

1. Company details

| | |
|-------------------|---------------------------------|
| Name of entity: | Patrys Limited |
| ABN: | 97 123 055 363 |
| Reporting period: | For the year ended 30 June 2021 |
| Previous period: | For the year ended 30 June 2020 |

2. Results for announcement to the market

| | | | \$ |
|--|----|----------|-------------|
| Revenues from ordinary activities | up | 73.2% to | 1,338,377 |
| Loss from ordinary activities after tax attributable to the Owners of Patrys Limited | up | 47.8% to | (4,062,920) |
| Loss for the year attributable to the Owners of Patrys Limited | up | 47.8% to | (4,062,920) |

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 \$4,062,920 (30 June 2020: \$2,748,539).

During the period, the Group had total revenue of \$1,338,377 (2020: \$772,844), consisting of the R&D tax incentive of \$1,188,581 (2020: \$623,197), licencing income of \$27,500 (2020: \$27,500), interest income of \$5,296 (2020: \$59,891) and government grants revenue of \$117,000 (2020: \$62,256).

The Group's research and development expenditure during the financial year was \$2,861,902 (2020: \$1,367,988). 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 2021 was \$6,916,604 (30 June 2020: \$3,981,210), the company also had \$4 million invested in term deposits held with a term to maturity of 6 months and 9 months. The working capital position at 30 June 2021 was \$11,554,489 (30 June 2020: \$4,370,639).

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---------------------------|--------------------------|
| Net tangible assets per ordinary security | <u>0.64</u> | <u>0.41</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.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

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

11. Attachments

Details of attachments (if any):

The Annual Report of Patrys Limited for the year ended 30 June 2021 is attached.

12. Signed

Signed



Date: 25 August 2021

patrys



Revolutionising cancer treatment

ANNUAL REPORT 2021



Contents

| | |
|---|----|
| Letter from the Chairman | 2 |
| Patrys people | 4 |
| Patrys snapshot | 6 |
| Pipeline & milestones | 8 |
| Intellectual property | 9 |
| A closer look at Patrys' research | 10 |
| JCI research feature | 12 |
| Patrys newspaper feature | 13 |
| Building Patrys' deoxymab pipeline | 14 |
| Antibodies come of age | 16 |
| Commercial interest in cancer | 18 |
| Directors' report | 20 |
| Auditor's independence declaration | 37 |
| Statement of profit or loss and other comprehensive income | 38 |
| Statement of financial position | 39 |
| Statement of changes in equity | 40 |
| Statement of cash flows | 41 |
| Notes to the financial statements | 42 |
| Directors' declaration | 66 |
| Independent auditor's report to the members of Patrys Limited | 67 |
| Shareholder information | 70 |
| Corporate directory | 74 |
| Corporate and social responsibility | 75 |

From the Chairman

Resolute focus in unprecedented times

To our valued shareholders and supporters,

In a period of profound international upheaval, Patrys has remained focused on developing multiple opportunities for our unique deoxymab platform technology to provide better therapeutic outcomes for patients with cancer.

Our global team has remained determined to enhance Patrys' deoxymab pipeline throughout the COVID-19 pandemic. The immediate objective is to get our lead asset PAT-DX1 to the clinic.

Our progress during the year in review has been independently endorsed in part through the publication in late FY21 of critical new data in the peer-reviewed 'Journal of Clinical Investigation - Insight'. These studies showed that the PAT-DX1 antibody can cross the blood-brain barrier (BBB) and inhibit the growth of both primary brain cancers and cancer metastases located in the brain. Other studies showed that the full-sized IgG deoxymab antibody, PAT-DX3, is also able to cross the BBB. PAT-DX3, which Patrys added to its portfolio in September 2020, is proving to be an immensely valuable addition. Pharmacokinetic studies conducted during the year showed that it has a different pharmacokinetic profile to PAT-DX1, potentially opening up new clinical opportunities for Patrys' deoxymab antibody platform.

The unique properties that our deoxymab antibodies have demonstrated in multiple studies remains a key point of difference and a value driver for Patrys. It is encouraging that our progress has translated into high quality media and investor analyst coverage of the Company throughout the year.

From a corporate perspective, Patrys strengthened its balance sheet with two capital raises for a total of \$11.7M before costs (\$4.3M in August and \$7.4M in November and December). This has provided Patrys with the financial capacity to support the manufacture of the clinical-grade antibody required to complete all remaining preclinical toxicology studies and initiate the first human clinical trial of PAT-DX1.

Patrys also made further additions to its patent estate during the year and now has an extensive portfolio of patents filed in major commercial markets including 13 patent families, covering 7 granted and 32 pending applications. Patrys has exclusive, worldwide rights for the use of deoxymabs in cancer and humanised versions for therapeutic development too.


With demonstrated capacity to enter cells and target DNA damage repair (DDR), we truly believe our technology has the potential to offer new, effective therapeutic options in the fight against cancer.

I would like to personally thank our shareholders, the entire Patrys team, and our dedicated networks of commercial, clinical, and academic partners – with your continued support Patrys has a promising year ahead.



John Read

Patrys Chairman

A professional headshot of John Read, the Chairman of Patrys. He is a middle-aged man with short, graying hair, wearing a dark pinstriped suit jacket, a white dress shirt, and a vibrant blue tie. He is smiling slightly and looking directly at the camera against a plain, light-colored background.

“Patrys is in the midst of an exciting period of development. We are resolutely focused on execution, in preparation for the first clinical trial program for our deoxymab platform.”

- Patrys Chairman, John Read

Our people

Patrys has attracted a multidisciplinary team, inclusive of global leaders in research, development, and innovation - all deeply motivated to progress the development of novel cancer treatments.

Board of Directors



John Read, BSc (Hons), MBA, FAICD

Chairman

Mr. Read is an experienced Chairman and Director in public, private and government organisations. Through his extensive career in venture capital, private equity and commercialisation, he has gained a depth of experience in the formation and growth of emerging companies with an emphasis on commercial entities that provide broad societal benefits.



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

Managing Director & Chief Executive Officer

Dr. Campbell has more than 20 years of international biotechnology research, management and leadership experience and has been involved in the creation and/or transformation of multiple successful Australian and international biotechnology companies.



Michael Stork, BBA

Non-Executive Director

Mr. Stork is the Managing Director of Stork Holdings Ltd, an Investment Holding company active in the Canadian technology startup sector. Mr. Stork is the Chairman of the Waterloo Accelerator Centre, a technology company incubator affiliated with the University of Waterloo. He is active on the Boards of a number of leading Canadian technology startup companies.



Suzy Jones

Non-Executive Director

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



Pamela M Klein, BSc, MD

Non-Executive Director

Dr. Pamela M. Klein completed her medical training at Stritch School of Medicine, Loyola University in Chicago, followed by internal medicine training at Cedars-Sinai, Los Angeles, prior to spending seven years working at the U.S. National Cancer Institute. Currently, Dr. Klein currently serves as an advisor to a range of different biotech and investment companies, with roles on Scientific Advisory Boards and Corporate Boards as well as broader advisory roles.

Scientific Advisory Board

Our scientific advisors are globally sought-after professionals, offering specialist expertise to support the development and commercialisation of novel medical treatments.



Allen Ebens, BSc, PhD

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



Peter Ordentlich, BSc, PhD

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

Management team

Our Management Team are highly capable professionals with a cross-section of skills and experience targeted to our needs.



Melanie Leydin, B Bus (Acc. Corp. Law)

Company Secretary

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer.



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

Vice President Business Development & Intellectual Property

Dr. Greenwood's efforts are focused on commercialisation of the Company's assets and management of the extensive intellectual property portfolio. Dr. Greenwood has worked in the health and life science sector for the last 13 years. She has extensive experience related to R&D drug development, relationship management, contracts, grants and industry partnerships.



Valentina Dubljevic, BSc, MBB, GAICD

Vice President Scientific & Clinical Development

Ms. Dubljevic is responsible for the pre-clinical and clinical development of Patrys' products. Ms. Dubljevic brings more than 20 years of scientific and commercial experience in the areas of anti-cancer therapies, vaccine development and diagnostics.

Patrys snapshot

Improving lives

Patrys' mission is to develop innovative therapies and diagnostics for cancer and rare diseases to improve quality of life. Our deoxymab technology has been deployed in collaboration with scientists from globally distinguished medical institutions and offers revolutionary new antibody approaches for treating and managing these devastating disease.

New approaches for treating cancer

Patrys' deoxymab platform is based on a unique antibody called 3E10 that was originally isolated from a mouse model of the human autoimmune disease lupus. The 3E10 antibody has several unusual biological properties not typically seen in antibodies.

Patrys has developed humanised versions of 3E10 in different antibody formats to make them suitable for human therapeutic applications. This has provided a range of different approaches for treating cancer that are not possible with existing small molecule or antibody therapeutics.

Properties that make Patrys' deoxymab antibodies unique for human therapeutic applications include:

• Cancer targeting

All cancers, regardless of their type or location, release DNA into the bloodstream as a consequence of the high rates of cell death that occurs within tumours. Deoxymabs are attracted to this released DNA and because of this, Patrys' deoxymabs naturally home in on both primary and secondary cancers (metastases) wherever they are located in the body. Patrys believes this may allow deoxymabs to be used as pan-cancer seeking agents for the targeted delivery of cancer therapies or imaging agents.

• Blood-brain barrier

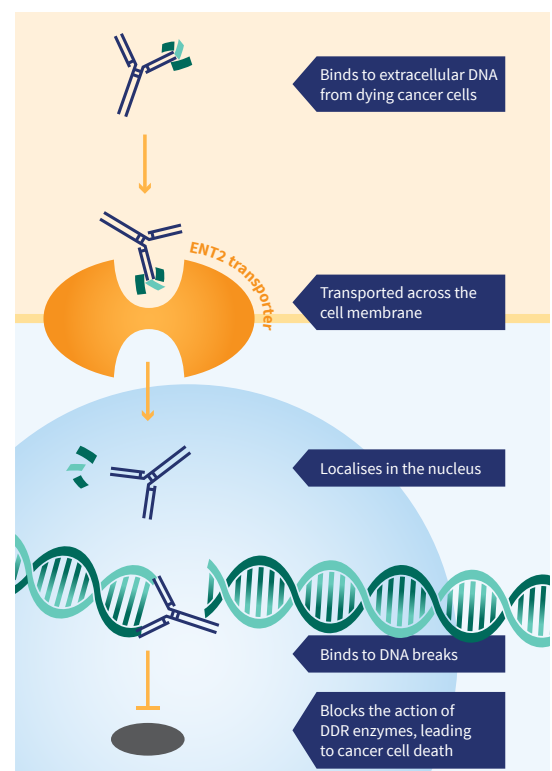
The blood-brain barrier (BBB) is a natural, physiological barrier designed to prevent potentially damaging compounds from entering the tissues of the brain. Unfortunately, the BBB can also prevent drugs and antibodies from crossing from the blood into the brain when they are needed. This is one of the factors that makes the treatment of both primary and secondary cancers in the brain particularly challenging. Deoxymabs are able to cross the BBB and get to neural tissues, offering new approaches for treating cancers in the brain.

• Cell penetrating

Most antibodies only bind to antigens on the surface of cells. Deoxymabs are unique in that they are able to penetrate the cell membrane and get inside of cells intact. This is because deoxymabs are carried across the cell membrane by protein called the ENT2 transporter which is present in most human adult cells. Patrys intends to leverage this ability of deoxymabs to potentially deliver therapeutic payloads into the cell.

• Inhibit DNA damage repair

Once deoxymabs get inside the cell nucleus, they bind to damaged DNA preventing it from being repaired by the cell's DNA damage repair (DDR) systems. Cells with damaged DNA are not able to divide and usually end up self-destructing. This DDR inhibiting activity of deoxymabs can be exploited in developing new treatments for cancer. By using deoxymabs in cancers with compromised DDR systems or combining them with agents that damage DNA, such as radiation and many chemotherapy drugs, deoxymabs may offer much needed therapeutic approaches for treating cancers.

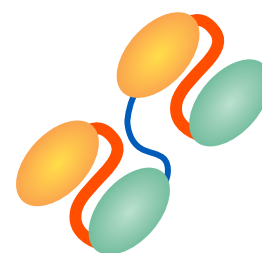


Expanding the therapeutic potential of deoxymabs

Patrys has developed two humanised deoxymabs: an antibody fragment called PAT-DX1, and a full-sized IgG antibody called PAT-DX3.

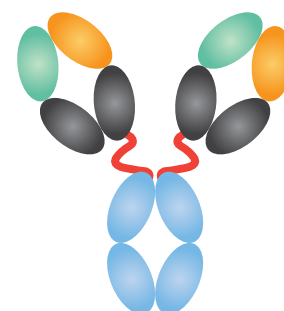
PAT-DX1 antibody fragment

PAT-DX1 is a dimer of a small antibody fragment created by humanising the original mouse deoxymab antibody 3E10. Patrys is currently scaling up the production of clinical grade PAT-DX1 in preparation for first-in-man studies. PAT-DX1 is initially going to be developed as a potential therapeutic for treating primary and secondary brain cancers due to its ability to cross the blood brain barrier. Given its mechanism-of-action of blocking DNA damage repair (DDR), PAT-DX1 may also have utility for treating cancers with existing DDR deficiencies, or in combination with other DNA damaging agents such as radiation and many chemotherapy drugs.



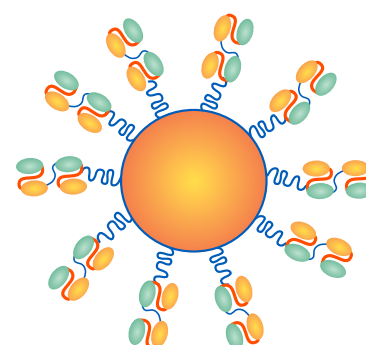
PAT-DX3 full sized antibody

PAT-DX3 is an optimised and humanised, full-sized IgG version of the original 3E10 antibody. PAT-DX3 was added to Patrys' portfolio in September 2020. Studies conducted to date have shown that PAT-DX3 has the same DNA-binding and DNA damage repair (DDR) blocking properties as PAT-DX1 and is also able to cross the BBB. However, as expected from its larger size, it is cleared from blood more slowly than PAT-DX1 and may show differences in tissue distribution due to its larger size. The different pharmaceutical profiles of PAT-DX1 and PAT-DX3 may open up different clinical opportunities for Patrys' deoxymab antibody platform



PAT-DX1-NP conjugated to nanoparticles

Through both its own internal R&D programs and a growing number of partnerships, Patrys is using PAT-DX1 to develop new clinical products based on the targeted delivery of nanoparticles carrying therapeutic payloads to the inside of cancer cells. In addition, during the year, Patrys signed a collaboration agreement with Imagion Biosystems to develop imaging agents that combine Imagion's MagSense technology with PAT-DX1's ability to cross the BBB and target cancers in the brain.



“Antibodies have become a dominant force in the treatment of cancer. Our deoxymabs are active across a range of cancers, and the ability to cross the blood-brain barrier can’t be underestimated in the fight against hard-to-treat cancers.”

