

Patrys Limited

ACN 123 055 363

Notice of 2012 Annual General Meeting

To be held at BDO, Level 10, 1 Margaret Street, Sydney, New South Wales
on Wednesday, 31 October 2012 at 11am (Sydney time)

Patrys Limited
ACN 123 055 363

Notice of Annual General Meeting

Notice is given that the 2012 Annual General Meeting of the members of Patrys Limited (**Company**) will be held at BDO, Level 10, 1 Margaret Street, Sydney, New South Wales on Wednesday, **31 October 2012** at 11am (Sydney time) for the purpose of considering and, if thought appropriate, passing the following resolutions.

General Business

1. Receipt and Consideration of Financial Statements and Reports

To receive and consider the Financial Statements of the Company and its controlled entities for the year ended 30 June 2012, together with the Directors' Report (other than Remuneration Report) and the Independent Audit Report as set out in the Annual Report 2012.

2. Resolution 1 – Adoption of Remuneration Report (Non Binding Resolution)

To consider, and if thought fit, to pass the following resolution as an ordinary resolution*:

"To adopt the Remuneration Report for the year ended 30 June 2012 as set out in the Annual Report 2012".

**Please note that Section 250R(3) of the Corporations Act 2001 (Cth) provides that the vote on this resolution is advisory only and does not bind the Directors or the Company.*

3. Resolution 2 – Re-election of Mr. Michael Stork as a Non Executive Director

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That pursuant to clause 15.3(a) of the Company's Constitution, the members of the Company approve the re-appointment of Mr. Michael Stork as a Director of the Company who, pursuant to clause 15.3(b) is retiring by rotation and being eligible, offers himself for re-election."

4. Resolution 3 – Election of Ms. Suzy Jones as a Non Executive Director

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That pursuant to clause 15.1(c) of the Company's Constitution, the members of the Company approve the election of Ms. Suzy Jones as a Director of the Company."

Special Business

5. Resolution 4 – Adoption of the Loan Share Plan

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rules 7.1 and 7.2, exception 9(b), section 260C(4) of the *Corporations Act 2001* (Cth) and for all other purposes the members of the Company approve the Company's Loan Share Plan, as laid before the meeting, a copy of which is available for inspection at the registered office of the Company (during normal business hours).”

6. Resolution 5 – Issue of 375,000 options to Dr. Marie Roskrow, Managing Director, under Employee Share Option Plan

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 10.14, and for all other purposes approval be given to the issue to Dr. Roskrow of 375,000 unlisted options to acquire 375,000 ordinary shares in the capital of the Company credited as fully paid, the material terms of which are set out in the Explanatory Notes which accompany the Notice of Meeting.”

7. Resolution 6 – Listing Rule 7.1A (Placement of Additional Securities)

To consider, and if thought fit, pass the following resolution as a special resolution:

“That approval be given to the issue of equity securities of the Company, under and pursuant to ASX Listing Rule 7.1A.”

Voting Entitlements

For the purpose of determining a person's entitlement to vote at the Meeting, a person will be recognised as a member and the holder of Shares if that person is registered as a holder of Shares at 7pm (Sydney time) on Monday, 29th October 2012.

Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes, each proxy may exercise half of the votes (in which case any fraction of votes will be disregarded).

The proxy form (and the power of attorney or other authority, if any, under which a proxy form is signed) must be completed and returned to the Company no later than 11am (Sydney time) on Monday, 29th October 2012:

- (a) by posting it in the reply paid envelope to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria, 3001; or delivering it to Computershare Investor Services Pty Limited at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria; **or**
- (b) by faxing it to Computershare Investor Services Pty Limited facsimile (within Australia) 1800 783 447, (outside Australia) +613 9473 2555; **or**
- (c) for Intermediary Online subscribers only (custodians), electronically by visiting www.intermediaryonline.com.

Any proxy form received after that time will not be valid for the scheduled meeting.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the *Corporations Act 2001* (Cth) (**Corporations Act**). A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation. The proxy may, but need not, be a member of the Company. A proxy form is included with this Notice of Meeting.

Statement Regarding Undirected Proxies

As disclosed on the proxy form and the Explanatory Notes which accompany this Notice of Meeting, it is the intention of the Chairman of the Meeting to vote all available proxies in favour of all resolutions. Pursuant to the Corporations Act and the ASX Listing Rules the proxy form is required to contain certain disclosures regarding the voting intentions of the Chairman regarding undirected proxies. **Members are advised to read the proxy form and Explanatory Notes carefully.**

Corporate Representatives

Any corporation which is a member of the Company may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the Chairman of the Meeting) a natural person to act as its representative at the Meeting.

