto Therapeutics, which was acquired by Exelixis in 2004, then in 2005 co-founded Syndax Pharmaceuticals, a NASDAQ-listed, clinical stage biopharmaceutical company developing an innovative pipeline of cancer therapies with three clinical stage assets.

Management team



Melanie Leydin, B Bus (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.



Deanne Greenwood, BSc (Hons), PhD, MBA, GAICD
Vice President, Business Development & Intellectual Property

Dr Greenwood's efforts are focused on commercialisation of the Deoxymab assets and management of the extensive intellectual property portfolio. She has considerable experience related to research, drug development, relationship management, contracts and grants.



Valentina Dubljevic, BSc, MBB, GAICD
Vice President, Scientific & Clinical Development

Ms Dubljevic 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.

Patrys snapshot

A noble goal

Here at Patrys we are deeply motivated to improve the lives of people diagnosed with aggressive forms of cancer, particularly cancers within the central nervous system which are often very difficult to reach and treat. We are in the pre-clinical stage of examining the potential of our technology, which is a noble journey underpinned by teamwork – with patients, researchers, clinicians and existing treatment providers too.

Novel technology

Patrys is innovating methodically and with great care, to uncover the full potential of its Deoxymab 3E10 platform. Patrys' rights to Deoxymab 3E10 are part of a worldwide license to develop and commercialise as anti-cancer and diagnostic agents a portfolio of novel anti-DNA antibodies and antibody fragments, variants and conjugates discovered at Yale University.

Deoxymab 3E10 is a DNA damage-repair (DDR) antibody that was first identified in lupus as an autoantibody that bound to normal cells. Of particular interest is that whilst most antibodies bind to cell surface markers, Deoxymab 3E10 penetrates into the cell nuclei and binds directly to DNA where it inhibits DNA repair processes and kills cells that have mutations or deficiencies in DNA repair mechanisms as found in various cancer cells.

Deoxymab 3E10 has single agent therapeutic potential and has been shown to significantly enhance the efficacy of both chemotherapies and radiotherapies. Deoxymab 3E10 can also be conjugated to nanoparticles to target delivery of chemotherapeutics and imaging agents to tumors.

A targeted solution for aggressive cancer

Patrys has developed a humanised form of Deoxymab 3E10, PAT-DX1 with improved activity over the original version of 3E10, and is progressing this, and a nanoparticle-conjugated form (PAT-DX1-NP) towards the clinic. In a range of pre-clinical studies PAT-DX1 has shown significant ability to kill cancer cells in cell models, human tumor explants, xenograft and orthotopic models. Treatment with PAT-DX1 has been shown to significantly improve survival in orthotopic models of both triple negative breast cancer brain metastases and glioblastoma. PAT-DX1 has also been shown to enhance the therapeutic effect of low dose radiation.

Patrys is targeting cancer at the nexus of two transformative anti-cancer therapies – antibodies and synthetic lethality. Antibodies target and kill cancer cells with fewer side effects than small molecules. While in synthetic lethality, DNA damage response (DDR) inhibition blocks 'back up' DDR systems, causing cancer cell death across a broad range of cancers – while healthy cells are spared.

Treatment with PAT-DX1 has been shown to significantly improve survival in orthotopic animal models of both triple negative breast cancer brain metastases and glioblastoma.



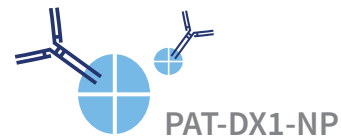
Single agent

Synthetically lethal (targets the DNA damage repair (DDR) process) as a single agent to block tumour cells' ability to repair



Combination therapy

Couple DDR with existing therapies, such as radiation, to create synergistic, anti-cancer effects



Antibody drug conjugates

Delivering highly potent cancer-killing agents or drugs directly to cancer cells via a linked nanoparticle

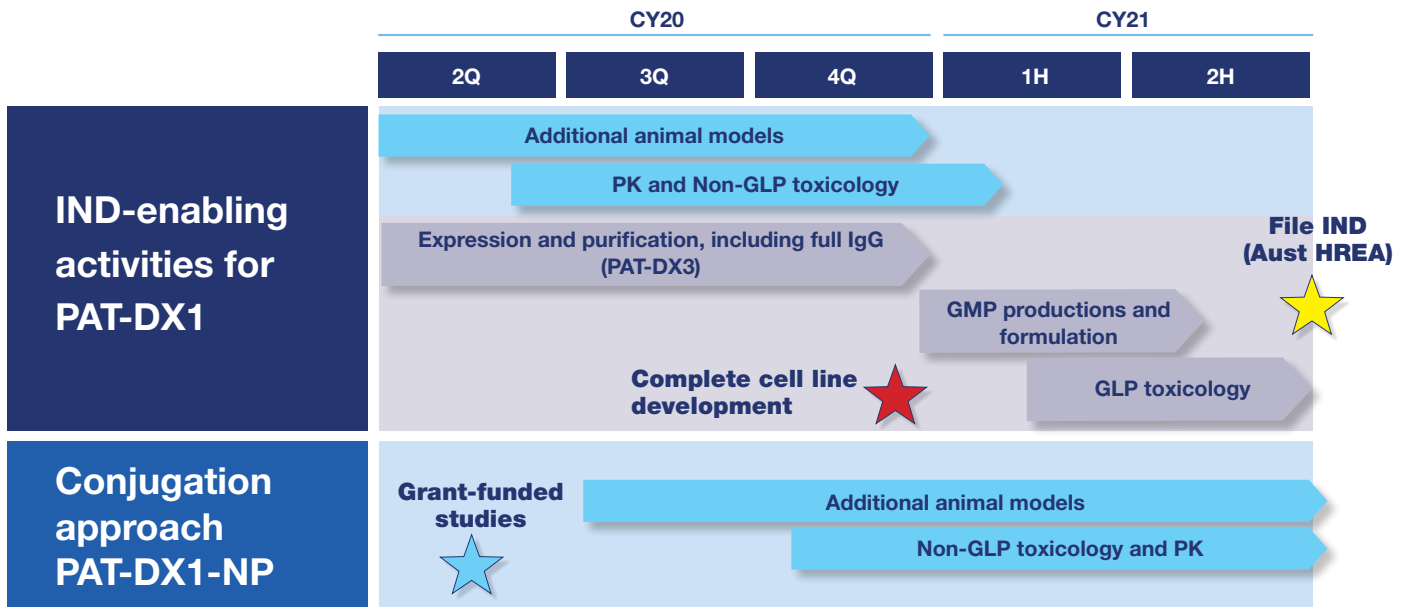
A promising future

Patrys believes that PAT-DX1 may have application across a wide range of malignancies such as gliomas, prostate, breast, pancreatic and ovarian cancers.

| | |
|--|--|
| <p>Preferentially localises to tumors</p> | <p>and is specifically attracted to extracellular DNA from dying cancer cells.</p> |
| <p>Penetrates the cell membrane and nucleus</p> | <p>PAT-DX1 is agnostic to tumor type or the presence of specific tumor markers.</p> |
| <p>Kills cancer cells deficient in DNA repair</p> | <p>PAT-DX1 diminishes cancer cells' ability to repair themselves. PAT-DX1 is able to target primary and secondary tumors and has a high therapeutic value against a wide range of cancer repair pathways such as those with mutations in the BRCA1/2 and PTEN genes.</p> |
| <p>Crosses the blood brain barrier</p> | <p>PAT-DX1 is able to resolve one of the greatest challenges in the development of therapeutics for brain diseases.</p> |

Pipeline

Patrys is working hard to give people diagnosed with cancer more targeted treatment options. Our initial focus is on Glioblastoma (GBM) and Triple Negative Breast Cancer (TNBC), with plans to expand into other solid tumors in future.



Commercial Milestones

During FY20 Patrys was pleased to announce a fully underwritten, non-renounceable Rights Issue to raise approximately A\$4.29 million before costs. The proceeds raised will be applied to a series of value crystallising stages including; stable cell line development; toxicology studies and filing for a clinical trial in late 2021 and early 2022. Proceeds of the Rights Issue will also be used to support development of PAT-DX1-NP and other formats of the antibody, fund operations, the cost of the issue, working capital, and other business development and corporate activities.

Path ahead

| | |
|---|-----------------|
| Initiation of non-GLP toxicology and pharmacokinetic studies | Q3 2020 |
| Expansion of Deoxymab platform applications (eg. nanoparticles) | Q3 2020 |
| Completion of stable cell line development | Q4 2020 |
| Initiation of GMP production and formulation program | Q1 2021 |
| Initiation of GLP toxicology studies | H1 2021 |
| IND (as Australian HREA) submission | H2 2021/H1 2022 |
| Scientific publications | Ongoing |
| New IP filings and patent grants | Ongoing |
| Alliances and collaborations | Ongoing |

Intellectual property

Patrys holds a central position in the cell penetrating antibody IP landscape with a wide portfolio of patents and patent applications covering both the composition of matter and application of Deoxymabs in multiple fields including cancer. The first patent in the 3E10 portfolio was granted in the US in July 2017 and further patents were granted in Japan and China in July 2018. The most recent patent in the Deoxymab portfolio was granted in Europe in July 2019 and covers methods of using Patrys’ novel Deoxymab 3E10 technology, including Patrys’ lead candidate (PAT-DX1), as treatment for a broad range of cancers and malignancies including gliomas, metastases, breast, pancreatic, ovarian and prostate cancers. Patrys continues to focus on maintaining patent protection in major jurisdictions where future regulatory approvals and product sales are targeted, with 19 pending patent applications across 10 patent families.

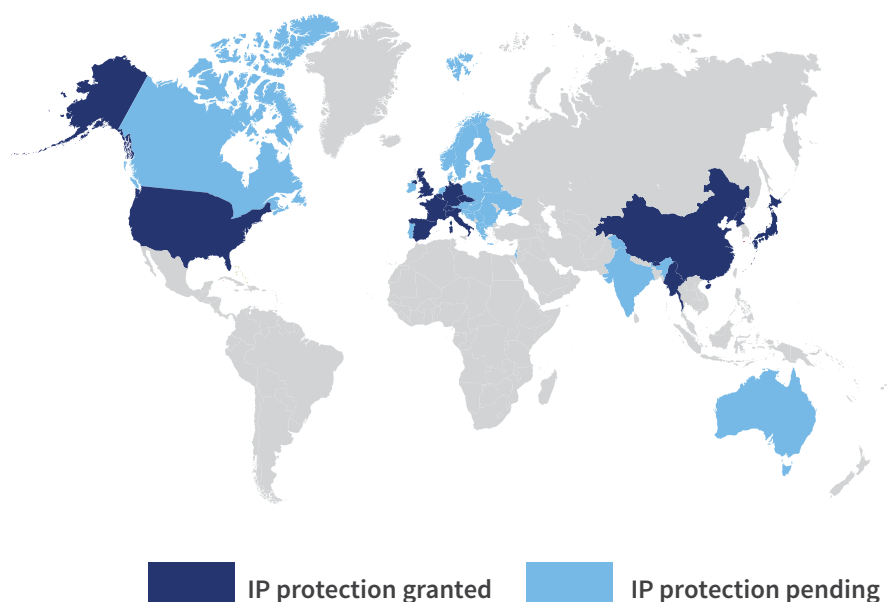
“Patrys remains focused on building and maintaining patent protection across key jurisdictions. Patrys has secured patent protection in some of the world’s largest pharmaceutical markets including USA, Europe, China and Japan, Patrys is well positioned to preserve future product sales in key target markets.”