- Patrys CEO and MD, Dr James Campbell

Pipeline

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

| Compound | Discovery | Preclinical | Clinical |
|------------|-----------|-------------|----------|
| PAT-DX1 | | | |
| PAT-DX3 | | | |
| PAT-DX1-NP | | | |

Milestones: FY2020-21

During FY21, Patrys announced a number of significant clinical and commercial milestones including a successful \$7.3m capital raising.

| | |
|---|----------------|
| Expansion of deoxymab portfolio with the addition of full human antibody PAT-DX3 | September 2020 |
| First patent granted for deoxymab-nanoparticles | October 2020 |
| Capital raising of \$7.3m via a Placement and Rights Issue | November 2020 |
| Successful development and selection of an optimised stable cell-line for commercial scale production of clinical grade PAT-DX1 | February 2021 |
| New United States patent granted for Patrys' deoxymab assets | March 2021 |
| Completion of animal pharmacokinetic studies for both PAT-DX1 antibody fragment and full-sized PAT-DX3 IgG antibody | April 2021 |
| Announcement of a collaborative research program with Imagination Biosystems Limited to improve brain tumor imaging and diagnosis. | May 2021 |
| Publication of preclinical data, from collaboration with Yale School of Medicine demonstrating the ability of PAT-DX1 to cross the blood-brain barrier (BBB) and significantly inhibit the growth of both primary and secondary cancers in the brain in animal models | June 2021 |

Our First Patients

Our primary focus at Patrys is to move our lead asset, PAT DX1, to the first human clinical trial - and we are confident that we have the skills and resources to achieve this milestone in late 2022.

Patrys has built an outstanding team of local and international experts to plan and oversee the clinical development of PAT-DX1. They bring vital expertise in manufacturing, toxicology, clinical trial planning, clinical operations and regulatory affairs.

We have been working collaboratively with a highly qualified international contract research and development manufacturing organisation (CRDMO) for two years, which has helped us to overcome the many challenges of antibody drug development.

We look forward to maintaining this relationship as our CRDMO scales-up production of PAT-DX1 in Q4 of CY 2021. Antibody product from this run will be used for both rodent and primate toxicology studies which will inform our Human Research Ethics Application (HREA) for our phase 1 clinical study.

Patrys' sights are now firmly set on starting the first human clinical trial of PAT-DX1 in 2022.

Intellectual property

Patrys' has continued to build on its established intellectual property position which covers many of the uses for cell-penetrating antibodies.

In March 2021, a new patent covering the use of Patrys' deoxymabs in combination with radiosensitising agent(s) that damage DNA, or inhibit DNA repair, was granted in the United States.

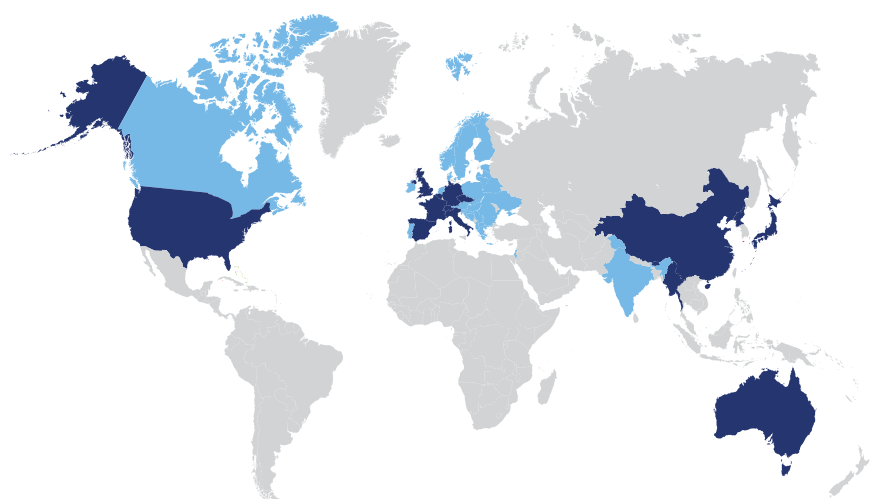
The company now has seven granted patents covering both forms of PAT-DX1 and PAT-DX3 and other deoxymabs; one in each of Europe, Japan, China, Australia and three in the US.

In total, Patrys has a further 32 pending applications across 13 different patent families in key jurisdictions. This provides the Company with a significant and material patent estate covering the use of its deoxymab antibodies as treatments of cancer.

“Patrys has an extensive portfolio of patents filed in major commercial markets, which currently includes over 13 active patent families, including 7 granted and 32 pending. Our company operates in a highly competitive and strategic space, so protecting our intellectual property is a foremost priority.”

- Patrys CEO and MD, Dr James Campbell

Active intellectual property strategy in place to protect key assets



Deoxymab patent portfolio

| | |
|----|-----------------------------|
| 13 | Active patent |
| 7 | Granted patents |
| 32 | Patent applications pending |

IP protection granted
 IP protection pending

A closer look at Patrys' research

Patrys is committed to developing innovative therapies that have the potential to improve the treatment or management of people with cancer. We are building a strong foundation to support the many potential therapeutic benefits our deoxymab antibodies have to offer. Our latest research has clearly demonstrated the ability of PAT-DX1 to cross the blood-brain barrier (BBB) and improve survival rates in multiple animal models that have cancers located in the brain. This has highlighted the unique potential for our deoxymabs may offer as much-needed treatments for patients with primary or secondary brain cancers.

'Researchers have developed the first antibody drug that could treat brain cancer, with the therapy able to cross the blood-brain barrier in a major feat for science.'

- The Australian

Patrys vision

It is our vision to be globally recognised for our research and development expertise, to provide tangible benefits to patients and strong returns for investors.



Journal publishes vital research supporting the therapeutic potential of PAT-DX1

New data was published in June 2021 in the highly-regarded Journal of Clinical Investigation – Insight, which showed that the PAT-DX1 antibody can cross the blood-brain barrier and then inhibit the growth of brain cancers and metastases.

Most antibodies are unable to cross cell membranes or the blood-brain barrier (BBB). For this reason, there have not been any antibody therapeutics approved for treating cancers located in the brain tissue. These can be cancers that have formed from tissues in the brain (primary cancer) or cancer cells that have migrated from cancers located elsewhere in the body (secondary cancers or metastases).

This latest research from Dr James Hansen’s group at Yale School of Medicine has shown Patrys’ PAT-DX1 may provide one of the first opportunities to develop an antibody therapeutic that can target cancers in the brain. In these experiments, human glioblastoma cells were implanted in the brains of mice, which were then treated with PAT-DX1 once tumours had become established in the brain.

According to Dr Hansen, these data demonstrate the ability of PAT-DX1 to suppress tumour growth and significantly improve survival in laboratory models of glioblastoma and of triple negative breast cancer brain metastases.

“These findings are very encouraging as the BBB prevents most antibodies from penetrating the central nervous system and limits conventional antibody-based approaches to brain tumours,” he said.

The ability of PAT-DX1 to cross the BBB, localise to both primary and secondary tumours in the brain, and then selectively kill cancer cells by blocking their DNA Damage Repair (DDR) systems highlights the potential for Patrys’ deoxymabs to provide much-needed, new therapeutic options for the treatment of cancers located in the brain.

“We continue to be impressed with the robust scientific evidence and rationale that is backing the development of our deoxymab drug platform,” said Dr James Campbell, Patrys Chief Executive Officer and Managing Director.

“This publication, in a highly-regarded, peer-reviewed journal is further validation of the pioneering position that Patrys and its collaborators at Yale School of Medicine have established with its deoxymab platform. Glioblastoma and TNBC brain metastases are very difficult to treat, and the prognosis for patients with these cancers is generally poor, and we are excited by the potential that PAT-DX1 shows in animal models of these cancers.”

“These data demonstrate the ability of DX1 to suppress tumour growth and significantly improve survival in laboratory models of glioblastoma and of triple negative breast cancer brain metastases.”

- Dr James Hansen, Yale School of Medicine

Patrys Featured in The Australian

This encouraging clinical data was shared as part of a national feature story in Australia's leading broadsheet newspaper, The Australian. Health Editor Natasha Robinson highlighted the significance of the new preclinical data for PAT-DX1 - and what it means for future, potential patients.

A short excerpt from the article:

Researchers have developed the first antibody drug that could treat brain cancer, with the therapy able to cross the blood-brain barrier in a major feat for science.

There is currently little hope for brain cancer patients as drugs are unable to penetrate into the brain to shrink the cancer cells.

But now Australian biotech company Patrys has worked with scientists in the US to develop a tumour-targeting autoantibody, dubbed PAT-DX1, which has been shown in animal studies to significantly inhibit the growth of tumours in three models of cancer, including brain and breast cancer.

The therapy works by passing through a membrane transporter called ENT2, allowing the drug to penetrate into cells, block DNA repair and shrink tumours.

Deoxymab-1 (PAT-DX1) is a DNA-damaging autoantibody that is lethal to cancer cells with defects in the DNA damage response.

Breakthrough drug to treat brain cancer

EXCLUSIVE

NATASHA ROBINSON
HEALTH EDITOR

Researchers have developed the first antibody drug that could treat brain cancer, with the therapy able to cross the blood-brain barrier in a major feat for science.

There is currently little hope for brain cancer patients as drugs are unable to penetrate into the brain to shrink the cancer cells.

But now Australian biotech company Patrys has worked with scientists in the US to develop a tumour-targeting autoantibody, dubbed PAT-DX1, which has been shown in animal studies to significantly inhibit the growth of tumours in three models of cancer, including brain and breast cancer.

The therapy works by passing through a membrane transporter called ENT2, allowing the drug to penetrate into cells, block DNA repair and shrink tumours.

Deoxymab-1 (DX1) is a DNA-damaging autoantibody that is lethal to cancer cells with defects in the DNA damage response.

"What our antibody does which is unique is that rather than binding to the outside of the cell, it crosses inside the cell and gets inside the nucleus and basically stops DNA repair," Patrys CEO James Campbell said. "This method by which it crosses into the cell is the same

method by which it crosses across the blood-brain barrier.

"Getting therapies into the brain is really tricky. The body has a whole heap of mechanisms to stop things getting into the brain.

"So we think this is really exciting because we have an antibody which we know works against a range of different cancers and we can show that it crosses the blood-brain barrier."

The only current drug treatment available for brain cancer is a small molecule therapy called

temozolomide, which is typically given after radiation therapy but which is largely ineffective as it cannot cross the blood-brain barrier. Chemotherapy drugs are also largely unable to cross the barrier. Patients diagnosed with one of the most common brain cancers, glioblastoma, survive on average for only 15 months after their diagnosis.

temozolomide, which is typically given after radiation therapy but which is largely ineffective as it cannot cross the blood-brain barrier. Chemotherapy drugs are also largely unable to cross the barrier. Patients diagnosed with one of the most common brain cancers, glioblastoma, survive on average for only 15 months after their diagnosis.

When we think of biologics, there are no antibodies that have been shown to get into the brain," Dr Campbell said. "We're confident that we're on the cusp of potentially a revolution in new therapies for treating brain cancers, and some cancers outside the brain as well."

Peer-reviewed research that establishes the therapy shrinks tumour cells in mice has been published in The Journal of Clinical Investigation.

The therapy was first developed by scientists at UCLA and Yale University. Yale School of Medicine associate professor of therapeutic radiology, James Hansen, said a major advantage of the biologic is that does not have the side-effect of killing normal cells.

"The really magical thing about this antibody is that it can penetrate into live cells, which is very unusual," he said. "It's always been sort of a mystery as to how that could occur. Eventually it was found that was related to this nucleoside transporter called ENT2 that allows it to cross through membranes and get into cell nuclei and bind DNA and inhibit DNA repair."

"Once we've realised that the antibody was inhibiting DNA repair, then we started putting it onto cancer cells with defects in DNA repair. And then we found the antibody by itself would kill those cancer cells. But if the antibody is exposed to a normal cell with normal DNA repair, that cell does just fine."

'We have an antibody which we know works against a range of different cancers'

JAMES CAMPBELL
PATRYS CHIEF EXECUTIVE

Human trials are set to begin in the middle of next year.

Patrys mission

It is our mission to develop innovative therapies and diagnostics for cancer and rare diseases to improve quality of life. Our deoxymab technology has been developed in collaboration with scientists from globally distinguished medical institutions and offers revolutionary new antibody approaches for treating and managing this devastating disease.

Building Patrys' deoxymab pipeline

Patrys is leveraging its deoxymab platform to build a rich pipeline of products by developing different antibody formats that can be used in multiple ways to treat a range of cancers.

In September 2020, Patrys announced the addition of a full-sized, humanised IgG deoxymab antibody, called PAT-DX3 to its pipeline. Patry's deoxymab pipeline now includes different antibody formats:

- PAT-DX1 – a small, antibody fragment containing two copies of the binding site and is an optimised version of the original 3E10 antibody
- PAT-DX3 – a full-sized IgG antibody which is also based on an optimised version of the original 3E10 antibody

Studies conducted during the year show both these antibodies bind to damaged DNA and can cross the blood brain barrier. However, they do have different pharmaceutical properties in terms of how long they last in the bloodstream, which tissues they can access, and how they can be used to carry different payloads.

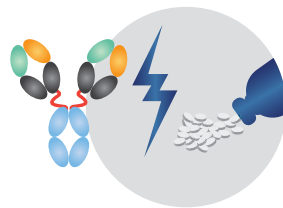
One technology - many applications

The different biological properties of Patrys' deoxymabs can be leveraged in a different ways to treat a range of cancers.



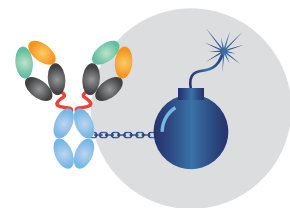
Single agent therapies

To treat cancers with existing DDR deficiencies



Combination therapies

Using deoxymabs in combination with chemo or radiation therapies



Targeting agent

Delivers therapeutic payloads into the cell nucleus

Single agent therapies: many cancers have mutations that compromise their internal DNA damage repair (DDR systems). While these mutations on their own are not lethal, additional inhibition of DDR by deoxymabs can push the cancer cells over the edge and kill them. This approach is termed 'synthetic lethality'.

Combination therapies: another approach is to combine the DDR inhibiting activity of deoxymabs with an existing cancer therapy that causes damage to DNA such as radiation therapy or many chemotherapy drugs. This can make the existing therapies more effective or be used to lower the dose, and consequently the side-effects of the existing therapy.

Targeting agents: because deoxymabs are attracted to cancer cells, regardless of what type or where they are in the body, they can be used to target the delivery of therapeutic or imaging agents to solid cancers anywhere in the body. The ability of deoxymabs to cross the blood brain barrier also opens up the possibility of using antibody targeted therapies to treat brain cancers. Because of these unusual properties, Patrys' deoxymabs have the potential to be used in novel ways as a targeting agent in Antibody Drug Conjugates (ADCs). ADCs are antibody-delivered therapeutics and have become one of the most exciting approaches of drug development. The addition of PAT-DX3 to the pipeline has expanded these opportunities by providing the option to use a full-sized IgG antibody with more attachment sites and a different pharmacokinetic profile.

ADC's - a big opportunity for Patrys

Analytical studies have confirmed that different payloads (therapeutic drugs as well as imaging agents) can be successfully linked to Patrys' deoxymabs. Furthermore, animal studies show that deoxymabs are able to carry these linked chemical payloads to cancers, even when they are located in the brain.

As a result, Patrys is already working with a number of collaborators and potential commercial partners to evaluate the use of its deoxymabs as targeting agents for ADCs.

Similarly, during the year, Patrys announced a collaboration with Imagination Biosystems to use the targeting abilities of deoxymabs to develop new imaging agents for diagnosing cancers in the brain.

