



PATRYS LIMITED
ABN 97 123 055 363

**APPENDIX 4D HALF YEAR REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

PROVIDED TO THE ASX UNDER LISTING RULE 4.2A.3

1. Company details

| | |
|-------------------|--|
| Name of entity: | Patrys Limited |
| ABN: | 97 123 055 363 |
| Reporting period: | For the half-year ended 31 December 2022 |
| Previous period: | For the half-year ended 31 December 2021 |

2. Results for announcement to the market

| | | | \$ |
|--|------|-------------------------|-------------------------|
| Loss from ordinary activities after tax attributable to the Owners of Patrys Limited | down | 13.8% to | (3,889,347) |
| Loss for the half-year attributable to the Owners of Patrys Limited | down | 13.8% to | (3,889,347) |
| | | 31 December 2022 | 31 December 2021 |
| | | Cents | Cents |
| Basic loss per share | | (0.19) | (0.24) |
| Diluted loss per share | | (0.19) | (0.24) |

Dividends

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

Comments

The loss for the Consolidated Entity after providing for income tax amounted to \$3,889,347 (31 December 2021: \$4,509,693).

During the period, the Consolidated Entity had total other income of \$1,825,995 (31 December 2021: \$1,654,970), consisting of R&D incentive income of \$1,816,857 (31 December 2021: \$1,636,183) and interest income of \$9,138 (31 December 2021: \$5,037).

The Consolidated Entity's research and development expenditure during the half year was \$4,368,813 (31 December 2021: \$5,095,601). 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.

As at 31 December 2022, the Consolidated Entity had cash and term deposits amounting to \$5,836,074 (30 June 2022: \$9,821,843) and a positive working capital position of \$9,417,034 (*current assets over current liabilities*) (30 June 2022: \$12,984,742).

3. Control gained over entities

Not applicable.

4. Loss of control over entities

Not applicable.

5. Dividends

Current period

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

Previous period

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

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

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

Not applicable.

9. Audit qualification or review

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

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

10. Attachments

Details of attachments (if any):

The Half-year financial report of Patrys Limited for the half-year ended 31 December 2022 is attached.

11. Signed



Signed _____

Date: 24 February 2023

Patrys Limited

ABN 97 123 055 363

Half-year financial report - 31 December 2022

Patrys Limited
Contents
For the half-year ended 31 December 2022



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| | |
|---|---|
| Directors | Dr. Charmaine Gittleson (Non-Executive Chairman) Mr. Michael Stork (Non-Executive Director) Ms. Suzy Jones (Non-Executive Director) Dr. James Campbell (Managing Director & CEO) Dr. Pamela M. Klein (Non-Executive Director) |
| Company secretary | Mr. Stefan Ross |
| Registered office and Principal place of business | Level 4, 100 Albert Road, South Melbourne, VIC 3205 Phone: +61 3 9692 7222 |
| Share register | Computershare Investor Services Pty Limited 452 Johnston Street Abbotsford VIC 3067 Phone: 1300 850 505 (within Australia) Phone: +61 3 9415 5000 |
| Auditor | BDO Audit Pty Ltd Tower 4, Level 18, 727 Collins Street Melbourne VIC 3008 Australia |
| Stock exchange listing | Patrys Limited's shares are listed on the Australian Securities Exchange (ASX code: PAB and Listed Options: PABO & PABOA) |
| Website | www.patrys.com |

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity' or the 'Group') consisting of Patrys Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

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

Dr. Charmaine Gittleston (Non-Executive Chairman - appointed on 16 November 2022)
Mr. John Read (Non-Executive Chairman - resigned on 31 August 2022)
Mr. Michael Stork (Non-Executive Director)
Dr. James Campbell (Managing Director & CEO)
Ms. Suzy Jones (Non-Executive Director)
Dr. Pamela M. Klein (Non-Executive Director)
Mr. Stefan Ross (Non-Executive Director - appointed on 31 Aug 2022 and resigned on 16 November 2022)

Principal activities

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

Patrys' most advanced deoxymab is 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 H2 CY2023. An engineering manufacture run of GMP-grade PAT-DX1 was successfully completed in H2 CY2022 that provided the material required to complete the final preclinical toxicology studies before initiation of clinical studies. Manufacturing of PAT-DX1 material to be used in the phase 1 study will occur in H1 CY 2023. In addition, Patrys is also developing a process for the large-scale, GMP-grade manufacture of a full-sized IgG deoxymab called PAT-DX3 which expands the opportunities for deoxymabs include their potential use as targeting agents for various payloads.