- Patrys CEO and MD, Dr James Campbell

Active intellectual property strategy in place to protect key assets

Patrys’ Deoxymab patent portfolio¹

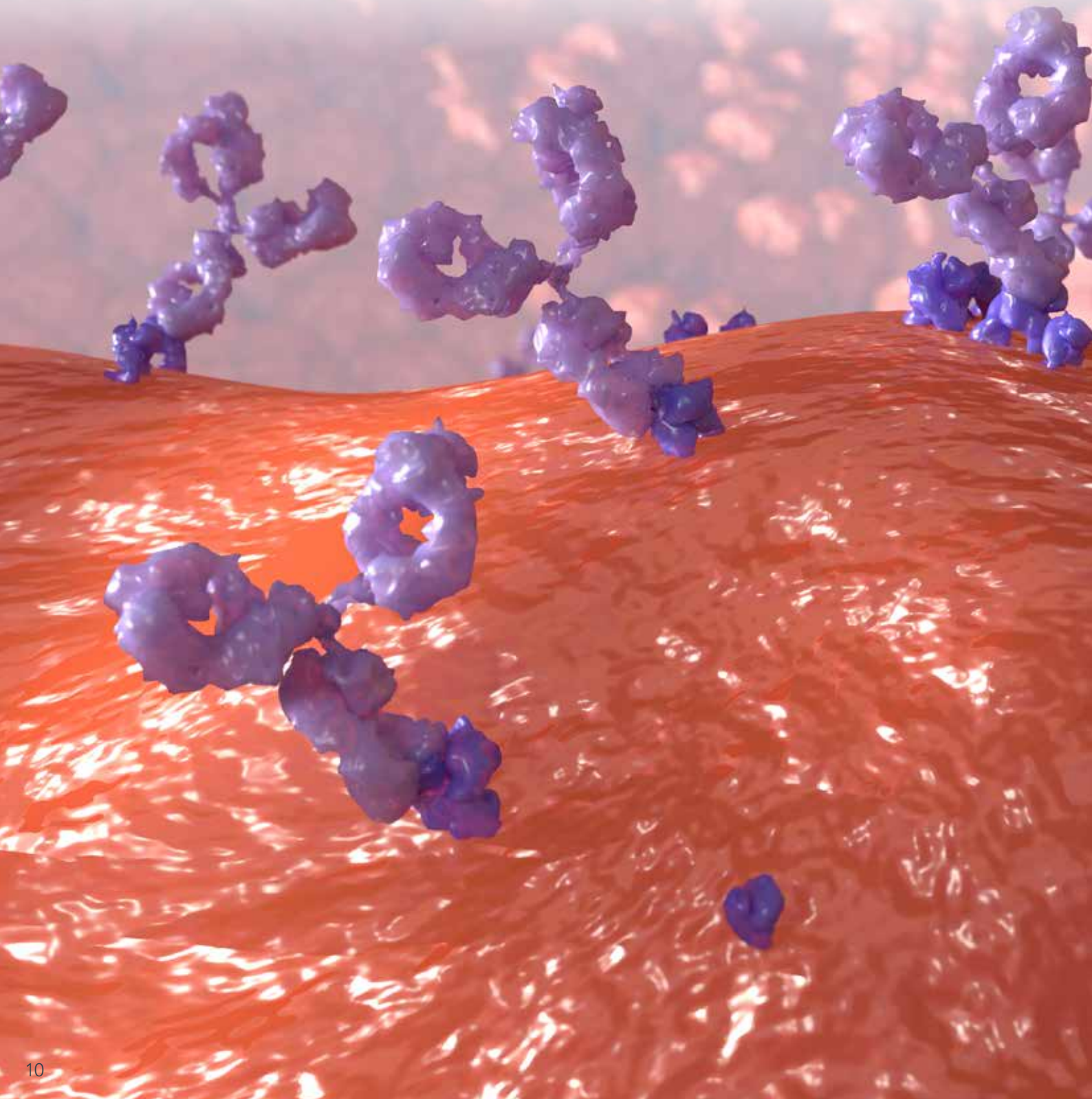
Deoxymab patent portfolio



| | |
|----|--|
| 10 | Active patent families |
| 5 | Granted patents ² |
| 19 | Patent applications pending ¹ |

A closer look at Patrys' research

Exploiting synthetic lethality as a therapeutic approach means more people will survive cancer – that's our aim at Patrys. Our research shows that PAT-DX1 exploits the DNA Damage Response (DDR) mechanism to block DNA repair and preferentially kill cancer cells. Unlike other antibodies and 98% of small molecules, it can also cross the blood brain barrier (BBB) to access cancer cells in the central nervous system – which could be a game changer in the oncology space.



DDR therapeutics and synthetic lethality: a new frontier in cancer treatment

This year has marked promising progress for Patrys' lead asset, PAT-DX1, highlighting its capabilities to exploit the DNA Damage Response (DDR) mechanism to block DNA repair and preferentially kill cancer cells.

In simple terms, PAT-DX1 blocks DNA repair and, as demonstrated in animal models, it kills cancer cells with a range of DDR gene mutations such as BRCA2 and PTEN. Importantly, it does not kill cells without those mutations.

PAT-DX1 is unique because it is the only antibody to have shown innate efficacy as a single agent via the synthetic lethality model. PAT-DX1, unlike other antibodies and 98% of small molecules, is also able to cross the blood brain barrier – the all-important ticket to killing cancer cells in the central nervous system.

Here's a closer look at the science of DDR for context.

In a healthy person many thousands of events of DNA damage occur every day, like radiation exposure from sunlight or exposure to toxins. As DNA damage impairs the ability of the body to function normally, our bodies have an elegant system of repair mechanisms to identify and fix DNA damage.

The DDR mechanism consists of more than 450 proteins that work to identify and rectify damage to the genome. There are several different types of DNA damage, ranging from small breaks in one strand of the DNA helix through to double strand breaks and even replication errors. The five different classes of DNA damage have resulted in the evolution of five major DDR pathways.

As cancer cells emerge, they develop changes in a variety of cell functions that result in abnormal cell growth and potential to spread to other parts of the body. As part of the transformation, most cancer cells lose some of their DDR machinery and the ability to repair DNA damage in at least one of the five major pathways.

Even though cells are optimised to use specific DDR pathways, there is a degree of redundancy involved, meaning that a cancer cell with a fault in one DDR pathway will use the other pathways to try to fix arising DNA damage. With the ability to use less than perfect tools to patch up DNA damage, cancer cells can continue to thrive and proliferate.

This is when things get really interesting. Researchers asked what would happen if they were able to block the back-up DDR system from working – could it kill the cancer cells?

The logic was that if one DDR pathway is not working because of a biological reason (the genes for the pathway were turned off during the process of becoming a cancer cell), blocking an additional pathway by therapeutic means should deactivate the whole DDR system in the cancer cells and lead to cancer cell death.

This therapeutic approach is known as synthetic lethality and has the advantage that it is the combination of two DDR pathways not working that is lethal, and that normal cells with intact DDR systems should not be killed by the DDR therapeutic. It remains a focus area for many players in big pharma and indeed, a significant point of value in the R&D portfolio of our growing company.

“PAT-DX1 is unique because it is the only antibody to have shown innate efficacy as a single agent via the synthetic lethality model.”

- Patrys CEO and MD, Dr James Campbell

Blood brain barrier

Crossing the blood brain barrier (BBB) is a pivotal function for new therapeutics in the treatment of brain cancers – and one of the key reasons why Patrys’ PAT-DX1 asset, and more broadly the Deoxymab platform, is so promising.

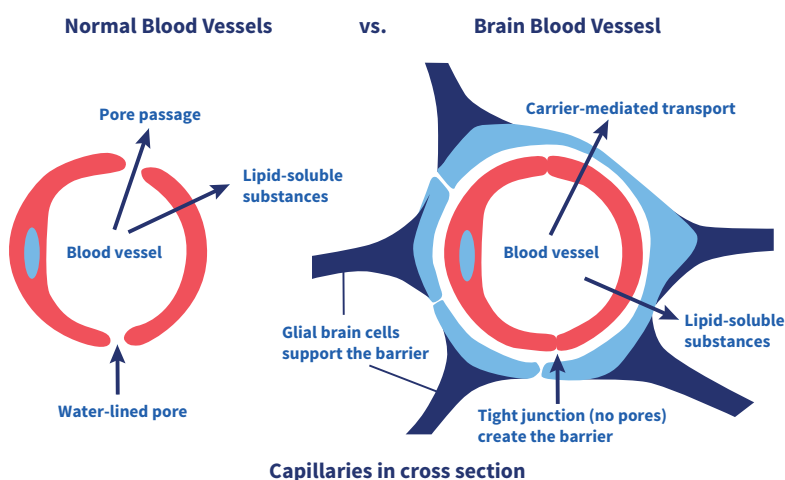
The common understanding of the BBB is that it is a barrier that surrounds the brain, and plays two major roles; stopping infectious agents like bacteria and viruses from entering; and insulating the brain from rapid changes in the concentrations of nutrients and other compounds. It is convenient to think of the BBB as a shield, protecting and controlling, and there is a lot of imaging that reinforces this understanding, like the picture at right. This understanding helps people to visualise what is happening when they hear, for instance, ‘Almost no large molecules and 98% of all small molecules do not cross the BBB’.



The truth is a bit more complicated than this broad-brush understanding. The BBB is not an impenetrable protective sphere that surrounds the brain, but is rather a refinement of blood vessels, and specifically the smallest blood vessels called capillaries, that tightly control what can enter this most critical and sensitive of organs. If joined end to end, these brain capillaries would be 650 km long.

To understand what makes the BBB so special, we need to understand the difference between highly specialised capillaries in the brain and capillaries that flow through all other organs in the body. Capillaries feed tissues with required nutrients and gases, and help remove waste products. These interchanges of nutrients, gases and wastes are feasible because in most instances the capillaries are not “closed” systems. There are gaps between the cells that make up capillaries’ walls in a majority of tissues – these gaps are not so big that blood cells can leave the capillaries, but many other substances such as nutrients, proteins, antibodies, drugs and even pathogens can freely transverse capillaries’ walls.

In contrast the cells of capillaries in the brain are joined by tight junctions, meaning there are no gaps between cells, but rather a range of very specific transporter channels that selectively allow the exit or entry of a very small number of essential nutrients, wastes, and peptides. The outside of the capillary is reinforced by specialised neural cells called glial cells that strengthen and support the vessel.



Whilst the capillaries in the body create an open system that allows most molecules, proteins, drugs and even pathogens free access, the capillaries in the brain act like sentinels, and only allow entry of few vital molecules – but prevent entry of circulating toxins and pathogens that could cause brain infection.

Therein lies the downside and challenge as the vast majority of potential drug treatments are not allowed entry across BBB either.

Delivery of therapeutics, either small molecules or biologics/antibodies to cancers outside of the brain is enabled by the leaky capillaries, but delivery of therapeutics to cancers within the brain is very difficult, because the gatekeeping transporters need to be tricked into allowing these foreign substances across the threshold of the brain. That's why there is so much interest in the development of new drugs and/or technologies to enable transit of the BBB.

Our collaborators at Yale School of Medicine have previously shown that the Equilibrative Nucleoside Transporter number 2 (ENT2) controls the entry of PAT-DX1 into cancer cells before it stops DNA repair and causes cancer cell death. We also know that ENT2 is highly expressed in the capillaries of the brain.

This means that PAT-DX1 has the keys to open the BBB, and as we've previously reported, has shown an ability to reduce the growth of both primary cancers like glioblastoma as well as metastases in the brain.

That's why we think that PAT-DX1 is so very interesting.

Research platform expansion

Designing complex antibodies

Our immune system acts like a security checkpoint. This high-tech system inside the human body identifies and mobilises what kind of antibodies we need to protect us from foreign invaders.

Antibodies are typically Y-shaped proteins which are produced by the immune system to neutralise pathogens such as bacteria and viruses. A classical antibody's two arms will bind specifically to one binding site. The modular architecture of antibodies means this traditional shape can be exploited to make different antibody formats.

Patrys' Deoxymab platform consists of the murine 3E10 antibody which has now been optimised and humanised. The reformatted antibody has been re-named PAT-DX1. Instead of making a traditional antibody the Patrys team has designed a new format of PAT-DX1, a smaller di-single chain fragment antibody as our lead candidate. Our researchers believe that a smaller protein may have improved penetration capabilities leading to better killing of cancer cells.

We have utilised this format of PAT-DX1 for a number of pre-clinical studies where we have, for example, seen increased tumour suppression in brain cancers and metastases and the ability of PAT-DX1 to cross the blood brain barrier.