Two of the biggest deals in biotech in 2020 were for ADCs:

- AstraZeneca / Daiichi Sankyo: US\$1B upfront, total deal US\$6B for cancer ADC
- Merck / Seattle Genetics: US\$600M upfront, total deal US\$3.2B for cancer ADC

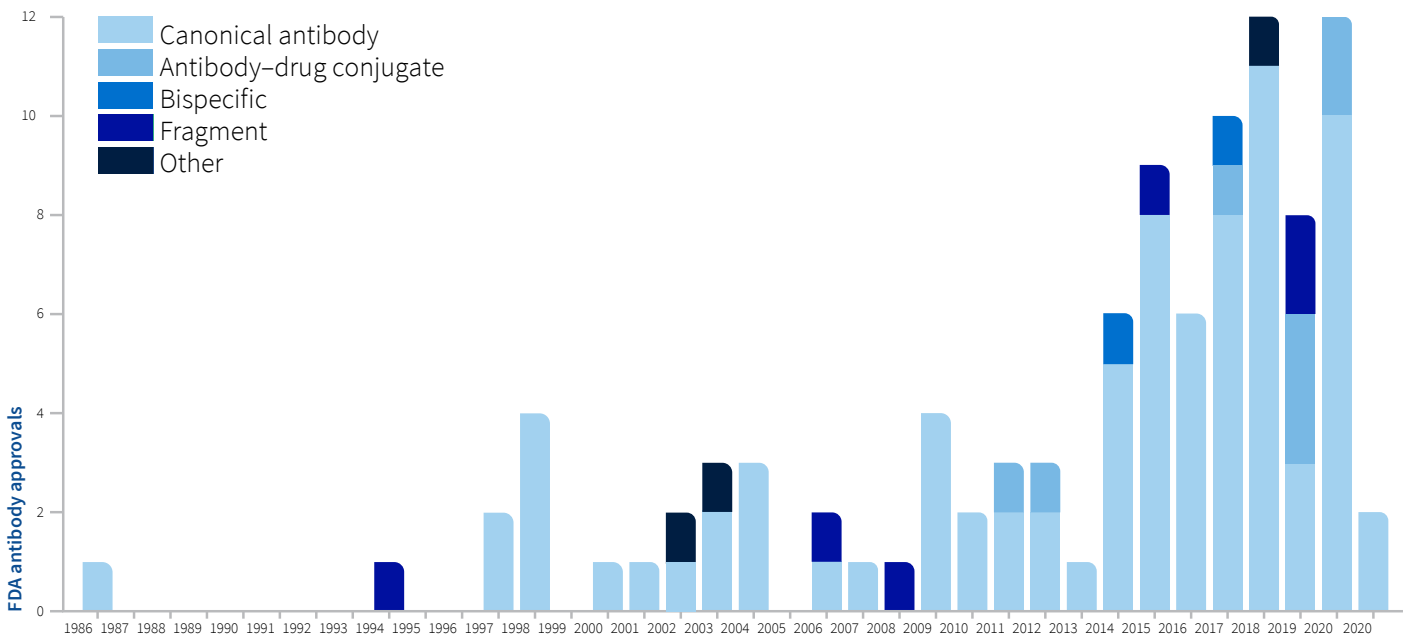
“An ADC is like a guided missile, where the antibody is the guiding system of a cytotoxic payload.”

- Patrys CEO and MD, Dr James Campbell.



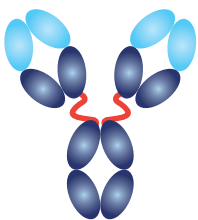
Antibodies come of age

The FDA approved its 100th antibody this year. While it has taken 35 years to achieve this milestone, the next hundred are expected to be approved in possibly one third of that time. Antibodies now account for nearly one fifth of new drugs approved by the FDA.

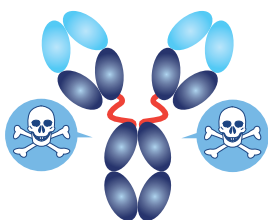


Antibodies are becoming one of the key foundations of modern medicine. The reason is they provide the ability to precisely target different tissues or biochemical processes. This has also been enhanced by the development of new antibody formats that have opened up new approaches for using antibodies.

Canonical antibodies



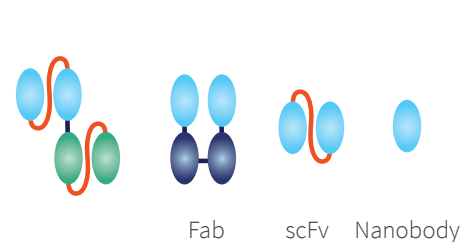
Antibody-drug conjugates



Bispecifics

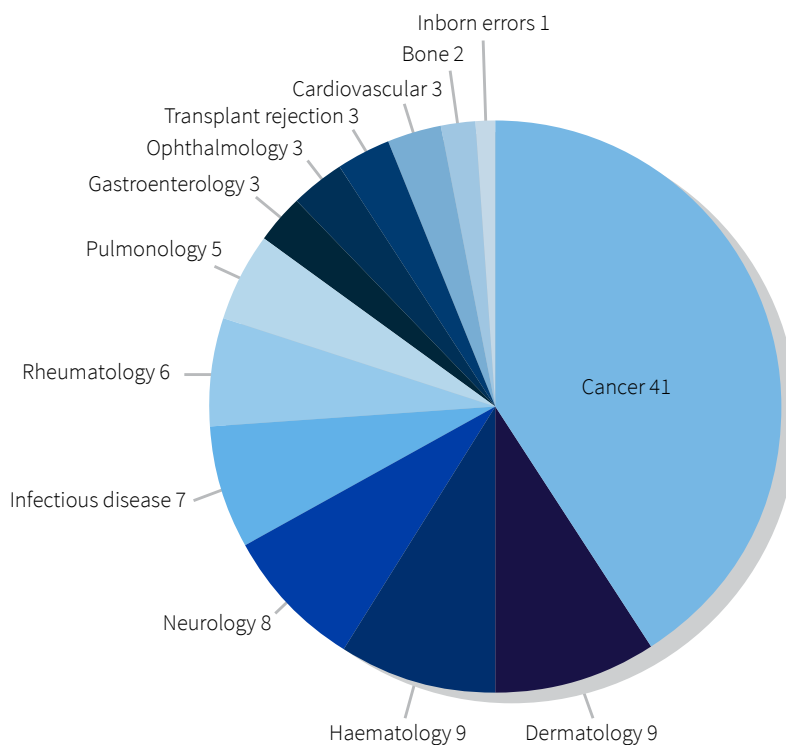


Fragments



Antibodies now account for nearly one fifth of new drugs approved by the FDA.

While antibodies can be used in a range of different ways to treat a variety of medical conditions, 41 of the first 100 FDA-approved antibodies were developed for treating different cancers.



2021 - FDA approves 100th monoclonal antibody product, volume 20 | July 2021 p494

Antibodies also were some of biggest selling drugs in 2019

| Antibody | Target | 2019 sales (US\$ billion) | Antibody | Target | 2019 sales (US\$ billion) |
|---------------|----------|---------------------------|-------------|--------------|---------------------------|
| Adalimumab | TNF | 19.6 | Ranibizumab | VEGF | 3.9 |
| Pembrolizumab | PD1 | 11.1 | Ocrelizumab | CD20 | 3.7 |
| Nivolumab | PD1 | 8.0 | Secukinumab | IL-17A | 3.6 |
| Bevacizumab | VEGF | 7.1 | Pertuzumab | HER2 | 3.6 |
| Rituximab | CD20 | 6.5 | Golimumab | TNF | 3.4 |
| Ustekinumab | IL-12/23 | 6.5 | Omalizumab | IgE | 3.2 |
| Trastuzumab | HER2 | 6.1 | Daratumumab | CD38 | 3.0 |
| Infliximab | TNF | 5.3 | Vedolizumab | 4 7 integrin | 2.5 |
| Denosumab | RANK- L | 5.0 | Dupilumab | IL-4R | 2.3 |
| Eculizumab | C5 | 3.9 | Tocilizumab | IL-6R | 2.3 |

mAb, monoclonal antibody. Source: Cortellis.

This provides a very attractive commercial landscape for Patrys’ deoxymab antibodies which are being developed to treat cancer, and which have potential utility as targeting agents for the newest class of antibody-based therapeutics, namely ADCs.

As far as we know, none of the 100 approved antibodies cross the blood brain barrier – and thus, Patrys’ deoxymabs may prove to be one of the first antibody-based therapeutics that can be used to treat cancers in the brain.

Commercial Interest in Cancer

Cancer continues to be one of the highest value therapeutic areas for life science companies. The deal space during 2020 was particularly active in drug classes and applications relevant to Patrys' deoxymabs. Of particular note is the deal between GlaxoSmithKline and IDEAYA for a cancer targeting drug that works by synthetic lethality.

| Buyer | Seller | Total projected value (\$ million) | Upfront payment (\$ million) | Mechanism | Drug(s) | Status (deal start) |
|-----------------|----------------|------------------------------------|------------------------------|---|---|---------------------|
| AstraZeneca | Daiichi Sankyo | 6,000 | 1,000 | Antibody–drug conjugate | Datopotamab deruxtecan | Phase 1 |
| AbbVie | Genmab | 3,900 | 750 | Bispecific T cell engager | GEN-1044; GEN-3009; epcoritamab | Phase 2 |
| Merck & Co | Seagen | 3,200 | 600 | Antibody–drug conjugate | Ladiratumzumab vedotin | Phase 2 |
| GlaxoSmithKline | IDEAYA | 3,030 | 100 | Precision medicine; synthetic lethality | IDE397; Pol-theta inhibitors; werner inhibitors | Preclinical |
| Gilead | Arcus | 2,000 | 175 | Anti-ITIM antibody; anti-PD1 antibody | Domvanalimab; zimberelimab | Pre-registration |
| Incyte | MorphoSys | 1,955 | 750 | Anti-CD19 antibody | Tafasitamab | Pre-registration |
| Genentech | Bicycle | 1,720 | 30 | Peptide–drug conjugate | Drug discovery platform | Discovery |
| EQRx | CStone | 1,300 | 150 | Anti-PD1 antibody; anti-PDL1 antibody | CS1003; sugemalimab | Phase 3 |

2021 – Adapted from: *Oncology dealmaking in 2020*; www.nature.com/biopharmdeal | March 2021 | B4

Cancer-related assets accounted for more than half (eight) of the top 15, with four in the cancer immunotherapy area, demonstrating that biopharma's appetite for this area is far from sated. Collectively, the cancer deals had a value (biobucks included) of almost \$24 billion out of a total of just over \$40 billion overall.

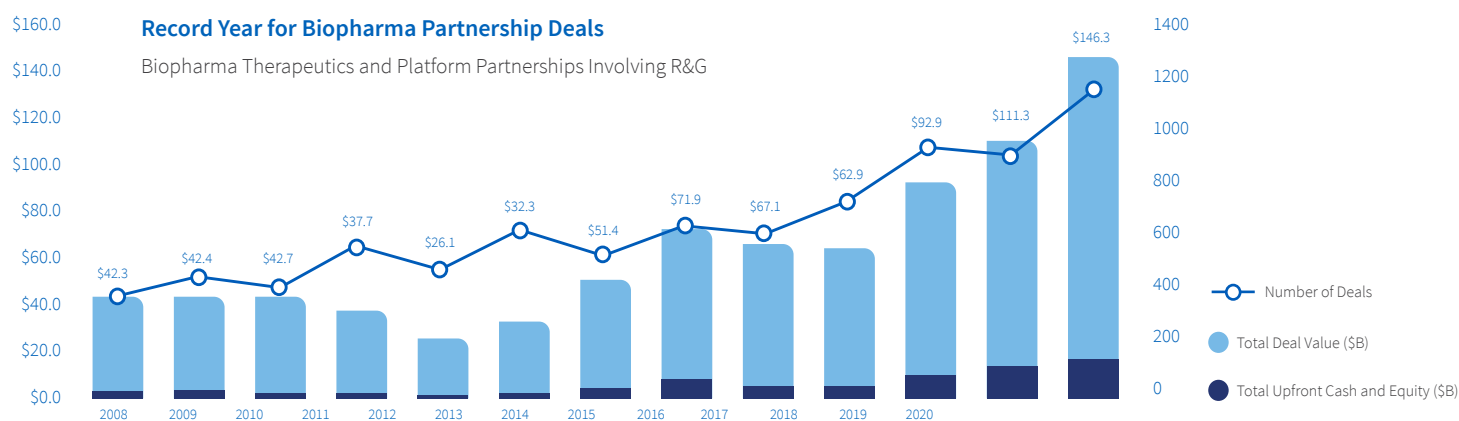
- Fierce Biotech, 2020

SOURCE: <https://www.fiercebiotech.com/special-report/top-15-biopharma-licensing-deals-2020>

Initial studies in animal models using PAT-DX1 as a single agent to treat cancers with pre-existing compromised DDR systems, such as triple negative breast cancer, show that this approach is a viable option for deoxymab antibodies.

While Patrys' internal R&D is clearly focused on getting PAT-DX1 into clinical trials, there is plenty of opportunity for the company to enter into commercial partnerships for other applications for its deoxymab antibodies. Industry partners are in-licencing assets at earlier stages and on commercially attractive terms. The current trend is towards a great number of earlier stage deals at equivalent or improving commercial terms.

Earlier Deals Go Larger



SOURCE: <https://blog.dealforma.com/biotech-and-pharma-deals-in-2020/>



“The future for therapeutic antibodies is exciting. While our focus is on advancing to the first human clinical trial of PAT-DX1 in 2022, we are actively engaged in business development efforts to leverage the unique attributes of deoxymabs, and expand our portfolio of novel assets.”

- Patrys CEO and MD, Dr James Campbell

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 2021.

Directors

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

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

Principal activities

Patrys is leveraging its proprietary deoxymab antibody technology platform to develop new therapies for the treatment of cancer. Unlike most other antibodies, Patrys' deoxymabs are able to cross the blood-brain barrier, enter cells and the cell nucleus, and block DNA damage repair systems. Patrys is using these properties to develop new therapies that incorporate deoxymabs as a single agent, as part of a combination therapy, and for the targeted delivery of therapeutic agents to cancer cells.

The company has developed PAT-DX1, a humanised antibody fragment based on the original mouse deoxymab, 3E10. Patrys is advancing PAT-DX1 through late pre-clinical development towards an anticipated first in human clinical study in 2022. Large scale manufacture of clinical grade PAT-DX is planned for the 2021/22 financial year and will provide the material required to complete the final preclinical studies and first clinical studies. Patrys is also progressing pre-clinical to PAT-DX1-NP, a version of PAT-DX1 which is coupled to a nanoparticle for targeted delivery of a range of payloads to tumours. During September 2020, Patrys added a full-sized IgG deoxymab, PAT-DX3, to its pipeline, expanding the potential opportunities for deoxymabs.

Patrys has an exclusive, worldwide licence to the deoxymab technology for cancer applications from Yale University, and is using this to develop and commercialise a portfolio of anti-cancer and diagnostic agents that include: anti-DNA antibodies, antibody fragments, variants and conjugates.

Dividends

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

Review of operations

The loss for the Group after providing for income tax amounted to \$4,062,920 (30 June 2020: \$2,748,539).

R&D progress

During the 2021 financial year, Patrys expanded its pipeline and advanced the preclinical and manufacturing programs for PAT-DX1.

The PAT-DX1 clinical development program advanced considerably during the period, with the completion and selection of a stable cell line to be used for all future manufacturing of PAT-DX1 for clinical and commercial use. This stable cell line is currently being converted into a Master Cell Bank, which will be used for an initial full scale manufacturing run (an engineering run) for the production of PAT-DX1 in CY 2021. The antibodies produced in the engineering run will be used for rodent and primate toxicology studies, planned for H1 2022, and these studies will inform the Human Research Ethics Application (HREA). The phase 1 clinical trial is anticipated to commence in late 2022. As disclosed in Note 23, subsequent to June 30 2021, the planned phase 1 study has been delayed by approximately 6 months due to COVID-19 related supply chain issues with key ingredients necessary for production of PAT-DX1.