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

Review of operations

In July 2022, Patrys announced that its Contract Development Manufacturing Organisation (CDMO) had completed a second engineering run of PAT-DX1 which used an updated purification process to produce large-scale quantities of clinical grade PAT-DX1. In August 2022, Patrys announced this PAT-DX1 drug material had successfully passed all specification requirements. This enabled the material to be used for the final preclinical toxicology studies prior to initiating a Phase 1 clinical trial of PAT-DX1 which is planned to commence in H2 CY2023. Patrys has initiated these preclinical toxicology studies in two different species (rats and non-human primates) and these studies remain on-track to complete in Q2 CY2023.

Previously, Patrys announced it had selected an optimised stable cell line for the production of its full-sized IgG deoxymab, PAT-DX3. Since that time, Patrys has continued to work on establishing a Master Cell Bank (MCB) for the selected cell line. This cell line will be used for all future production of PAT-DX3. In parallel, Patrys is using the selected cell line to develop an optimised process for the commercial-scale production of GLP-grade PAT-DX3. GLP-grade material is required to complete the remaining preclinical studies and for possible future clinical trials. The availability of GLP-grade material will also facilitate the establishment of development programs with commercial partners directed at the use of PAT-DX3 as an agent for the delivery of drugs and gene editing technologies across the blood-brain barrier or to the cell nucleus.

In August 2022 Patrys reported new preclinical data for its lead asset, PAT-DX1, which supports its development as a potential treatment for high grade glioma (HGG)—a fast growing and clinically challenging form of brain cancer. The study was conducted in the laboratory of Professor Terrence Johns of the Telethon Kids Cancer Centre as part of the program of research being conducted under the \$250,000 grant from the Clinical Accelerator fund of the Cure Brain Cancer Foundation. In this study, the administration of PAT-DX1 increased the effectiveness of radiation therapy and resulted in a significant improvement in survival in an animal model of high-grade glioma.

In addition, researchers at the Olivia Newton-John Cancer Research Institute (ONJCRI) were awarded a \$100,000 Victorian Medical Research Acceleration Fund (VMRAF) grant from the Victorian State Government to support research into evaluating the potential of incorporating PAT-DX1 and PAT-DX3 into new treatments for metastatic breast cancer. This research program is led by Professor Robin Anderson, Head of ONJCRI's Translational Breast Cancer Program and Metastasis Research Laboratory.

In October 2022 Patrys announced new preclinical data demonstrating that PAT-DX3 is able to cross the blood-brain barrier in healthy animals. Previous studies had only been conducted in animals with various forms of cancer in the brain which may have disrupted the physiological integrity of the blood-brain barrier. In this study, the uptake of PAT-DX3 was 3–4 fold higher, and the area under the curve (AUC—a measurement of overall drug exposure) was seven times greater than the control antibody. These results support the potential to use deoxymabs for the delivery of small molecule therapeutics and gene editing technologies across the blood-brain barrier as potential treatments for various neurological conditions.

As part of its ongoing business development activities, during the quarter Patrys initiated several experiments at the request of potential pharmaceutical partners. One of these is a sophisticated experiment designed to examine the effects of both PAT-DX1 and PAT-DX3 in tumours with and without mutations in their DNA damage repair (DDR) systems that have been implanted in the same animal. Patrys also commenced work on a series of experiments directed at conjugating a range of different gene-editing constructs to PAT-DX3. These experiments are being conducted in collaboration with a potential licensee of PAT-DX3 and are expected to identify the preferred conjugation methods for attaching nucleic acid payloads to the deoxymab. These experiments will potentially create new intellectual property to further strengthen Patrys' business development offering in this commercially-active field.