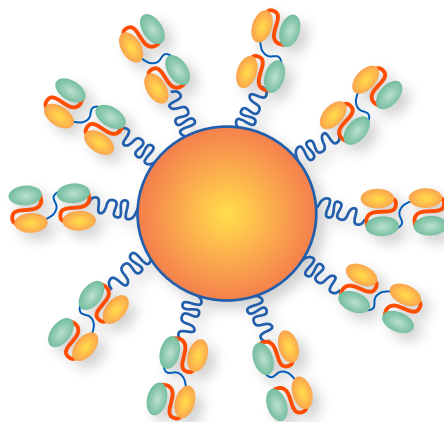
Patrys' team also recognises that the traditional Y-shaped antibody features maybe important in certain clinical settings and will investigate a full IgG antibody based on Deoxymab 3E10. It is envisioned that a range of formats of Deoxymab antibodies will provide a great opportunity to tailor the design of the antibody to match the intended clinical application.

As our understanding of biology around the unique Deoxymab platform increases, we continue to gain a better understanding of what features will make a therapeutic antibody more effective.

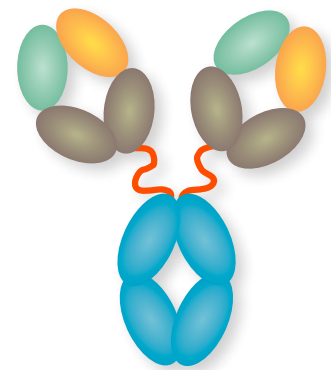
PAT-DX1



PAT-DX1-NP



PAT-DX3



Collaborations

Patrys is fortunate to be working with a number of academic collaborators and institutes both in Australia and the US. Our research partners in the US have attracted grants worth more than \$4.87 M from the National Institutes of Health (NIH) and the Department of Defense (DoD) in United States this financial year. Patrys' latest research collaboration in Australia is with the Olivia Newton-John Cancer Research Institute (ONJCRI), which has been awarded a \$50,000 Federal Government grant to support research at ONJCRI on Patrys' PAT-DX1 program. The aim of this program is to determine the efficacy of PAT-DX1 in *in vivo* studies of breast cancer with DNA damage repair (DDR) defects. The effect of PAT-DX1 on regression of primary and metastatic breast cancers will be assessed in combination with standard-of-care radio and chemo-therapies. Looking forward, Patrys and the ONJCRI plan to expand this collaboration to include both PAT-DX1 conjugated to nanoparticles (PAT-DX1-NP) and anticipated new formats of the Deoxymab platform. We look forward to reporting on the research finding from these grants from 2021 onwards.



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 2020.

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. Michael Stork (Non-Executive Director & Deputy Chairman)
Ms. Suzy Jones (Non-Executive Director)
Dr. James Campbell (Managing Director & CEO)
Dr. Pamela M. Klein (Non-Executive Director, appointed on 1 October 2019)

Principal activities

Patrys is devoted to the development and commercialisation of novel antibody technologies to improve clinical outcomes for cancer patients. The Company's lead technology is Deoxymab 3E10, a DNA damage-repair (DDR) antibody which penetrates live cell nuclei and inhibits key mechanisms of DNA repair in target cancer cells.

The Company has developed a humanised form of Deoxymab 3E10, PAT-DX1, and is progressing this and a nanoparticle conjugated form (PAT-DX1-NP) towards a possible clinical trial in H2, 2021 or H1, 2022. Currently, the Company is focusing on PAT-DX1 as a treatment for metastatic triple negative breast cancer (MTNBC) and glioblastoma (GBM).

Patrys continues to complete pre-clinical research in collaboration with leading universities and other research partners, and is pleased to note that in recent months its collaborators have received grants totalling more than \$4.9 million to advance research on PAT-DX1 and PAT-DX1-NP.

The Deoxymab 3E10 technology is exclusively licensed from Yale University. Patrys' rights to Deoxymab 3E10 are part of a worldwide license to develop and commercialise a portfolio of anti-cancer and diagnostic agents (including anti-DNA antibodies, antibody fragments, variants and conjugates).

Dividends

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

Review of operations

The loss for the Group after providing for income tax amounted to \$2,748,539 (30 June 2019: \$411,326).

PAT-DX1 – progressing pre-clinical studies and manufacturing workstreams ahead of Phase 1 clinical trial

During the full year period, Patrys continued working towards the development of a stable cell line for the PAT-DX1 program, led by a well-respected international manufacturing partner. As part of this the Company selected a preferred format with potential improvements in manufacturability and cost of production. Development of a stable cell line is an important milestone which will enable Patrys to progress Good Manufacturing Practice (GMP) production and formulation of key toxicology studies ahead of a Phase 1 clinical trial. Stable cell line development is on track for completion in Q4 CY20.

The Company is progressing PAT-DX1 and a nanoparticle conjugated form (PAT-DX1-NP) towards a possible clinical trial in H2, 2021 or H1, 2022. Currently, the Company is focusing on PAT-DX1 as a treatment for metastatic triple negative breast cancer (MTNBC) and glioblastoma (GBM). Patrys continues to complete pre-clinical research in collaboration with leading universities and other research partners.

In the past year Patrys has significantly advanced development of PAT-DX1 on two parallel fronts, pre-clinical research and manufacturing preparation. Pre-clinical research conducted by Dr James Hansen of the Yale School of Medicine found that in an animal model of aggressive glioblastoma PAT-DX1 in combination with low dose radiation therapy resulted in significantly more tumour suppression and prolonged survival compared to low dose radiation alone. Dr Hansen's team also confirmed that PAT-DX1-NP, like its unconjugated form (PAT-DX1), is able to cross the blood brain barrier (BBB) and successfully target triple-negative breast cancer (TNBC) brain metastases. These studies were augmented by an additional study that confirmed that PAT-DX1 is able to cross the BBB, by exploiting the equilibrative nucleoside transporter 2 (ENT2) pathway. Patrys' manufacturing program is being led by a well-respected international manufacturing partner and its ongoing work on the development of stable cell line for the PAT-DX1 program should be complete by Q4 2020.

PAT-SC1

Patrys remains committed to assisting Hefei Co-source Biomedical with the development of PAT-SC1, providing support via Patrys' expertise and knowledge in the IgM space. Patrys is one of the few companies globally with experience in manufacturing commercial scale quantities of IgMs for clinical trials.

COVID-19

The Company recognises the negative impacts of COVID-19 that are being felt around the world, and while there has been some slippage of timelines, particularly for activity based in academic institutions, the Company is on track to commence a phase 1 study in late CY21 or early CY22.

Corporate developments

During the year to 30 June 2020 Patrys strengthened its Board of Directors and its Scientific Advisory Board with new appointments. In October 2019, Dr. Pamela M. Klein was appointed as Non-Executive Director of Patrys. Dr Klein has a proven track record spanning more than 20 years in oncology and the biopharmaceuticals industry and has been a member of the Patrys Scientific Advisory Board for over two years. Dr Klein's significant industry experience will provide the Company with valuable support for the proposed PAT-DX1 clinical trial in CY21. In May 2020, Dr Peter Ordentlich was appointed to the Company's Scientific Advisory Board. Dr Ordentlich is an experienced US-based biotechnology executive who has advanced several biologicals and small molecules from discovery stage through to the clinic.

Over the past 12 months the Company has presented at a range of investment and scientific conferences including BioEurope, the Bioshares Biotech Conference, the Society for Neuro-Oncology inaugural conference on Brain Metastases, and the PARP & DNA Damage Response (DDR) Inhibitors Summit. These presentations have generated significant commercial and academic interest, and have resulted in numerous ongoing dialogs.

In July 2019, Patrys received a "Notice of Grant" for European patent (patent number: 2694555) that covers the methods of using Patrys' novel Deoxymab 3E10 technology as treatment for a broad range of cancers and malignancies including gliomas, metastases, breast, pancreatic, ovarian and prostate cancers and melanomas. Patrys is focused on maintaining patent protection in major jurisdictions where future regulatory approvals and product sales are targeted, with 19 pending patent applications across 10 patent families.

Patrys and its research partners progressed, finalised and submitted a number of new grant applications to support further pre-clinical studies to develop and broaden the Company's portfolio. Grants are an attractive source of non-dilutive funding, and in the year to 30 June 2020 Dr James Hansen of the Yale School of Medicine received \$4.87 million of funding to cover the coming five years. Further, Patrys in conjunction with Professor Robin Anderson of the Olivia Newton-John Cancer Research Institute (ONJCRI) received a \$50,000 Innovation Connections Grant from the Federal Entrepreneur's Programme. Both the Yale and ONJCRI programs will advance research on PAT-DX1 and PAT-DX1-NP.

Looking ahead

Under the guidance of the Board and the Scientific Advisory Board Patrys made advances in its efforts to build and realise the value of its assets in the twelve months to 30 June 2020.

The activities for the year to June 2020 include experiments with a number of animal models of various cancer types, development of PAT-DX1 manufacturing, maintenance of intellectual property patent filings and efforts towards the establishment of collaborations and alliances. The development of a stable cell line is an important upcoming milestone which will enable Patrys to progress GMP production and formulation and key toxicology studies ahead of its Phase 1 clinical trial.

Operating results

Patrys held cash and term deposits of \$3,981,210 at the reporting date. Patrys' policy is to hold its cash and cash equivalent deposits in 'A' rated or better deposits.

Patrys' strategy is to outsource product development expenses, including manufacturing, regulatory and clinical trial expenses, to specialist, best of breed partner organisations. As a consequence, Patrys 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 including other income during the period was \$772,844 (2019: \$3,844,365). This revenue includes interest of \$59,891 (2019: \$111,571), R&D tax incentive income of \$623,197 (2019: \$644,298), licencing income of \$27,500 (2019: \$27,500), and other income of Nil (2019: \$3,000,000) related to insurance recoveries.

Total consolidated operating expenses for the period were \$3,521,383 (2019: \$4,255,691). Operating expenses include research and development costs of \$1,367,988 (2019: \$1,685,963) which have been expensed in the year they were incurred. The decrease in R&D costs in 2020 is due to a decrease in activity related to pre-clinical and manufacturing works in the financial year. Administration and management costs contributed a further \$2,153,395 (2019: \$2,569,728) to expenses from continuing operations. The decrease during the financial year is due to a combination of items, including legal fees, travel cost and other general administrative costs.

Significant changes in the state of affairs

On 17 September 2019, the company issued 1,500,000 unlisted options to a consultant pursuant to their consulting agreement.

On 1 October 2019, Dr Pamela M. Klein was appointed as a Non-Executive Director. The company issued 4,000,000 unlisted options to Dr. Pamela M. Klein as part of her sign-on package as a Non-Executive Director.

On 11 May 2020, Dr. Peter Ordentlich an experienced US-based biotechnology executive was appointed to the Scientific Advisory Board.

On 28 May 2020, BDO Audit Pty Ltd was appointed as auditor of the Company. The appointment follows the resignation of BDO East Coast Partnership ("BDO ECP"), and ASIC's consent to the resignation in accordance with s329(5) of the Corporations Act 2001 ("the Act"). The change of auditor arose as a result of BDO ECP restructuring its audit practice whereby audits will be conducted by BDO Audit Pty Ltd, an authorised audit company, rather than BDO ECP.

On 10 June 2020, the company issued 3,000,000 unlisted options to members of the Scientific Advisory Board pursuant to their consulting agreements.

On 22 June 2020, the company announced a fully underwritten, non-renounceable pro-rata rights offer (Entitlement Offer) to acquire one (1) fully paid ordinary share at \$0.012 (1.2 cents) each for every three (3) existing fully paid ordinary shares held by eligible Patrys shareholders in Australia and New Zealand at the Record Date. One (1) free attaching New Option with an exercise price of \$0.024 (2.4 cents) expiring three (3) years after grant date will also be issued for every three (3) New Shares subscribed for and issued. The Entitlement Offer will raise approximately \$4.29million before costs.