In September 2020, Patrys announced it had completed the initial production and characterisation of PAT-DX3, a full-sized, humanised IgG antibody based on the deoxymab antibody fragment PAT-DX1. PAT-DX3 has demonstrated functional equivalence with PAT-DX1 in several important attributes including the ability to penetrate the cell nucleus, and the ability to bind to the DNA that is released from damaged tumour cells. Significantly, PAT-DX3 has different pharmacokinetic attributes to PAT-DX1. PAT-DX3 offers Patrys the ability to further leverage its deoxymab platform by allowing the development of new, broad-based, anticancer therapeutics with different pharmaceutical profiles. This full-sized version of PAT-DX1 is protected by existing, granted and pending patents in key jurisdictions

During the first half of 2021 financial year, Patrys made significant progress with its development of PAT-DX1. In July 2020, Patrys partnered with Olivia Newton-John Cancer Research Institute (ONJCRI), as the La Trobe University School of Cancer Medicine, and was awarded a \$50,000 Federal Government grant to support research at ONJCRI on Patrys' PAT-DX1 program. This research will be led by Professor Robin Anderson, Head of ONJCRI's Translational Breast Cancer Program and the Metastasis Research Laboratory.

Corporate developments

During the financial year ended 30 June 2021, Patrys completed two capital raises for a total of \$11.7M before costs (\$4.3M in August and \$7.4M in November and December). These have provided the company with a strong balance sheet and sufficient funds to expand the deoxymab platform, complete the commercial-scale manufacture of clinical grade material and complete required preclinical studies for PAT-DX1. As a result, the company believes that it has sufficient capital to be able initiate a first human clinical trial of PAT-DX1 in 2022.

In June 2021 data from Patrys' preclinical studies were published "JCI – Insight" a leading peer-reviewed scientific publication. This data demonstrated the ability of Patrys' PAT-DX1 deoxymab to cross the blood brain barrier (BBB), suppress metastatic tumour growth, and prolong survival, in an animal model of triple negative breast cancer (TNBC) brain metastases, and described the importance of the ENT2 transporter in enabling the transit of the BBB.

During the financial year, the company initiated an active clinical engagement program. CEO Dr James Campbell and Board member Dr Pamela M. Klein held key opinion leader (KOL) discussions with several leading international neuro-oncologists. These discussions provide the company with valuable insights to assist with identifying the most attractive clinical opportunities for Patrys' deoxymabs.

A patent covering the use of Patrys' novel deoxymab platform for the targeted delivery of anticancer drugs using nanoparticles was granted in Australia during the period. This patent covers the use of deoxymabs (both PAT-DX1 and PAT-DX3) conjugated to nanoparticles (NPs) for both the diagnosis and treatment of multiple types of cancer.

Looking ahead

Under the guidance of the Board and the Scientific Advisory Board Patrys made advances in its efforts to build and realise the value of its assets in the twelve months to 30 June 2021. Numerous studies investigating both the mechanisms and applications of PAT-DX1 and PAT-DX3 have been planned and initiated, and the company looks forward to sharing the details of these studies once any novel and valuable intellectual property (IP) has been evaluated and protected by patent applications. These studies and patent applications continue to add to a robust portfolio of IP that Patrys will advance through a combination of self-funded projects, academic alliances and commercial collaborations.

Value-drivers for the coming financial year will include the completion of pre-clinical studies for PAT-DX1 in preparation for the anticipated phase 1 clinical trial in late 2022. In addition to this core activity Patrys will seek to build further value in the platform expansion activities that it commenced in the year ended 30 June 2021. These include, but are not limited to the development of PAT-DX3 as a single agent therapeutic, the exploration of antibody drug conjugates (ADCs) using PAT-DX3, payload delivery to tumours using PAT-DX1-NP and collaborations on novel diagnostic agents based on deoxymabs.

Patrys has transformed itself from a single asset company to a platform technology with a lead agent approaching the clinic, and believes that the value being realised from the broader platform may be substantial.

Operating results

Patrys held cash and term deposits of \$10,916,604 at the reporting date. Patrys' policy is to hold its cash and cash equivalent deposits in 'A' rated or better deposits.

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

Consolidated revenue including other income during the period was \$1,338,377 (2020: \$772,844). This revenue includes interest of \$5,296 (2020: \$59,891), R&D tax incentive income of \$1,188,581 (2020: \$623,197) and licencing income of \$27,500 (2020: \$27,500).

Total consolidated operating expenses for the period were \$5,401,297 (2020: \$3,521,383). Operating expenses include research and development costs of \$2,861,902 (2020: \$1,367,988) which have been expensed in the year they were incurred. The increase in R&D costs in 2021 is due to increase in activity related to pre-clinical and manufacturing works in the financial year. Administration and management costs contributed a further \$2,539,395 (2020: \$2,153,395) to expenses from continuing operations. The increase during the financial year is due to a combination of items, including insurance cost, business development cost and other general administrative costs.

Significant changes in the state of affairs

On 13 July 2020 the company announced that the Olivia Newton-John Cancer Research Institute (ONJCRI), as the La Trobe University School of Cancer Medicine, has been awarded a \$50,000 Federal Government grant to support research at ONJCRI on Patrys' PAT-DX1 program. ONJCRI is one of Australian's leading biomedical research institutes with strengths in cancer biology, translational medicine and clinical trials.

On 5 August 2020 the company completed the Entitlement Offer by way of issue and allotment of 357,530,827 fully paid ordinary shares at \$0.012 (1.2 cents) per share, raising \$4.29m before costs and a total of 126,677,087 Options. The Options issued comprise 119,177,087 free attaching options applied for under the fully underwritten non-renounceable Entitlement Offer and 7,500,000 Options which have been issued to Lazarus Corporate Finance Pty Limited (Underwriter and Lead Manager).

On 12 October 2020 the company issued 6,000,000 fully paid ordinary shares, upon exercise of 6,000,000 unquoted options exercisable at \$0.0072.

On 9 November 2020 the company announced a \$7.3m capital raising via a placement and rights issue to fund PAT-DX1 through to first-in-human studies and platform expansion.

The placement was for the issue of 125,000,000 fully paid ordinary shares at \$0.02 (2 cents) per share to raise gross proceeds of \$2.5m before costs. The placement participants were entitled to one free attaching three year option exercisable at \$0.04 (4 cents) for every three new shares issued (New Option).

The rights issue was a fully underwritten, non-renounceable rights issue on the basis of one new share for every six shares held, at \$0.02 (2 cents) per share, with one free attaching three year option exercisable at \$0.04 (4 cents) for every three new shares issued, to raise approximately \$4.8m before costs.

On 16 November 2020 the company completed the placement portion of the above capital raising by issue of 125,000,000 fully paid ordinary shares at \$0.02 (2 cents) per share, raising \$2.5m before costs.

On 15 December 2020 the company completed the rights issue portion of the above capital raising, by way of issue of 127,928,183 fully paid ordinary shares and a total of 90,109,523 options. The shares comprise 120,428,183 shares applied for under the fully underwritten non-renounceable Entitlement Offer, issued at \$0.02 (2 cents) and raising \$2,408,564 before costs, and 7,500,000 shares as settlement of the Placement fee. The options issued comprise 40,142,855 free attaching options applied for under the Entitlement Offer, 41,666,668 free attaching options to participants in the Placement, 2,500,000 free attaching options in relation to the Placement fee, and 5,800,000 options to Lazarus Corporate Finance Pty Limited (Underwriter and Lead Manager).

On 17 December 2020 the company issued the shortfall securities relating to the rights issue, with 118,926,336 shortfall shares issued at \$0.02 (2 cents) and 39,642,126 options, raising \$2,378,527 before costs.

On 18 December 2020 the company issued 22,100,000 unquoted options, exercisable at \$0.027 (2.7 cents), expiring 18 December 2024, comprising 14,600,000 unquoted options issued to Directors of the company, pursuant to Resolutions 4, 5, 6, 7 and 8 of the company's Notice of Annual General Meeting held on 19 November 2020, and as approved by Shareholders, and 7,500,000 unquoted options issued to employees of the company under the company's Executive Share Option Plan (ESOP).

On 21 December 2020 the company issued 500,000 unquoted options, exercisable at \$0.027 (2.7 cents) and expiring 18 December 2024 to members of the Scientific Advisory Board (SAB), pursuant to their consulting agreements.

On 21 December 2020 the company issued 1,250,000 PABO Listed Options, exercisable at \$0.024 (2.4 cents), expiring 5 August 2023 to a consultant as part consideration for services provided.

On 10 February 2021 the company announced that it has selected an optimised stable cell line for its lead asset PAT-DX1.

On 17 February 2021 the company issued a total of 41,111 fully paid ordinary shares upon the exercise of 40,185 PABO Listed Options, exercisable at \$0.024 (2.4 cents) each, and 926 PABOA Listed Options, exercisable at \$0.04 (4 cents) each.

On 3 March 2021 the company issued 4,000,000 fully paid ordinary shares at an issue price of \$0.0072 (0.72 cents) per share in relation to the exercise of unquoted options.

On 31 March 2021 the company announced that US patent number:10,961,301, titled "*Cell-penetrating anti-DNA antibodies and uses thereof inhibit DNS repair*" has been granted. This new patent provides protection until August 2033.

On 28 April 2021, the company issued 5,000,000 fully paid ordinary shares at an issue price of \$0.0072 (0.72 cents) per share in relation to the exercise of unquoted options. The company also issued 53,333 fully paid ordinary shares at an issue price of \$0.024 (2.4 cents) per share in relation to the exercise of PABO quoted options.

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

Matters subsequent to the end of the financial year

The impact of the COVID-19 pandemic is ongoing and while it had not had a material impact on the Group up to 30 June 2021, it was noted after the reporting date that the pandemic had impacted supply chains for the media used in the production of PAT-DX1, and that this would result in an expected six month delay to the commencement of the phase 1 clinical trial. The company is not aware of other impacts, but notes that other potential impacts, positive and/or negative, are possible. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Subsequent to the end of the financial year, on 2 July 2021, the company announced the issue of 2,500,000 fully paid ordinary shares, at an issue price of \$0.0072 (0.72 cents) per share in relation to the exercise of unquoted options. The company also issued 26,790 fully paid ordinary shares at an issue price of \$0.04 (4 cents) per share in relation to the exercise of PABOA quoted options.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

The Group's focus for the coming period will be to build further value into the Deoxymab platform through pre-clinical activities, to commence progression of the PAT-DX1 asset towards the clinic.

Environmental regulation

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

Information on Directors

| | |
|--------------------------------------|--|
| Name: | John Read |
| Title: | Non-Executive Chairman |
| Qualifications: | BSc (Hons), MBA, FAICD |
| Experience and expertise: | Mr. Read is an experienced Chairman and Director in public, private and government organisations. Through his extensive career in venture capital, private equity and commercialisation he has gained a depth of experience in the formation and growth of emerging companies with an emphasis on commercial entities that provide broad societal benefits. He was previously the Chairman of CVC Limited (ASX: CVC) from 1989 to 2020 and Chairman of Eildon Capital Limited (ASX:EDC) from 2013 to 2016, Pro-Pac Packaging Limited (ASX:PPG) from 2005 to 2010, The Environmental Group Limited (ASX:EGL) from 2001 to 2012 and The Central Coast Water Corporation from 2011 to 2014. |
| Other current directorships: | None |
| Former directorships (last 3 years): | CVC Limited |
| Special responsibilities: | Chairman of Nomination and Remuneration Committee Member of Audit and Risk Committee |
| Interests in shares: | 10,160,306 ordinary shares |
| Interests in options: | 416,667 PABOA Listed options, exercisable at \$0.04 (4 cents), expiring 15 December 2023 6,000,000 Unlisted Options exercisable at \$0.035, expiring on 22 November 2023, 1,200,000 Unlisted options, exercisable at \$0.027 (2.7 cents), expiring on 18 December 2024, 396,132 PABO Listed options, exercisable at \$0.024 (2.4 cents), expiring 15 December 2023. |

Name: James Campbell
Title: Managing Director and Chief Executive Officer
Qualifications: Ph.D, MBA, GAICD
Experience and expertise: Dr. Campbell has more than 20 years of international biotechnology research, management and leadership experience and has been involved in the creation and/or transformation of multiple successful Australian and international biotechnology companies. Dr. Campbell was previously the CFO and COO of ChemGenex Pharmaceuticals Limited (ASX:CXS), where, as a member of the executive team he helped transform a research-based company with a market capitalization of \$10M to a company with completed clinical trials and regulatory dossiers submitted to the FDA and EMA. In 2011 ChemGenex was sold to Cephalon for \$230M. Dr. Campbell was a foundation executive of Evolve Biosystems, and has assisted private biotechnology companies in Australia, New Zealand and the USA with successful capital raising and partnering negotiations. Dr. Campbell sits on the Board of AusBiotech, Australia's peak industry body for biotechnology.

Other current directorships: Non-Executive Director of Prescient Therapeutics Limited (ASX:PTX.)
Former directorships (last 3 years): Non-Executive Director of Invion Limited (ASX:IVX) (ceased on 21 December 2019)
Interests in shares: 8,432,422 fully paid ordinary shares
Interests in options: 399,415 PABO Listed options, exercisable at \$0.024 (2.4 cents), expiring 5 August 2023,
401,544 PABOA Listed options, exercisable at \$0.04 (4 cents), expiring 15 December 2023,
9,000,000 Unlisted Options exercisable at \$0.0072, expiring 24 November 2021,
10,000,000 Unlisted Options exercisable at \$0.035, expiring on 22 November 2023 and
11,000,000 Unlisted options, exercisable at \$0.027 (2.7 cents), expiring on 18 December 2024.

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 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 was the Chairman of Spartan Biosciences Inc., an Ottawa based DNA analytics company, the Chairman of Dejero Labs Inc., a Waterloo based broadcast technology company, and active on the Boards of a number of other leading Canadian technology start-up companies.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of Nomination and Remuneration Committee
Chairman of Audit and Risk Committee
Interests in shares: 98,773,814 fully paid ordinary shares (These shares are held by Stork Holdings 2010 Ltd. The director has the ability to influence the voting and disposal of the shares of this company).
Interests in options: 4,000,000 Unlisted Options exercisable at \$0.035, expiring on 22 November 2023 and
800,000 Unlisted options, exercisable at \$0.027 (2.7 cents), expiring on 18 December 2024.

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

Other current directorships: Calithera Biosciences, Inc.(Nasdaq:CALA)
Former directorships (last 3 years): None
Special responsibilities: Member of Nomination and Remuneration Committee
Member of Audit and Risk Committee

Interests in shares: 3,000,000 fully paid ordinary shares.
Interests in options: 4,000,000 Unlisted Options exercisable at \$0.035, expiring on 22 November 2023 and 800,000 Unlisted options, exercisable at \$0.027 (2.7 cents), expiring on 18 December 2024.

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

Other current directorships: Argenx (arGEN-X ADS (NASD)), Argenx (arGENX (EURONEXT), Springbank Pharmaceuticals (NASDAQ: SBPH), I-MAB BioPharma (NASDAQ:IMAB)
Former directorships (last 3 years): None
Interests in shares: 250,000 fully paid ordinary shares.
Interests in options: 250,000 Unlisted options, exercisable at \$0.0613 each, expiring on 15 March 2023, 250,000 Unlisted options, exercisable at \$0.029 each, expiring on 15 March 2024, 4,000,000 Unlisted options, exercisable at \$0.035 each, expiring on 9 October 2024; and 800,000 Unlisted options, exercisable at \$0.027 (2.7 cents), expiring on 18 December 2024.

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

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

Company secretary

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

Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the Resources, technology, bioscience, biotechnology and health sectors.