Corporate developments

In August 2022 John Read announced his intention to step down as Chair of Patrys, having held the role since the company listed on the ASX approximately 15 years ago. Following an extensive executive search, Dr Charmaine Gittleston was appointed as Chair of Patrys' Board of Directors effective from the conclusion of the Company's Annual General Meeting on 16 November 2022. Dr Gittleston is the former Chief Medical Officer of CSL Limited, with more than 20 years of experience in pharmaceutical development in Australia and the USA. Dr Gittleston's expertise spans many aspects of the pharmaceutical industry, from drug development and clinical research through to strategic planning and executive management.

In September, 2022 Patrys and Hefei Co-Source mutually agreed to terminate the exclusive development and commercialisation program for China for the IgM asset PAT-SC1, which was the last of Patrys' IgM legacy assets. The termination of this program aligns with Patrys' focus on advancing its deoxymab technology towards the clinic.

During the half-year, Patrys continued to be actively involved in a range of global business development conferences. On the back of these meetings, Patrys has several ongoing discussions with a range of pharmaceutical and biotech companies who are attracted to both the anti-cancer activity of deoxymabs and the potential of PAT-DX3 to be used for targeted

intracellular delivery of nucleic acids (mRNA and DNA) and cancer drugs.

Subsequent to the end of the period, the Company received a research & development incentive refund of \$3.4M on 30 January 2023.

Looking ahead

Patrys' key operational focus is on advancing its deoxymabs, PAT-DX1 and PAT-DX3 towards the clinic while continuing to build a robust package of non-clinical studies to expand and facilitate potential commercial partnering opportunities for these assets.

The immediate focus for PAT-DX1 is completion of the two ongoing toxicology studies to provide the data to support the first clinical trial of PAT-DX1 in patients. These studies will complete and provide data during H2 FY2023 enabling the clinical trial to be initiated in the second half of the year.

Patrys is also developing its full-sized IgG deoxymab, PAT-DX3 that is expected to provide additional therapeutic opportunities for its deoxymab technology platform. In addition to using PAT-DX3 as a therapeutic in its own right, Patrys will continue to explore opportunities to use it as a vehicle for the targeted delivery of pharmaceuticals and other therapeutic molecules. Patrys is currently establishing Master Cell Bank of stable, high-yield cell lines for the commercial production of PAT-DX3.

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.

Statement of Financial Position

At 31 December 2022, cash and term deposits of \$5,836,074 (30 June 2022: \$9,821,843) were held 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.

Operating results

During the period, the Consolidated Entity had total other income of \$1,825,995 (31 December 2021: \$1,654,970), consisting of R&D incentive income of \$1,816,857 (31 December 2021: \$1,636,183) and interest income of \$9,138 (31 December 2021: \$5,037).

Total consolidated operating expenses during the half year were \$5,715,342 (31 December 2021: \$6,164,663).

The Consolidated Entity's research and development expenditure during the half year was \$4,368,813 (31 December 2021: \$5,095,601).

Management and administration costs contributed a further \$1,346,529 (31 December 2021: \$1,069,062) to expenses from continuing operations.

The Consolidated Entity's cash outflow from operations over the period was \$3,986,291 (31 December 2021: outflow of \$5,751,582).

Risks and uncertainties

The Company is subject to risks that are specific to the Company and the Company's business activities, as well as general risks. This Half-year financial report do not include all the risk and uncertainty disclosures included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022. Following are the significant risks and uncertainties relevant for current reporting period.

Future funding risk

Whilst the Group has a cash and cash equivalents balance of \$3,831,575, an additional \$2,004,499 in short-term deposits, receivable of \$5,120,712 in relation to the R&D tax incentives (\$3,303,855 of which was for the year ended 30 June 2022, which was received on 30 January 2023) and net assets of \$9,835,975 and is able to continue on a going concern basis, there is risk that the Group may require substantial additional financing in the future to sufficiently fund the continued research, development and commercialisation of its assets. As the Group is still in the R&D phase of activities it has the ability to control the level of its operations and hence the level of its expenditure over the next 12 months. Should there be any delay in R&D refunds, management are confident that they can reduce expenditure in order to retain appropriate cash balances. Management remains very diligent in its ongoing monitoring of cash balances day by day. The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally. If for any reason the Company was unable to raise future funds, its ability to achieve its milestones or continue future development / commercialisation of its assets would be significantly affected. The Directors regularly review the spending pattern and ability to raise additional funding to ensure the Company's ability to generate sufficient cash inflows to settle its creditors and other liabilities. In addition, the Company is eligible for certain government grants and R&D tax incentive payments.