By order of the Board:

A handwritten signature in black ink, appearing to read 'R McPherson', followed by a stylized flourish or scribble.

Roger McPherson
Company Secretary
27 September 2012

Patrys Limited
ACN 123 055 363

Explanatory Notes

These Explanatory Notes have been prepared to provide members with information to assist their assessment of the merits of the resolutions contained in the accompanying notice of the Patrys 2012 Annual General Meeting (**AGM**) to be held at BDO, Level 10, 1 Margaret Street, Sydney, New South Wales on Wednesday, **31 October 2012** at 11 am (Sydney time).

1. Receipt and Consideration of Financial Statements and Reports

Section 317 of the Corporations Act requires the Financial Report, the Directors' Report (other than the Remuneration Report) and the Auditor's Report for the year ended 30 June 2012 to be laid before the AGM. There is no requirement either in the Corporations Act or in the Company's Constitution for members to approve these reports (other than the Remuneration Report which forms part of the Directors' Report). Members will have a reasonable opportunity at the meeting to ask questions and comment on these reports and on the Company's business and operations.

Members should note that the Financial Statements and Reports will be received in the form presented. It is not the purpose of the meeting that the Financial Statements and Reports be accepted, rejected or modified in any way and accordingly there will be no formal resolution put to the meeting.

2. Resolution 1 - Adoption of Remuneration Report (Non-binding Resolution)

The Remuneration Report, which explains the Board's policies in relation to the nature and level of remuneration paid to Directors and senior management ("**Key Management Personnel**" or "**KMP**") of the Company and which sets out remuneration details for each KMP, forms part of the Directors' Report on pages 15 to 24 (inclusive) of the Financial Report for the year ended 30 June 2012 which is available on the Company's website at www.patrys.com. If requested a printed copy of the Financial Report has been sent to members with this Notice of Meeting and Explanatory Notes.

The Remuneration Report:

- explains the Board's policies in respect of the nature and level of remuneration paid to each KMP of the Company;
- makes clear that remuneration is linked to performance of key executives and the Company overall;
- sets out the remuneration details for each KMP; and
- makes clear that the basis for remunerating Non Executive Directors is distinct from the basis for remunerating executives and Executive Directors.

As required under section 250R(2) of the Corporations Act, a resolution will be put to members to adopt the Remuneration Report. Members should note that the vote on this resolution is advisory only and is not binding on the Board or the Company. Members will be given the opportunity to ask questions about or make comments on the Remuneration Report.

Under reforms to the Corporations Act which apply to the AGM, if 25% or more of the votes cast on this Resolution are against adoption of the Remuneration Report, the Company will be required to consider, and report to members on, what action (if any) has been taken to address members' concerns at the 2013 AGM. Depending on the outcome of voting at the 2013 AGM on the Company's Remuneration Report, members may be required to consider a resolution to call another general meeting in accordance with the Corporations Act at which the Directors who held office at the date of the Directors' Report (excluding the Managing Director) will be required to seek re-election.

The Directors unanimously recommend members vote in favour of adopting the Remuneration Report, the subject of Resolution 1.

In accordance with the Corporations Act, a member of the Company's KMP and closely related parties of a KMP, whose remuneration is included in the Remuneration Report, will not be eligible to vote on Resolution 1, except if the person:

- (a) votes as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; **and**
- (b) the vote is not cast on behalf of a person who is KMP or a closely related party of a KMP.

The Chairman in his capacity as proxy holder intends to vote all undirected proxies in favour of this Resolution 1.

3. Resolution 2 – Re-election of Mr. Michael Stork as a Non Executive Director

Clause 15.3(a)(i) of the Constitution of the Company provides that no Director, except the Managing Director, may hold office for a period in excess of 3 years, or beyond the third AGM following the Director's election, whichever is the longer, without submitting himself or herself for re-election. Clause 15.3(a)(ii) provides that at each AGM one-third of the previously elected Directors, and if their number is not a multiple of three, then the number nearest to but not exceeding one-third, must retire from office and are eligible for re-election.

Clause 15.3(b) provides that the Directors to retire in every year under clause 15.3(a) are the Directors longest in office since last being elected.

Mr. Stork was appointed to the Board in February 2007 and Mr. Read and Dr. Robertson were appointed to the Board in May 2007. Ms. Jones was appointed to the Board in December 2011. Resolution 3 of the Notice of Meeting is seeking confirmation of her appointment. Mr. Stork (along with Mr. Read and Dr. Robertson) was re-elected by the members as a Director of the Company at the Patrys 2007 AGM held on 20 November 2007. Mr. Stork was last re-elected by the members as a Director of the Company at the Patrys 2009 AGM held on 27 November 2009.