Melanie has over 25 years' experience in the accounting profession and over 15 years' experience holding Board positions including Company Secretary of ASX listed entities. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, 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 | 2 | 2 |
| James Campbell | 8 | 8 | - | - | - | - |
| Suzy Jones | 8 | 8 | 2 | 2 | 2 | 2 |
| Michael Stork | 8 | 8 | 2 | 2 | 2 | 2 |
| Pamela Klein | 8 | 8 | - | - | - | - |

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 consolidated entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

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

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

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

The objective of the Committee is to ensure that remuneration policies and structures are fair and competitive and aligned with the long term interests of the company. The Corporate Governance Statement provides further information on the role of this committee, and is available on the company's website at www.patrys.com/patrys-corporate-governance.

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

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

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

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

Non-executive Directors remuneration

Directors' fees are determined by reference to industry standards and were last reviewed effective 22 November 2018. Components of the remuneration package include a cash element together with equity instruments.

Directors' fees are currently set at \$95,000 for the Chairman and \$60,000 per Non-Executive Director (note Ms. Jones and Dr. Klein receive USD\$60,000 each) and reflect the demands which are made on and the responsibilities of the Directors. However, one Non-Executive Director, Mr. Michael Stork, did not receive monetary Director fees during the year.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 22 November 2018, where the shareholders approved a maximum annual aggregate remuneration of \$400,000.

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

Incentives are payable to executives based upon the attainment of agreed corporate and individual milestones and are reviewed and approved by the Board of Directors.

Executives and Directors are issued with equity instruments as LTIs (Long Term Incentives) in a manner that aligns this element of remuneration with the creation of shareholder wealth. LTI grants are made to executives and Directors who are able to influence the generation of shareholder wealth and thus have a direct impact on the creation of shareholder wealth.

Consolidated entity performance and link to remuneration

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

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

Voting and comments made at the company's 19 November 2020 Annual General Meeting ('AGM')

At the 19 November 2020 AGM, 98.43% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. 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 2021.

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 Stork (Non-Executive Director)
- Suzy Jones (Non-Executive Director)
- Pamela Klein (Non-Executive Director)

Other Key Management Personnel

- Melanie Leydin (Company Secretary)

| | Short-term benefits | Short-term benefits | Short-term benefits | Post-employment benefits | Long-term benefits | Share-based payments | Total |
|--|----------------------|---------------------|---------------------|--------------------------|--------------------|------------------------|------------------|
| | Cash salary and fees | Bonus | Annual leave | Super-annuation | Long service leave | Equity-settled options | |
| 30 June 2021 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Non-Executive Directors:</i> | | | | | | | |
| John Read | 95,000 | - | - | - | - | 12,401 | 107,401 |
| Suzy Jones* | 80,277 | - | - | - | - | 7,238 | 87,515 |
| Michael Stork | - | - | - | - | - | 7,238 | 7,238 |
| Pamela Klein* | 80,928 | - | - | - | - | 13,184 | 94,112 |
| <i>Executive Directors:</i> | | | | | | | |
| James Campbell** | 324,687 | 160,000 | 16,554 | 21,003 | 6,451 | 72,507 | 601,202 |
| <i>Other Key Management Personnel:</i> | | | | | | | |
| Melanie Leydin*** | 150,000 | - | - | - | - | - | 150,000 |
| | <u>730,892</u> | <u>160,000</u> | <u>16,554</u> | <u>21,003</u> | <u>6,451</u> | <u>112,568</u> | <u>1,047,468</u> |

* Ms Jones was paid \$60,000 USD at an exchange rate of \$0.8110 USD to \$1 AUD.

Ms Klein was paid \$60,000 USD at an exchange rate of \$0.8045 USD to \$1 AUD.

** Bonus of \$70,000 relates to FY 2020 and paid to Mr Campbell in October 2020 and bonus of \$90,000 relates to FY 2021 and to be paid to Mr Campbell in August 2021.

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

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

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

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

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

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

| Name | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|--|--------------------|--------------|---------------|--------------|---------------|--------------|
| | 30 June 2021 | 30 June 2020 | 30 June 2021 | 30 June 2020 | 30 June 2021 | 30 June 2020 |
| <i>Non-Executive Directors:</i> | | | | | | |
| John Read | 88% | 76% | - | - | 12% | 24% |
| Suzy Jones | 92% | 85% | - | - | 8% | 15% |
| Pamela Klein | 86% | 69% | - | - | 14% | 31% |
| Michael Stork | - | - | - | - | 100% | 100% |
| <i>Executive Directors:</i> | | | | | | |
| James Campbell | 61% | 82% | 27% | - | 12% | 18% |
| <i>Other Key Management Personnel:</i> | | | | | | |
| Melanie Leydin | 100% | 100% | - | - | - | - |

Service agreements

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

Name: James Campbell
 Title: Managing Director and Chief Executive Officer
 Agreement commenced: 12 November 2014 as Non-Executive Director and 13 April 2015 as Managing Director
 Term of agreement: No fixed term for an ongoing term subject to termination by the company with 6 months' notice and termination by the employee with 6 months' notice of the employee to the company, or 12 months' notice in the event of a successful takeover.
 Details: Dr Campbell will be entitled to an annual salary (inclusive of superannuation) of \$345,690 effective from 1 July 2020 and \$350,530 effective from 1 July 2021. The Remuneration Package is inclusive of any fringe benefits tax for which the company is liable in respect of the employee's total remuneration and any superannuation contributions. The employee's performance will be reviewed annually or more frequently if required.

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

Name: Suzy Jones
 Title: Non-Executive Director
 Agreement commenced: 15 December 2011
 Term of agreement: No fixed term.
 Details: \$USD60,000 per annum to be reviewed independently and annually by the Board of Directors.

Name: Pamela Klein
 Title: Non- Executive Director
 Agreement commenced: 1 October 2019
 Term of agreement: No fixed term, with 1 months' notice.
 Details: \$USD60,000 per annum to be reviewed independently and annually by the Board of Directors.

Name: Melanie Leydin
 Title: Company Secretary
 Agreement commenced: 1 October 2015
 Term of agreement: No fixed term
 Details: \$10,000 per month for company secretarial and accounting services effective from 1 March 2019. Other engagements are undertaken on an adhoc basis at agreed fees.

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 2021.

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 |
|----------------|---------------------------|------------|-----------------------------------|-------------|----------------|-------------------------------------|
| John Read | 600,000 | 15/12/2020 | 15/12/2021* | 18/12/2024 | \$0.0270 | \$0.01250 |
| John Read | 600,000 | 15/12/2020 | 15/12/2022** | 18/12/2024 | \$0.0270 | \$0.01360 |
| Susan Jones | 400,000 | 15/12/2020 | 15/12/2021* | 18/12/2024 | \$0.0270 | \$0.01250 |
| Susan Jones | 400,000 | 15/12/2020 | 15/12/2022** | 18/12/2024 | \$0.0270 | \$0.01360 |
| Pamela Klein | 400,000 | 15/12/2020 | 15/12/2021* | 18/12/2024 | \$0.0270 | \$0.01250 |
| Pamela Klein | 400,000 | 15/12/2020 | 15/12/2022** | 18/12/2024 | \$0.0270 | \$0.01360 |
| Pamela Klein | 1,000,000 | 30/09/2019 | 30/09/2021*** | 30/09/2024 | \$0.0350 | \$0.01240 |
| James Campbell | 5,500,000 | 15/12/2020 | 15/12/2021* | 18/12/2024 | \$0.0270 | \$0.01250 |
| James Campbell | 5,500,000 | 15/12/2020 | 15/12/2022** | 18/12/2024 | \$0.0270 | \$0.01360 |
| Michael Stork | 400,000 | 15/12/2020 | 15/12/2021* | 18/12/2024 | \$0.0270 | \$0.01250 |
| Michael Stork | 400,000 | 15/12/2020 | 15/12/2022** | 18/12/2024 | \$0.0270 | \$0.01360 |

*Vesting on the 12 month anniversary of shareholder approval and the share price is equal to or greater than a 20-day VWAP of \$0.03 (3.0 cents); exercisable thereafter.

**Vesting on the 24 month anniversary of shareholder approval and the share price is equal to or greater than a 20-day VWAP of \$0.04 (4.0 cents); exercisable thereafter.

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

Options granted carry no dividend or voting rights.

There were no options over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2021.

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 2021 are set out below:

| Name | Number of options granted during the year 30 June 2021 | Number of options granted during the year 30 June 2020 | Number of options vested and exercisable during the year 30 June 2021 | Number of options vested and exercisable during the year 30 June 2020 |
|----------------|--|--|---|---|
| James Campbell | 11,000,000 | - | 9,000,000 | 15,000,000 |
| John Read | 1,200,000 | - | 2,000,000 | 2,000,000 |
| Susan Jones | 800,000 | - | 2,000,000 | 2,000,000 |
| Michael Stork | 800,000 | - | 2,000,000 | 2,000,000 |
| Pamela Klein | 800,000 | 4,000,000 | 2,500,000 | 2,500,000 |

Details of options over ordinary shares granted, vested and lapsed for Directors and other Key Management Personnel as part of compensation during the year ended 30 June 2021 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 | 15/12/2020 | 15/12/2021 | 5,500,000 | 68,475 | - | - | - |
| James Campbell | 15/12/2020 | 15/12/2022 | 5,500,000 | 74,525 | - | - | - |
| John Read | 15/12/2020 | 15/12/2021 | 600,000 | 7,470 | - | - | - |
| John Read | 15/12/2020 | 15/12/2022 | 600,000 | 8,130 | - | - | - |
| Susan Jones | 15/12/2020 | 15/12/2021 | 400,000 | 4,980 | - | - | - |
| Susan Jones | 15/12/2020 | 15/12/2022 | 400,000 | 5,420 | - | - | - |
| Michael Stork | 15/12/2020 | 15/12/2021 | 400,000 | 4,980 | - | - | - |
| Michael Stork | 15/12/2020 | 15/12/2022 | 400,000 | 5,420 | - | - | - |
| Pamela Klein | 15/12/2020 | 15/12/2021 | 400,000 | 4,980 | - | - | - |
| Pamela Klein | 15/12/2020 | 15/12/2022 | 400,000 | 5,420 | - | - | - |

Additional information

The earnings of the Group for the five years to 30 June 2021 are summarised below:

| | 2021 \$ | 2020 \$ | 2019 \$ | 2018 \$ | 2017 \$ |
|------------------------------|-------------|-------------|------------|-------------|-------------|
| Revenue and other income | 1,338,377 | 772,844 | 3,844,365 | 520,525 | 531,729 |
| Net profit/(loss) before tax | (4,062,920) | (2,748,539) | (411,326) | (2,497,252) | (1,057,876) |
| Net profit/(loss) after tax | (4,062,920) | (2,748,539) | (411,326) | (2,497,252) | (1,057,876) |

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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|----------|----------|----------|----------|----------|
| Share price at financial year start (\$) | 0.0120 | 0.0300 | 0.0580 | 0.0100 | 0.0100 |
| Share price at financial year end (\$) | 0.0560 | 0.0120 | 0.0300 | 0.0580 | 0.0100 |
| Basic earnings per share (cents per share) | (0.2524) | (0.2566) | (0.0384) | (0.2653) | (0.1420) |

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each Director and other members of Key Management Personnel of the Group, including their related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|------------------------|----------------------------------|----------------------------------|-------------------|------------------|--------------------------------|
| <i>Ordinary shares</i> | | | | | |
| James Campbell | 29,546 | - | 8,402,876 | - | 8,432,422 |
| John Read | 7,721,911 | - | 2,438,395 | - | 10,160,306 |
| Suzy Jones | 3,000,000 | - | - | - | 3,000,000 |
| Michael Stork | 98,773,814 | - | - | - | 98,773,814 |
| Pamela Klein | 250,000 | - | - | - | 250,000 |
| | <u>109,775,271</u> | <u>-</u> | <u>10,841,271</u> | <u>-</u> | <u>120,616,542</u> |

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 | Additions | Balance at the end of the year |
|-------------------------------------|----------------------------------|-------------------|--------------------|------------------|--------------------------------|
| <i>Options over ordinary shares</i> | | | | | |
| James Campbell | 25,000,000 | 11,000,000 | (6,000,000) | 800,959 | 30,800,959 |
| John Read | 6,000,000 | 1,200,000 | - | 812,799 | 8,012,799 |
| Suzy Jones | 4,000,000 | 800,000 | - | - | 4,800,000 |
| Michael Stork | 4,000,000 | 800,000 | - | - | 4,800,000 |
| Pamela Klein | 4,500,000 | 800,000 | - | - | 5,300,000 |
| | <u>43,500,000</u> | <u>14,600,000</u> | <u>(6,000,000)</u> | <u>1,613,758</u> | <u>53,713,758</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 |
|--------------------------------------|------------------|----------------|---------------------|
| 20 December 2016 | 24 November 2021 | \$0.0072 | 9,000,000 |
| 19 April 2017 | 19 April 2022 | \$0.0072 | 250,000 |
| 15 March 2018 | 15 March 2023 | \$0.0613 | 500,000 |
| 15 March 2018 | 1 July 2022 | \$0.0613 | 2,500,000 |
| 1 June 2018 | 18 April 2023 | \$0.0200 | 2,500,000 |
| 22 November 2018 | 22 November 2023 | \$0.0350 | 32,000,000 |
| 15 March 2019 | 15 March 2024 | \$0.0290 | 3,000,000 |
| 12 September 2019 | 31 August 2024 | \$0.0290 | 1,500,000 |
| 1 October 2019 | 1 October 2024 | \$0.0350 | 4,000,000 |
| 15 March 2020 | 15 March 2025 | \$0.0220 | 2,750,000 |
| 8 May 2020 | 8 May 2025 | \$0.0170 | 250,000 |
| 15 December 2020 | 18 December 2024 | \$0.0270 | 22,100,000 |
| 15 December 2020 | 18 December 2024 | \$0.0270 | 500,000 |
| 5 August 2020 and 21 December 2020 | 5 August 2023 | \$0.0240 | 127,833,569 |
| 15 December 2020 to 17 December 2020 | 15 December 2023 | \$0.0400 | 129,723,933 |
| | | | <u>338,407,502</u> |

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

The following ordinary shares of Patrys Limited were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted:

| Date options granted | Exercise price | Number of shares issued |
|----------------------|----------------|-------------------------|
| 24/11/2016 | \$0.0072 | 6,000,000 |
| 05/08/2020 | \$0.0240 | 40,185 |
| 15/12/2020 | \$0.0400 | 926 |
| 24/11/2016 | \$0.0072 | 4,000,000 |
| 24/11/2016 | \$0.0072 | 5,000,000 |
| 05/08/2020 | \$0.0240 | 53,333 |
| 24/11/2016 | \$0.0072 | 2,500,000 |
| | | 17,594,444 |

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

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

Details of the amount paid or payable to the auditor (BDO Audit Pty Ltd) for audit and non-audit services provided during the year are set out in note 18.