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

The impact of the COVID-19 pandemic is ongoing and while it has not had a material impact on the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Subsequent to the end of the financial year, the company announced that the fully underwritten non-renounceable Entitlement Offer raised approximately \$4.29 million (before costs), through the issue of 357,530,827 fully paid ordinary shares at an issue price of \$0.012 (1.2 cents) per share. The company also announced the issue of 119,177,087 free attaching options in relation to the fully paid ordinary shares issued under the Entitlement Offer and the issue of an additional 7,500,000 options to the Underwriter and Lead Manager. The options are quoted and exercisable at \$0.024 (2.4 cents) each, expiring on 5 August 2023.

No other matter or circumstance has arisen since 30 June 2020 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 to build further value into the Deoxymab platform through pre-clinical activities, to commence progression of the PAT-DX1 asset towards the clinic.

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 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 was previously the Chairman of CVC Limited (ASX: CVC) from 1989 to 2020 and 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: | None |
| Former directorships (last 3 years): | CVC Limited |
| Special responsibilities: | Chairman of Nomination and Remuneration Committee Member of Audit and Risk Committee |
| Interests in shares: | 8,910,306 ordinary shares |
| Interests in options: | 6,000,000 unlisted options, exercisable at \$0.035 per option, expiring 22/11/2023 and 396,132 PABO listed options, exercisable at \$0.024 per option, expiring 5 August 2023 |

Name: James Campbell
Title: Managing Director and Chief Executive Officer
Qualifications: Ph.D, MBA, GAICD
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 Advisory Board of Deakin University's Centre for Innovation in Mental and Physical Health and Clinical Treatment (IMPACT).
Other current directorships: Non- Executive Director of Prescient Therapeutics Limited (ASX:PTX)
Former directorships (last 3 years): Non-Executive Director of Invion Limited (ASX:IVX) (ceased on 21 December 2019)
Interests in shares: 1,227,790 fully paid ordinary shares
Interests in options: 25,000,000 unlisted options - 15,000,000 exercisable at \$0.0072 per option, expiring 24/11/2021, 10,000,000 exercisable at \$0.035 per option, expiring 22/11/2023
399,415 PABO listed options, exercisable at \$0.024 per option, expiring 5 August 2023

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 start-up companies.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of Nomination and Remuneration Committee
Chairman of Audit and Risk Committee
Interests in shares: 98,773,814 fully paid ordinary shares (These shares are held by Stork Holdings 2010 Ltd. The director has the ability to influence the voting and disposal of the shares of this company).
Interests in options: 4,000,000 options, exercisable at \$0.0350 per option, expiring 22/11/2023

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 firm in San Francisco. DNA Ink provides corporate strategic guidance to its clients. 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 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: Calithera Biosciences, Inc.(Nasdaq:CALA)
Former directorships (last 3 years): None
Special responsibilities: Member of Nomination and Remuneration Committee
Member of Audit and Risk Committee

Interests in shares: 3,000,000 fully paid ordinary shares.
Interests in options: 4,000,000 options, exercisable at \$0.0350 per option, expiring 22/11/2023

Name: Dr. Pamela M. Klein
Title: Non-Executive Director
Experience and expertise: Dr. Klein has a proven track record as an executive over more than 20 years in the oncology and biopharmaceutical industry. She is currently on the Board of Directors for Argenx, a dual-listed (Euronext Brussels and NASDAQ), clinical-stage therapeutic antibody company developing novel drugs in the areas of cancer and severe autoimmune disease. She is also on the Board of Spring Bank Pharmaceuticals (NASDAQ), a clinical stage biopharmaceutical company developing therapeutics for both HBV and oncology. Ms. Klein is the Principal and Founder of PMK BioResearch, which offers strategic consulting in oncology drug development

Other current directorships: Argenx (arGEN-X ADS (NASD)), Argenx (arGENX (EURONEXT)), Springbank Pharmaceuticals (NASDAQ: SBPH), I-MAB BioPharma (NASDAQ:IMAB)
Former directorships (last 3 years): None
Interests in shares: 250,000 fully paid ordinary shares
Interests in options: 4,500,000 unlisted options - 250,000 exercisable at \$0.0613 per option, expiring 15/03/2023, 250,000 exercisable at \$0.0290 per option, expiring 15/03/2024 and 4,000,000 exercisable at \$0.0350 per option, expiring 15/10/2024

'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

Ms Melanie Leydin- BBus (Acc. Corp Law) CA FGIA

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia 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 Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the Resources, technology, bioscience, biotechnology and health sectors.

Melanie has over 25 years' experience in the accounting profession and over 15 years as a Company Secretary. She 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 2020, 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 | 6 | 6 | - | - | 2 | 2 |
| James Campbell | 6 | 6 | - | - | - | - |
| Suzy Jones | 6 | 6 | - | - | 2 | 2 |
| Michael Stork | 6 | 6 | - | - | 2 | 2 |
| Pamela Klein | 5 | 5 | - | - | - | - |

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

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 and 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, and is available on the Company's website at www.patrys.com/patrys-corporate-governance/

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 a mix of equity and 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 22 November 2018. Components of the remuneration package include a cash element together with equity instruments.

Directors' fees are currently set at \$95,000 for the Chairman and \$60,000 per Non-Executive Director (note Ms. Jones and Dr. Klein receive USD\$60,000 each) and reflect the demands which are made on and the responsibilities of the Directors. However, one Non-Executive Director, Mr. Michael Stork, did not receive monetary Director fees 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 22 November 2018, where the shareholders approved a maximum annual aggregate remuneration of \$400,000.

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 comprise 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.

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.

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.

Voting and comments made at the company's 21 November 2019 Annual General Meeting ('AGM')

At the 21 November 2019 AGM, 97.99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables. Unless otherwise noted, the named persons were key management personnel for the whole of the period ended 30 June 2020.

The Key Management Personnel of the consolidated entity consisted of the following directors of Patrys Limited:

- John Read (Chairman)
- James Campbell (Managing Director and Chief Executive Officer)
- Michael Stock (Non-Executive Director)
- Suzy Jones (Non-Executive Director)
- Pamela Klein (Non-Executive Director, appointed on 1 October 2019)

Other Key Management Personnel

- Melanie Leydin (Company Secretary)

| | Short-term benefits | Short-term benefits | Short-term benefits | Post-employment benefits | Long-term benefits | Share-based payments | Total |
|--|----------------------|---------------------|---------------------|--------------------------|--------------------|------------------------|----------------|
| | Cash salary and fees | Short-term benefits | Annual leave | Super-annuation | Long service leave | Equity-settled options | |
| 30 June 2020 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Non-Executive Directors:</i> | | | | | | | |
| John Read | 95,000 | - | - | - | - | 30,708 | 125,708 |
| Suzy Jones* | 89,374 | - | - | - | - | 15,354 | 104,728 |
| Michael Stork | - | - | - | - | - | 15,354 | 15,354 |
| Pamela Klein* | 78,361 | - | - | - | - | 34,970 | 113,331 |
| <i>Executive Directors:</i> | | | | | | | |
| James Campbell | 317,577 | - | 12,345 | 21,003 | 6,600 | 76,770 | 434,295 |
| <i>Other Key Management Personnel:</i> | | | | | | | |
| Melanie Leydin** | 120,000 | - | - | - | - | - | 120,000 |
| | <u>700,312</u> | <u>-</u> | <u>12,345</u> | <u>21,003</u> | <u>6,600</u> | <u>173,156</u> | <u>913,416</u> |

* Ms Jones was paid \$60,000 USD at an exchange rate of \$0.6713 USD to \$1 AUD.

Ms Klein was paid \$52,500 USD (from 1 October 2019) at an exchange rate of \$0.6699 USD to \$1 AUD. The figure includes consulting fees of \$7,500 USD paid prior to her appointment as a Director of the Company.

** Fees shown for Ms Leydin were paid to Leydin Freyer Corp Pty Ltd for the provision of company secretarial and accounting services.

| | Short-term benefits | Short-term benefits | Short-term benefits | Post-employment benefits | Long-term benefits | Share-based payments | Total |
|--|----------------------|---------------------|---------------------|--------------------------|--------------------|------------------------|----------------|
| | Cash salary and fees | Short-term benefits | Annual leave | Super-annuation | Long service leave | Equity-settled options | |
| 30 June 2019 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Non-Executive Directors:</i> | | | | | | | |
| John Read | 95,000 | - | - | - | - | 72,518 | 167,518 |
| Suzy Jones* | 83,922 | - | - | - | - | 58,159 | 142,081 |
| Michael Stork | - | - | - | - | - | 58,159 | 58,159 |
| <i>Executive Directors:</i> | | | | | | | |
| James Campbell** | 305,022 | 80,000 | 12,158 | 25,000 | 7,125 | 74,369 | 503,674 |
| <i>Other Key Management Personnel:</i> | | | | | | | |
| Melanie Leydin*** | 104,000 | - | - | - | - | - | 104,000 |
| | <u>587,944</u> | <u>80,000</u> | <u>12,158</u> | <u>25,000</u> | <u>7,125</u> | <u>263,205</u> | <u>975,432</u> |

* Ms Jones was paid \$60,000 USD at an average exchange rate of \$0.715 USD to \$1 AUD.

** Bonus of \$80,000 paid to Mr Campbell in July 2019.

*** Fees shown for Ms Leydin were paid to Leydin Freyer Corp Pty Ltd for the provision of company secretarial and accounting services.

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

| Name | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|--|--------------------|--------------|---------------|--------------|---------------|--------------|
| | 30 June 2020 | 30 June 2019 | 30 June 2020 | 30 June 2019 | 30 June 2020 | 30 June 2019 |
| <i>Non-Executive Directors:</i> | | | | | | |
| John Read | 76% | 57% | - | - | 24% | 43% |
| Suzy Jones | 85% | 59% | - | - | 15% | 41% |
| Pamela Klein | 68% | - | - | - | 32% | 100% |
| Michael Stork | - | - | - | - | - | 100% |
| <i>Executive Directors:</i> | | | | | | |
| James Campbell | 82% | 83% | 2% | 2% | 16% | 15% |
| <i>Other Key Management Personnel:</i> | | | | | | |
| 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, or 12 months' notice in the event of a successful takeover.

Details: Dr Campbell will be entitled to an annual salary (inclusive of superannuation) of \$345,690 effective from 1 July 2020. 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: \$USD60,000 per annum to be reviewed independently and annually by the Board of Directors.