In accordance with Clause 15.3 of the Constitution of the Company, one of the three Non Executive Directors (Messrs Stork and Read and Dr Robertson) must retire at this AGM. Michael Stork has agreed to retire, is eligible for re-election and has submitted himself for re-election at the Patrys 2012 AGM.

A summary of Mr. Stork's experience, qualifications and background is provided on page 12 of the Company's 2012 Financial Report, a copy of which is available on the ASX website (www.asx.com.au) or at www.patrys.com/annualreport/2012.pdf.

The Directors (in the absence of Mr. Michael Stork) unanimously recommend that members vote in favour of the re-election of Mr. Michael Stork.

The Chairman in his capacity as proxy holder intends to vote undirected proxies in favour of this Resolution 2.

4. **Resolution 3 – Election of Ms. Suzy Jones as a Non Executive Director**

Ms. Suzy Jones was appointed by the Board as a Non Executive Director of the Company on 15 December 2011 in accordance with Clause 15.1(c) of the Constitution of the Company. This Clause provides that a Director appointed by the Board holds office until the end of the next general meeting and is eligible for election at that meeting.

Ms. Jones' career has spanned over 22 years. Most recently, she was the 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. Ms. Jones is now Founder and Managing Partner of DNA Ink LLC, a life sciences business development and licensing firm in San Francisco, California, USA.

Ms. Jones joined Genentech in 1990 as a research associate where she conducted basic immunology research, contributing to the development of two drug candidates. After leaving pure research, Ms. Jones worked in the Product Development group where she managed several products at various stages of their life-cycles, including two very successful cancer products, Rituxan and Avastin. In 2001, Ms. Jones joined the Business Development group where she spent nine years overseeing Genentech's licensing efforts in immunology, infectious diseases, neurobiology, ophthalmology, metabolism, cardiovascular diseases as well as technology licensing. During her tenure, the Genentech Business Development group was recognized in an IBM survey as the number one deal-making and sourcing group in the industry.

Ms. Jones has experience in BD executing licensing transactions, strong networks in the North American venture capital industry and extensive knowledge of oncology, immunology and autoimmune disease which complements the Board's skills set.

The Directors (in the absence of Ms. Suzy Jones) unanimously recommend that members vote in favour of the election of Ms. Suzy Jones.

The Chairman in his capacity as proxy holder intends to vote undirected proxies in favour of this Resolution 3.

Special Business

5. **Resolution 4 – Adoption of Loan Share Plan**

5.1 **Background**

At the 2009 AGM members approved the Loan Share Plan (**LSP**). The Board is committed to incentivising and retaining the Company's Directors, executives and employees in a manner which promotes alignment of their interests with shareholder interests. Additionally, the Board considers equity-based compensation an integral component of the Company's remuneration platform as it allows it to be fiscally prudent by conserving cash resources while still enabling it to offer market-competitive remuneration arrangements.

The LSP is regarded as an *employee incentive scheme* for the purposes of Listing Rule 7.2. A copy of the LSP will be provided without charge to members on request.

The Board intends, where appropriate, to continue to use both the LSP to issue shares and the Employee Share Option Plan (**ESOP**) (approved at the Patrys 2010 AGM) to issue securities to eligible participants of each plan.

Approval of the LSP and any issue of shares pursuant to the LSP is sought pursuant to Listing Rule 7.2, exception 9(b). Further details relating to Listing Rules requirements are set out in clause 5.3 below.

The LSP is intended to enable participants to share in any increase in the Company's value (as measured by the share price) beyond the date of allocation of the shares. A summary of the LSP is set out later in these Explanatory Notes.

Any issue of shares under the LSP to Directors, or their associates, will still require approval by members under Listing Rule 10.11.

Mr. Michael Stork and Ms. Suzy Jones who are Non Executive Directors who reside outside of Australia and are therefore not able to participate in the LSP recommend that members vote in favour of this resolution. The other Non Executive Directors abstain from making a recommendation as they are eligible to participate in the LSP and therefore have a potential personal interest in the matter.

The Chairman in his capacity as proxy holder intends to vote undirected proxies in favour of this Resolution 4.

5.2 Corporations Act

Section 260A of the Corporations Act allows only limited circumstances under which a company may provide financial assistance, such as the provision of loans to employees, to enable the acquisition of shares in itself.

Under Section 260C(4) of the Corporations Act, the approval of an *employee share scheme* (such as the LSP) by resolution of members in general meeting of the Company provides the Company with an exemption from the operation of Section 260A of the Corporations Act and removes the need to secure separate and prior member approval for the granting of each 'financial assistance' to employees to enable them to acquire shares in the Company.