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

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

Officers of the company who are former partners of BDO Audit Pty Ltd

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

Auditor's independence declaration

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

Auditor

BDO Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the Directors



Mr. John Read
Chairman

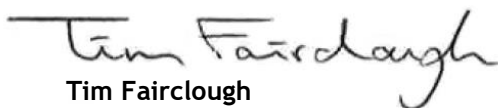
25 August 2021

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

As lead auditor of Patrys Limited for the year ended 30 June 2021, 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
Director

BDO Audit Pty Ltd

Melbourne, 25 August 2021

Patrys Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021



| | | Consolidated | |
|--|------|--------------------|--------------------|
| | Note | 30 June 2021 \$ | 30 June 2020 \$ |
| Revenue | 5 | 1,338,377 | 772,844 |
| Expenses | | | |
| Research & development expenses | | (2,861,902) | (1,367,988) |
| Administration & management expenses | | <u>(2,539,395)</u> | <u>(2,153,395)</u> |
| Loss before income tax expense | | (4,062,920) | (2,748,539) |
| Income tax expense | 7 | <u>-</u> | <u>-</u> |
| Loss after income tax expense for the year attributable to the Owners of Patrys Limited | | (4,062,920) | (2,748,539) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | <u>(15,777)</u> | <u>-</u> |
| Other comprehensive income for the year, net of tax | | <u>(15,777)</u> | <u>-</u> |
| Total comprehensive income for the year attributable to the Owners of Patrys Limited | | <u>(4,078,697)</u> | <u>(2,748,539)</u> |
| | | Cents | Cents |
| Basic earnings per share | 25 | (0.2524) | (0.2566) |
| Diluted earnings per share | 25 | (0.2524) | (0.2566) |

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

Patrys Limited
Statement of financial position
As at 30 June 2021



| | | Consolidated | |
|--------------------------------------|------|--------------------|--------------------|
| | Note | 30 June 2021 \$ | 30 June 2020 \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 6,916,604 | 3,981,210 |
| Trade and other receivables | 9 | 1,277,326 | 679,955 |
| Other financial assets | 10 | 4,210,423 | 182,912 |
| Total current assets | | <u>12,404,353</u> | <u>4,844,077</u> |
| Non-current assets | | | |
| Property, plant and equipment | | 3,921 | 3,598 |
| Intangibles | 11 | 483,750 | 528,750 |
| Total non-current assets | | <u>487,671</u> | <u>532,348</u> |
| Total assets | | <u>12,892,024</u> | <u>5,376,425</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 12 | 631,665 | 313,249 |
| Employee benefits | | 218,199 | 160,189 |
| Total current liabilities | | <u>849,864</u> | <u>473,438</u> |
| Non-current liabilities | | | |
| Employee benefits | | - | 24,946 |
| Total non-current liabilities | | <u>-</u> | <u>24,946</u> |
| Total liabilities | | <u>849,864</u> | <u>498,384</u> |
| Net assets | | <u>12,042,160</u> | <u>4,878,041</u> |
| Equity | | | |
| Issued capital | 13 | 78,112,036 | 67,086,513 |
| Reserves | 14 | 1,448,512 | 1,252,973 |
| Accumulated losses | | (67,518,388) | (63,461,445) |
| Total equity | | <u>12,042,160</u> | <u>4,878,041</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 2021



| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------------|------------------------------|--|----------------------------------|
| Balance at 1 July 2019 | 67,066,992 | 953,741 | (60,724,279) | 7,296,454 |
| Loss after income tax expense for the year | - | - | (2,748,539) | (2,748,539) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | (2,748,539) | (2,748,539) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share based payments | - | 312,052 | - | 312,052 |
| Share issue | 54,000 | - | - | 54,000 |
| Share issue costs/adjustment | (35,926) | - | - | (35,926) |
| Transfer from option reserve to issued capital | 1,447 | (1,447) | - | - |
| Reallocation of value of expired and cancelled equity | - | (11,373) | 11,373 | - |
| Balance at 30 June 2020 | <u>67,086,513</u> | <u>1,252,973</u> | <u>(63,461,445)</u> | <u>4,878,041</u> |
| | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2020 | 67,086,513 | 1,252,973 | (63,461,445) | 4,878,041 |
| Loss after income tax expense for the year | - | - | (4,062,920) | (4,062,920) |
| Other comprehensive income for the year, net of tax | - | (15,777) | - | (15,777) |
| Total comprehensive income for the year | - | (15,777) | (4,062,920) | (4,078,697) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share based payments | - | 271,098 | - | 271,098 |
| Share issue | 11,837,744 | - | - | 11,837,744 |
| Share issue costs | (866,026) | - | - | (866,026) |
| Transfer from option reserve to issued capital | 53,805 | (53,805) | - | - |
| Reallocation of value of expired and cancelled equity | - | (5,977) | 5,977 | - |
| Balance at 30 June 2021 | <u>78,112,036</u> | <u>1,448,512</u> | <u>(67,518,388)</u> | <u>12,042,160</u> |

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

| | Note | Consolidated | |
|--|------|-------------------------|-------------------------|
| | | 30 June 2021 \$ | 30 June 2020 \$ |
| Cash flows from operating activities | | | |
| Payments to suppliers and employees (inclusive of GST) | | (4,623,536) | (3,324,418) |
| Receipts from interest and other income | | 2,598 | 73,752 |
| Receipts from R&D tax incentive | | 626,781 | 672,143 |
| Receipts from government grants | | 117,000 | 55,498 |
| Receipts from licensing income | | - | 27,500 |
| Net cash used in operating activities | 24 | <u>(3,877,157)</u> | <u>(2,495,525)</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (3,887) | - |
| Investment in term deposits | | (4,000,000) | - |
| Net cash used in investing activities | | <u>(4,003,887)</u> | <u>-</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 13 | 11,577,462 | - |
| Share issue transaction costs | | (636,226) | - |
| Proceeds from exercise of options | | 110,281 | - |
| Net cash from financing activities | | <u>11,051,517</u> | <u>-</u> |
| Net increase/(decrease) in cash and cash equivalents | | 3,170,473 | (2,495,525) |
| Cash and cash equivalents at the beginning of the financial year | | 3,981,210 | 6,473,840 |
| Effects of exchange rate changes on cash and cash equivalents | | (235,079) | 2,895 |
| Cash and cash equivalents at the end of the financial year | 8 | <u><u>6,916,604</u></u> | <u><u>3,981,210</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 25 August 2021. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

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

Going concern

It is noted that for 2021 financial year, the Group incurred a loss from continuing operations after income tax of \$4,062,920 (2020: \$2,748,539) and had consolidated net operating cash outflows of \$3,877,157 (2020: \$2,495,525).

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 2021, the Group had net current assets of \$11,554,489 (2020: \$4,370,639);
- Cash flow forecasts prepared by management demonstrate that the Group has sufficient funds to meet commitments over the next twelve months;
- At 30 June 2021, the Group recognised a receivable of \$1,194,459 from the R&D tax incentive, which is expected to be received in the first half of the 2022 financial year.

The Directors have considered the impacts of COVID-19 that are being felt around the world, and while there has been slippage of timelines, particularly for media supply chain and activity based in academic institutions, the company is on track to commence a phase 1 study in late 2022.

Basis of preparation

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

Historical cost convention

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

Note 2. Significant accounting policies (continued)

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 21.

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 2021 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.

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

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

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

Income tax

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

Current and non-current classification

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

Note 2. Significant accounting policies (continued)

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

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

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

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

As a part of the impairment assessment for June 2021, management reviewed changes to laws and regulations affecting the IP, technological obsolescence, issues with funding commitment, along with a host of other indicators such as market value review, adverse movements in market rates of return and change in use of asset or the manner in which it used. There are no indicators of impairment of the asset for the year ended 30 June 2021 as a result of this review.

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

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

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

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 2021. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

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

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

Share-based payment transactions

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

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, including the calculation of the R&D tax incentive for the period. 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, and receivables for the expected R&D tax incentive receivable for the year. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

COVID-19 pandemic

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Group based on known information. Certain impacts of the COVID-19 pandemic are beyond the control of the company and their future impact, if any, cannot be determined at this time.

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 managing director who is the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Revenue

| | Consolidated | |
|--------------------------------|---------------------|---------------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Licensing income | 27,500 | 27,500 |
| R&D tax incentive income | 1,188,581 | 623,197 |
| Interest income | 5,296 | 59,891 |
| Government grants & incentives | 117,000 | 62,256 |
| Total Revenue | <u>1,338,377</u> | <u>772,844</u> |

Note 5. Revenue (continued)

Accounting policy for revenue recognition
The Group recognises revenue as follows:

Licensing income

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

R&D tax incentive income

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

Government grant

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

Interest

Interest revenue is recognised as interest accrues.

Note 6. Expenses

| | Consolidated | |
|--|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Loss before income tax includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Plant and equipment | 3,564 | 2,786 |
| <i>Amortisation</i> | | |
| License and registered patents | 45,000 | 45,000 |
| Total depreciation and amortisation | 48,564 | 47,786 |
| <i>Operating expenses</i> | | |
| Research and development expenses | 2,861,902 | 1,367,988 |
| <i>Employee salary and benefit expense</i> | | |
| Defined contribution superannuation expense | 49,922 | 46,656 |
| Salary and employee benefit expenses | 881,915 | 860,828 |
| Total employment expenses | 931,837 | 907,484 |
| <i>Share based payments expense</i> | | |
| Share based payments (option expense and payment to consultant) | 271,098 | 366,052 |

Note 7. Income tax expense

| | Consolidated | |
|--|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Loss before income tax expense | (4,062,920) | (2,748,539) |
| Tax at the statutory tax rate of 30% | (1,218,876) | (824,562) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Effect of revenue that is not assessable in determining taxable loss | (303,019) | (206,570) |
| Effect of expenses that are not deductible in determining taxable loss | 877,321 | 546,282 |
| Deferred tax assets not brought to account | 644,574 | 484,850 |
| Income tax expense | <u>-</u> | <u>-</u> |

| | Consolidated | |
|---|-------------------|-------------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| <i>Deferred tax assets not recognised</i> | | |
| Deferred tax assets not recognised comprises temporary differences attributable to: | | |
| Tax losses - revenue | 16,456,448 | 15,829,023 |
| Deductible temporary differences | 389,130 | 348,772 |
| Total deferred tax assets not recognised | <u>16,845,578</u> | <u>16,177,795</u> |

The benefit of these deferred tax assets (not recognised) will only be obtained if:

- (i) the entities derive future assessable income of a nature and of an amount sufficient to enable the benefits from the deduction for losses to be realised;
- (ii) the entities continue to comply with the conditions for deductibility imposed by the law;
- (iii) no changes in tax legislation adversely affect the entities in realising the relevant benefits from deduction for the losses.

Income tax

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

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

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

Note 7. Income tax expense (continued)

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 8. Current assets - cash and cash equivalents

| | Consolidated | |
|--------------|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Cash at bank | 6,916,604 | 3,981,210 |

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

Accounting policy for cash and cash equivalents

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

In addition, as at 30 June 2021, the company held a total of \$4 million in cash deposits with a maturity term of 6 months and 9 months (note 10).

Note 9. Current assets - trade and other receivables

| | Consolidated | |
|---|------------------|----------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Accrued revenue | 25,208 | 25,208 |
| Trade receivables | 27,500 | - |
| Research & Development incentive receivable | 1,194,459 | 632,659 |
| Other receivables | 30,159 | 22,088 |
| | <u>1,277,326</u> | <u>679,955</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% (2020: 43.5%) on the eligible R&D expenditure incurred on eligible R&D activities.

The 43.5% (2020: 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.

Note 10. Current assets - other financial assets

| | Consolidated | |
|--|------------------|----------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Prepayments - Insurance and other expenses | 210,423 | 182,912 |
| Term deposits | 4,000,000 | - |
| | <u>4,210,423</u> | <u>182,912</u> |

As at 30 June 2021, the company held a total of \$4 million in cash deposits with a maturity term of 6 months and 9 months.

Note 11. Non-current assets - intangibles

| | Consolidated | |
|---------------------------------|----------------|----------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Intellectual property - at cost | 720,000 | 720,000 |
| Less: Accumulated amortisation | (236,250) | (191,250) |
| | <u>483,750</u> | <u>528,750</u> |

Reconciliations

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

| Consolidated | Intellectual property \$ |
|-------------------------|-----------------------------|
| Balance at 1 July 2019 | 573,750 |
| Amortisation expense | <u>(45,000)</u> |
| Balance at 30 June 2020 | 528,750 |
| Amortisation expense | <u>(45,000)</u> |
| Balance at 30 June 2021 | <u>483,750</u> |

In 2016 the Group acquired Nucleus intellectual property. The acquisition provides Patrys with licence rights to a portfolio of novel anti-DNA antibodies that penetrate cell nuclei. This novel pre-clinical oncology asset and platform has multiple potential applications to treat a range of cancers.

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

Amortisation and impairment expense is included in the line item 'research and development' in the Statement of Profit or Loss & Other Comprehensive Income.

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

Note 11. Non-current assets - intangibles (continued)

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 12. Current liabilities - trade and other payables

| | Consolidated | |
|------------------------------|----------------|----------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Trade payables | 297,876 | 77,973 |
| Other creditors and accruals | 333,789 | 235,276 |
| | <u>631,665</u> | <u>313,249</u> |

Refer to note 16 for further information on financial instruments.

Accounting policy for trade and other payables

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

Note 13. Equity - issued capital

| | Consolidated | | | |
|------------------------------|----------------------|----------------------|-------------------|-------------------|
| | 30 June 2021 | 30 June 2020 | 30 June 2021 | 30 June 2020 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>1,815,473,016</u> | <u>1,071,318,226</u> | <u>78,112,036</u> | <u>67,086,513</u> |

Note 13. Equity - issued capital (continued)

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|---|------------------|----------------------|-------------|-------------------|
| Balance | 1 July 2019 | 1,069,757,969 | | 67,066,992 |
| Share issue | 1 July 2019 | 2,076,923 | \$0.0260 | 54,000 |
| Share issue costs | 30 June 2020 | - | \$0.0000 | (35,926) |
| Transfer from option reserve to issued capital | 30 June 2020 | - | \$0.0000 | 1,447 |
| Expiration of shares from share loan plan | 30 June 2020 | (516,666) | \$0.0000 | - |
| Balance | 30 June 2020 | 1,071,318,226 | | 67,086,513 |
| Share issue under entitlement offer | 5 August 2020 | 357,530,827 | \$0.0120 | 4,290,371 |
| Issue of shares upon on exercise of options | 12 October 2020 | 6,000,000 | \$0.0072 | 43,200 |
| Share issue under equity placement | 16 November 2020 | 125,000,000 | \$0.0200 | 2,500,000 |
| Issue of shares under entitlement offer | 15 December 2020 | 120,428,183 | \$0.0200 | 2,408,564 |
| Issue of shares in settlement of placement fee | 15 December 2020 | 7,500,000 | \$0.0200 | 150,000 |
| Issue of shortfall shares under entitlement offer | 17 December 2020 | 118,926,336 | \$0.0200 | 2,378,527 |
| Issue of shares upon on exercise of options | 17 February 2021 | 40,185 | \$0.0240 | 964 |
| Issue of shares upon on exercise of options | 17 February 2021 | 926 | \$0.0400 | 37 |
| Issue of shares upon on exercise of options | 3 March 2021 | 4,000,000 | \$0.0072 | 28,800 |
| Issue of shares upon on exercise of options | 28 April 2021 | 5,000,000 | \$0.0072 | 36,000 |
| Issue of shares upon on exercise of options | 28 April 2021 | 53,333 | \$0.0239 | 1,280 |
| Transfer from option reserve to issued capital | 30 June 2021 | - | \$0.0000 | 53,806 |
| Expiration of shares from share loan plan | 30 June 2021 | (325,000) | \$0.0000 | - |
| Share issue costs | 30 June 2021 | - | \$0.0000 | (866,026) |
| Balance | 30 June 2021 | <u>1,815,473,016</u> | | <u>78,112,036</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.

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

Capital risk management

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

Capital is regarded as total equity, as recognised in the consolidated Statement of Financial Position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

Accounting policy for issued capital

Ordinary shares are classified as equity.