Name: Pamela Klein
Title: Non- Executive Director
Agreement commenced: 1 October 2019
Term of agreement: No fixed term, with 1 months' notice.
Details: \$USD60,000 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
Details: \$10,000 per month for company secretarial and accounting services effective from 1 March 2019

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 2020.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

| Name | Number of options granted | Grant date | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|--------------|---------------------------|------------|-----------------------------------|-------------|----------------|-------------------------------------|
| Pamela Klein | 2,000,000 | 01/10/2019 | 01/10/2019* | 01/10/2024 | \$0.0350 | \$0.02300 |
| Pamela Klein | 1,000,000 | 01/10/2019 | 01/10/2020** | 01/10/2024 | \$0.0350 | \$0.02300 |
| Pamela Klein | 1,000,000 | 01/10/2019 | 01/10/2021*** | 01/10/2024 | \$0.0350 | \$0.02300 |

* Vesting immediately

** The share price is equal to or greater than a 20-day VWAP of \$0.05 (5.0 cents); exercisable thereafter

*** The share price is equal to or greater than a 20-day VWAP of \$0.07 (7.0 cents); exercisable thereafter

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by Directors and other Key Management Personnel as part of compensation during the year ended 30 June 2020 are set out below:

| Name | Number of options granted during the year 30 June 2020 | Number of options granted during the year 30 June 2019 | Number of options vested and exercisable as at 30 June 2020 | Number of options vested and exercisable as at 30 June 2019 |
|----------------|--|--|---|---|
| James Campbell | - | 10,000,000 | 15,000,000 | 15,000,000 |
| John Read | - | 6,000,000 | 2,000,000 | 2,000,000 |
| Suzy Jones | - | 4,000,000 | 2,000,000 | 2,000,000 |
| Michael Stork | - | 4,000,000 | 2,000,000 | 2,000,000 |
| Pamela Klein | 4,000,000 | 250,000 | 2,500,000 | 500,000 |

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 2020 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 \$ |
|--------------|------------|--------------|---------------------------|-----------------------------|----------------------------|--------------------------|----------------------------|
| Pamela Klein | 01/10/2019 | 01/10/2019 | 2,000,000 | 21,800 | 21,800 | - | - |
| Pamela Klein | 01/10/2019 | 01/10/2020 | 1,000,000 | 11,400 | - | - | - |
| Pamela Klein | 01/10/2019 | 01/10/2021 | 1,000,000 | 12,400 | - | - | - |

Additional information

The earnings of the Group for the five years to 30 June 2020 are summarised below:

| | 2020 \$ | 2019 \$ | 2018 \$ | 2017 \$ | 2016 \$ |
|------------------------------|-------------|------------|-------------|-------------|-------------|
| Revenue and other income | 772,844 | 3,844,365 | 520,525 | 531,729 | 867,653 |
| Net profit/(loss) before tax | (2,748,539) | (411,326) | (2,497,252) | (1,057,876) | (1,080,784) |
| Net profit/(loss) after tax | (2,748,539) | (411,326) | (2,497,252) | (1,057,876) | (1,080,784) |

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

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|----------|----------|----------|----------|----------|
| Share price at financial year start (\$) | 0.0300 | 0.0580 | 0.0100 | 0.0100 | 0.0100 |
| Share price at financial year end (\$) | 0.0120 | 0.0300 | 0.0580 | 0.0100 | 0.0100 |
| Basic earnings per share (cents per share) | (0.2566) | (0.0384) | (0.2653) | (0.1420) | (0.1500) |

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/ other | Balance at the end of the year |
|------------------------|----------------------------------|----------------------------------|-----------|------------------|--------------------------------|
| <i>Ordinary shares</i> | | | | | |
| James Campbell | 29,546 | - | - | - | 29,546 |
| John Read | 7,721,911 | - | - | - | 7,721,911 |
| Suzy Jones | 3,000,000 | - | - | - | 3,000,000 |
| Michael Stork | 98,773,814 | - | - | - | 98,773,814 |
| Pamela Klein* | 250,000 | - | - | - | 250,000 |
| | <u>109,775,271</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>109,775,271</u> |

* Balance at the start of the year were held on date of appointment.

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 |
|-------------------------------------|----------------------------------|------------------|-----------|---------------------------|--------------------------------|
| <i>Options over ordinary shares</i> | | | | | |
| James Campbell | 25,000,000 | - | - | - | 25,000,000 |
| John Read | 6,000,000 | - | - | - | 6,000,000 |
| Suzy Jones | 4,000,000 | - | - | - | 4,000,000 |
| Michael Stork | 4,000,000 | - | - | - | 4,000,000 |
| Pamela Klein* | 500,000 | 4,000,000 | - | - | 4,500,000 |
| | <u>39,500,000</u> | <u>4,000,000</u> | <u>-</u> | <u>-</u> | <u>43,500,000</u> |

* Balance at the start of the year were held on date of appointment.

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 |
|-------------------|------------------|----------------|---------------------|
| 24 November 2016 | 24 November 2021 | \$0.0072 | 24,000,000 |
| 19 April 2017 | 1 July 2021 | \$0.0072 | 2,500,000 |
| 19 April 2017 | 19 April 2022 | \$0.0072 | 250,000 |
| 15 March 2018 | 1 July 2022 | \$0.0613 | 2,500,000 |
| 15 March 2018 | 15 March 2023 | \$0.0613 | 500,000 |
| 1 June 2018 | 18 April 2023 | \$0.0200 | 2,500,000 |
| 22 November 2018 | 22 November 2023 | \$0.0350 | 32,000,000 |
| 15 March 2019 | 15 March 2024 | \$0.0290 | 3,000,000 |
| 12 September 2019 | 31 August 2024 | \$0.0290 | 1,500,000 |
| 1 October 2019 | 1 October 2024 | \$0.0350 | 4,000,000 |
| 10 June 2020 | 15 March 2025 | \$0.0220 | 2,750,000 |
| 10 June 2020 | 8 May 2025 | \$0.0170 | 250,000 |
| 5 August 2020 | 5 August 2023 | \$0.0240 | 126,677,087 |
| | | | 202,427,087 |

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

During the financial year ending 30 June 2020 no options were exercised.

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 Audit Pty Ltd) 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 and 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 and 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 Audit Pty Ltd

There are no officers of the Company who are former partners of BDO Audit Pty Ltd.

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

On 28 May 2020 BDO Audit Pty Ltd was appointed as auditor of the Company.

The appointment follows the resignation of BDO East Coast Partnership ("BDO ECP"), and ASIC's consent to the resignation in accordance with s329(5) of the *Corporations Act 2001* ("the Act").

The change of auditor arose as a result of BDO ECP restructuring its audit practice whereby audits will be conducted by BDO Audit, an authorised audit company, rather than BDO ECP.

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

24 August 2020



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DECLARATION OF INDEPENDENCE BY TIM FAIRCLOUGH TO THE DIRECTORS OF PATRYS LIMITED

As lead auditor of Patrys Limited for the year ended 30 June 2020, 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.

A handwritten signature in black ink that reads 'Tim Fairclough'. The signature is written in a cursive style with a horizontal line above the first few letters.

Tim Fairclough
Director

BDO Audit Pty Ltd

Melbourne, 24 August 2020

Patrys Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020



| | | Consolidated | |
|--|-------------|---------------------------|-------------------------|
| | Note | 30 June 2020 | 30 June 2019 |
| | | \$ | \$ |
| Revenue | 5 | 772,844 | 844,365 |
| Other income | 6 | - | 3,000,000 |
| Expenses | | | |
| Research & development expenses | | (1,367,988) | (1,685,963) |
| Administration & management expenses | | <u>(2,153,395)</u> | <u>(2,569,728)</u> |
| Loss before income tax expense | | (2,748,539) | (411,326) |
| Income tax expense | 8 | <u>-</u> | <u>-</u> |
| Loss after income tax expense for the year attributable to the Owners of Patrys Limited | | (2,748,539) | (411,326) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translating foreign operations | | <u>-</u> | <u>909</u> |
| Other comprehensive income for the year, net of tax | | <u>-</u> | <u>909</u> |
| Total comprehensive income for the year attributable to the Owners of Patrys Limited | | <u><u>(2,748,539)</u></u> | <u><u>(410,417)</u></u> |
| | | Cents | Cents |
| Basic earnings per share | 26 | (0.2566) | (0.0384) |
| Diluted earnings per share | 26 | (0.2566) | (0.0384) |

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

| | | Consolidated | |
|--------------------------------|------|--------------------|--------------------|
| | Note | 30 June 2020 \$ | 30 June 2019 \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 3,981,210 | 6,473,840 |
| Trade and other receivables | 10 | 679,955 | 740,548 |
| Other financial assets | 11 | 182,912 | 139,356 |
| Total current assets | | <u>4,844,077</u> | <u>7,353,744</u> |
| Non-current assets | | | |
| Property, plant and equipment | | 3,598 | 6,384 |
| Intangibles | 12 | 528,750 | 573,750 |
| Total non-current assets | | <u>532,348</u> | <u>580,134</u> |
| Total assets | | <u>5,376,425</u> | <u>7,933,878</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 313,249 | 479,266 |
| Employee benefits | | 160,189 | 141,810 |
| Total current liabilities | | <u>473,438</u> | <u>621,076</u> |
| Non-current liabilities | | | |
| Employee benefits | | 24,946 | 16,348 |
| Total non-current liabilities | | <u>24,946</u> | <u>16,348</u> |
| Total liabilities | | <u>498,384</u> | <u>637,424</u> |
| Net assets | | <u>4,878,041</u> | <u>7,296,454</u> |
| Equity | | | |
| Issued capital | 14 | 67,086,513 | 67,066,992 |
| Reserves | 15 | 1,252,973 | 953,741 |
| Accumulated losses | | (63,461,445) | (60,724,279) |
| Total equity | | <u>4,878,041</u> | <u>7,296,454</u> |

The above statement of financial position should be read in conjunction with the accompanying notes

Patrys Limited
Statement of changes in equity
For the year ended 30 June 2020



| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------------|------------------------------|--|----------------------------------|
| Balance at 1 July 2018 | 67,039,044 | 588,561 | (60,336,130) | 7,291,475 |
| Loss after income tax expense for the year | - | - | (411,326) | (411,326) |
| Other comprehensive income for the year, net of tax | - | 909 | - | 909 |
| Total comprehensive income for the year | - | 909 | (411,326) | (410,417) |
| Reallocation of value of expired and cancelled equity | - | (23,177) | 23,177 | - |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share based payments | - | 387,448 | - | 387,448 |
| Share issue costs/adjustment | 26,148 | - | - | 26,148 |
| Share issue | 1,800 | - | - | 1,800 |
| Balance at 30 June 2019 | <u>67,066,992</u> | <u>953,741</u> | <u>(60,724,279)</u> | <u>7,296,454</u> |
| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2019 | 67,066,992 | 953,741 | (60,724,279) | 7,296,454 |
| Loss after income tax expense for the year | - | - | (2,748,539) | (2,748,539) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | (2,748,539) | (2,748,539) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share based payments | - | 312,052 | - | 312,052 |
| Share issue | 54,000 | - | - | 54,000 |
| Share issue costs/adjustment | (35,926) | - | - | (35,926) |
| Transfer from option reserve to issued capital | 1,447 | (1,447) | - | - |
| Reallocation of value of expired and cancelled equity | - | (11,373) | 11,373 | - |
| Balance at 30 June 2020 | <u>67,086,513</u> | <u>1,252,973</u> | <u>(63,461,445)</u> | <u>4,878,041</u> |

The above statement of changes in equity should be read in conjunction with the accompanying notes

| | Note | Consolidated | |
|--|------|-------------------------|-------------------------|
| | | 30 June 2020 \$ | 30 June 2019 \$ |
| Cash flows from operating activities | | | |
| Payments to suppliers and employees (inclusive of GST) | | (3,324,418) | (3,875,262) |
| Receipts from interest and other income | | 73,752 | 101,452 |
| Receipts from R&D tax incentive | | 672,143 | 556,129 |
| Receipts from government grants | | 55,498 | 60,996 |
| Receipts from insurance recoveries | | - | 3,000,000 |
| Receipts from licensing income | | 27,500 | 27,500 |
| Net cash used in operating activities | 25 | <u>(2,495,525)</u> | <u>(129,185)</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | - | (4,062) |
| Receipts from term deposit | | - | 2,000,000 |
| Net cash from investing activities | | <u>-</u> | <u>1,995,938</u> |
| Cash flows from financing activities | | | |
| Proceeds from exercise of options | 14 | <u>-</u> | <u>1,800</u> |
| Net cash from financing activities | | <u>-</u> | <u>1,800</u> |
| Net (decrease)/increase in cash and cash equivalents | | (2,495,525) | 1,868,553 |
| Cash and cash equivalents at the beginning of the financial year | | 6,473,840 | 4,605,459 |
| Effects of exchange rate changes on cash and cash equivalents | | 2,895 | (172) |
| Cash and cash equivalents at the end of the financial year | 9 | <u><u>3,981,210</u></u> | <u><u>6,473,840</u></u> |

The above statement of cash flows 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 24 August 2020. 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019 and has been applied by the company from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the Statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group has adopted this standard from 1 July 2019 but there is no material effect on Patrys recognition or measurement as Patrys is not involved in any lease agreements.

Note 2. Significant accounting policies (continued)

AASB Interpretation 23: Uncertainty over income tax treatments (FRIG 23):

IFRIC 23 clarifies the application of recognition and measurement requirements of AASB 112 Income Taxes where there is uncertainty over income tax treatments. The Interpretation specifically addresses:

- Whether an entity considers uncertain tax treatments separately;
- That the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- That the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- That the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method best predicts the resolution of the uncertainty; and
- That the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group has assessed the impact of IFRIC 23 on the financial statements. The assessment concluded that the Interpretation did not have any material impact on the Group's financial statements. Consequently, no retrospective adjustment is required.