Regulatory and licensing risks

The research, development, manufacture and sale of products based on the Company's technology is subject to a number of regulations prescribed by government authorities in Australia and overseas. Generally, there is a high rate of failure for drug candidates proceeding through pre-clinical and clinical trials. Further, even if the Company views the results of a trial to be positive, the FDA or other regulatory authorities may disagree with the Company's interpretation of the data. Thus, any product deploying Patrys' technology may be shown to be unsafe, non-efficacious, difficult or impossible to manufacture on a large scale, uneconomical to market, compete with superior products marketed by third parties, fail to secure meaningful reimbursement approval, or not be as attractive as alternative treatments.

Innovating technological development

The Company's product range includes drug candidates that are in pre-clinical development and need to be further tested before they can progress to human clinical trials. Pre-clinical and clinical development of the Company's product candidates could take several years to complete and might fail for a number of reasons including but not limited to lack of efficacy, failure to obtain regulatory approval, difficulty or failure to manufacture the Company's products on a large scale, or toxicity. There is no guarantee that Patrys will be commercially successful.

Reliance on key personnel

The Company's success depends to a significant extent upon its key management personnel, as well as other management and technical personnel including those employed on a contract basis. The loss of the services of such personnel or the reduced ability to recruit additional personnel could have an adverse effect on the performance of the Company. The Company maintains a mixture of permanent staff and expert consultants to advance its programs and ensure access to multiple skill sets. The Company, through the Remuneration and Nomination Committee reviews remuneration of staff and consultants regularly.

Significant changes in the state of affairs

On 8 August 2022, the Company announced the resignation of Mr John Read as the Non-Executive Chair effective from 31 August 2022. On 31 August 2022, Mr Michael Stork was appointed as interim chair until the appointment of a new chair. In addition, on 31 August 2022, the Company appointed Mr Stefan Ross (Company Secretary) as a Non-Executive Director.

On 16 November 2022, Dr Charmaine Gittleson was appointed as the Non-Executive Chairman. On the same day, Mr Stefan Ross resigned as a Non-Executive Director.

On 17 November 2022, the Company issued 8,000,000 unlisted options, to Dr Charmaine Gittleson as part of her sign-on package. These unlisted options are exercisable at \$0.045 each and expire on 16 November 2026.

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

Matters subsequent to the end of the financial half-year

On 30 January 2023, Nucleus Therapeutics Pty Ltd, wholly owned subsidiary of the Company, had received a refund of approximately \$3.4 million in relation to the Federal Government's R&D Tax Incentive Program for eligible research and development activities conducted by the Company during FY22.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Auditor's independence declaration

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

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

On behalf of the Directors



Dr. Charmaine Gittleson
Chairman

24 February 2023

DECLARATION OF INDEPENDENCE BY WAI AW TO THE DIRECTORS OF PATRYS LIMITED

As lead auditor for the review of Patrys Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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



Wai Aw
Director

BDO Audit Pty Ltd

Melbourne, 24 February 2023

Patrys Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022



| | | Consolidated | |
|---|-------------|---------------------------|---------------------------|
| | Note | 31 December 2022 | 31 December 2021 |
| | | \$ | \$ |
| Research and development tax incentive and other income | 3 | 1,825,995 | 1,654,970 |
| Expenses | | | |
| Research & development expenses | | (4,368,813) | (5,095,601) |
| Administration & management expenses | | <u>(1,346,529)</u> | <u>(1,069,062)</u> |
| Loss before income tax expense | | (3,889,347) | (4,509,693) |
| Income tax expense | | <u>-</u> | <u>-</u> |
| Loss after income tax expense for the half-year attributable to the Owners of Patrys Limited | | (3,889,347) | (4,509,693) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translating foreign operations | | <u>(166)</u> | <u>30,496</u> |
| Other comprehensive income for the half-year, net of tax | | <u>(166)</u> | <u>30,496</u> |
| Total comprehensive loss for the half-year attributable to the Owners of Patrys Limited | | <u>(3,889,513)</u> | <u>(4,479,197)</u> |
| | | Cents | Cents |
| Basic loss per share | 8 | (0.19) | (0.24) |
| Diluted loss per share | 8 | (0.19) | (0.24) |

