

## 1. Company details

Name of entity:	Patrys Limited
ABN:	97 123 055 363
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017

## 2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	2.1% to	520,525
Loss from ordinary activities after tax attributable to the Owners of Patrys Limited	up	136.1% to	(2,497,252)
Loss for the year attributable to the Owners of Patrys Limited	up	136.1% to	(2,497,252)

### Dividends

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

### Comments

The loss for the Group after providing for income tax amounted to \$2,497,252 (30 June 2017: \$1,057,876).

During the period, the Group had total revenue of \$520,525 (2017: \$531,729), consisting of the R&D tax incentive of \$455,207 (2017: \$410,163), licencing income of \$27,500 (2017: \$52,708), interest income of \$33,834 (2017: \$44,512) and government grants revenue of \$3,984 (2017: \$23,791).

The Group also recognised other income of \$Nil (2017: income of \$823,611) (consisting mainly of supplier refunds).

The Group's research and development expenditure during the financial year was \$1,307,298 (2017: \$1,265,377). This includes direct research and development activities associated with pre-clinical and manufacturing work, as well as wages, salaries and other overheads associated with research and development.

Cash at bank at 30 June 2018 was \$4,605,459, which excludes \$2 million of cash on deposit held with a term to maturity of greater than 3 months (30 June 2017: \$1,910,952). The increase was mainly due to a rights issue and capital raising which generated \$7,015,265 (before costs), less net operating outflows of \$2,086,722 and less investment in a 6 month term deposit of \$2,000,000. The working capital position at 30 June 2018 was \$6,688,294 (30 June 2017: \$2,010,546).

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.62</u>	<u>0.27</u>

## 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

Not applicable.

## 6. Dividends

### *Current period*

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

### *Previous period*

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

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## 7. Dividend reinvestment plans

Not applicable.

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## 8. Details of associates and joint venture entities

Not applicable.

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## 9. Foreign entities

### *Details of origin of accounting standards used in compiling the report:*

Not applicable.

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## 10. Audit qualification or review

### *Details of audit/review dispute or qualification (if any):*

The financial statements have been audited and an unqualified opinion has been issued.

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## 11. Attachments

### *Details of attachments (if any):*

The Annual Report of Patrys Limited for the year ended 30 June 2018 is attached.

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## 12. Signed

Signed  \_\_\_\_\_

Date: 24 August 2018

**Patrys Limited**

**ABN 97 123 055 363**

**patrys**

**Annual Report - 30 June 2018**

Corporate directory	2
Directors' report	3
Auditor's independence declaration	16
Statement of profit or loss and other comprehensive income	17
Statement of financial position	18
Statement of changes in equity	19
Statement of cash flows	20
Notes to the financial statements	21
Directors' declaration	46
Independent auditor's report to the members of Patrys Limited	47
Shareholder information	50

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)
Company secretary	Melanie Leydin
Registered office	Level 4, 100 Albert Road South Melbourne VIC 3205 Ph: 03 9692 7222
Principal place of business	Level 4, 100 Albert Road South Melbourne VIC 3205 Ph: 03 9692 7222
Share register	Computershare Investor Services Pty Limited 452 Johnston Street Abbotsford VIC 3067 Phone: 1300 555 159 (within Australia) Phone: +61 3 9415 4062
Auditor	BDO East Coast Partnership 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)
Website	<a href="http://www.patrys.com">www.patrys.com</a>

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 2018.

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

### **Principal activities**

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

- Commercialisation of the Group's proprietary technologies to develop novel antibody-based therapeutic products for the treatment of cancer.

### **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 \$2,497,252 (30 June 2017: \$1,057,876).

### **Overview**

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

The Company has two technology platforms;

1. Deoxymabs, which are nuclear-penetrating antibodies in pre-clinical development, and;
2. IgMs that the Company has developed over the past decade, including candidates that showed safety and signals of efficacy in clinical trials in both melanoma and multiple myeloma.

The Company strengthened its financial position through the 2017-18 year, completing a \$2.4 million rights issue in February 2018 and a \$4.6 million capital raise in May 2018. These funds will predominantly be used to progress the Deoxymab platform.

#### *Deoxymabs*

Patrys has licensed the exclusive global rights to two nuclear-penetrating antibodies (3E10 and 5C6) for cancer therapy from Yale University.

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

Patrys has re-formatted Deoxymab 3E10 as a di-single chain fragment (scFv) to reduce the risk of non-specific activation and associated side effects. This engineered form of Deoxymab 3E10 is known as PAT-DX1.

The past year has been particularly exciting for Patrys, and the Company has reported positive results from multiple pre-clinical cell and animal models. Highlights of these experiments include:

- PAT-DX1 kills colon cancer cells that lack key DNA repair enzymes (BRCA2)
- PAT-DX1 is active against primary human glioblastoma explants from patients
- PAT-DX1 shows efficacy in animal model of triple negative breast cancer
- PAT-DX1 synergizes with the PARP inhibitor olaparib in cell culture
- PAT-DX1 crosses the blood brain barrier, reduces tumour size and increases survival in an orthotopic glioblastoma model
- PAT-DX1 targets and kills glioblastoma cancer stem cells

During the financial year the first patent protecting Deoxymab 3E10 as treatment for various cancers was granted by the United States Patent and Trademark Office (USPTO) and patent protection was also filed for PAT-DX1.

Patrys has also licensed global rights to Deoxymab 3E10 linked to nanoparticles from Yale University. The nanoparticles can be loaded with standard chemotherapeutic (or other) drugs and have been demonstrated to significantly increase the efficacy of the drug therapy in pre-clinical models. There was some progress with this asset in the financial year, but more detailed experiments with a range of payloads are planned for the 2018-19 financial year.

Patrys' Scientific Advisory Board met to review the Deoxymab program most recently in April 2018 and remains enthusiastic about the progress made with, and potential of, PAT-DX1.

#### *IgM assets*

A planned clinical trial of PAT-SM6 in 2015 was deferred because of failures in the manufacturing process. Given the significant cost and time involved with these programs Patrys will only consider reactivation on a partnered, risk sharing basis or if non-dilutive funds can be accessed.

Patrys' IgM intellectual property portfolio was strengthened in October 2017 with the granting of an additional patent by the USPTO to protect the use of PAT-LM1 for treating colon cancer metastasis.