Going concern

It is noted that for 2020 financial year, the Group incurred a loss from continuing operations after income tax of \$2,748,539 (2019: \$411,326) and had consolidated net operating cash outflows of \$2,495,525 (2019: \$129,185).

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 2020, the Group had net current assets of \$4,370,639 (2019: \$6,732,668);
- Cash flow forecasts prepared by management demonstrate that the Group has sufficient funds to meet commitments over the next twelve months;
- At 30 June 2020, the Group recognised a receivable of \$623,197 from the R&D tax incentive, which is expected to be received in the first half of the 2021 financial year.

The Directors have considered the impacts of COVID-19 that are being felt around the world, and while there has been some slippage of timelines, particularly for activity based in academic institutions, the Company is on track to commence a phase 1 study in late CY21 or early CY22.

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').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss.

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.

Note 2. Significant accounting policies (continued)

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 2020 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.

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 individual company in the group, 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.

Current and non-current classification

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

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.

Note 2. Significant accounting policies (continued)

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. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Impairment of non-financial assets

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.

As a part of the impairment assessment for June 2020, management reviewed changes to laws and regulations affecting the IP, technological obsolescence, issues with funding commitment, along with a host of other indicators. There was no indicators of impairment of the asset for the year ended 30 June 2020 as a result of this review.

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 2020. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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.

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.

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.

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.

COVID-19 pandemic

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Group based on known information. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

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 | |
|--------------------------------|----------------|----------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Licensing income | 27,500 | 27,500 |
| R&D tax incentive income | 623,197 | 644,298 |
| Interest income | 59,891 | 111,571 |
| Government grants & incentives | 62,256 | 60,996 |
| | <hr/> | <hr/> |
| Revenue | <u>772,844</u> | <u>844,365</u> |

Accounting policy for revenue recognition

The Group recognises revenue as follows:

Licensing income

Licensing income is recognised over the period to which the license pertains.

R&D tax incentive income

Research and development tax incentive income is recognised in the period which the expenditure, giving rise to the tax benefit, was incurred.

Government grant

Government grant is recognised when the company has fulfilled all its obligations associated with the grant.

Interest

Interest revenue is recognised as interest accrues.

Other revenue

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

Note 6. Other income

| | Consolidated | |
|----------------------|--------------|--------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Insurance recoveries | - | 3,000,000 |
| | <hr/> | <hr/> |

In relation to insurance settlement for the failed manufacturing runs for PAT-SM6 in 2014 and 2015.

Note 7. Expenses

| | Consolidated | |
|--|--------------|--------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Loss before income tax includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Plant and equipment | 2,786 | 3,311 |
| <i>Amortisation</i> | | |
| License and registered patents | 45,000 | 45,000 |
| Total depreciation and amortisation | 47,786 | 48,311 |
| <i>Operating expenses</i> | | |
| Research and development expenses | 1,367,988 | 2,144,349 |
| <i>Employee salary and benefit expense</i> | | |
| Defined contribution superannuation expense | 46,656 | 51,464 |
| Salary and employee benefit expenses | 860,828 | 919,078 |
| Total employment expenses | 907,484 | 970,542 |
| <i>Share based payments expense</i> | | |
| Share based payments (option expense and payment to consultant)* | 366,052 | 387,449 |

*It includes shares issued to a consultant of \$54,000.

Note 8. Income tax expense

| | Consolidated | |
|--|--------------|--------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Loss before income tax expense | (2,748,539) | (411,326) |
| Tax at the statutory tax rate of 30% | (824,562) | (123,398) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Effect of revenue that is not assessable in determining taxable loss | (206,570) | (212,728) |
| Effect of expenses that are not deductible in determining taxable loss | 546,282 | 561,156 |
| Deferred tax assets not brought to account | 484,850 | (225,030) |
| Income tax expense | - | - |

| | Consolidated | |
|---|--------------|--------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| <i>Deferred tax assets not recognised</i> | | |
| Deferred tax assets not recognised comprises temporary differences attributable to: | | |
| Tax losses - revenue | 15,829,023 | 15,207,273 |
| Deductible temporary differences | 348,772 | 363,540 |
| Total deferred tax assets not recognised | 16,177,795 | 15,570,813 |

Note 8. Income tax expense (continued)

The benefit of 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;
- (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 | |
|--------------|--------------|--------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Cash at bank | 3,981,210 | 6,473,840 |

The Group's exposure to interest rate and foreign currency risk is discussed in note 17.

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.

As at 30 June 2020, the Company held a total of \$1.1 million in cash deposits with a maturity term of 3 months.

Note 10. Current assets - trade and other receivables

| | Consolidated | |
|---|----------------|----------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Accrued revenue | 25,208 | 25,208 |
| Research & Development incentive receivable | 632,659 | 681,605 |
| Other receivables | 22,088 | 33,735 |
| | <u>679,955</u> | <u>740,548</u> |

During the period, the Group recognised an accrual for the Research & Development (R&D) 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% (2019: 43.5%) on the eligible R&D expenditure incurred on eligible R&D activities.

The 43.5% (2019: 43.5%) 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.

Accounting policy for other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 11. Current assets - other financial assets

| | Consolidated | |
|-------------|----------------|----------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Prepayments | <u>182,912</u> | <u>139,356</u> |

Note 12. Non-current assets - intangibles

| | Consolidated | |
|---------------------------------|------------------|------------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Intellectual property - at cost | 720,000 | 720,000 |
| Less: Accumulated amortisation | <u>(191,250)</u> | <u>(146,250)</u> |
| | <u>528,750</u> | <u>573,750</u> |

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 \$ |
|-------------------------|-----------------------------|
| Balance at 1 July 2018 | 618,750 |
| Amortisation expense | <u>(45,000)</u> |
| Balance at 30 June 2019 | 573,750 |
| Amortisation expense | <u>(45,000)</u> |
| Balance at 30 June 2020 | <u>528,750</u> |

Note 12. Non-current assets - intangibles (continued)

In 2016 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.

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.

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

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.

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 16 years.

Note 13. Current liabilities - trade and other payables

| | Consolidated | |
|------------------------------|----------------|----------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Trade payables | 77,973 | 198,994 |
| Other creditors and accruals | 235,276 | 280,272 |
| | <u>313,249</u> | <u>479,266</u> |

Refer to note 17 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 14. Equity - issued capital

| | Consolidated | | | |
|------------------------------|----------------------|----------------------|-------------------|-------------------|
| | 30 June 2020 | 30 June 2019 | 30 June 2020 | 30 June 2019 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>1,071,318,226</u> | <u>1,069,757,969</u> | <u>67,086,513</u> | <u>67,066,992</u> |

Note 14. Equity - issued capital (continued)

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|--|-------------------|-----------------------------|-------------|--------------------------|
| Balance | 1 July 2018 | 1,070,225,902 | | 67,039,044 |
| Share issue | 30 September 2018 | 250,000 | \$0.0072 | 1,800 |
| Share issue costs | 30 June 2019 | - | \$0.0000 | 26,148 |
| Expiration of shares from share loan plan | 30 June 2019 | <u>(717,933)</u> | \$0.0000 | <u>-</u> |
| Balance | 30 June 2019 | 1,069,757,969 | | 67,066,992 |
| Share issue* | 1 July 2019 | 2,076,923 | \$0.0260 | 54,000 |
| Share issue costs | 30 June 2020 | - | \$0.0000 | (35,926) |
| Transfer from option reserve to issued capital | 30 June 2020 | - | \$0.0000 | 1,447 |
| Expiration of shares from share loan plan | 30 June 2020 | <u>(516,666)</u> | \$0.0000 | <u>-</u> |
| Balance | 30 June 2020 | <u><u>1,071,318,226</u></u> | | <u><u>67,086,513</u></u> |

*Share issue on 1 July consists of an adjustment to include the 2,076,923 shares issued to a consultant in prior period.

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 objective 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.

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 2019 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 15. Equity - reserves

| | Consolidated | |
|--------------------------|-------------------------|-----------------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Foreign currency reserve | (18,794) | (18,794) |
| Share options reserve | 1,083,371 | 772,766 |
| Share loan plan reserve | 8,396 | 19,769 |
| Other reserves | <u>180,000</u> | <u>180,000</u> |
| | <u><u>1,252,973</u></u> | <u><u>953,741</u></u> |

Foreign currency reserve

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

Share loan plan reserve

The share loan plan reserve 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 provided at note 27 of the financial statements.

Other reserves

The other reserve consists of 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 - reserves (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

| Consolidated | Share loan plan reserve \$ | Share option reserve \$ | Other reserve \$ | Foreign exchange translation reserve \$ | Total \$ |
|---|----------------------------------|-------------------------------|---------------------|---|-------------|
| Balance at 1 July 2018 | 42,946 | 385,318 | 180,000 | (19,703) | 588,561 |
| Other comprehensive income for the year, net of tax | - | - | - | 909 | 909 |
| Reallocation of value of expired and cancelled equity | (23,177) | - | - | - | (23,177) |
| Share based payments | - | 387,448 | - | - | 387,448 |
| Balance at 30 June 2019 | 19,769 | 772,766 | 180,000 | (18,794) | 953,741 |
| Reallocation of value of expired loan and equity | (11,373) | - | - | - | (11,373) |
| Share based payments | - | 312,052 | - | - | 312,052 |
| Transfer from share option reserve to issued capital | - | (1,447) | - | - | (1,447) |
| Balance at 30 June 2020 | 8,396 | 1,083,371 | 180,000 | (18,794) | 1,252,973 |

Note 16. Equity - dividends

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

Note 17. 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 and 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 note 14 and note 15, 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.

Note 17. Financial instruments (continued)

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 | |
|----------------|------------------|----------------|---------------|----------------|
| | 30 June 2020 | 30 June 2019 | 30 June 2020 | 30 June 2019 |
| Consolidated | \$ | \$ | \$ | \$ |
| US dollars | 2,034,880 | 28,090 | 14,582 | 13,429 |
| Euros | 2,859 | 169,557 | - | 164,219 |
| Pound Sterling | 14,199 | 14,337 | - | - |
| | <u>2,051,938</u> | <u>211,984</u> | <u>14,582</u> | <u>177,648</u> |

| Consolidated - 30 June 2020 | % change | AUD strengthened | | % change | AUD weakened | |
|-----------------------------|----------|---------------------------|------------------|----------|---------------------------|------------------|
| | | Effect on loss before tax | Effect on equity | | Effect on loss before tax | Effect on equity |
| US Dollars | 10% | (183,663) | (183,663) | (10%) | 224,478 | 224,478 |
| Euros | 10% | (260) | (260) | (10%) | 318 | 318 |
| Pound Sterling | 10% | (1,291) | (1,291) | (10%) | 1,577 | 1,577 |
| | | <u>(185,214)</u> | <u>(185,214)</u> | | <u>226,373</u> | <u>226,373</u> |

| Consolidated - 30 June 2019 | % change | AUD strengthened | | % change | AUD weakened | |
|-----------------------------|----------|---------------------------|------------------|----------|---------------------------|------------------|
| | | Effect on loss before tax | Effect on equity | | Effect on loss before tax | Effect on equity |
| US Dollars | 10% | (1,332) | (1,332) | (10%) | 1,630 | 1,630 |
| Euros | 10% | (486) | (486) | (10%) | 593 | 593 |
| Pound Sterling | 10% | (1,303) | (1,303) | (10%) | 1,593 | 1,593 |
| | | <u>(3,121)</u> | <u>(3,121)</u> | | <u>3,816</u> | <u>3,816</u> |

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.

Note 17. Financial instruments (continued)

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

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.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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 unutilised borrowing facilities are maintained.

