PATRYS LIMITED
ABN 97 123 055 363

APPENDIX 4D HALF YEAR REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3

Patrys Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Patrys Limited
ABN:	97 123 055 363
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	2.7%	to	218,600
Profit from ordinary activities after tax attributable to the Owners of Patrys Limited	up	189.7%	to	891,656
Profit for the half-year attributable to the Owners of Patrys Limited	up	189.7%	to	891,656

	31 December 2018 Cents	31 December 2017 Cents
Basic earnings per share	0.08	(0.13)
Diluted earnings per share	0.08	(0.13)

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

Comments
The profit for the Consolidated Entity after providing for income tax amounted to $891,656 (31 December 2017: loss of $994,326).

During the period, the Group had total revenue of $218,600 (2017: $224,760), consisting of R&D incentive income of $98,764 (2017: $199,713) licencing income of $13,750 (2017: $13,750), interest income of $56,086 (2017: $11,297) and government grants of $50,000 (2017: nil),

The Group also recognised other income of $3,000,000 (2017: loss $2,195) consisting of foreign currency loss $nil (2016: loss $2,195), and insurance recoveries of $3,000,000 (2017: nil).

The Group's research and development expenditure during the half year was $855,385 (2017: $655,678). 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 31 December 2018 was $6,077,438 (30 June 2018 $4,605,459). The increase was mainly due to the $3,000,000 insurance recoveries received in the December 2018 quarter. The working capital position as at 31 December 2018 of the consolidated entity results in an excess of current assets over current liabilities of $7,814,930 (30 June 2018: $6,688,294).

3. Control gained over entities

Not applicable.

4. Loss of control over entities

Not applicable.

---

5. 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.

---

6. Dividend reinvestment plans

Not applicable.

---

7. Details of associates and joint venture entities

Not applicable.

---

8. Foreign entities

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

Not applicable.

---

9. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-year financial report.

---

10. Attachments

Details of attachments (if any):

The Half-year financial report of Patrys Limited for the half-year ended 31 December 2018 is attached.

---

11. Signed

Signed ______________________________ Date: 20 February 2019

Patrys Limited

ABN 97 123 055 363

Half-year financial report - 31 December 2018

Patrys Limited
Contents
For the half-year ended 31 December 2018

Directors	Mr. John Read (Non-Executive Chairman) Mr. Michael Stork (Non-Executive Director and Deputy Chairman) Ms. Suzy Jones (Non-Executive Director) Dr. James Campbell (Managing Director & CEO)
Company secretary	Melanie Leydin
Registered office	Level 4, 100 Albert Road South Melbourne, VIC 3205 Phone: +61 3 9692 7222
Principal place of business	Level 4, 100 Albert Road South Melbourne, VIC, 3205
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	www.patrys.com

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity' or 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 half-year ended 31 December 2018.

Directors

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

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

Principal activities

During the financial half-year the principal continuing activities of the Consolidated Entity consisted of:

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

Review of operations

The profit for the Consolidated Entity after providing for income tax amounted to $891,656 (31 December 2017: loss of $994,326).

<u>Overview</u>

Patrys is devoted to the development and commercialisation of novel antibody technologies for the treatment of cancer. With two innovative assets classes, nuclear-penetrating antibodies (Deoxymabs) and IgMs, Patrys is well positioned to develop new therapeutics that transform standards of care for a range of cancer types.

Patrys continues to progress its PAT-DX1 asset, building a strong position in the field of DNA damage repair (DDR) therapeutics.

In August 2018, the Company and the Walter and Eliza Hall Institute of Medical Research announced that they had been awarded a $100,000 Victorian Medical Research Acceleration Fund grant from the Victorian state government to support research within the PAT-DX1 program that aims to develop new treatments for cancer. The grant will support the coupling of Patrys' PAT-DX1 with the Institute's 7D10 antibody to generate a bi-specific antibody called 7D10-PAT-DX1. 7D10 protein interacts with the Bak protein inside cells to cause cell killing but is unable to pierce a cancer cell's outer membrane and bind to its targets by itself. PAT-DX1 is a novel antibody that can enter and kill cancer cells harboring defective DNA repair mechanism. Combining these technologies by the generation of a bi-specific 7D10-PAT-DX1 antibody may result in a novel antibody that will be able to enter a cell, bind to its targets and act to help circumvent survival pathways typically employed by cancer.