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

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

#### *Looking ahead*

The Patrys team remains focused on progressing its Deoxymab assets, particularly PAT-DX1 and cost-effectively developing its IgM assets. Given the success of the PAT-DX1 program, the coming year will see the Company complete further pre-clinical studies, both through contract research organisations and academic collaborations, to build understanding of the potential applications of PAT-DX1 as it continues with efforts to progress towards a clinical trial.

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

Management and the Board believe that the company is well positioned to build on the significant value realised in 2017-18, and looks forward to sharing this journey with its shareholders over the coming year.

#### **Strategic focus**

The Company's current strategy is to build further value into the Deoxymab platform through pre-clinical activities, to commence progression of the PAT-DX1 asset towards the clinic, and to seek to partner or fund through non-dilutive sources the costly clinical development programs for the Company's IgM assets.

#### **Business development**

The substantial progress made with the Deoxymab platform over the past financial year has generated a number of business development discussions and collaboration opportunities that the Board evaluates on a case-by-case basis. Whilst the Company has the resources to progress its PAT-DX1 asset towards the clinic it will consider appropriately valued co-development opportunities from reputable partner organisations.

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

#### **Operating results**

The Group held cash and term deposits of \$6,605,459 (2017: \$1,910,952) at reporting date. The Group's policy is to hold its cash and cash equivalent deposits in 'A' rated or better deposits.

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

Consolidated revenue including other income during the period was \$520,525 (2017: \$1,355,340). This revenue includes interest of \$33,834 (2017: \$44,512), R&D tax incentive income of \$455,207 (2017: \$410,163), licencing income of \$27,500 (2017: \$52,708), and other income of \$Nil (2017: \$823,611), mainly consisting of supplier refunds.

Total consolidated operating expenses for the period were \$3,017,777 (2017: \$2,413,216). Operating expenses include research and development costs of \$1,307,298 (2017: \$1,265,377) which have been expensed in the year they were incurred. The increase in R&D costs in 2018 is due to increased activity on the Deoxymab project with commencement of pre-clinical and manufacturing works in the financial year. Administration and management costs contributed a further \$1,710,479 (2017: \$1,147,839) to expenses from continuing operations. The increase during the financial year relates to a higher legal costs for the insurance claim, and share based payments and other incentives.

### **Significant changes in the state of affairs**

During the financial year:

- the Company issued 34,789,333 fully paid ordinary shares at a deemed issue price of \$0.0051 (0.51 cents) per share, being Tranche 2 consideration shares issued to the shareholders of Nucleus Therapeutics Pty Ltd in accordance with the terms of the agreement and the ASX Announcement dated 29 March 2016;
- the Company issued 142,074,313 fully paid ordinary shares at an issue price of \$0.017 (1.7 cents) per share pursuant to a rights issue;
- the Company issued 8,139,744 fully paid ordinary shares at a deemed issue price of \$0.017 (1.7 cents) per share as consideration for consulting services;
- the Company issued 3,000,000 unlisted options exercisable at \$0.0613 (6.13 cents) per option;
- the Company issued 2,500,000 unlisted options exercisable at \$0.02 (2 cents) per option; and
- the Company issued 141,470,587 fully paid ordinary shares at an issue price of \$0.034 (3.4 cents) per share pursuant to a share placement.

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**

No matter or circumstance has arisen since 30 June 2018 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, and on sourcing non-dilutive capital to restart the clinical development of PAT-SM6, which has been shown to have anti-cancer properties in clinical studies.

### **Environmental regulation**

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



### Information on Directors

Name:	John Read
Title:	Non-Executive Chairman
Qualifications:	BSc (Hons), MBA, FAICD
Experience and expertise:	Mr. Read is an experienced Chairman and Director in public, private and government organisations. Through his extensive career in venture capital, private equity and commercialisation he has gained a depth of experience in the formation and growth of emerging companies with an emphasis on commercial entities that provide broad societal benefits. He is currently the Chairman of CVC Limited (ASX: CVC) and previously Chairman of Eildon Capital Limited (ASX:EDC) from 2013 to 2016, Pro-Pac Packaging Limited (ASX:PPG) from 2005 to 2010, The Environmental Group Limited (ASX:EGL) from 2001 to 2012 and The Central Coast Water Corporation from 2011 to 2014.
Other current directorships:	CVC Ltd (since 1989).
Former directorships (last 3 years):	Eildon Capital Limited (ASX: EDC)
Special responsibilities:	Chairman of Nomination and Remuneration Committee Member of Audit and Risk Committee
Interests in shares:	7,721,911 ordinary shares
Name:	James Campbell
Title:	Managing Director and Chief Executive Officer
Qualifications:	Ph.D, MBA
Experience and expertise:	Dr. Campbell has more than 20 years' of international biotechnology research, management and leadership experience and has been involved in the creation and/or transformation of multiple successful Australian and international biotechnology companies. Dr. Campbell was previously the CFO and COO of ChemGenex Pharmaceuticals Limited (ASX:CXS), where, as a member of the executive team he helped transform a research-based company with a market capitalisation of \$10 million to a company with completed clinical trials and regulatory dossiers submitted to the FDA and EMA. In 2011 ChemGenex was sold to Cephalon for \$230 million. Dr. Campbell was a foundation executive of Evolve Biosystems, and has assisted private biotechnology companies in Australia, New Zealand and the USA with successful capital raising and partnering negotiations. Dr. Campbell sits on the IP and Commercialization Advisory Committee of the CRC for Mental Health, and sits on the Advisory Board of Deakin University's Centre for Innovation in Mental and Physical Health and Clinical Treatment (IMPACT). Dr. Campbell is a Non-Executive Director of both Invion Limited (ASX:IVX) and Prescient Therapeutics Limited (ASX:PTX).
Other current directorships:	Non-Executive Director of Invion Limited (ASX:IVX) and Prescient Therapeutics Limited (ASX:PTX).
Former directorships (last 3 years):	Non-Executive Director of Medibio Limited (ASX:MEB) (resigned 30/9/2016)
Interests in shares:	29,546 fully paid ordinary shares
Interests in options:	15,000,000 unlisted options exercisable at \$0.0072 per option, expiring 24/11/2021

Name: Michael Stork  
Title: Non-Executive Director and Deputy Chairman  
Qualifications: BBA  
Experience and expertise: Mr. Stork is the Managing Director of Stork Holdings Ltd, an Investment Holding company active in the Canadian technology startup sector. Mr. Stork was, until early this year, active on the Board of Governors of the University of Waterloo and is the Chairman of the Waterloo Accelerator Centre, a technology company incubator affiliated with the University. He is currently the Chairman of Spartan Biosciences Inc., an Ottawa based DNA analytics company, the Chairman of Dejero Labs Inc., a Waterloo based broadcast technology company, and active on the Boards of a number of other leading Canadian technology startup companies.