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 - 30 June 2020 | 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 | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 77,973 | - | - | - | 77,973 |
| Other payables | - | 235,726 | - | - | - | 235,726 |
| Total non-derivatives | | 313,699 | - | - | - | 313,699 |

| Consolidated - 30 June 2019 | 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 | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 198,994 | - | - | - | 198,994 |
| Other payables | - | 280,272 | - | - | - | 280,272 |
| Total non-derivatives | | 479,266 | - | - | - | 479,266 |

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 18. Key management personnel disclosures

Directors

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

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

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 | |
|------------------------------|----------------|----------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Short-term employee benefits | 712,657 | 680,102 |
| Post-employment benefits | 21,003 | 25,000 |
| Long-term benefits | 179,756 | 270,330 |
| | <u>913,416</u> | <u>975,432</u> |

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:

| | Consolidated | |
|---|---------------|---------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| <i>Audit services -</i> | | |
| Audit or review of the financial statements | <u>58,311</u> | <u>55,705</u> |
| <i>Other services -</i> | | |
| Review and lodgement of corporate tax returns | <u>26,403</u> | <u>18,589</u> |
| | <u>84,714</u> | <u>74,294</u> |

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 Würzburg 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 USD\$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.

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, Commercialisation 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.

Payload Therapeutics – Yale University – License, Commercialisation and Development Agreement

In June 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 | |
|--|--------------|--------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| 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 2020 were paid on 15 July 2020.

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 2020 was \$nil (2019: nil). At 30 June 2020 there was an inter-company loan balance owed to Patrys GmbH of \$440,344 (2019: \$440,344). 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 2020, the parent entity has receivables of \$6,117,205 and \$162,443 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 | |
|---|--------------|--------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| (Loss)/profit after income tax | (1,046,179) | 1,615,575 |
| Other comprehensive income for the year, net of tax | - | - |
| Total comprehensive income | (1,046,179) | 1,615,575 |

Note 22. Parent entity information (continued)

Statement of financial position

| | Parent | |
|-------------------------------|--------------|--------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Total current assets | 10,499,425 | 11,291,603 |
| Total non-current assets | 532,347 | 580,133 |
| Total assets | 11,031,772 | 11,871,736 |
| Total current liabilities | 473,438 | 605,948 |
| Total non-current liabilities | 24,946 | 16,348 |
| Total liabilities | 498,384 | 622,296 |
| Net assets | 10,533,388 | 11,249,440 |
| Equity | | |
| Issued capital | 67,086,513 | 67,066,992 |
| Foreign currency reserve | 1 | - |
| Share options reserve | 1,263,371 | 952,767 |
| Share loan plan reserve | 8,396 | 19,769 |
| Accumulated losses | (57,824,893) | (56,790,088) |
| Total equity | 10,533,388 | 11,249,440 |

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 2020 (2019: Nil)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 (2019: Nil).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 (2019: Nil).

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 | |
|------------------------------|---|--------------------|-------------------|
| | | 30 June 2020 % | 30 June 2019 % |
| Patrys GmbH | Germany | 100% | 100% |
| Nucleus Therapeutics Pty Ltd | Australia | 100% | 100% |
| Payload Therapeutics Pty Ltd | Australia | 100% | 100% |

Note 24. Events after the reporting period

The impact of the COVID-19 pandemic is ongoing and while it has not had a material impact on the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Subsequent to the end of the financial year, the company announced that the fully underwritten non-renounceable Entitlement Offer raised approximately \$4.29 million (before costs), through the issue of 357,530,827 fully paid ordinary shares at an issue price of \$0.012 (1.2 cents) per share. The company also announced the issue of 119,177,087 free attaching options in relation to the fully paid ordinary shares issued under the Entitlement Offer and the issue of an additional 7,500,000 options to the Underwriter and Lead Manager. The options are quoted and exercisable at \$0.024 (2.4 cents) each, expiring on 5 August 2023.

No other matter or circumstance has arisen since 30 June 2020 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 | |
|--|---------------------|---------------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Loss after income tax expense for the year | (2,748,539) | (411,326) |
| Adjustments for: | | |
| Depreciation and amortisation | 47,786 | 48,311 |
| Unrealised foreign exchange losses | (2,904) | 1,085 |
| Share based payments- Vesting share options | 312,052 | 387,448 |
| Share based payments- Shares issued | 54,000 | - |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | 60,593 | (96,823) |
| Increase in prepayments | (43,549) | (39,676) |
| Decrease in trade and other payables | (201,941) | (95,298) |
| Increase in other provisions | 26,977 | 77,094 |
| Net cash used in operating activities | <u>(2,495,525)</u> | <u>(129,185)</u> |

Note 26. Earnings per share

| | Consolidated | |
|---|----------------------|----------------------|
| | 30 June 2020 | 30 June 2019 |
| | \$ | \$ |
| Loss after income tax attributable to the Owners of Patrys Limited | <u>(2,748,539)</u> | <u>(411,326)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>1,071,318,226</u> | <u>1,070,431,381</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>1,071,318,226</u> | <u>1,070,431,381</u> |
| | Cents | Cents |
| Basic earnings per share | (0.2566) | (0.0384) |
| Diluted earnings per share | (0.2566) | (0.0384) |

Note 26. Earnings per share (continued)

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the loss 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.

On 22 June 2020, the company announced a fully underwritten, non-renounceable pro-rata rights offer (Entitlement Offer) to acquire one (1) fully paid ordinary share at \$0.012 (1.2 cents) each for every three (3) existing fully paid ordinary shares held by PAB shareholders in Australian and New Zealand at the record date. If this had been finalised prior to the year-end then it would have an impact on the EPS reported.

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. The number of options i.e. 75,750,000 are not included in the diluted calculation as they are anti-dilutive during the current and prior period.

Note 27. Share based payments

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

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 (not including any issues made under the ESOP to Directors of the Company). All issues of shares or options under the plans are subject to approval by the Nomination & Remuneration Committee.

Set out below are summaries of options granted under the Executive Share Option Plan:

30 June 2020

| 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 |
|---------------------------------|-------------|----------------|----------------------------------|-----------|-----------|---------------------------|--------------------------------|
| 24/11/2016 | 24/11/2021 | \$0.0072 | 7,999,999 | - | - | - | 7,999,999 |
| 24/11/2016 | 24/11/2021 | \$0.0072 | 8,000,000 | - | - | - | 8,000,000 |
| 24/11/2016 | 24/11/2021 | \$0.0072 | 8,000,001 | - | - | - | 8,000,001 |
| 19/04/2017 | 19/04/2022 | \$0.0072 | 250,000 | - | - | - | 250,000 |
| 19/04/2017 | 01/07/2021 | \$0.0072 | 2,500,000 | - | - | - | 2,500,000 |
| 15/03/2018 | 15/03/2023 | \$0.0613 | 500,000 | - | - | - | 500,000 |
| 15/03/2018 | 01/07/2022 | \$0.0613 | 2,500,000 | - | - | - | 2,500,000 |
| 01/06/2018 | 18/04/2023 | \$0.0200 | 2,500,000 | - | - | - | 2,500,000 |
| 22/11/2018 | 22/11/2023 | \$0.0350 | 32,000,000 | - | - | - | 32,000,000 |
| 15/03/2019 | 15/03/2024 | \$0.0290 | 3,000,000 | - | - | - | 3,000,000 |
| 12/09/2019 | 31/08/2024 | \$0.0290 | - | 1,500,000 | - | - | 1,500,000 |
| 01/10/2019 | 01/10/2024 | \$0.0350 | - | 4,000,000 | - | - | 4,000,000 |
| 15/03/2020 | 15/03/2025 | \$0.0220 | - | 2,750,000 | - | - | 2,750,000 |
| 08/05/2020 | 05/05/2025 | \$0.0170 | - | 250,000 | - | - | 250,000 |
| | | | 67,250,000 | 8,500,000 | - | - | 75,750,000 |
| Weighted average exercise price | | | \$0.0243 | \$0.0292 | \$0.0000 | \$0.0000 | \$0.0248 |

30 June 2019

| 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 |
|---------------------------------|-------------|----------------|----------------------------------|------------|-----------|---------------------------|--------------------------------|
| 24/11/2016 | 24/11/2021 | \$0.0072 | 7,999,999 | - | - | - | 7,999,999 |
| 24/11/2016 | 24/11/2021 | \$0.0072 | 8,000,000 | - | - | - | 8,000,000 |
| 24/11/2016 | 24/11/2021 | \$0.0072 | 8,000,001 | - | - | - | 8,000,001 |
| 19/04/2017 | 19/04/2022 | \$0.0072 | 500,000 | - | - | - | 500,000 |
| 19/04/2017 | 01/07/2021 | \$0.0072 | 2,500,000 | - | - | - | 2,500,000 |
| 15/03/2018 | 15/03/2023 | \$0.0613 | 500,000 | - | - | - | 500,000 |
| 15/03/2018 | 01/07/2022 | \$0.0613 | 2,500,000 | - | - | - | 2,500,000 |
| 01/06/2018 | 18/04/2023 | \$0.0200 | 2,500,000 | - | - | - | 2,500,000 |
| 30/09/2019 | 19/04/2022 | \$0.0072 | - | - | (250,000) | - | (250,000) |
| 22/11/2018 | 22/11/2023 | \$0.0350 | - | 32,000,000 | - | - | 32,000,000 |
| 15/03/2019 | 15/03/2024 | \$0.0290 | - | 3,000,000 | - | - | 3,000,000 |
| | | | 32,500,000 | 35,000,000 | (250,000) | - | 67,250,000 |
| Weighted average exercise price | | | \$0.0132 | \$0.0345 | \$0.0072 | \$0.0000 | \$0.0242 |

Set out below are the options exercisable at the end of the financial year:

Note 27. Share based payments (continued)

| Grant date | Expiry date | 30 June 2020 Number | 30 June 2019 Number |
|------------|-------------|------------------------|------------------------|
| 24/11/2016 | 24/11/2021 | 7,999,999 | 7,999,999 |
| 24/11/2016 | 24/11/2021 | 8,000,000 | 8,000,000 |
| 24/11/2016 | 24/11/2021 | 8,000,001 | 8,000,001 |
| 19/04/2017 | 19/04/2022 | 250,000 | 250,000 |
| 19/04/2017 | 01/07/2021 | 2,500,000 | 2,500,000 |
| 15/03/2018 | 15/03/2023 | 500,000 | 500,000 |
| 15/03/2018 | 01/07/2022 | 2,500,000 | 2,500,000 |
| 01/06/2018 | 18/04/2023 | 2,500,000 | 2,500,000 |
| 22/11/2018 | 22/11/2023 | 6,000,000 | 6,000,000 |
| 15/03/2019 | 15/03/2024 | 3,000,000 | 3,000,000 |
| 12/09/2019 | 31/08/2024 | 1,250,000 | - |
| 01/10/2019 | 01/10/2024 | 2,000,000 | - |
| 15/03/2020 | 15/03/2025 | 1,500,000 | - |
| 08/05/2020 | 08/05/2025 | 250,000 | - |
| | | <u>46,250,000</u> | <u>41,250,000</u> |

The weighted average remaining contractual life of options outstanding at the end of the financial year was 4.77 years (2019: 3.525 years).