In October 2018, the Company announced that it has selected the target indications for its PAT-DX1 clinical development program. This decision paves the way for Patrys to progress PAT-DX1 towards the clinic as a novel therapeutic for the treatment of various cancers. Patrys has previously described the scope for PAT-DX1 to be used for the potential treatment of a broad range of cancers with impaired DNA damage repair (DDR) status. Following a review of clinical needs and market opportunities around a number of potential therapeutic applications for PAT-DX1, and based on data to date, Patrys now confirms its plans to prioritize its efforts on two indications as being the most attractive targets; triple breast cancer (TNBC) and glioblastoma.

It also announced in October 2018 that it had been awarded a $50,000 Australian Academy of Technology and Engineering (ATSE) Global Connections Bridging Grant, which is supported by the Australian Federal Government. This grant will use resources at Patrys and Yale University PET Center, which has state-of-the-art positron emission tomography (PET) scanners for imaging various diseases, including cancer, using preclinical rodent models. The grant aims to develop 'proof-of-concept' testing of PAT-DX1 as a PET imaging agent to detect metastatic triple negative breast cancer in animal models. The work will couple Patrys' PAT-DX1 with Zirconium-89 (89Zr) as an imaging companion to therapy based on PAT-DX1.

In December 2018, the Company announced further pre-clinical data in a Triple Negative Brain Cancer (TNBC) metastasis model. Brain metastases were generated by injection of luciferase-labelled, brain-seeking TNBC cells directly into circulation via intracardiac injection. One week later, the presence of brain metastases was confirmed and intravenous treatment with PAT-DX1 was initiated. The ability of PAT-DX1 to reduce TNBC brain metastasis was seen after just one week of treatment. After 4 weeks of treatment with PAT-DX1, treated mice showed 93% less brain metastasis than untreated mice, quantified by luminescence intensity. PAT-DX1 also significantly improved survival, with 86% of the mice treated with PAT-DX1 still alive after all control mice had died. No toxicity associated with PAT-DX1 treatment was observed. This positive result will be expanded upon by the Company in 2019.

The Company also announced that it had been granted a European patent for its anti-cancer preclinical candidate PAT-LM1. The European Patent Office has issued correspondence confirming the grant of a key patent in the PAT-LM1 family; patent number 2390269; entitled “Neoplasm specific antibodies and uses thereof”. The claims in this patent cover the PAT-LM1 antibody per se as well as its use in treating and diagnosing cancer. To date, 14 patents across three PAT-LM1 families have been granted in jurisdictions including the United States and Europe. This is the last patent to grant in the PAT-LM1 portfolio.

<u>Corporate</u>

In the December 2018 quarter, Patrys came to a negotiated settlement with its insurers regarding the failed manufacturing runs for PAT-SM6 is 2014 and 2015. The settlement of an additional A$3 million was reached with no admission of liability from the insurers. The $3 million was received in the December 2018 quarter.

<u>Looking ahead</u>

Under the guidance of the Board and the Scientific Advisory Board Patrys made significant advances in its efforts to build and realise the value of its assets in the six months to 31 December 2018.

The activities for 2019 include a number of animal models, development of PAT-DX1 manufacturing, new intellectual patent grants and a focus on establishment on collaborations and alliances.

The Patrys team remains focused on progressing its Deoxymab assets towards the clinic and partnering its IgM assets.

With a strong team, quality assets, an international network of recognised research collaborators and a strong balance sheet Patrys is well positioned to build on its recent successes and achieve further milestones in 2019.