Other current directorships: None.  
Former directorships (last 3 years): None.  
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 shares are held by a related trust which Michael Stork in his own right does not control).

Name: Suzy Jones  
Title: Non-Executive Director  
Experience and expertise: Ms. Jones is Founder and Managing Partner of DNA Ink LLC, a life sciences advisory firm in San Francisco with clients in the United States and Europe. DNA Ink provides corporate strategic guidance to its clients that support corporate growth. Prior to starting her own firm, Ms. Jones spent 20 years at Genentech where she served in many roles including Interim Head of Partnering, Head of Business Development, Senior Project Manager and Research Associate. She managed several product teams during this time including Rituxan, the first monoclonal antibody launched to treat cancer. Ms. Jones has very extensive networks within the pharmaceutical and biotech companies and VC community in North America. Ms. Jones is a Non-Executive Director of Calithera Biosciences, Inc. (Nasdaq:CALA), a clinical-stage pharmaceutical company focused on discovering and developing novel small molecule drugs directed against tumor metabolism and tumor immunology targets for the treatment of cancer.

Other current directorships: Nil.  
Former directorships (last 3 years): None.  
Special responsibilities: Member of Nomination and Remuneration Committee  
Member of Audit and Risk Committee

Interests in shares: 3,000,000 fully paid ordinary shares.

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

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

### **Company secretary**

Ms Melanie Leydin, CA

Ms Leydin has 25 years' experience in the accounting profession including 13 years in the Corporate Secretarial professions and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. Since February 2000, she has been the principal of Leydin Freyer, specialising in outsourced company secretarial and financial duties.

### Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
John Read	8	8	2	2	3	3
James Campbell	8	8	-	-	-	-
Suzy Jones	8	8	2	2	3	3
Michael Stork	8	8	2	2	3	3

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

### 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/](http://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 1 September 2012. 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 receives US\$60,000) and reflect the demands which are made on and the responsibilities of the Directors. However, one Non-Executive Director, Mr. Michael Stork, does not receive monetary Director fees and received no remuneration of any kind during the year.

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

#### *Executive remuneration*

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

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

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

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

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

Incentives are payable to executives based upon the attainment of agreed corporate and individual milestones and are reviewed and approved by the Board of Directors. The Board of Directors approved a short term incentive of \$70,000 for Mr James Campbell for the year ended 30 June 2018 which was paid in July 2018.

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. No such equity instruments were issued during the year ended 30 June 2018.

*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 23 November 2017 Annual General Meeting ('AGM')*

At the 23 November 2017 AGM, 99.19% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. 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 2018.

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)

	Short-term		Short-term	Post-employment	Long-term	Share-based	Total
	Cash salary and fees	Short-term benefits	benefits Annual leave	benefits Super-annuation	benefits Long service leave	payments Equity-settled options	
2018	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
John Read	95,000	-	-	-	-	-	95,000
Suzy Jones*	77,216	-	-	-	-	-	77,216
<i>Executive Directors:</i>							
James Campbell**	279,951	70,000	7,894	20,052	4,270	16,667	398,834
<i>Other Key Management Personnel:</i>							
Melanie Leydin***	96,000	-	-	-	-	-	96,000
	<u>548,167</u>	<u>70,000</u>	<u>7,894</u>	<u>20,052</u>	<u>4,270</u>	<u>16,667</u>	<u>667,050</u>

\* Ms Jones was paid \$60,000 USD at an average exchange rate of \$0.777 USD to \$1 AUD.

\*\* Bonus of \$70,000 paid to Mr Campbell in July 2018.

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

\*\*\*\* Mr Stork was not paid remuneration in 2018 and 2017.

	Short-term		Short-term	Post-employment	Long-term	Share-based	Total
	Cash salary and fees	Short-term benefits	benefits Annual Leave	benefits Super-annuation	benefits Long service leave	payments Equity-settled options	
2017	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
John Read	95,000	-	-	-	-	-	95,000
Suzy Jones*	79,310	-	-	-	-	-	79,310
<i>Executive Directors:</i>							
James Campbell	280,389	-	5,769	19,616	5,010	37,513	348,297
<i>Other Key Management Personnel:</i>							
Melanie Leydin**	96,000	-	-	-	-	-	96,000
	550,699	-	5,769	19,616	5,010	37,513	618,607

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

\*\* Fees shown for Ms Leydin were paid to Leydin Freyer Corporate 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	
	2018	2017	2018	2017	2018	2017
<i>Non-Executive Directors:</i>						
John Read	100%	100%	-	-	-	-
Suzy Jones	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
James Campbell	78%	89%	18%	-	4%	11%
<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 \$330,000 effective from 1 July 2018. The Remuneration Package is inclusive of any fringe benefits tax for which the Company is liable in respect of the employee's total remuneration and any superannuation contributions. The employee's performance will be reviewed annually or more frequently if required.

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

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

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

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

### **Share-based compensation**

#### *Issue of shares*

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2018.

#### *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
James Campbell	5,000,000	24/11/2016	Vested 24/11/2017 and exercisable thereafter	21/11/2021	\$0.0078	\$0.00360
		24/11/2016	24/11/2018 and exercisable thereafter, subject to Company meeting share price hurdle	21/11/2021		
James Campbell	5,000,000				\$0.0078	\$0.00309

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 2018 are set out below:

Name	Number of options granted during the year 2018	Number of options granted during the year 2017	Number of options vested during the year 2018	Number of options vested during the year 2017
James Campbell	-	15,000,000	5,000,000	5,000,000

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 2018 are set out below:

Name	Grant date	Vesting date	Number of options granted	Value of options granted \$	Value of options vested \$	Number of options lapsed	Value of options lapsed \$
James Campbell	24/11/2016	24/11/2017	-	-	18,417	-	-

#### **Additional information**

The earnings of the Group for the five years to 30 June 2018 are summarised below:

	2018 \$	2017 \$	2016 \$	2015 \$	2014 \$
Revenue and other income	520,525	531,729	867,653	2,224,481	759,683
Net profit/(loss) before tax	(2,497,252)	(1,057,876)	(1,080,784)	(8,463,492)	(7,280,929)
Net profit/(loss) after tax	(2,497,252)	(1,057,876)	(1,080,784)	(8,470,382)	(7,289,090)