5.3 ASX Listing Rules

Listing Rule 7.1 provides generally that a company may not issue shares or securities convertible into shares equal to more than 15% of the company's issued share capital in any consecutive 12 month period without prior obtaining shareholder approval, unless the issue fits into one of the exceptions contained in Listing Rule 7.2. Listing Rule 7.2 exception 9(b) effectively provides that securities issued pursuant to an employee incentive scheme are not included in the calculation of the 15% for Listing Rule 7.1 purposes provided the employee incentive scheme and the securities to be issued pursuant to the LSP have been approved by members within the previous 3 years.

Accordingly, shareholder approval is sought pursuant to this Resolution 4 in order for the Company to continue to be able to issue shares pursuant to the LSP and have those shares qualify under Listing Rule 7.2 exception 9 for a further 3 years from the date of approval.

The Board intends that the issue of shares under the LSP continue to not be included when undertaking the calculation of the 15% limit pursuant to Listing Rule 7.1. Accordingly, the Company is seeking member re-approval of the LSP in order that the issue of shares pursuant to the LSP will continue to qualify as an exception to Listing Rule 7.1 under exception 9 to Listing Rule 7.2.

5.4 Information required for Listing Rule 7.2, exception 9(b)

Listing Rule 7.2, exception 9(b) requires the information detailed in Sections 5.4(a), (b) and (c) to be provided to members:

(a) *Shares already issued*

Since the adoption of the LSP the Company has issued 5,120,234 shares under the LSP. A total of 493,149 shares issued under the LSP have been cancelled since being issued. Currently there are 4,627,085 shares issued pursuant to the LSP.

(b) *Loan Share Plan Summary*

The Board administers the LSP and has discretion to make offers of shares pursuant to the rules of the LSP (**Plan Rules**) and the terms applicable to those offers.

The Plan Rules enable participation by all Non Executive Directors and employees (which includes Executive Directors) of the Company, who reside in Australia, as determined by the Board. Such individuals may be offered the opportunity to subscribe for ordinary shares in the Company. These shares will not be offered at a discount to their market value.

To facilitate the effective operation of and participation in the LSP, the Plan Rules provide for the Company, at its discretion, to offer loans to employees to partially or fully finance the acquisition price of the shares to be issued under the LSP (**Loans**). The Board presently intends to provide employees with Loans to cover the full acquisition price, but may, at any time later, change this approach.

Under the Plan Rules, the Company has discretion regarding key terms of any Loans. The Board envisages that the Loans will be interest free and limited recourse such that the Company will accept in full satisfaction of repayment of a Loan, the amount of the market value of the shares (and the after tax amount of any cash dividend or distribution received in respect of these shares) at the time the Loan is due to be repaid in the event that the market value of the shares is less than the amount of the Loan outstanding.

The eligible employee cannot assign his/her rights and obligations under the Loan arrangements or an offer made by the Board under the LSP.

Also unless otherwise determined, the Loan period ends on the earlier of:

- 10 years from the date it is provided,
- the date of a change in control in the Company,
- when the shares are disposed of by the 'borrower' in accordance with the Plan Rules, and
- following termination of the participant's employment.

Shares offered under the LSP may be subject to vesting conditions, forfeiture conditions and disposal restrictions (collectively referred to as "**Conditions**") as determined by the Board and specified in the offer documents sent to participants. The Board has discretion to waive or deem Conditions to have been satisfied.

The Board's intended policy is that each allocation of shares to each participant be divided into and vest in three equal number tranches (with tranches being rounded to the nearest whole number where required). Shares may be subject to forfeiture if the participant's appointment/employment is terminated within 12 months as to the 1st tranche, 24 months as to the 2nd tranche and 36 months as to the last tranche. The Board has discretion to waive forfeiture in exceptional circumstances (e.g. redundancy).

Shares may be forfeited if any vesting conditions are not or cannot be satisfied or, while the shares are unvested, a participant commits fraud, gross misconduct or a serious breach of obligations relating to the Company's affairs. If shares are forfeited under the Plan Rules, any proceeds will be used to discharge any outstanding Loans in respect of the shares. A participant is not entitled to any excess proceeds, but is likewise not required to make up any shortfall if the proceeds are insufficient to discharge that participant's outstanding Loans.

Shares cannot be dealt with (including traded on the ASX) unless they are not subject to any Conditions and there is no outstanding Loan on the shares. Subject to the shares not being subject to any Conditions, a Participant may request the Company to sell shares on which Loans are outstanding on the basis that proceeds are first applied towards discharging the Loan. The Loan may be repaid by the Participant at anytime.