Statement of Financial Position

At 31 December 2018, cash and term deposits of $8,102,139 (30 June 2018: $6,605,459) are held. These funds will allow the Group to continue the pre-clinical development of its deoxymab assets over the coming year.

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.

Operating results

The Group produced a profit from ordinary activities before income tax of $891,656 (2017: loss of $994,326).

Consolidated revenue including other income during the period was $3,218,600 (2017: $222,565). This revenue included interest of $56,086 (2017: $11,297), R&D tax incentive estimate for the period 1 July to 31 December 2018 of $98,764 (2017: $199,713), licensing income of $13,750 (2017: $13,750), government grants of $50,000 (2017: nil), insurance recoveries of $3,000,000 (2017: nil), and a foreign currency loss of $nil (2017: loss $2,195).

Total consolidated operating expenses for the period were $2,326,944 (2017: $1,216,891).

Research and development costs of $855,385 (2017: $655,678) have been expensed in the period in which they were incurred. The increase is due to the consulting fees and annual retainer fee for IGM and Nucleus as well as salary increase for employees.

Management and administration costs contributed a further $1,471,559 (2017: $562,240) to expenses from continuing operations. The increase is due to a combination of items, including legal costs associated with the insurance settlement, employee wages, bonuses, share based payments and other general administrative costs.

Statement of Cash Flows

The Group's cash inflow from operations over the period was $1,462,569 (2017: outflow of $990,919). Net inflows were $1,437,784 (2017: outflow of $993,178). The increased net inflow is mainly due to the insurance recoveries of $3,000,000 and the R&D tax incentive of $556,129 for FY2018.

Significant changes in the state of affairs

On 3 September 2018, the Company issued 250,000 fully paid ordinary shares at an issue price of $0.0072 per share in relation to the exercise of unlisted options in the Company.

On 25 October 2018, the Company announced that it had come to a negotiated settlement with its insurers regarding the failed manufacturing runs for PAT-SM6 in 2014 and 2015, where by Patrys would receive a settlement of an additional A$3 million with no admission of liability from the insurers. Payment was received by Patrys in the December 2018 quarter.

On 11 December 2018, the Company issued a total of 32 million unlisted options exercisable at $0.035 (3.5 cents) per option, expiring on 22 November 2023 with various vesting conditions.

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial half-year.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

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.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

Mr. John Read
Chairman

20 February 2019

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

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

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

As lead auditor for the review of Patrys Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Tim Fairclough
Partner

BDO East Coast Partnership

Melbourne, 20 February 2019

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Patrys Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 31 December 2018 $	31 December 2017 $
Revenue	3	218,600	224,760
Other income	4	3,000,000	(2,195)
Expenses			
Realised foreign exchange losses		-	1,027
Research & development expenses		(855,385)	(655,678)
Administration & management expenses		(1,471,559)	(562,240)
Profit/(loss) before income tax expense		891,656	(994,326)
Income tax expense		-	-
Profit/(loss) after income tax expense for the half-year attributable to the Owners of Patrys Limited		891,656	(994,326)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		1,131	(4,827)
Other comprehensive income for the half-year, net of tax		1,131	(4,827)
Total comprehensive income for the half-year attributable to the Owners of Patrys Limited		892,787	(999,153)
		Cents	**Cents**
Basic earnings per share	10	0.08	(0.13)
Diluted earnings per share	10	0.08	(0.13)

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

Patrys Limited
Statement of financial position
As at 31 December 2018

	Note	Consolidated 31 December 2018 $	30 June 2018 $
Assets			
Current assets			
Cash and cash equivalents		6,077,438	4,605,459
Trade and other receivables		187,970	643,725
Other financial assets		2,077,450	2,099,680
Total current assets		8,342,858	7,348,864
Non-current assets			
Property, plant and equipment		4,140	5,633
Intangibles		596,249	618,750
Total non-current assets		600,389	624,383
Total assets		8,943,247	7,973,247
Liabilities			
Current liabilities			
Trade and other payables		421,933	574,564
Employee benefits		105,995	86,006
Total current liabilities		527,928	660,570
Non-current liabilities			
Employee benefits		26,118	21,202
Total non-current liabilities		26,118	21,202
Total liabilities		554,046	681,772
Net assets		8,389,201	7,291,475
Equity			
Issued capital	5	67,068,876	67,039,044
Reserves	6	742,980	588,561
Accumulated losses		(59,422,655)	(60,336,130)
Total equity		8,389,201	7,291,475