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

	2018	2017	2016	2015	2014
Share price at financial year start (\$)	0.0100	0.0100	0.0100	0.0300	0.0200
Share price at financial year end (\$)	0.0580	0.0100	0.0100	0.0100	0.0300
Basic earnings per share (cents per share)	(0.2653)	(0.1420)	(0.1500)	(1.2200)	(1.2100)

#### **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>					
John Read	6,660,890	-	1,211,073	(150,052)	7,721,911
Michael Stork	95,731,764	-	3,042,050	-	98,773,814
James Campbell	25,000	-	4,546	-	29,546
Suzy Jones	3,000,000	-	-	-	3,000,000
	<u>105,417,654</u>	<u>-</u>	<u>4,257,669</u>	<u>(150,052)</u>	<u>109,525,271</u>

\* The Disposals/Other item for the 2018 financial year is cancellation of shares as part of the loan share plan.

##### *Option holding*

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

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

***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	500,000
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
			32,500,000

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

### Shares issued on the exercise of options

There were no ordinary shares of Patrys Limited issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.

### Indemnity and insurance of officers

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

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

### Indemnity and insurance of auditor

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

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

### Proceedings on behalf of the Company

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

### Non-audit services

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

Details of the amount paid or payable to the auditor (BDO East Coast Partnership) for audit and non-audit services provided during the year are set out in Note 20.

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 East Coast Partnership

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

**Auditor's independence declaration**

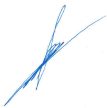
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

**Auditor**

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

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

On behalf of the Directors



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Mr. John Read  
Chairman


24 August 2018

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

As lead auditor of Patrys Limited for the year ended 30 June 2018, 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.



Tim Fairclough  
Partner

**BDO East Coast Partnership**

Melbourne, 24 August 2018

**Patrys Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**



	Note	Consolidated	
		2018	2017
		\$	\$
<b>Revenue</b>	5	520,525	531,729
Other income	6	-	823,611
<b>Expenses</b>			
Research & development expenses		(1,307,298)	(1,265,377)
Administration & management expenses		(1,710,479)	(1,147,839)
		<u>(2,497,252)</u>	<u>(1,057,876)</u>
<b>Loss before income tax expense</b>		(2,497,252)	(1,057,876)
Income tax expense	8	-	-
		<u>(2,497,252)</u>	<u>(1,057,876)</u>
<b>Loss after income tax expense for the year attributable to the Owners of Patrys Limited</b>		(2,497,252)	(1,057,876)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		(5,977)	4,797
Other comprehensive income for the year, net of tax		<u>(5,977)</u>	<u>4,797</u>
<b>Total comprehensive income for the year attributable to the Owners of Patrys Limited</b>		<u>(2,503,229)</u>	<u>(1,053,079)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	27	(0.2653)	(0.1420)
Diluted earnings per share	27	(0.2653)	(0.1420)

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

	Note	Consolidated	
		2018	2017
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	4,605,459	1,910,952
Trade and other receivables	10	643,725	500,728
Other financial assets	11	2,099,680	78,860
Total current assets		<u>7,348,864</u>	<u>2,490,540</u>
<b>Non-current assets</b>			
Property, plant and equipment		5,633	4,341
Intangibles	12	618,750	663,750
Total non-current assets		<u>624,383</u>	<u>668,091</u>
<b>Total assets</b>		<u>7,973,247</u>	<u>3,158,631</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	574,564	415,120
Employee benefits		86,006	64,874
Total current liabilities		<u>660,570</u>	<u>479,994</u>
<b>Non-current liabilities</b>			
Employee benefits		21,202	15,540
Total non-current liabilities		<u>21,202</u>	<u>15,540</u>
<b>Total liabilities</b>		<u>681,772</u>	<u>495,534</u>
<b>Net assets</b>		<u>7,291,475</u>	<u>2,663,097</u>
<b>Equity</b>			
Issued capital	14	67,039,044	60,035,971
Reserves	15	588,561	518,155
Accumulated losses		(60,336,130)	(57,891,029)
<b>Total equity</b>		<u>7,291,475</u>	<u>2,663,097</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 2018**



	Issued capital \$	Foreign currency translation reserve \$	Share option reserve \$	Share loan plan reserve \$	Other reserve \$	Accumulated losses \$	Total equity \$
<b>Consolidated</b>							
Balance at 1 July 2016	60,035,971	(18,523)	9,358	154,810	360,000	(56,903,147)	3,638,469
Loss after income tax expense for the year	-	-	-	-	-	(1,057,876)	(1,057,876)
Other comprehensive income for the year, net of tax	-	4,797	-	-	-	-	4,797
Total comprehensive income for the year	-	4,797	-	-	-	(1,057,876)	(1,053,079)
Reallocation of value of expired and cancelled equity Vested & lapsed options	-	-	-	(64,578)	-	64,578	-
Share based payments (note 28)	-	-	(5,416)	-	-	5,416	-
	-	-	76,968	739	-	-	77,707
Balance at 30 June 2017	<u>60,035,971</u>	<u>(13,726)</u>	<u>80,910</u>	<u>90,971</u>	<u>360,000</u>	<u>(57,891,029)</u>	<u>2,663,097</u>
<b>Consolidated</b>							
Balance at 1 July 2017	60,035,971	(13,726)	80,910	90,971	360,000	(57,891,029)	2,663,097
Loss after income tax expense for the year	-	-	-	-	-	(2,497,252)	(2,497,252)
Other comprehensive income for the year, net of tax	-	(5,977)	-	-	-	-	(5,977)
Total comprehensive income for the year	-	(5,977)	-	-	-	(2,497,252)	(2,503,229)
Reallocation of value of expired and cancelled equity Vested & lapsed options	-	-	-	(48,025)	-	48,025	-
Share issue	7,363,641	-	-	-	-	-	7,363,641
Share issue costs	(540,568)	-	-	-	-	-	(540,568)
Issue of shares in consideration for Nucleus	180,000	-	-	-	(180,000)	-	-
<i>Transactions with owners in their capacity as owners:</i> Share-based payments (note 28)	-	-	308,534	-	-	-	308,534
Balance at 30 June 2018	<u>67,039,044</u>	<u>(19,703)</u>	<u>385,318</u>	<u>42,946</u>	<u>180,000</u>	<u>(60,336,130)</u>	<u>7,291,475</u>