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

Note 14. Equity - reserves

| | Consolidated | |
|--------------------------|-------------------------|-------------------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Foreign currency reserve | (34,571) | (18,794) |
| Share options reserve | 1,300,664 | 1,083,371 |
| Share loan plan reserve | 2,419 | 8,396 |
| Other reserves | <u>180,000</u> | <u>180,000</u> |
| | <u><u>1,448,512</u></u> | <u><u>1,252,973</u></u> |

Foreign currency reserve

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

Share loan plan reserve

The share loan plan reserve 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 26 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 26 of the financial statements.

Other reserves

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

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out in the Statement of Changes In Equity.

Note 14. Equity - reserves (continued)

Movements in reserves

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

| Consolidated | Share loan plan reserve \$ | Share option reserve \$ | Other reserve \$ | Foreign exchange translation reserve \$ | Total \$ |
|---|----------------------------------|-------------------------------|---------------------|---|-------------|
| Balance at 1 July 2019 | 19,769 | 772,766 | 180,000 | (18,794) | 953,741 |
| Reallocation of value of expired loan and equity | (11,373) | - | - | - | (11,373) |
| Share based payments | - | 312,052 | - | - | 312,052 |
| Transfer from share option reserve to issued capital | - | (1,447) | - | - | (1,447) |
| Balance at 30 June 2020 | 8,396 | 1,083,371 | 180,000 | (18,794) | 1,252,973 |
| Foreign currency translation | - | - | - | (15,777) | (15,777) |
| Re-allocation of value of expired options during the period | (5,977) | - | - | - | (5,977) |
| Share based payments | - | 271,098 | - | - | 271,098 |
| Transfer from share option reserve to issued capital | - | (53,805) | - | - | (53,805) |
| Balance at 30 June 2021 | 2,419 | 1,300,664 | 180,000 | (34,571) | 1,448,512 |

Note 15. Equity - dividends

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

Note 16. Financial instruments

Financial risk management objectives

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

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

Note 16. Financial instruments (continued)

Capital risk management

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

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 13 and note 14, respectively. The Group operates globally, primarily through subsidiary companies operating in markets where they support the research and development activities of the consolidated entity. None of the Group's entities are subject to externally imposed capital requirements.

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

Market risk

Foreign currency risk

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

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

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

| | Assets | | Liabilities | |
|----------------|------------------|------------------|----------------|---------------|
| | 30 June 2021 | 30 June 2020 | 30 June 2021 | 30 June 2020 |
| Consolidated | \$ | \$ | \$ | \$ |
| US dollars | 1,709,583 | 2,034,880 | 216,533 | 14,582 |
| Euros | 123,760 | 2,859 | - | - |
| Pound Sterling | 3,411 | 14,199 | - | - |
| | <u>1,836,754</u> | <u>2,051,938</u> | <u>216,533</u> | <u>14,582</u> |

| Consolidated - 30 June 2021 | % change | AUD strengthened | | % change | AUD weakened | |
|-----------------------------|----------|---------------------------|------------------|----------|---------------------------|------------------|
| | | Effect on loss before tax | Effect on equity | | Effect on loss before tax | Effect on equity |
| US Dollars | 10% | (135,732) | (135,732) | (10%) | 165,894 | 165,894 |
| Euros | 10% | (11,251) | (11,251) | (10%) | 13,751 | 13,751 |
| Pound Sterling | 10% | (310) | (310) | (10%) | 379 | 379 |
| | | <u>(147,293)</u> | <u>(147,293)</u> | | <u>180,024</u> | <u>180,024</u> |

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

Note 16. Financial instruments (continued)

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.

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

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

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

Liquidity risk

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

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash and also through assessment of available funding to identify risks to the cash position of the business.

Remaining contractual maturities

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

| Consolidated - 30 June 2021 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|-----------------------------|---|----------------------|--------------------------------|--------------------------------|--------------------|--|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 297,876 | - | - | - | 297,876 |
| Other payables | - | 333,789 | - | - | - | 333,789 |
| Total non-derivatives | | 631,665 | - | - | - | 631,665 |

Note 16. Financial instruments (continued)

| Consolidated - 30 June 2020 | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|-----------------------------|---|----------------------|--------------------------------|--------------------------------|--------------------|--|
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 77,973 | - | - | - | 77,973 |
| Other payables | - | 235,726 | - | - | - | 235,726 |
| Total non-derivatives | | 313,699 | - | - | - | 313,699 |

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

Fair value of financial instruments

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

Note 17. Key management personnel disclosures

Directors

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

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

Other key management personnel

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

Ms. Melanie Leydin

Compensation

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

| | Consolidated | |
|------------------------------|---------------------|---------------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Short-term employee benefits | 907,446 | 712,657 |
| Post-employment benefits | 21,003 | 21,003 |
| Long-term benefits | 6,451 | 6,600 |
| Share-based payments | 112,568 | 173,156 |
| | 1,047,468 | 913,416 |

Note 18. Remuneration of auditors

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

| | Consolidated | |
|---|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| <i>Audit services -</i> | | |
| Audit or review of the financial statements | 55,422 | 58,311 |
| <i>Other services -</i> | | |
| Review and lodgement of corporate tax returns | 14,500 | 26,403 |
| | 69,922 | 84,714 |

Note 19. Commitments

Capital expenditure commitments

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

Licence agreement

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

Patrys - Debiovision - Option License and Assignment Agreement

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

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

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

Nucleus Therapeutics – Sigma Aldrich Pty Ltd Non-Exclusive Licence Agreement

In February of 2021, Nucleus entered into a licence agreement with Sigma Aldrich Pty Ltd., covering the use of Sigma's CHOZN GS cell line for Patrys' product, PAT-DX1. If Patrys wishes to commercialise any of the products developed under the licence agreement it has the right to enter into a commercial license with Sigma which would incur a marketing approval fee (AUD conversion to be completed at applicable future exchange rates) payable upon filing per marketing approval in US, EU and any other market. The marketing approval fee is typical in the industry for transactions of such nature.

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

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

Note 20. Related party transactions

Parent entity

Patrys Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 22.

Note 20. Related party transactions (continued)

Key management personnel

Disclosures relating to key management personnel are set out in note 17 and the remuneration report included in the Directors' report.

Transactions with related parties

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

Receivable from and payable to related parties

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

| | Consolidated | |
|--|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| 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 2021 were paid on 15 July 2021.

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 2021 was \$10,508 (2020: nil). At 30 June 2021 there was an inter-company loan balance owed to Patrys GmbH of \$455,751 (2020: \$440,344). This loan is non-interest bearing and unsecured.

The parent entity also has intercompany loans with Nucleus Therapeutics, Payload Therapeutics and Transmab (all wholly owned subsidiaries). At 30 June 2021, the parent entity has receivables of \$9,149,935, \$265,825 and \$13,310 for each subsidiary respectively which have been impaired at year end. 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 21. Parent entity information

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

Statement of profit or loss and other comprehensive income

| | Parent | |
|---|--------------|--------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Loss after income tax | (4,024,047) | (2,606,558) |
| Other comprehensive income for the year, net of tax | - | - |
| Total comprehensive income | (4,024,047) | (2,606,558) |

Note 21. Parent entity information (continued)

Statement of financial position

| | Parent | |
|-------------------------------|---------------------|---------------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Total current assets | <u>11,604,237</u> | <u>4,219,778</u> |
| Total non-current assets | <u>487,671</u> | <u>532,347</u> |
| Total assets | <u>12,091,908</u> | <u>4,752,125</u> |
| Total current liabilities | <u>619,399</u> | <u>473,438</u> |
| Total non-current liabilities | - | <u>24,946</u> |
| Total liabilities | <u>619,399</u> | <u>498,384</u> |
| Net assets | <u>11,472,509</u> | <u>4,253,741</u> |
| Equity | | |
| Issued capital | 78,112,036 | 67,086,513 |
| Share options reserve | 1,480,664 | 1,263,372 |
| Share loan plan reserve | 2,419 | 8,396 |
| Accumulated losses | <u>(68,122,610)</u> | <u>(64,104,540)</u> |
| Total equity | <u>11,472,509</u> | <u>4,253,741</u> |

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 2021 (2020: Nil).

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 (2020: Nil).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 (2020: Nil).

Significant accounting policies

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

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

Note 22. Interests in subsidiaries

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

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|------------------------------|---|--------------------|-------------------|
| | | 30 June 2021 % | 30 June 2020 % |
| Patrys GmbH | Germany | 100% | 100% |
| Nucleus Therapeutics Pty Ltd | Australia | 100% | 100% |
| Payload Therapeutics Pty Ltd | Australia | 100% | 100% |
| Transmab Pty Ltd | Australia | 100% | - |

Note 23. Events after the reporting period

The impact of the COVID-19 pandemic is ongoing and while it had not had a material impact on the Group up to 30 June 2021, it was noted after the reporting date that the pandemic had impacted supply chains for the media used in the production of PAT-DX1, and that this would result in an expected six month delay to the commencement of the phase 1 clinical trial. The company is not aware of other impacts, but notes that other potential impacts, positive and/or negative, are possible. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Subsequent to the end of the financial year, on 2 July 2021, the company announced the issue of 2,500,000 fully paid ordinary shares, at an issue price of \$0.0072 (0.72 cents) per share in relation to the exercise of unquoted options. The company also issued 26,790 fully paid ordinary shares at an issue price of \$0.04 (4 cents) per share in relation to the exercise of PABOA quoted options.

No other matter or circumstance has arisen since 30 June 2021 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 24. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|---|--------------------|--------------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Loss after income tax expense for the year | (4,062,920) | (2,748,539) |
| Adjustments for: | | |
| Depreciation and amortisation | 48,564 | 47,786 |
| Unrealised foreign exchange losses | 219,301 | (2,904) |
| Share based payments- Vesting share options | 191,297 | 312,052 |
| Share based payments- Shares issued | - | 54,000 |
| Change in operating assets and liabilities: | | |
| (Increase)/decrease in trade and other receivable | (589,300) | 60,593 |
| Increase in prepayments | (35,588) | (43,549) |
| Increase/(decrease) in trade and other payables | 219,912 | (201,941) |
| Increase in other provisions | 33,064 | 26,977 |
| Increase in other liabilities | 98,513 | - |
| Net cash used in operating activities | <u>(3,877,157)</u> | <u>(2,495,525)</u> |

Note 25. Earnings per share

| | Consolidated | |
|---|----------------------|----------------------|
| | 30 June 2021 | 30 June 2020 |
| | \$ | \$ |
| Loss after income tax attributable to the Owners of Patrys Limited | <u>(4,062,920)</u> | <u>(2,748,539)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>1,609,935,299</u> | <u>1,071,318,226</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>1,609,935,299</u> | <u>1,071,318,226</u> |

Note 25. Earnings per share (continued)

| | Cents | Cents |
|----------------------------|----------|----------|
| Basic earnings per share | (0.2524) | (0.2566) |
| Diluted earnings per share | (0.2524) | (0.2566) |

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 26. Share based payments

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

Employee equity

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

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

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

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

The Board aims to ensure that the aggregate number of shares or options which may be issued pursuant to the LSP and ESOP shall not at any time exceed 5% of the total number of issued shares of the company (not including any issues made under the ESOP to Directors of the company). All issues of shares or options under the plans are subject to approval by the Nomination & Remuneration Committee.

Note 26. Share based payments (continued)

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

30 June 2021

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|------------|--------------|---------------------------|--------------------------------|
| 24/11/2016 | 24/11/2021 | \$0.0072 | 7,999,999 | - | (7,999,999) | - | - |
| 24/11/2016 | 24/11/2021 | \$0.0072 | 8,000,000 | - | (7,000,001) | - | 999,999 |
| 24/11/2016 | 24/11/2021 | \$0.0072 | 8,000,001 | - | - | - | 8,000,001 |
| 19/04/2017 | 19/04/2022 | \$0.0072 | 250,000 | - | - | - | 250,000 |
| 19/04/2017 | 01/07/2021 | \$0.0072 | 2,500,000 | - | - | - | 2,500,000 |
| 15/03/2018 | 15/03/2023 | \$0.0613 | 500,000 | - | - | - | 500,000 |
| 15/03/2018 | 01/07/2022 | \$0.0613 | 2,500,000 | - | - | - | 2,500,000 |
| 01/06/2018 | 18/04/2023 | \$0.0200 | 2,500,000 | - | - | - | 2,500,000 |
| 22/11/2018 | 22/11/2023 | \$0.0350 | 32,000,000 | - | - | - | 32,000,000 |
| 15/03/2019 | 15/03/2024 | \$0.0290 | 3,000,000 | - | - | - | 3,000,000 |
| 12/09/2019 | 31/08/2024 | \$0.0290 | 1,500,000 | - | - | - | 1,500,000 |
| 01/10/2019 | 01/10/2024 | \$0.0350 | 4,000,000 | - | - | - | 4,000,000 |
| 15/03/2020 | 15/03/2025 | \$0.0220 | 2,750,000 | - | - | - | 2,750,000 |
| 08/05/2020 | 05/05/2025 | \$0.0170 | 250,000 | - | - | - | 250,000 |
| 15/12/2020 | 18/12/2024 | \$0.0270 | - | 1,200,000 | - | - | 1,200,000 |
| 15/12/2020 | 18/12/2024 | \$0.0270 | - | 11,000,000 | - | - | 11,000,000 |
| 15/12/2020 | 18/12/2024 | \$0.0270 | - | 800,000 | - | - | 800,000 |
| 15/12/2020 | 18/12/2024 | \$0.0270 | - | 800,000 | - | - | 800,000 |
| 15/12/2020 | 18/12/2024 | \$0.0270 | - | 800,000 | - | - | 800,000 |
| 15/12/2020 | 18/12/2024 | \$0.0270 | - | 2,250,000 | - | - | 2,250,000 |
| 15/12/2020 | 18/12/2024 | \$0.0270 | - | 2,250,000 | - | - | 2,250,000 |
| 15/12/2020 | 18/12/2024 | \$0.0270 | - | 1,500,000 | - | - | 1,500,000 |
| 15/12/2020 | 18/12/2024 | \$0.0270 | - | 1,500,000 | - | - | 1,500,000 |
| 15/12/2020 | 18/12/2024 | \$0.0270 | - | 500,000 | - | - | 500,000 |
| | | | 75,750,000 | 22,600,000 | (15,000,000) | - | 83,350,000 |

Weighted average exercise price \$0.0248 \$0.0270 \$0.0072 \$0.0000 \$0.0286

30 June 2020

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|-----------|-----------|---------------------------|--------------------------------|
| 24/11/2016 | 24/11/2021 | \$0.0072 | 7,999,999 | - | - | - | 7,999,999 |
| 24/11/2016 | 24/11/2021 | \$0.0072 | 8,000,000 | - | - | - | 8,000,000 |
| 24/11/2016 | 24/11/2021 | \$0.0072 | 8,000,001 | - | - | - | 8,000,001 |
| 19/04/2017 | 19/04/2022 | \$0.0072 | 250,000 | - | - | - | 250,000 |
| 19/04/2017 | 01/07/2021 | \$0.0072 | 2,500,000 | - | - | - | 2,500,000 |
| 15/03/2018 | 15/03/2023 | \$0.0613 | 500,000 | - | - | - | 500,000 |
| 15/03/2018 | 01/07/2022 | \$0.0613 | 2,500,000 | - | - | - | 2,500,000 |
| 01/06/2018 | 18/04/2023 | \$0.0200 | 2,500,000 | - | - | - | 2,500,000 |
| 22/11/2018 | 22/11/2023 | \$0.0350 | 32,000,000 | - | - | - | 32,000,000 |
| 15/03/2019 | 15/03/2024 | \$0.0290 | 3,000,000 | - | - | - | 3,000,000 |
| 12/09/2019 | 31/08/2024 | \$0.0290 | - | 1,500,000 | - | - | 1,500,000 |
| 01/10/2019 | 01/10/2024 | \$0.0350 | - | 4,000,000 | - | - | 4,000,000 |
| 15/03/2020 | 15/03/2025 | \$0.0220 | - | 2,750,000 | - | - | 2,750,000 |
| 08/05/2020 | 05/05/2025 | \$0.0170 | - | 250,000 | - | - | 250,000 |
| | | | 67,250,000 | 8,500,000 | - | - | 75,750,000 |