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

Patrys Limited
Statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Issued capital $	Foreign currency translation reserve $	Share option reserve $	Share loan plan reserve $	Other reserve $	Accumulated losses $	Total equity $
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 half-year	-	-	-	-	-	(994,326)	(994,326)
Other comprehensive income for the half-year, net of tax	-	(4,827)	-	-	-	-	(4,827)
Total comprehensive income for the half-year	-	(4,827)	-	-	-	(994,326)	(999,153)
Transactions with Owners in their capacity as Owners:							
Share-based payments	-	-	8,768	-	-	-	8,768
Share issue transaction costs	(2,259)	-	-	-	-	-	(2,259)
Reallocation of value of expired and cancelled equity	-	-	(1,120)	(47,085)	-	48,205	-
Shares issued (note 9)	180,000	-	-	-	(180,000)	-	-
Balance at 31 December 2017	60,213,712	(18,553)	88,558	43,886	180,000	(58,837,150)	1,670,453

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

Patrys Limited
Statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Issued capital $	Foreign currency translation reserve $	Share option reserve $	Share loan plan reserve $	Other reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2018 (note 6)	67,039,044	(19,703)	385,318	42,946	180,000	(60,336,130)	7,291,475
Profit after income tax expense for the half-year (note 10)	-	-	-	-	-	891,656	891,656
Other comprehensive income for the half-year, net of tax	-	1,131	-	-	-	-	1,131
Total comprehensive income for the half-year	-	1,131	-	-	-	891,656	892,787
Transactions with Owners in their capacity as Owners:							
Share-based payments (note 6)	-	-	175,107	-	-	-	175,107
Reallocation of value of expired and cancelled equity (note 6)	-	-	-	(21,819)	-	21,819	-
Shares issued (note 5)	1,800	-	-	-	-	-	1,800
Share issue costs/adjustment (note 5)	28,032	-	-	-	-	-	28,032
Balance at 31 December 2018	67,068,876	(18,572)	560,425	21,127	180,000	(59,422,655)	8,389,201

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

Patrys Limited
Statement of cash flows
For the half-year ended 31 December 2018

	Note	Consolidated 31 December 2018 $	Consolidated 31 December 2017 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(2,219,582)	(1,040,205)
Interest received		48,522	13,340
Other revenue		50,000	8,451
Licensing income		27,500	27,495
Insurance recoveries	4	3,000,000	-
R&D tax incentive		556,129	-
Net cash from/(used in) operating activities		1,462,569	(990,919)
Cash flows from investing activities			
Investment in term deposits		(24,701)	-
Net cash used in investing activities		(24,701)	-
Cash flows from financing activities			
Proceeds from issue of shares		1,800	-
Share issue transaction costs		(1,884)	(2,259)
Net cash used in financing activities		(84)	(2,259)
Net increase/(decrease) in cash and cash equivalents		1,437,784	(993,178)
Cash and cash equivalents at the beginning of the financial half-year		4,605,459	1,910,952
Effects of exchange rate changes on cash and cash equivalents		34,195	(5,995)
Cash and cash equivalents at the end of the financial half-year		6,077,438	911,779

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 Consolidated Entity consisting of Patrys Limited and the entities it controlled at the end of, or during, the half-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 Consolidated Entity'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 20 February 2019.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity 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.

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

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

AASB 9 Financial Instruments

The Consolidated Entity has adopted AASB 9 from 1 January 2018. The standard introduced 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 that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are 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 or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, 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 use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using 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. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. No material effect on Patrys recognition or measurement of financial assets or liabilities.