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

	Note	Consolidated	
		2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of GST)		(2,450,880)	(2,312,898)
Interest and other income		31,447	60,120
R&D tax incentive		292,776	203,668
Government grants		12,435	15,340
Supplier refunds		-	729,289
Licensing income		27,500	27,500
		<u>27,500</u>	<u>27,500</u>
Net cash used in operating activities	26	<u>(2,086,722)</u>	<u>(1,276,981)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(4,125)	(2,771)
Investment in term deposit		(2,000,000)	-
		<u>(2,004,125)</u>	<u>(2,771)</u>
Net cash used in investing activities		<u>(2,004,125)</u>	<u>(2,771)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	14	7,015,265	-
Share issue transaction costs		(199,015)	-
		<u>6,816,250</u>	<u>-</u>
Net cash from financing activities		<u>6,816,250</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		2,725,403	(1,279,752)
Cash and cash equivalents at the beginning of the financial year		1,910,952	3,215,039
Effects of exchange rate changes on cash and cash equivalents		(30,896)	(24,335)
		<u>(30,896)</u>	<u>(24,335)</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>4,605,459</u></u>	<u><u>1,910,952</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 2018. The Directors have the power to amend and reissue the financial statements.

### **Note 2. Significant accounting policies**

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

#### **New or amended Accounting Standards and Interpretations adopted**

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

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

#### **Going concern**

It is noted that for 2018 financial year, the Group incurred a loss from continuing operations after income tax of \$2,497,252 (2017: \$1,057,876) and had consolidated net operating cash outflows of \$2,086,722 (2017: \$1,276,981).

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 2018, the Group had net current assets of \$6,688,294 (2017: \$2,010,546);
- Cash flow forecasts prepared by management demonstrate that the Group has sufficient funds to meet commitments over the next twelve months;
- At 30 June 2018, the Group recognised a receivable of \$593,436 from the R&D tax incentive, which is expected to be received in the first half of the 2019 financial year.

#### **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 available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

#### *Critical accounting estimates*

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

#### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 23.



## **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 2018 and the results of all subsidiaries for the year then ended. Patrys Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

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

### **Foreign currency translation**

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

#### *Foreign currency transactions*

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

#### *Foreign operations*

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

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

### **Current and non-current classification**

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

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

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

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

## Note 2. Significant accounting policies (continued)

### Investments and other financial assets

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

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

### *Loans and receivables*

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

### *Impairment of financial assets*

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

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

### Impairment of non-financial assets

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

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

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

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

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

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 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

## Note 2. Significant accounting policies (continued)

### *AASB 9 Financial Instruments*

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

### *AASB 15 Revenue from Contracts with Customers*

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

## Note 3. Critical accounting judgements, estimates and assumptions

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

### *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.

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

#### *Fair value measurement hierarchy*

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

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

#### *Estimation of useful lives of assets*

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

#### *Income tax*

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

#### *Recovery of deferred tax assets*

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

#### *Employee benefits provision*

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

### Note 4. Operating segments

#### *Identification of reportable operating segments*

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

#### *Accounting policy for operating segments*

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

**Note 5. Revenue**

	Consolidated	
	2018	2017
	\$	\$
Licensing income	27,500	52,708
R&D tax incentive income	455,207	410,163
Interest income	33,834	44,512
Other income	-	555
Government grants	3,984	23,791
	<u>520,525</u>	<u>531,729</u>
Revenue	<u><u>520,525</u></u>	<u><u>531,729</u></u>

*Accounting policy for revenue recognition*

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

*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.

*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	
	2018	2017
	\$	\$
Foreign exchange gain/(loss)	-	(22,968)
Supplier refunds	-	846,579
	<u>-</u>	<u>823,611</u>
Other income	<u><u>-</u></u>	<u><u>823,611</u></u>

**Note 7. Expenses**

	Consolidated	
	2018	2017
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	2,833	2,545
<i>Amortisation/Impairment</i>		
License and registered patents	45,000	45,000
Total depreciation and amortisation	47,833	47,545
<i>Operating expenses</i>		
Research and development expenses	1,307,298	1,265,377
Operating lease expenses	-	16,194
	1,307,298	1,281,571
<i>Employee salary and benefit expense</i>		
Defined contribution superannuation expense	41,773	43,933
Salary and employee benefit expenses	781,280	710,676
Total employment expenses	823,053	754,609
<i>Share Based Payments Expense</i>		
Share Based Payments Expense	308,534	77,707

**Note 8. Income tax expense**

	Consolidated	
	2018	2017
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(2,497,252)	(1,057,876)
Tax at the statutory tax rate of 30%	(749,176)	(317,363)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of revenue that is not assessable in determining taxable loss	145,818	(131,713)
Effect of expenses that are not deductible in determining taxable loss	403,748	342,840
Deferred tax assets not brought to account	199,610	106,236
Income tax expense	-	-
	-	-
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses - revenue	15,273,221	15,076,259
Deductible temporary differences	342,964	332,991
Total deferred tax assets not recognised	15,616,185	15,409,250

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

#### Income tax

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

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

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

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

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

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

#### Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2018	2017
	\$	\$
Cash at bank	4,605,459	1,260,952
Cash on deposit	-	650,000
	4,605,459	1,910,952

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

**Note 9. Current assets - cash and cash equivalents (continued)**

*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 2018, the Company held \$2 million of cash on deposit with a maturity date greater than 3 months. Refer to Note 11.

**Note 10. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Accrued revenue	25,208	25,208
Research & Development incentive receivable	593,436	431,005
Other receivables	25,081	44,515
	<u>643,725</u>	<u>500,728</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% (2017: 43.5%) on the eligible R&D expenditure incurred on eligible R&D activities.

The 43.5% (2017: 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 provision for impairment.

**Note 11. Current assets - other financial assets**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Prepayments	99,680	78,860
Term deposit	2,000,000	-
	<u>2,099,680</u>	<u>78,860</u>

**Note 12. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Intellectual property - at cost	720,000	720,000
Less: Accumulated amortisation	(101,250)	(56,250)
	<u>618,750</u>	<u>663,750</u>



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

*Reconciliations*

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

<b>Consolidated</b>	Intellectual property \$	Total \$
Balance at 1 July 2016	708,750	708,750
Amortisation expense	<u>(45,000)</u>	<u>(45,000)</u>
Balance at 30 June 2017	663,750	663,750
Amortisation expense	<u>(45,000)</u>	<u>(45,000)</u>
Balance at 30 June 2018	<u><u>618,750</u></u>	<u><u>618,750</u></u>

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

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

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

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.