Weighted average exercise price \$0.0243 \$0.0292 \$0.0000 \$0.0000 \$0.0248

Note 26. Share based payments (continued)

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

| Grant date | Expiry date | 30 June 2021 Number | 30 June 2020 Number |
|------------|-------------|------------------------|------------------------|
| 24/11/2016 | 24/11/2021 | - | 7,999,999 |
| 24/11/2016 | 24/11/2021 | 4,000,000 | 8,000,000 |
| 24/11/2016 | 24/11/2021 | 5,000,000 | 8,000,001 |
| 19/04/2017 | 19/04/2022 | 250,000 | 250,000 |
| 19/04/2017 | 01/07/2021 | 2,500,000 | 2,500,000 |
| 15/03/2018 | 15/03/2023 | 500,000 | 500,000 |
| 15/03/2018 | 01/07/2022 | 2,500,000 | 2,500,000 |
| 01/06/2018 | 18/04/2023 | 2,500,000 | 2,500,000 |
| 22/11/2018 | 22/11/2023 | 6,000,000 | 6,000,000 |
| 15/03/2019 | 15/03/2024 | 3,000,000 | 3,000,000 |
| 12/09/2019 | 18/12/2024 | 1,250,000 | 1,250,000 |
| 01/10/2019 | 01/10/2024 | 2,000,000 | 2,000,000 |
| 15/03/2020 | 15/03/2025 | 1,500,000 | 1,500,000 |
| 08/05/2020 | 08/05/2025 | 250,000 | 250,000 |
| 15/12/2020 | 18/12/2024 | <u>500,000</u> | = |
| | | <u>31,750,000</u> | <u>46,250,000</u> |

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.44 years (2020: 4.77 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 |
|------------|-------------|------------------------------|-------------------|------------------------|-------------------|----------------------------|-----------------------------|
| 15/12/2020 | 18/12/2024 | \$0.0220 | \$0.0276 | 95.00% | - | 0.21% | \$0.01250 |
| 15/12/2020 | 18/12/2024 | \$0.0220 | \$0.0276 | 95.00% | - | 0.21% | \$0.01360 |
| 15/12/2020 | 18/12/2024 | \$0.0190 | \$0.0276 | 95.00% | - | 0.23% | \$0.01020 |
| 15/12/2020 | 18/12/2024 | \$0.0190 | \$0.0276 | 95.00% | - | 0.23% | \$0.01120 |
| 15/12/2020 | 18/12/2024 | \$0.0190 | \$0.0276 | 95.00% | - | 0.23% | \$0.00970 |

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

2021:

| Loan Share Plan - Series | Issue price \$ | Balance at start of year | Adjustments | Loans repaid during year | Loans cancelled during year | Balance at end of year |
|--------------------------|----------------|-----------------------------|-------------|-----------------------------|-----------------------------------|---------------------------|
| Employee LSP Tranche 20 | \$0.022 | 225,000 | - | - | (225,000) | - |
| Employee LSP Tranche 24 | \$0.050 | 100,000 | - | - | (100,000) | - |
| Employee LSP Tranche 25 | \$0.050 | 100,000 | - | - | - | 100,000 |
| | | <u>425,000</u> | <u>-</u> | <u>-</u> | <u>(325,000)</u> | <u>100,000</u> |

Note 26. Share based payments (continued)

2020:

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

Accounting policy for share-based payments

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

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

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

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

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

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

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

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

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

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.

Note 26. Share based payments (continued)

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 "Australian" Accounting Standards, the Corporations Act 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors



Mr. John Read
Chairman

25 August 2021

INDEPENDENT AUDITOR'S REPORT

To the members of Patrys Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Patrys Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (Cont'd)

| Recoverability of Nucleus Intellectual Property | How the matter was addressed in our audit |
|--|--|
| <p>Refer to Note 11 of the accompanying financial statements.</p> <p>At 30 June 2021 the statement of financial position includes an intangible asset with a carrying value of \$483,750 in relation to the Nucleus Intellectual Property acquired in 2016.</p> <p>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.</p> | <p>In assessing intellectual property for any indicators of impairment we have performed the following audit procedures:</p> <ul style="list-style-type: none"> • Obtained a copy of management's impairment assessment and challenged the key assumptions and adherence to AASB 136 <i>Impairment of Assets</i> and AASB 138 <i>Intangible assets</i>. • Verified the existence of research and development expenditure incurred as evidence of the ongoing development of the Nucleus IP. • Considered whether there were any external factors that may impact the intangible asset impairment assessment including the impact of COVID-19. • Tested the amortisation charge for FY21 to ensure it is consistent with the life of the IP. • Assessed the adequacy of disclosure surrounding the IP in the financial statements. |

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 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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



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

Auditor's responsibilities for the audit of the Financial Report

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

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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 34 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Patrys Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

Tim Fairclough
Director

Melbourne, 25 August 2021

The shareholder information set out below was applicable as at 11 August 2021.

Distribution of equitable securities

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

| | Number of holders of ordinary shares | Number of ordinary shares | % of ordinary shares | Number of holders of quoted PABO options | Number of quoted PABO options | % of quoted PABO options | Number of holders of quoted PABOA options | Number of quoted PABOA options | % of quoted PABOA options |
|-------------------|--------------------------------------|---------------------------|----------------------|--|-------------------------------|--------------------------|---|--------------------------------|---------------------------|
| 1 to 1,000 | 119 | 11,557 | 0.00 | 5 | 1,185 | 0.00 | 13 | 4,547 | 0.00 |
| 1,001 to 5,000 | 56 | 226,684 | 0.01 | 29 | 82,147 | 0.06 | 58 | 158,474 | 0.12 |
| 5,001 to 10,000 | 217 | 1,903,445 | 0.10 | 23 | 176,382 | 0.14 | 54 | 389,735 | 0.30 |
| 10,001 to 100,000 | 2,283 | 99,787,673 | 5.48 | 113 | 4,708,086 | 3.68 | 163 | 6,411,806 | 4.94 |
| 100,001 and over | 1,443 | 1,717,667,546 | 94.41 | 153 | 122,865,769 | 96.12 | 113 | 122,759,371 | 94.64 |
| | <u>4,118</u> | <u>1,819,596,905</u> | <u>100.00</u> | <u>323</u> | <u>127,833,569</u> | <u>100.00</u> | <u>401</u> | <u>129,723,933</u> | <u>100.00</u> |

| | | | | | | | | | |
|---------------------------------------|-----|-----------|------|----|---------|------|-----|-----------|------|
| Holding less than a marketable parcel | 577 | 4,311,949 | 0.24 | 96 | 878,671 | 0.69 | 198 | 1,751,675 | 1.35 |
|---------------------------------------|-----|-----------|------|----|---------|------|-----|-----------|------|

| | Number of holders of unlisted options | Number of unlisted options | % of unlisted options |
|-------------------|---------------------------------------|----------------------------|-----------------------|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 11 | 80,850,000 | 100.00 |
| | <u>11</u> | <u>80,850,000</u> | <u>100.00</u> |

| | | | |
|---------------------------------------|---|---|---|
| Holding less than a marketable parcel | - | - | - |
|---------------------------------------|---|---|---|

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 |
| NATIONAL NOMINEES LIMITED | 174,485,718 | 9.59 |
| DR DAX MARCUS CALDER | 110,000,000 | 6.05 |
| STORK HOLDINGS 2010 LTD | 98,773,814 | 5.43 |
| DAX CALDER PTY LTD | 60,000,000 | 3.30 |
| MR RAYMOND LAURENCE CARROLL | 50,000,000 | 2.75 |
| KEMAST INVESTMENTS PTY LTD <KM STOKES S/F NO 1 A/C> | 36,751,635 | 2.02 |
| MARGINATA PTY LTD <ROY BOLTON SUPER FUND A/C> | 31,000,000 | 1.70 |
| MR MLADEN MARUSIC | 30,000,000 | 1.65 |
| STAFFWEAR PTY LTD <DAX CALDER SUPER FUND A/C> | 27,000,000 | 1.48 |
| LGL TRUSTEES LIMITED <THE KONDA FAMILY A/C> | 26,499,994 | 1.46 |
| LGL TRUSTEES LIMITED <MK PENSION PLAN-473278 A/C> | 20,823,529 | 1.14 |
| ESTELLEANNE PTY LTD | 20,500,000 | 1.13 |
| YALE UNIVERSITY | 16,116,324 | 0.89 |
| CITICORP NOMINEES PTY LIMITED | 13,855,219 | 0.76 |
| VALUI PTY LTD <FORTIS SUPER FUND A/C> | 12,250,012 | 0.67 |
| MS KARIN JONES | 11,595,961 | 0.64 |
| MR XIAOKE XIE | 10,000,000 | 0.55 |
| EDSTOP PTY LIMITED <SUPERANNUATION FUND A/C> | 9,115,223 | 0.50 |
| MR STEVEN JAMES STREICHER | 8,400,000 | 0.46 |
| MR VINH TRAN | 7,485,500 | 0.41 |
| | <u>774,652,929</u> | <u>42.57</u> |

| | PABO Options over ordinary shares | |
|---|-----------------------------------|---------------------------|
| | Number held | % of total options issued |
| MR RAYMOND LAURENCE CARROLL | 15,000,000 | 11.73 |
| DAX CALDER PTY LTD | 14,000,000 | 10.95 |
| NATIONAL NOMINEES LIMITED | 6,187,248 | 4.84 |
| MR STEPHEN EDWARD MAHNKEN + MRS DIOR LEONE MAHNKEN <THREE FISH A/C> | 5,700,000 | 4.46 |
| SUNLORA PTY LTD <THE THREE FISH SUPER A/C> | 5,195,123 | 4.06 |
| LGL TRUSTEES LIMITED <THE KONDA FAMILY A/C> | 4,166,665 | 3.26 |
| MARGINATA PTY LTD <ROY BOLTON SUPER FUND A/C> | 3,666,668 | 2.87 |
| KEMAST INVESTMENTS PTY LTD <KM STOKES S/F NO 1 A/C> | 3,267,974 | 2.56 |
| MR CRAIG MANNERS | 2,600,000 | 2.03 |
| NEAROLOGY PTY LTD | 2,500,000 | 1.96 |
| MR MARTIN MUSIC | 1,811,847 | 1.42 |
| MR VINCENZO BRIZZI + MRS RITA LUCIA BRIZZI <BRIZZI FAMILY S/F A/C> | 1,700,000 | 1.33 |
| MS KARIN JONES | 1,578,283 | 1.23 |
| MR FRANCIS XAVIER D'SILVA | 1,500,000 | 1.17 |
| MR ROBERT VELLA | 1,377,420 | 1.08 |
| OCEANVIEW VICTORIA PTY LTD <OCEANVIEW FAMILY A/C> | 1,250,000 | 0.98 |
| STELLA EQUITY PTY LTD <STELLA A/C> | 1,192,263 | 0.93 |
| SPEYSIDE HOLDINGS PTY LTD <SPEYSIDE SF A/C> | 1,180,000 | 0.92 |
| VALUI PTY LTD <FORTIS SUPER FUND A/C> | 1,166,668 | 0.91 |
| MR KWONG YEE WONG | 1,040,000 | 0.81 |
| | 76,080,159 | 59.52 |

| | PABOA Options over ordinary shares | |
|---|------------------------------------|---------------------------|
| | Number held | % of total options issued |
| NATIONAL NOMINEES LIMITED | 46,362,055 | 35.74 |
| MR FRANCESCO LUCIO MOLINO <SMILE LIKE YOU MEAN IT A/C> | 9,000,000 | 6.94 |
| P K CAPITAL PTY LTD | 6,400,000 | 4.93 |
| MR XIAOKE XIE | 6,127,626 | 4.72 |
| DR DAX MARCUS CALDER | 5,000,000 | 3.85 |
| MR DANIEL AARON HYLTON TUCKETT | 3,588,521 | 2.77 |
| LGL TRUSTEES LIMITED <MK PENSION PLAN-473278 A/C> | 3,333,334 | 2.57 |
| MR MLADEN MARUSIC | 2,320,311 | 1.79 |
| KEMAST INVESTMENTS PTY LTD <KM STOKES S/F NO 1 A/C> | 2,178,650 | 1.68 |
| ARREDO PTY LTD | 1,666,667 | 1.28 |
| MARGINATA PTY LTD <ROY BOLTON SUPER FUND A/C> | 1,500,000 | 1.16 |
| VERTICAL INTEGRATION PTY LTD <YAY RETIREMENT FUND A/C> | 1,200,000 | 0.93 |
| SUPERHERO NOMINEES PTY LTD | 1,050,380 | 0.81 |
| MR PHILLIP ALWYN URQUHART | 950,000 | 0.73 |
| MR GARRETH TAYLOR INNES | 870,000 | 0.67 |
| MR WELAND MAHAR | 845,000 | 0.65 |
| MR ALAN GILES SAURAN + MRS SUZANNE AUBRUN <NTH TURRAMURRA CONS S/F A/C> | 809,379 | 0.62 |
| MR BRUCE CHALK + MRS MICHELLE CHALK <B&M CHALK SUPER FUND A/C> | 750,000 | 0.58 |
| PROF TERRY STIRLING WALTER | 750,000 | 0.58 |
| MR XIAOKE XIE | 700,000 | 0.54 |
| | 95,401,923 | 73.54 |

Unquoted equity securities

| | Number on issue | Number of holders |
|-------------------------------------|--------------------|----------------------|
| Options over ordinary shares issued | 80,850,000 | 11 |

Substantial holders

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

| | Ordinary shares | |
|-------------------------|-----------------|--------------------------------|
| | Number held | % of total shares issued |
| Dr Dax Marcus Calder | 120,117,634 | 11.19 |
| Mason Stevens Limited | 113,818,783 | 6.26 |
| Stork Holdings 2010 Ltd | 98,773,814 | 5.46 |

Voting rights

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

Ordinary shares

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

Quoted PABO Options

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

Quoted PABOA Options

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

Unquoted Options

There are no voting rights attached to the unquoted options.

There are no other classes of equity securities.

Corporate Governance Statement

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

Corporate directory

DIRECTORS

Mr. John Read (Non-Executive Chairman)

Dr. James Campbell (Managing Director & CEO)

Mr. Michael Stork (Non-Executive Director and Deputy Chairman)

Ms. Suzy Jones (Non-Executive Director)

Dr. Pamela Klein (Non-Executive Director)

COMPANY SECRETARY

Ms. Melanie Leydin

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Level 4, 100 Albert Road, South Melbourne VIC 3205

Phone: 03 9670 3273

SHARE REGISTER

Computershare Investor Services Pty Limited 452 Johnston Street Abbotsford VIC 3067

Phone: 1300 850 505

Within Australia phone: +61 3 9415 5000

AUDITOR

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

STOCK EXCHANGE

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

Options: PABO and PABOA)

WEBSITE

www.patrys.com

ANNUAL GENERAL MEETING

Patrys Limited advises the time and other details related to its Annual General Meeting will be sent to all shareholders and released to ASX in due course.

Corporate and social responsibility

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

Our people

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

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

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

The community

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



patrys

www.patrys.com