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

| | Consolidated | |
|-------------------------------|---------------------|---------------------|
| | 31 December | |
| Note | 2022 | 30 June 2022 |
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 3,831,575 | 7,817,841 |
| Trade and other receivables | 5,163,584 | 3,411,324 |
| Prepayments | 124,884 | 294,400 |
| Investments in term deposits | 2,004,499 | 2,004,002 |
| Total current assets | <u>11,124,542</u> | <u>13,527,567</u> |
| Non-current assets | | |
| Property, plant and equipment | 2,691 | 3,660 |
| Intangibles | 416,250 | 438,750 |
| Total non-current assets | <u>418,941</u> | <u>442,410</u> |
| Total assets | <u>11,543,483</u> | <u>13,969,977</u> |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 1,444,106 | 309,747 |
| Employee benefits | 263,402 | 233,078 |
| Total current liabilities | <u>1,707,508</u> | <u>542,825</u> |
| Total liabilities | <u>1,707,508</u> | <u>542,825</u> |
| Net assets | <u>9,835,975</u> | <u>13,427,152</u> |
| Equity | | |
| Issued capital | 4 85,723,696 | 85,723,696 |
| Reserves | 5 2,297,958 | 1,999,788 |
| Accumulated losses | (78,185,679) | (74,296,332) |
| Total equity | <u>9,835,975</u> | <u>13,427,152</u> |

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

| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------|------------------------|----------------------------------|----------------------------|
| Balance at 1 July 2021 | 78,112,036 | 1,448,512 | (67,518,388) | 12,042,160 |
| Loss after income tax expense for the half-year | - | - | (4,509,693) | (4,509,693) |
| Other comprehensive income for the half-year, net of tax | - | 30,496 | - | 30,496 |
| Total comprehensive income for the half-year | - | 30,496 | (4,509,693) | (4,479,197) |
| <i>Transactions with Owners in their capacity as Owners:</i> | | | | |
| Shares issued (note 4) | 8,068,374 | - | - | 8,068,374 |
| Share issue costs/Adjustment (note 4) | (507,920) | - | - | (507,920) |
| Share based payments | - | 224,953 | - | 224,953 |
| Balance at 31 December 2021 | <u>85,672,490</u> | <u>1,703,961</u> | <u>(72,028,081)</u> | <u>15,348,370</u> |
| | | | | |
| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2022 | 85,723,696 | 1,999,788 | (74,296,332) | 13,427,152 |
| Loss after income tax expense for the half-year | - | - | (3,889,347) | (3,889,347) |
| Other comprehensive loss for the half-year, net of tax | - | (166) | - | (166) |
| Total comprehensive loss for the half-year | - | (166) | (3,889,347) | (3,889,513) |
| <i>Transactions with Owners in their capacity as Owners:</i> | | | | |
| Share-based payments (note 7) | - | 298,336 | - | 298,336 |
| Balance at 31 December 2022 | <u>85,723,696</u> | <u>2,297,958</u> | <u>(78,185,679)</u> | <u>9,835,975</u> |

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

Patrys Limited
Statement of cash flows
For the half-year ended 31 December 2022



| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 December 2022 | 31 December 2021 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Payments to suppliers and employees | (3,995,000) | (5,758,302) |
| Interest received | 8,709 | 6,720 |
| Net cash used in operating activities | (3,986,291) | (5,751,582) |
| Cash flows from investing activities | | |
| Investment in term deposits | - | (6,505) |
| Proceeds from disposal of investment in term deposit | - | 2,004,520 |
| Net cash from investing activities | - | 1,998,015 |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | - | 7,899,801 |
| Share issue transaction costs | - | (345,202) |
| Net cash from financing activities | - | 7,554,599 |
| Net (decrease)/increase in cash and cash equivalents | (3,986,291) | 3,801,032 |
| Cash and cash equivalents at the beginning of the financial half-year | 7,817,841 | 6,916,605 |
| Effects of exchange rate changes on cash and cash equivalents | 25 | 45,104 |
| Cash and cash equivalents at the end of the financial half-year | <u>3,831,575</u> | <u>10,762,741</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 Consolidated Entity consisting of Patrys Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Patrys Limited's functional and presentation currency.