*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	
	2018	2017
	\$	\$
Trade payables	220,383	65,276
Other creditors and accruals	354,181	349,844
	<u>574,564</u>	<u>415,120</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			
	2018	2017	2018	2017
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>1,070,225,902</u>	<u>744,432,206</u>	<u>67,039,044</u>	<u>60,035,971</u>

#### Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2016	745,253,370		60,035,971
Expiration of shares from share loan plan	19 December 2016	(537,804)		-
Expiration of shares from share loan plan	30 June 2017	<u>(283,360)</u>		<u>-</u>
Balance	30 June 2017	744,432,206		60,035,971
Tranche 2 consideration shares issued to shareholders of Nucleus Therapeutics Pty Ltd	31 July 2017	34,789,333	\$0.0051	180,000
Rights issue	16 February 2018	142,074,313	\$0.0170	2,415,265
Share issue costs		-		(99,398)
Share issue	23 May 2018	8,139,744	\$0.0170	138,376
Share issue	23 May 2018	135,294,117	\$0.0340	4,600,000
Share issue	23 May 2018	6,176,470	\$0.0340	210,000
Share issue costs		-		(441,170)
Expiration of shares from share loan plan	27 June 2018	(642,781)		-
Expiration of shares from share loan plan	30 June 2018	<u>(37,500)</u>		<u>-</u>
Balance	30 June 2018	<u>1,070,225,902</u>		<u>67,039,044</u>

#### 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.

#### Note 14. Equity - issued capital (continued)

##### *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 2017 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	
	2018	2017
	\$	\$
Foreign currency reserve	(19,703)	(13,726)
Share options reserve	385,318	80,910
Share loan plan reserve	42,946	90,971
Other reserves	180,000	360,000
	588,561	518,155

##### *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 arises 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 28 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 28 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.

#### Note 15. Equity - reserves (continued)

##### *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 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 Notes 14, and 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.

##### **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.

**Note 17. Financial instruments (continued)**

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

	Assets		Liabilities	
	2018	2017	2018	2017
Consolidated	\$	\$	\$	\$
US dollars	27,337	373,621	16,924	160,899
Euros	166,316	499	161,970	107,350
Pound Sterling	15,162	52	10,968	5,594
	<u>208,815</u>	<u>374,172</u>	<u>189,862</u>	<u>273,843</u>

Consolidated - 2018	% change	AUD strengthened Effect on loss before tax	Effect on equity	% change	AUD weakened Effect on loss before tax	Effect on equity
US Dollars	10%	(946)	(946)	(10%)	1,158	1,158
Euros	10%	(395)	(395)	(10%)	483	483
Pound Sterling	10%	(382)	(382)	(10%)	465	465
		<u>(1,723)</u>	<u>(1,723)</u>		<u>2,106</u>	<u>2,106</u>

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

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

**Liquidity risk**

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

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

## Note 17. Financial instruments (continued)

### Remaining contractual maturities

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

Consolidated - 2018	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	574,564	-	-	-	574,564
Total non-derivatives		574,564	-	-	-	574,564

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

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. Fair value measurement

### Accounting policy for fair value measurement

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

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

## Note 19. Key management personnel disclosures

### Directors

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

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

### Note 19. Key management personnel disclosures (continued)

#### Other key management personnel

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

Ms. Melanie Leydin

#### Compensation

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

	Consolidated	
	2018	2017
	\$	\$
Short-term employee benefits	626,061	556,468
Post-employment benefits	20,052	19,616
Long-term benefits	20,937	42,523
	667,050	618,607
	667,050	618,607

### Note 20. Remuneration of auditors

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

	Consolidated	
	2018	2017
	\$	\$
<i>Audit services -</i>		
Audit or review of the financial statements	55,804	59,729
<i>Other services -</i>		
Advice on taxation and other matters and review and lodgement of corporate tax returns	20,906	10,250
	76,710	69,979

### Note 21. 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.

#### 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.

## Note 21. Commitments (continued)

### 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 US\$75,000 and royalties payable on the sale of products that derive from the New IPR. These payments and royalty rates are typical in the industry for transactions of such nature.

### Confirmation Assignment Agreement

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

### Capital expenditure commitments

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

### Operating and finance lease commitments

There are no operating or finance lease commitments in place at 30 June 2018.

### Licence agreement

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

#### *Patrys - Crucell 2009 Research Licence Agreement*

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

#### *Patrys - Debiovision - Option License and Assignment Agreement*

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

#### *Nucleus Therapeutics – Yale University – License, Commercialization and Development Agreement*

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

#### *Payload Therapeutics – Yale University – License, Commercialization and Development Agreement*

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

## Note 22. Related party transactions

### *Parent entity*

Patrys Limited is the parent entity.

### *Subsidiaries*

Interests in subsidiaries are set out in note 24.



**Note 22. Related party transactions (continued)**

*Key management personnel*

Disclosures relating to key management personnel are set out in note 19 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:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
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 2018 were paid to Mr. Read on 6 July 2018.

*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 2018 was \$1,520 (2017: \$2,275). At 30 June 2018 there was an inter-Company loan balance owed to Patrys GmbH of \$440,568 (2017: \$442,339). 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 2018, the parent entity has receivables of \$2,314,358 and \$95,881 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 23. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) after income tax	(1,357,926)	70,468
Total comprehensive income	(1,357,926)	70,468

### Note 23. Parent entity information (continued)

#### Statement of financial position

	Parent	
	2018	2017
	\$	\$
Total current assets	7,194,868	3,106,708
Total assets	10,229,490	3,774,798
Total current liabilities	646,358	411,830
Total liabilities	1,108,128	427,370
Equity		
Issued capital	67,039,044	60,035,971
Foreign currency reserve	-	5,090
Share options reserve	565,318	440,910
Share loan plan reserve	42,946	90,972
Accumulated losses	(58,525,946)	(57,225,515)
Total equity	9,121,362	3,347,428

#### 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 2018.

#### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018.

#### Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018.