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 |
|------------|-------------|------------------------------|-------------------|------------------------|-------------------|----------------------------|-----------------------------|
| 12/09/2019 | 31/08/2024 | \$0.0230 | \$0.0290 | 217.00% | - | 0.89% | \$0.02261 |
| 01/10/2019 | 01/10/2024 | \$0.0021 | \$0.0350 | 100.00% | - | 0.78% | \$0.01157 |
| 15/03/2020 | 15/03/2025 | \$0.0140 | \$0.0220 | 215.00% | - | 0.56% | \$0.01372 |
| 08/05/2020 | 08/05/2025 | \$0.0120 | \$0.0170 | 215.00% | - | 0.39% | \$0.01177 |

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

2020

| Loan Share Plan - Series | Issue price \$ | Balance at start of year | Adjustments | Loans repaid during year | Loans cancelled during year | Balance at end of year |
|--------------------------|----------------|-----------------------------|-------------|-----------------------------|-----------------------------------|---------------------------|
| Employee LSP Tranche 14 | \$0.039 | 191,666 | - | - | (191,666) | - |
| Employee LSP Tranche 19 | \$0.022 | 225,000 | - | - | (225,000) | - |
| Employee LSP Tranche 20 | \$0.022 | 225,000 | - | - | - | 225,000 |
| Employee LSP Tranche 23 | \$0.050 | 100,000 | - | - | (100,000) | - |
| Employee LSP Tranche 24 | \$0.050 | 100,000 | - | - | - | 100,000 |
| Employee LSP Tranche 25 | \$0.050 | 100,000 | - | - | - | 100,000 |
| | | <u>941,666</u> | <u>-</u> | <u>-</u> | <u>(516,666)</u> | <u>425,000</u> |

Note 27. Share based payments (continued)

2019:

| Loan Share Plan - Series | Issue price \$ | Balance at start of year | Adjustments | Loans repaid during year | Loans cancelled during year | Balance at end of year |
|--------------------------|----------------|--------------------------|-------------|--------------------------|-----------------------------|------------------------|
| Employee LSP Tranche 6 | \$0.106 | 147,101 | - | - | (147,101) | - |
| Employee LSP Tranche 10 | \$0.039 | 204,999 | - | - | (204,999) | - |
| Employee LSP Tranche 11 | \$0.039 | 204,999 | - | - | (13,333) | 191,666 |
| Employee LSP Tranche 12 | \$0.022 | 255,000 | - | - | (255,000) | - |
| Employee LSP Tranche 13 | \$0.022 | 255,000 | - | - | (60,000) | 195,000 |
| Employee LSP Tranche 14 | \$0.022 | 255,000 | - | - | - | 255,000 |
| Employee LSP Tranche 16 | \$0.038 | 37,500 | - | - | (37,500) | - |
| Employee LSP Tranche 17 | \$0.050 | 100,000 | - | - | - | 100,000 |
| Employee LSP Tranche 18 | \$0.050 | 100,000 | - | - | - | 100,000 |
| Employee LSP Tranche 19 | \$0.050 | 100,000 | - | - | - | 100,000 |
| | | <u>1,659,599</u> | <u>-</u> | <u>-</u> | <u>(717,933)</u> | <u>941,666</u> |

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

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.

Note 27. Share based payments (continued)

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.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Act 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 2020 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

24 August 2020

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 2020, 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 2020 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 (including Independence Standards)* (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.

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.

Recoverability of Nucleus Intellectual Property

How the matter was addressed in our audit

Refer to Note 12 of the accompanying financial statements.

At 30 June 2020 the statement of financial position includes an intangible asset with a carrying value of \$528,750 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.
- Verified the existence of research and development expenditure incurred as evidence of the ongoing development of the Nucleus IP.
- Considered whether there were any external factors that may impact the intangible asset impairment assessment including the impact of COVID-19.

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 2020, 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 22 to 28 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Patrys Limited, for the year ended 30 June 2020, 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 Audit Pty Ltd

A handwritten version of the BDO logo, with the letters 'BDO' in a cursive, black ink style.

A handwritten signature in black ink that reads 'Tim Fairclough'.

Tim Fairclough

Director

Melbourne, 24 August 2020

The shareholder information set out below was applicable as at 13 August 2020.

Distribution of equitable securities

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

| | Number of holders | Number of ordinary shares | % of ordinary shares | Number of holders | Number of quoted options | % of quoted options | Number of holders | Number of unlisted options | % of unlisted options |
|---------------------------------------|----------------------|------------------------------------|-------------------------------|----------------------|-----------------------------------|------------------------------|----------------------|-------------------------------------|--------------------------------|
| 1 to 1,000 | 100 | 9,896 | 0.00 | 4 | 1,184 | 0.00 | - | - | - |
| 1,001 to 5,000 | 56 | 225,784 | 0.02 | 33 | 95,265 | 0.08 | - | - | - |
| 5,001 to 10,000 | 112 | 953,519 | 0.07 | 27 | 200,318 | 0.16 | - | - | - |
| 10,001 to 100,000 | 932 | 42,596,074 | 2.98 | 146 | 5,915,176 | 4.67 | - | - | - |
| 100,001 and over | 945 | 1,386,335,879 | 96.93 | 113 | 120,465,144 | 95.09 | 11 | 75,750,000 | 100.00 |
| | <u>2,145</u> | <u>1,430,121,152</u> | <u>100.00</u> | <u>323</u> | <u>126,677,087</u> | <u>100.00</u> | <u>11</u> | <u>75,750,000</u> | <u>100.00</u> |
| Holding less than a marketable parcel | 735 | 11,566,627 | 0.81 | 202 | 5,411,943 | 4.27 | - | - | - |

Twenty largest quoted equity security holders

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

| | Number held | Ordinary shares % of total shares issued |
|---|--------------------|---|
| STORK HOLDINGS 2010 LTD | 98,773,814 | 6.91 |
| DR DAX MARCUS CALDER | 88,082,929 | 6.16 |
| NATIONAL NOMINEES LIMITED | 79,670,849 | 5.57 |
| CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C) | 68,434,904 | 4.79 |
| DAX CALDER PTY LTD | 57,722,667 | 4.04 |
| KEMAST INVESTMENTS PTY LTD (KM STOKES S/F NO 1 A/C) | 39,215,687 | 2.74 |
| AJAVA HOLDINGS PTY LTD | 30,000,000 | 2.10 |
| MARGINATA PTY LTD (ROY BOLTON SUPER FUND A/C) | 27,000,000 | 1.89 |
| LGL TRUSTEES LIMITED (THE KONDA FAMILY A/C) | 26,499,994 | 1.85 |
| STAFFWEAR PTY LTD (DAX CALDER SUPER FUND A/C) | 26,000,000 | 1.82 |
| MR MLADEN MARUSIC | 25,039,068 | 1.75 |
| ONCOMAB GMBH | 20,250,000 | 1.42 |
| YALE UNIVERSITY | 16,116,324 | 1.13 |
| ESTELLEANNE PTY LTD | 16,000,000 | 1.12 |
| MR XIAOKE XIE | 15,000,000 | 1.05 |
| VALUI PTY LTD (FORTIS SUPER FUND A/C) | 14,000,014 | 0.98 |
| LGL TRUSTEES LIMITED (MK PENSION PLAN-473278 A/C) | 10,823,529 | 0.76 |
| MS KARIN JONES | 9,939,395 | 0.70 |
| MR NIGEL ROBERT STRONG | 8,744,148 | 0.61 |
| MR STEVEN JAMES STREICHER | 8,250,000 | 0.58 |
| | <u>685,563,322</u> | <u>47.94</u> |

| | Options over ordinary shares | |
|--|------------------------------|---------------------------|
| | Number held | % of total options issued |
| CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C) | 27,227,752 | 21.49 |
| DAX CALDER PTY LTD | 13,888,889 | 10.96 |
| AJAVA HOLDINGS PTY LTD | 10,000,000 | 7.89 |
| LAZARUS CORPORATE FINANCE PTY LTD (FACILITATION TRADING A/C) | 7,500,000 | 5.92 |
| NATIONAL NOMINEES LIMITED | 6,666,683 | 5.26 |
| MR CRAIG MANNERS | 5,600,000 | 4.42 |
| LGL TRUSTEES LIMITED (THE KONDA FAMILY A/C) | 4,166,665 | 3.29 |
| KEMAST INVESTMENTS PTY LTD (KM STOKES S/F NO 1 A/C) | 3,267,974 | 2.58 |
| MARGINATA PTY LTD (ROY BOLTON SUPER FUND A/C) | 2,333,334 | 1.84 |
| MR XIAOKE XIE | 1,833,334 | 1.45 |
| ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD (CUSTODIAN A/C) | 1,333,334 | 1.05 |
| ESTELLEANNE PTY LTD | 1,333,334 | 1.05 |
| DALHIGH PTY LTD (DALHIGH INVESTMENTS A/C) | 1,301,804 | 1.03 |
| VALUI PTY LTD (FORTIS SUPER FUND A/C) | 1,166,668 | 0.92 |
| RIYA INVESTMENTS PTY LTD | 1,000,000 | 0.79 |
| MR SEAMUS IAN CORNELIUS | 833,334 | 0.66 |
| MS KARIN JONES | 828,283 | 0.65 |
| STELLA EQUITY PTY LTD | 792,263 | 0.63 |
| NEAROLOGY PTY LTD | 775,000 | 0.61 |
| MR YONG WANG | 733,334 | 0.58 |
| | 92,581,985 | 73.09 |

Unquoted equity securities

| | Number on issue | Number of holders |
|-------------------------------------|-----------------|-------------------|
| Options over ordinary shares issued | 75,750,000 | 11 |

Substantial holders

Substantial holders in the Company, as disclosed in substantial holding notices given to the Company, are set out below:

| | Ordinary shares | |
|-------------------------|-----------------|--------------------------|
| | Number held | % of total shares issued |
| Dr Dax Marcus Calder | 120,117,634 | 11.19 |
| Stork Holdings 2010 Ltd | 98,773,814 | 6.91 |
| Mason Stevens Limited | 56,239,233 | 5.24 |

Voting rights

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

Ordinary shares

All issued shares carry voting rights on a one-for-one basis.

Quoted PABO Options

There are no voting rights attached to the quoted PABO options.

Unquoted Options

There are no voting rights attached to the unquoted options.

There are no other classes of equity securities.

Corporate Governance Statement

Refer to the Company's Corporate Governance statement at: <https://www.patrys.com/patrys-corporate-governance/>

Annual General Meeting

Patrys Limited advises that its Annual General Meeting will be held on Thursday, 19 November 2020. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX in due course. In accordance with the ASX Listing Rules and the Company's Constitution, the closing date for receipt of nominations for the position of Director are required to be lodged at the registered office of the Company by 5.00pm (AEST) on 1 October 2020.

Corporate directory

DIRECTORS

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

COMPANY SECRETARY

Ms. Melanie Leydin

REGISTERED OFFICE

Level 4, 100 Albert Road
South Melbourne VIC 3205
Phone: 03 9692 7222

PRINCIPAL PLACE OF BUSINESS

Level 4, 100 Albert Road
South Melbourne VIC 3205
Phone: 03 9692 7222

SHARE REGISTER

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford VIC 3067
Phone: 1300 850 505 (within Australia)
Phone: +61 3 9415 5000

AUDITOR

BDO Audit Pty Ltd
Tower 4, Level 18, 727 Collins Street
Melbourne VIC 3008
Australia

STOCK EXCHANGE LISTING

Patrys Limited shares are listed on the Australian
Securities Exchange (ASX code: PAB and Listed Options: PABO)

WEBSITE

www.patrys.com

ANNUAL GENERAL MEETING

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Corporate and social responsibility

Patrys is a leading therapeutic development company developing a platform of cell-penetrating antibodies for a range of cancers. In pursuing this objective, Patrys acknowledges its role within society and believes its success will deliver long-term positive benefits to all stakeholders. Patrys' corporate governance principles and code of conduct set the framework for how the company, management and employees are expected to conduct themselves.

Our people

The employees of Patrys are essential to the company achieving business success. To ensure Patrys remains a safe, healthy, and attractive workplace for our employees, Patrys has established workplace policies and practices.

Patrys' code of conduct reflects the core values of the company and sets out standards of behaviour in matters including compliance with all legal operations of the company. Patrys has significantly lower rates of employee turnover than the industry average. This higher rate of employee retention is indicative of its positive and collegiate workplace. Patrys prides itself on a strong culture based on accountability, performance, and ethical and respectful behaviours. The Board has adopted a diversity policy to provide a framework for Patrys to achieve a number of diversity objectives including, but not limited to, gender, age, ethnicity, disability, sexual orientation and cultural background. Within the limits of a small organisation, Patrys believes that it is tracking well on measures of diversity, including five of the eight leadership roles in the Board and Management being held by females, and similarly five being born outside of Australia. Patrys strives to put in place measures, such as flexible working arrangements, specifically to encourage participation by all.

Employee option schemes are used to provide the opportunity for all staff to share in the success of the company and to assist in aligning the objectives of employees with those of shareholders.

The community

Through innovative research and development, Patrys is creating products for needs which are currently unmet within the health and medical markets. All of Patrys' preclinical research activities comply with strict regulatory and ethical approval processes.



patrys

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