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

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 24 February 2023.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

Going concern

It is noted that for the half-year ended 31 December 2022, the Consolidated Entity incurred a loss from continuing operations after income tax of \$3,889,513 (31 December 2021: loss of \$4,479,197) and had operating cash outflows of \$3,986,291 (31 December 2021: outflows of \$5,751,582).

Notwithstanding the above operating results, the financial statements have been prepared on the basis that the Consolidated Entity is a going concern, which contemplates normal business activity, realisation of assets and the settlement of liabilities in the normal course of business for the following reasons:

- At 31 December 2022, the Consolidated Entity had net current assets of \$9,417,034 including cash reserves of \$5,836,074;
- At 31 December 2022, the Consolidated Entity had a receivable of \$5,120,712 in relation to the R&D tax incentives (\$3,303,855 of which was for the year ended 30 June 2022, which was received on 30 January 2023); and
- Cash flow forecasts prepared by management demonstrate that the Consolidated Entity has sufficient funds to meet commitments over the next twelve months.

The Consolidated Entity's market capitalization at 31 December 2022 was significantly in excess of its net assets position of \$9,835,975. As the Consolidated Entity is still in the R&D phase of activities it has the ability to control the level of its operations and hence the level of its expenditure over the next 12 months. Should there be any shortfalls in funding, management are confident that they can reduce their level of expenditure in order to retain appropriate cash balances. Management remains very diligent in their ongoing monitoring of cash balances day by day. The Directors are therefore confident that the going concern basis of preparation is appropriate as at the date of this report.

Note 3. Research and development tax incentive and other income

| | Consolidated | |
|---|------------------|------------------|
| | 31 December 2022 | 31 December 2021 |
| | \$ | \$ |
| Research and development tax incentive | 1,816,857 | 1,636,183 |
| Interest income | 9,138 | 5,037 |
| Licensing income | - | 13,750 |
| Research and development tax incentive and other income | <u>1,825,995</u> | <u>1,654,970</u> |

Note 4. Equity - issued capital

| | Consolidated | | | |
|------------------------------|----------------------|----------------------|-------------------|-------------------|
| | 31 December 2022 | 30 June 2022 | 31 December 2022 | 30 June 2022 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>2,055,302,658</u> | <u>2,055,302,658</u> | <u>85,723,696</u> | <u>85,723,696</u> |

Ordinary shares

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

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

Share buy-back

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

Note 5. Equity - reserves

| | Consolidated | |
|--------------------------------------|------------------|------------------|
| | 31 December 2022 | 30 June 2022 |
| | \$ | \$ |
| Foreign currency translation reserve | (4,419) | (4,253) |
| Share option reserve | 2,122,377 | 1,824,041 |
| Other reserve | 180,000 | 180,000 |
| | <u>2,297,958</u> | <u>1,999,788</u> |

Note 6. Equity - dividends

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

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

- Between November 2016 to June 2020, the Company issued a total of 76,000,000 unquoted options to the employees under the ESOP with varying exercise prices and expiry dates.
- During August and December 2020, the Company issued 17,050,000 quoted options in two tranches, with an exercise price of 2.4 cents and 4 cents, respectively. These options expire 5 August 2023 and 15 December 2023 and were issued for the purpose of services rendered to the Consolidated Entity.
- On 15 December 2021, the Company issued 22,600,000 unquoted options, with an exercise price of 2.7 to directors and employees under the ESOP. These options expire on 18 December 2024.
- In November 2021, the Company issued 44,000,000 unquoted options to the employees and consultants, with an exercise price of 5.9 cents. These options expire on 30 September 2025 and 15 March 2026.
- On 16 November 2022, PAB granted 8,000,000 Options in four tranches to a Non-Executive Director of the Company, with an exercise price of 4.5 cents. These options expire on 16 November 2026.