#### 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 24. 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	
		2018 %	2017 %
Patrys Limited	Australia	-	-
Patrys GmbH	Germany	100.00%	100.00%
Nucleus Therapeutics Pty Ltd	Australia	100.00%	100.00%
Payload Therapeutics Pty Ltd (incorporated on 27 May 2017)	Australia	100.00%	100.00%

### Note 25. Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 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 26. Reconciliation of loss after income tax to net cash used in operating activities**

	Consolidated	
	2018	2017
	\$	\$
Loss after income tax expense for the year	(2,497,252)	(1,057,876)
Adjustments for:		
Depreciation and amortisation	47,833	47,545
Net loss on disposal of non-current assets	-	1,747
Unrealised foreign exchange losses	31,744	29,140
Share based payments	308,534	77,707
Change in operating assets and liabilities:		
Increase in trade and other receivables	(142,996)	(241,421)
Increase in prepayments	(20,820)	(18,226)
Increase in deposits	-	9,128
Increase/(decrease) in trade and other payables	159,441	(128,588)
Increase in other provisions	26,794	3,863
Net cash used in operating activities	<u>(2,086,722)</u>	<u>(1,276,981)</u>

**Note 27. Earnings per share**

	Consolidated	
	2018	2017
	\$	\$
Loss after income tax attributable to the Owners of Patrys Limited	<u>(2,497,252)</u>	<u>(1,057,876)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>941,191,556</u>	<u>744,890,370</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>941,191,556</u>	<u>744,890,370</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.2653)	(0.1420)
Diluted earnings per share	(0.2653)	(0.1420)

*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.

*Diluted earnings per share*

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

**Note 28. Share based payments**

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

## Note 28. Share based payments (continued)

### 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.

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

Note 28. Share based payments (continued)

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

2018							
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
02/12/2009	27/11/2017	\$0.1440	5,952	-	-	(5,952)	-
01/07/2010	01/07/2017	\$0.1060	3,600	-	-	(3,600)	-
01/07/2010	01/07/2018	\$0.1060	3,600	-	-	(3,600)	-
08/12/2011	08/12/2017	\$0.0390	7,334	-	-	(7,334)	-
08/12/2011	08/12/2018	\$0.0390	7,333	-	-	(7,333)	-
08/12/2011	08/12/2019	\$0.0390	7,333	-	-	(7,333)	-
21/08/2012	21/08/2018	\$0.0220	10,000	-	-	(10,000)	-
21/08/2012	21/08/2019	\$0.0220	10,000	-	-	(10,000)	-
21/08/2012	21/08/2020	\$0.0220	10,000	-	-	(10,000)	-
20/05/2014	20/05/2020	\$0.0500	25,000	-	-	(25,000)	-
20/05/2014	20/05/2021	\$0.0500	25,000	-	-	(25,000)	-
20/05/2014	20/05/2022	\$0.0500	25,000	-	-	(25,000)	-
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
			27,140,152	5,500,000	-	(140,152)	32,500,000
Weighted average exercise price			\$0.0074	\$0.0425	\$0.0000	\$0.0491	\$0.0132
2017							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2008	01/07/2016	\$0.3300	22,500	-	-	(22,500)	-
02/12/2009	27/11/2016	\$0.1400	5,952	-	-	(5,952)	-
02/12/2009	27/11/2017	\$0.1400	5,952	-	-	-	5,952
01/07/2010	01/07/2016	\$0.1000	3,600	-	-	(3,600)	-
01/07/2010	01/07/2017	\$0.1000	3,600	-	-	-	3,600
01/07/2010	01/07/2018	\$0.1000	3,600	-	-	-	3,600
08/12/2011	08/12/2017	\$0.0300	7,334	-	-	-	7,334
08/12/2011	08/12/2018	\$0.0300	7,333	-	-	-	7,333
08/12/2011	08/12/2019	\$0.0300	7,333	-	-	-	7,333
21/08/2012	21/08/2018	\$0.0200	10,000	-	-	-	10,000
21/08/2012	21/08/2019	\$0.0200	10,000	-	-	-	10,000
21/08/2012	21/08/2020	\$0.0200	10,000	-	-	-	10,000
20/05/2014	20/05/2020	\$0.0500	25,000	-	-	-	25,000
20/05/2014	20/05/2021	\$0.0500	25,000	-	-	-	25,000
20/05/2014	20/05/2022	\$0.0500	25,000	-	-	-	25,000
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
			172,204	27,000,000	-	(32,052)	27,140,152

Note 28. Share based payments (continued)

Weighted average exercise price \$0.0903 \$0.0072 \$0.0000 \$0.2703 \$0.0074

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

Grant date	Expiry date	2018 Number	2017 Number
02/12/2009	27/11/2017	-	5,952
01/07/2010	01/07/2017	-	3,600
01/07/2010	01/07/2018	-	3,600
08/12/2011	08/12/2017	-	7,334
08/12/2011	08/12/2018	-	7,333
08/12/2011	08/12/2019	-	7,333
21/08/2012	21/08/2018	-	10,000
21/08/2012	21/08/2019	-	10,000
21/08/2012	21/08/2020	-	10,000
20/05/2014	20/05/2020	-	25,000
20/05/2014	20/05/2021	-	25,000
20/05/2014	20/05/2022	-	25,000
24/11/2016	24/11/2021	7,999,999	7,999,999
24/11/2016	24/11/2021	8,000,000	-
19/04/2017	19/04/2022	500,000	500,000
19/04/2017	01/07/2021	2,500,000	1,250,000
15/03/2018	15/03/2023	500,000	-
15/03/2018	01/07/2022	1,250,000	-
01/06/2018	18/04/2023	2,500,000	-
		<u>23,249,999</u>	<u>9,890,151</u>

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.555 years (2017: 4.368 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
15/03/2018	01/07/2022	\$0.0550	\$0.0613	219.00%	-	2.22%	\$0.05400
15/03/2018	15/03/2023	\$0.0550	\$0.0613	219.00%	-	2.22%	\$0.05400
01/06/2018	18/04/2023	\$0.0500	\$0.0200	219.00%	-	2.25%	\$0.05000

On 27 February 2018, the Group announced that following completion of the fully underwritten non-renounceable 2:11 Rights Issue and in accordance with ASX Listing Rule 3.11.2, as a consequence of the Rights Issue, the exercise price of all unlisted options over ordinary shares in the Company will change on 6 March 2018. Due to the change in exercise price of the unlisted options, the fair value of the options was modified during the financial year.

