ASX & Media Release

Patrys Provides Business Development Update

- **Patrys hosts a lunch for newly appointed Director, Suzy Jones**
- **Appointment of Japanese experienced specialist licensing firm for PAT-SC1**

Melbourne, Australia; 17 February, 2012: Patrys Limited (ASX: PAB**;** Company), a clinical stage biopharmaceutical company focused on the development of novel treatments for cancer, is pleased to provide a Business Development update.

Yesterday, Patrys hosted a lunch at which recently appointed Non-Executive Director, Ms. Suzy Jones shared her experiences in the industry. Ms. Jones' career has spanned over 22 years. Most recently, she was Head of Business Development at Genentech responsible for identifying external opportunities that supported the company's business objectives, and overseeing the negotiation of collaboration agreements to support strategic alliances. Today, Ms. Jones is Founder and Managing Partner of DNAink LLC, a life sciences business development and licensing firm in San Francisco, California.

Patrys' CEO, Dr. Marie Roskrow and Marc Sinatra, Analyst at Lodge Partners, asked Ms. Jones a series of questions designed to share her experiences at Genentech and DNAink LLC. The questions focused on licensing and collaborations undertaken with small biotechs. Ms. Jones also provided her view on the broader international industry landscape, M&A environment and the top tier targets of the major pharmaceutical companies. A full transcript of the discussion is provided in the Appendix.

As previously announced, Patrys has recently completed the conversion of its gastric cancer antibody, PAT-SC1, to a proprietary manufacturing system and this product is now ready for out-licensing.

Patrys is pleased to announce the appointment of Dr. Masafumi Yoshimoto of PharmaBDL LLC to assist with this project. Given that gastric cancer has a significant incidence in Asian populations, the licensing campaign will initially focus on Japan and South Korea.

Dr. Yoshimoto has extensive experience in the biopharmaceutical industry in Japan including ten years as Head of the Licensing & Business Development at Sankyo Co Ltd. (Daiichi Sankyo Co., Ltd.). Currently, Dr Yoshimoto is involved in a number of business development committees and pharmaceutical associations including acting as a Board Member of the Japan Pharmaceutical Licensing Association (JPLA). Patrys anticipates that the out-licensing of PAT-SC1 will continue throughout 2012.

The option period in respect of the four antibodies covered by the Company's early stage discovery agreement with CSL Limited recently expired bringing an end to the arrangement.

Patrys has also advanced its collaboration programs with an academic partner to assist in further advancing the understanding around the binding of its lead clinical candidate PAT-SM6. The company has established a collaboration with Professor Nicolle Packer's team and the Australian Proteome Analysis Facility based at Macquarie University. Professor Packer was previously co-

founder of Proteome Systems, an Australian company that generated new diagnostic products using state-of-the-art proteomics technology. This project will investigate the role of glycoproteins in the binding of Patrys' IgM antibodies.

The establishment of relationships with groups like Professor Packer's reflects the collaborative approach to Patrys' R&D programs. In addition, these preclinical studies will add to the body of evidence around the PAT-SM6 mechanism of action.

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About Patrys Limited:
Based in Melbourne, Australia, Patrys (ASX: PAB) a clinical stage company, is focused on the development of natural human antibody therapies for cancer. More information can be found at www.patrys.com.

About PAT-SC1:
PAT-SC1 is a natural human IgM antibody that acts by binding to a special form of a protein, called CD55 that appears on the surface of gastric cancer cells but not on the surface of healthy cells, thereby permitting PAT-SC1 to kill the cancer cells while sparing the healthy cells. PAT-SC1 was evaluated in an investigator led human clinical trial, at the University of Würzburg (Germany) Surgical Clinic, under which treated patients were dosed with PAT-SC1 48 hours prior to a surgical procedure that involved the removal of the primary tumour (surgical removal of the tumour is currently the standard treatment). Patrys recently announced ten year follow-up data on 30 of the PAT-SC1 treated patients. Fifty-five per cent of those patients are still alive whilst only 30% of the control group have survived, indicating that the treatment of gastric cancer patients with PAT-SC1 confers a significant survival benefit.

Appendix – Transcript of Discussions

Welcome and Introduction

Dr Marie Roskrow, CEO Patrys: Thanks very much for coming. The objective this afternoon is to introduce Suzy Jones to the Board and to our key investors and supporters. We've also prepared a range of questions which will be posed by Marc Sinatra of Lodge Partners. We would like this session to be informal and we welcome questions from the floor at any time.

Now that Patrys has moved from being a preclinical into a clinical-stage oncology company, the Board felt that we needed to add another member who could bring additional skills and experience to the table. Our ideal candidate was someone who had significant commercial experience, had a background in oncology and hematology and who, additionally, had executed licensing deals and strategic transactions in the USA and internationally. To my mind, our ideal candidate was Suzy Jones (ex. Head of Business Development at Genentech). I have known Suzy for more than 12 years and not only does she have a stellar professional reputation but I also knew she would complement the current Patrys board members very well. Therefore it gives me great pleasure to welcome Suzy to Patrys.

Suzy Jones: Thank you for the warm welcome and introduction to Patrys and Australia. When Marie called me, I didn't spend a whole lot of time thinking about this, it was a no brainer for me. I am incredibly excited to participate on a Board with so many talented people. Especially at this time in Patrys' life cycle given the diversity and maturity of the portfolio, and the utility of the discovery platform, there is a lot of opportunity to be strategic and I look forward to working with the rest of the Board members.