Note 2. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

The Consolidated Entity has adopted AASB 15 from 1 January 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are 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. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Going concern

It is noted that for the half-year ended 31 December 2018, the Group incurred a profit from continuing operations after income tax of $891,656 (31 December 2017: loss of $994,326) and had consolidated net operating cash inflows of $1,462,569 (2017: outflows of $990,919).

During the period the Group received a $3million insurance settlement related to the failed manufacturing campaign of PAT-SM6 as well as $556,129 in R&D tax incentives.

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 31 December 2018, the Group had net current assets of $7,814,930 (30 June 2018: $6,688,294) and cash reserves of $6,077,438;
- Cash flow forecasts prepared by management demonstrate that the Group has sufficient funds to fund meet commitments over the next twelve months; and
- At 31 December 2018, the Group recognised a receivable of $136,070 in relation to the estimated R&D tax incentive for the half-year ended 31 December 2018 which is expected to be received after the end of the 2019 financial year.

Based on the above, the Directors believe the Consolidated Entity will continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

Note 3. Revenue

	Consolidated	
	31 December 2018 $	31 December 2017 $
Licensing income	13,750	13,750
R&D tax incentive	98,764	199,713
Interest income	56,086	11,297
Government grants	50,000	-
Revenue	218,600	224,760

Note 4. Other income

	Consolidated 31 December 2018 $	Consolidated 31 December 2017 $
Net foreign exchange (loss)/gain	-	(2,195)
Insurance recoveries	3,000,000	-
Other income	3,000,000	(2,195)

Note 5. Equity - issued capital

	Consolidated 31 December 2018 Shares	30 June 2018 Shares	31 December 2018 $	30 June 2018 $
Ordinary shares - fully paid	1,069,793,802	1,070,225,902	67,068,876	67,039,044

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2018	1,070,225,902		67,039,044
Share issue	3 September 2018	250,000	$0.0072	1,800
Share issue transaction costs/adjustment	5 September 2018	-		28,032
Expiration of shares from share loan plan	31 December 2018	(682,100)		-
Balance	31 December 2018	1,069,793,802		67,068,876

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.

Share buy-back
There is no current on-market share buy-back.

Note 6. Equity - reserves

	Consolidated 31 December 2018 $	30 June 2018 $
Foreign currency translation reserve	(18,572)	(19,703)
Share option reserve	560,425	385,318
Share loan plan reserve	21,127	42,946
Other reserve	180,000	180,000
	742,980	588,561

Note 6. Equity - reserves (continued)

Consolidated	Foreign currency translation reserve $	Share option reserve $	Share loan plan reserve $	Other reserve $	Total $
Balance at 1 July 2018	(19,703)	385,318	42,946	180,000	588,561
Foreign currency translation	1,131	-	-	-	1,131
Value of options issued under the Employee Share Option Plan (recognised over vesting period)	-	175,107	-	-	175,107
Re-allocation of cancelled shares	-	-	(21,819)	-	(21,819)
Balance at 31 December 2018	(18,572)	560,425	21,127	180,000	742,980

Note 7. Equity - dividends

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

Note 8. Events after the reporting period

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 9. Non-cash investing and financing activities

	Consolidated	
	31 December 2018 $	**31 December 2017 $**
Shares issued in accordance with acquisition agreement for Nucleus intellectual property as second milestone was met during July 2017	-	180,000

Note 10. Earnings per share

	Consolidated	
	31 December 2018 $	31 December 2017 $
Profit/(loss) after income tax attributable to the Owners of Patrys Limited	891,656	(994,326)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	1,070,387,587	776,915,304
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,070,387,587	776,915,304
	Cents	**Cents**
Basic earnings per share	0.08	(0.13)
Diluted earnings per share	0.08	(0.13)

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the financial half-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.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Mr. John Read
Chairman

20 February 2019

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

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

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Patrys Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Patrys Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

Tim Fairclough

Tim Fairclough
Partner

Melbourne, 20 February 2019