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

Note 28. Share based payments (continued)

2018

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
Director LSP Tranche 3	\$0.144	184,641	-	-	(184,641)	-
Employee LSP Tranche 3	\$0.144	106,037	-	-	(106,037)	-
Employee LSP Tranche 4	\$0.106	50,248	-	-	(50,248)	-
Employee LSP Tranche 5	\$0.106	96,853	-	-	(96,853)	-
Employee LSP Tranche 6	\$0.106	147,101	-	-	-	147,101
Employee LSP Tranche 9	\$0.039	255,002	-	-	(255,002)	-
Employee LSP Tranche 10	\$0.039	254,999	-	-	(50,000)	204,999
Employee LSP Tranche 11	\$0.039	254,999	-	-	(50,000)	204,999
Employee LSP Tranche 12	\$0.022	205,000	50,000	-	-	255,000
Employee LSP Tranche 13	\$0.022	205,000	50,000	-	-	255,000
Employee LSP Tranche 14	\$0.022	205,000	50,000	-	-	255,000
Employee LSP Tranche 15	\$0.038	37,500	-	-	(37,500)	-
Employee LSP Tranche 16	\$0.038	37,500	-	-	-	37,500
Employee LSP Tranche 17	\$0.050	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>2,339,880</u>	<u>150,000</u>	<u>-</u>	<u>(830,281)</u>	<u>1,659,599</u>

2017:

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
Director LSP Tranche 2	\$0.144	184,641	-	-	(184,641)	-
Director LSP Tranche 3	\$0.144	184,641	-	-	-	184,641
Employee LSP Tranche 2	\$0.144	172,727	-	-	(172,727)	-
Employee LSP Tranche 3	\$0.144	172,727	-	-	(66,690)	106,037
Employee LSP Tranche 4	\$0.106	180,436	-	-	(130,188)	50,248
Employee LSP Tranche 5	\$0.106	180,436	-	-	(83,583)	96,853
Employee LSP Tranche 6	\$0.106	180,436	-	-	(33,335)	147,101
Employee LSP Tranche 9	\$0.039	255,002	-	-	-	255,002
Employee LSP Tranche 10	\$0.039	254,999	-	-	-	254,999
Employee LSP Tranche 11	\$0.039	254,999	-	-	-	254,999
Employee LSP Tranche 12	\$0.022	255,000	-	-	(50,000)	205,000
Employee LSP Tranche 13	\$0.022	255,000	-	-	(50,000)	205,000
Employee LSP Tranche 14	\$0.022	255,000	-	-	(50,000)	205,000
Employee LSP Tranche 15	\$0.038	37,500	-	-	-	37,500
Employee LSP Tranche 16	\$0.038	37,500	-	-	-	37,500
Employee LSP Tranche 17	\$0.050	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>3,161,044</u>	<u>-</u>	<u>-</u>	<u>(821,164)</u>	<u>2,339,880</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.

#### Note 28. Share based payments (continued)

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

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

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

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

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

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

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

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

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



In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 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



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Mr. John Read  
Chairman

24 August 2018

## 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 consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

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

#### 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.

<b>Recoverability of Nucleus Intellectual Property</b>	<b>How the matter was addressed in our audit</b>
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Refer to Note 12 of the accompanying financial statements.

At 30 June 2018 the statement of financial position includes an intangible asset with a carrying value of \$618,750 in relation to the Nucleus Intellectual Property acquired in 2016.

As an intangible asset with a finite life, management must perform an annual review to test for any indicators of impairment. Considerable judgement is required with respect to a number of assumptions relating to the asset's development potential including future market and economic conditions.

In assessing intellectual property for any indicators of impairment we have performed the following audit procedures:

- Obtained a copy of management's impairment assessment and challenged the key assumptions and adherence to AASB 136 *Impairment of Assets* and AASB 138 *Intangible assets*.
- Reviewed expenditure incurred in relation to the intangible asset to confirm ongoing development of the assets.
- Considered whether there were any subsequent events that may impact the intangible asset impairment assessment.

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

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

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

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

### Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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



### **Auditor's responsibilities for the audit of the Financial Report**

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

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

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 8 to 13 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Patrys Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

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

#### **BDO East Coast Partnership**

A handwritten signature in black ink. The signature consists of the letters 'BDO' in a stylized, blocky font, followed by the name 'Tim Fairclough' written in a cursive script.

Tim Fairclough  
Partner

Melbourne, 24 August 2018

The shareholder information set out below was applicable as at 21 August 2018.

### Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of units
1 to 1,000	106	9,979
1,001 to 5,000	61	240,658
5,001 to 10,000	148	1,279,841
10,001 to 100,000	1,577	72,189,092
100,001 and over	1,123	996,543,832
	<u>3,015</u>	<u>1,070,263,402</u>
Holding less than a marketable parcel	<u>455</u>	<u>3,245,241</u>

### Equity security holders

#### Twenty largest quoted equity security holders

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

	Ordinary shares Number held	% of total shares issued
Stork Holdings 2010 Ltd	98,773,814	9.23
Dr Dax Marcus Calder	82,903,526	7.75
Kemast Investments Pty Ltd (KM Stokes S/F No 1 A/C)	29,411,765	2.75
Staffwear Pty Ltd (Dax Calder Super Fund A/C)	23,096,474	2.16
HSBC Custody Nominees (Australia) Limited	21,979,779	2.05
Oncomab GmbH	20,250,000	1.89
Marginata Pty Ltd (Roy Bolton Super Fund A/C)	20,000,000	1.87
Yale University	16,116,324	1.51
Mr Xiaoke Xie	15,300,000	1.43
Mr Mladen Marusic	14,854,546	1.39
LGL Trustee Limited (The Konda Family A/C)	13,999,999	1.31
Dax Calder Pty Ltd	12,000,000	1.12
Valui Pty Ltd (Fortis Super Fund A/C)	12,000,000	1.12
LGL Trustees Limited (MK Pension Plan-473278 A/C)	10,823,529	1.01
Phipps Family Fund Pty Ltd (Phipps Family Fund A/C)	8,300,000	0.78
Mr Steven James Streicher	8,000,000	0.75
National Nominees Limited	7,662,387	0.72
Goldreef Corporation Pty Ltd	7,000,000	0.65
Mr Paul Anthony Henry	7,000,000	0.65
Lamro Pty Ltd (Orama A/C)	7,000,000	0.65
	<u>436,472,143</u>	<u>40.79</u>

#### Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	32,500,000	10

### Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Dr Dax Marcus Calder	120,117,634	11.22
Stork Holdings 2010 Ltd	98,773,814	9.23

### Voting rights

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

#### *Ordinary shares*

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

There are no other classes of equity securities.