So in terms of my prior experience, I've been in the business for 22 years, twenty of those years at Genentech. I spent the first six years doing basic immunology research evaluating adhesion molecules in inflammation.

After research, I knew I wanted to learn drug development, so I took a job as a project manager in the Product Development group at Genentech. I managed the Rituxan project, which was the first monoclonal antibody launched for the treatment of cancer. It was a wonderful learning opportunity. I also managed several other projects as well including Avastin and Raptiva.

After three years, I transitioned into a business development role. I spent 10 years in BD at Genentech, most of which was spent heading up all the non-oncology activities.

Marc Sinatra, Lodge Partners: You moved on from Genentech to start DNAink. Tell us about it.

Suzy Jones: DNA Ink is a small biotech licensing firm in San Francisco providing small companies with executive level cross functional deal resources to help them identify the right partners and structure the right collaboration to maximise the value of their efforts. It's been really fun so far.

Marc Sinatra: We have two sorts of drug development companies in Australia. 1) Those who have identified a niche and believe they can harvest the assets to get that product to market, and 2) companies that say "at the end, we are going to license".

What can those sort of companies do to maximise their chances of success? How has the patent cliff, shrinking pipelines and dwindling product approvals affected big Pharma?

Suzy Jones: Regarding the patent cliff - people in this situation knew that this was coming and they planned for it. The reason companies are laying people off or have reduced their development portfolios is because a lot of other factors happened at the same time. They experienced product failures and the FDA has raised the bar for product approvals for various reasons. This has resulted in portfolio gaps, delays and loss of market share at the same time.

This has created a situation where companies are forced to manage their burn rate and at the same time they need to invest to drive growth. They say that they are looking for deals that are almost immediately accretive, which is hard to do.

This should result in M&A activity or companies will look for external programs that have a higher probability of success than internal programs that they can displace, leveraging the existing workforce so they can manage growth.

In terms of deals structures, they will be more risk gated – you'll see back-ended deals licensing deals, earn out structures for M&A, staged buy-outs that start with a collaboration or more deals where there is a sharing of responsibilities and sharing or risk/rewards. Maybe this might create a situation where large companies might be willing to give up some control of the project decisions and responsibilities.

Marc Sinatra: What should a small biotech company going forward learn about positioning themselves?

Suzy Jones: Companies on the sell side are going to have to bear more risk. Big pharma is still placing bets on early stage assets, only assets that are not *too* early! I think now when they say "early", they mean a lead candidate that has a good biology package.

Companies that can invest in understanding the biology of their assets may be more likely to drive value through a deal than the "Get it in the clinic ASAP" approach. By exploring broad biology of the asset, you de-risk the project and inform the potential development and lifecycle plan.

It is also valuable to do a good bottoms-up forecast for your products. Being on the sale side, having this confidence in your valuation of the opportunity is a powerful negotiation tool.

Marc Sinatra: What sort of transactions did you do annually? How did you find deals or did they come to you?

Suzy Jones: Opportunities were identified from an exhaustive search of prioritised targets and pathways.

Marc Sinatra: What is the structure and process of business development at most companies?

Suzy Jones: In order to get anything done, you need a scientific champion from research or development on board. If you don't have that, you're going nowhere fast. Business Development is seen in most companies as a gap filler. If there is a change in strategic direction, a pipeline failure, or a new commercial need, the business development team is charged with a mandate to address the problem with external opportunities. In order to be in a position to do this, they need to have their pulse on what is happening in the external world.

A structure that works really well is when Business Development is organized by a therapeutic area and each one of those groups has that individual who is accountable for souring opportunities in that area. They also serve as part of a cross functional team accountable for producing results. That way Business Development becomes an integral part of the success of the research and development groups within a company as opposed to competing with them for resources

The way it works best is when the therapeutic area business development person is part of the cross-functional therapeutic area team who comes up with a list of prioritised targets, a "shopping list". This cross-functional team also is responsible for reviewing external opportunities and becoming internal champions for the ones that they have endorsed. When everyone is incentivised to go after the same things, these companies see success.

Companies start with identifying an unmet need, they follow good science, then they generate lists of targets of interest in each disease that are exciting. The business development people can then go out and find all the companies who have programs in this area

Marc Sinatra: How does an Aussie company get on the US radar?

Suzy Jones: It depends on your strategy and when you want people to know about you. If you don't already have personal connections, you can participate in partnering meetings. There are a few ways to get connected with a company. You can send in your opportunity to the company through their partnering website, which will eventually get reviewed and you might hear back. You can also liaise with researchers within the company who are working in the same area. They are very savvy and know who is working on what in labs around the country and internationally. Lastly, you can make direct connections with business development people at partnering meetings.

Marc Sinatra: What do you think are therapeutic areas of interest right now?

Suzy Jones: Oncology will continue to be an area of investment, until we can get to that point where we can very quickly evaluate tumors on an individual basis. Until then, there are so many things companies are doing to improve survival outcomes.

If you look at the therapeutic areas where there has been a lot of recent investment activity and where the opportunity is likely to be in the next 10 years, I would place my bet on infectious diseases. A huge unmet need and a huge opportunity. People are just starting to explore the utility of biologics in the area.

Everything I've said is from a licensing persons' perspective, based on my experience.

Marc Sinatra: Thank you Suzy.