| 2022 | | | Balance at | | | Expired/ | Balance at |
|------------|-------------|----------------|---------------|-----------|-----------|---------------------|---------------|
| Grant date | Expiry date | Exercise price | the start of | Granted | Exercised | forfeited/ other | the end of |
| | | | the half-year | | | | the half-year |
| 15/03/2018 | 15/03/2023 | \$0.06130 | 500,000 | - | - | - | 500,000 |
| 15/03/2018 | 01/07/2022 | \$0.06130 | 2,500,000 | - | - | (2,500,000) | - |
| 01/06/2018 | 18/04/2023 | \$0.02000 | 2,500,000 | - | - | - | 2,500,000 |
| 22/11/2018 | 22/11/2023 | \$0.03500 | 32,000,000 | - | - | - | 32,000,000 |
| 15/03/2019 | 15/03/2024 | \$0.02900 | 3,000,000 | - | - | - | 3,000,000 |
| 12/09/2019 | 31/08/2024 | \$0.02900 | 1,500,000 | - | - | - | 1,500,000 |
| 01/10/2019 | 01/10/2024 | \$0.03500 | 4,000,000 | - | - | - | 4,000,000 |
| 15/03/2020 | 15/03/2025 | \$0.02200 | 2,750,000 | - | - | - | 2,750,000 |
| 08/05/2020 | 05/05/2025 | \$0.01700 | 250,000 | - | - | - | 250,000 |
| 08/05/2020 | 05/08/2025 | \$0.02400 | 7,500,000 | - | - | - | 7,500,000 |
| 21/12/2020 | 05/08/2025 | \$0.02450 | 1,250,000 | - | - | - | 1,250,000 |
| 15/12/2022 | 15/12/2023 | \$0.04000 | 8,300,000 | - | - | - | 8,300,000 |
| 15/12/2020 | 18/12/2024 | \$0.02700 | 22,600,000 | - | - | - | 22,600,000 |
| 05/11/2021 | 30/09/2025 | \$0.05900 | 25,000,000 | - | - | - | 25,000,000 |
| 17/11/2021 | 30/09/2025 | \$0.05900 | 16,250,000 | - | - | - | 16,250,000 |
| 19/11/2021 | 30/09/2025 | \$0.05900 | 250,000 | - | - | - | 250,000 |
| 19/11/2021 | 30/09/2025 | \$0.05900 | 2,500,000 | - | - | - | 2,500,000 |
| 16/11/2022 | 16/11/2026 | \$0.04500 | - | 8,000,000 | - | - | 8,000,000 |
| | | | 132,650,000 | 8,000,000 | - | (2,500,000) | 138,150,000 |

| | | | | | |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|
| Weighted average exercise price | \$0.04100 | \$0.04500 | \$0.00000 | \$0.06130 | \$0.04100 |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|

For the options granted during the current financial half-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 |
|------------|-------------|------------------------------|-------------------|------------------------|-------------------|----------------------------|-----------------------------|
| 16/11/2022 | 16/11/2026 | \$0.01900 | \$0.04500 | 80.00% | - | 3.42% | \$0.007 |
| 16/11/2022 | 16/11/2026 | \$0.01900 | \$0.04500 | 80.00% | - | 3.42% | \$0.003 |
| 16/11/2022 | 16/11/2026 | \$0.01900 | \$0.04500 | 80.00% | - | 3.42% | \$0.004 |
| 16/11/2022 | 16/11/2026 | \$0.01900 | \$0.04500 | 80.00% | - | 3.42% | \$0.006 |

Note 8. Loss per share

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 December 2022 | 31 December 2021 |
| | \$ | \$ |
| Loss after income tax attributable to the Owners of Patrys Limited | <u>(3,889,347)</u> | <u>(4,509,693)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>2,055,302,658</u> | <u>1,868,112,368</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>2,055,302,658</u> | <u>1,868,112,368</u> |
| | Cents | Cents |
| Basic loss per share | (0.19) | (0.24) |
| Diluted loss per share | (0.19) | (0.24) |

Note 9. Events after the reporting period

On 30 January 2023, Nucleus Therapeutics Pty Ltd, wholly owned subsidiary of the Company, had received a refund of approximately \$3.4 million in relation to the Federal Government's R&D Tax Incentive Program for eligible research and development activities conducted by the Company during FY22.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Dr. Charmaine Gittleston
Chairman

24 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Patrys Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Patrys Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

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



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'Wai Aw', is written over a faint, larger 'BDO' logo.

Wai Aw
Director

Melbourne, 24 February 2023