The Plan Rules provide for the Company to be able to buy-back (or cancel or direct they be held for other participants) shares generally and also specifically in cases of a change in control, surrender or forfeiture of shares and to discharge Loans which have become repayable. The Company must buy-back shares under certain circumstances where shares are forfeited.

Participants have full entitlements attaching to ordinary shares (including voting and bonus shares) except that the after-tax amount of any cash dividend as well as capital distributions will be applied first against repayment of any Loan which may have been made available to assist the acquisition of the shares.

The Company may (but is not obliged to) use a specific purpose trust and independent trustee to facilitate the operation of the LSP and implement any procedures (including a holding lock through the share registry) to enforce Conditions and to monitor compliance with its securities trading policies.

Generally, restricted shares are to be sold by the Company at a price equal to their market value (being the price they are sold on the ASX less any selling costs) or bought back at the weighted average price of shares traded on the ASX on the previous trading day.

The Board has the ability to amend the Plan Rules at any time including with retrospective effect, except for any amendments which affect participants existing entitlements or obligations which require participants' consent, unless the amendment is primarily to comply with its Constitution, applicable laws or to correct manifest errors. The ASX Listing Rules prevail over the Plan Rules in the event of any conflict between them.

Copies of the Plan Rules are available for inspection at the Company's registered office and will be provided without charge to members on request.

(c) Voting Exclusion Statement

The Company will disregard any votes cast in respect of Resolution 4 by a Director of the Company and their respective associates (except one who is ineligible to participate in any of the Company's employee incentive schemes).

However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6. Resolution 5 – Issue of 375,000 Options to Dr. Marie Roskrow

6.1 Reason for issue and Board recommendation

Subject to member approval, the Board proposes to grant Dr. Marie Roskrow 375,000 unlisted options to acquire 375,000 fully paid ordinary shares in the capital of the Company. The terms of the options are described in clause 6.3 below.

The Board considers the grant of the 375,000 options to Dr. Roskrow, on the terms proposed in Resolution 5, to be reasonable and in accordance with her employment agreement as Chief Executive Officer and Managing Director.

The Board views the grant as being in line with corporate remuneration of similar companies.

The options will be issued under the terms of the ESOP as detailed in the Explanatory Notes to resolution 5 of the Company's 2010 Notice of 2010 AGM, a copy of which is available on both the ASX and Patrys websites.

The Board has, subject to member approval, resolved to issue Dr. Roskrow the options at an exercise price based on the 5 day VWAP (volume weighted average price) of the Company's shares immediately prior to the date of issue.

The Board (except for Dr. Roskrow) unanimously recommends that members vote in favour of this Resolution 5.

6.2 Part 2E of the Corporations – Related Party Transaction

Under Chapter 2E of the Corporations Act, a public company cannot give a "financial benefit" to a "related party" unless one of the exceptions to section 208 of the Corporations Act apply or members have in general meeting approved the giving of that financial benefit to the related party.

Section 210 of the Corporations Act provides that an entity does not need to obtain member approval to give a financial benefit to a related party if the giving of the financial benefit would be reasonable in the circumstances if the related party and the entity are dealing at arm's length (or terms less favourable than arm's length).

Notwithstanding that Dr. Marie Roskrow will be granted these options under the ESOP on the same terms as all other participants, the Board is of the view that it is prudent to set out the following information.

The following information is provided in accordance with Section 219 of the Corporations Act:

- The related party to whom the proposed resolution will permit a financial benefit to be given:
Dr. Marie Roskrow, the Managing Director of the Company.
- The nature of the financial benefit:
The issue of 375,000 unlisted options to acquire 375,000 ordinary shares in the Company, for nil consideration, credited as fully paid, vesting in 3 tranches over a 3 year period at an exercise price based on the 5 day VWAP (volume weighted average price) of the Company's shares immediately prior to the date of issue per share.
- Recommendations by each of the Directors of the Company:

Each of the Directors of the Company (other than Dr. Roskrow) recommend that members vote in favour of the proposed issue of options to Dr. Roskrow.

- In relation to each such Director, their interests in Resolution 5:
Apart from Dr. Roskrow, none of the Directors of the Company has any interest in the outcome of Resolution 5.
- All other information that would be required by members in order to decide whether or not it is in the Company's best interest to pass Resolution 5:
 - (i) *As at the date of the Notice of Meeting, the annual remuneration payable to Dr. Roskrow is detailed on page 19 of the Company's Financial Report 2012;*
 - (ii) *As at the date of the Notice of Meeting, Dr. Roskrow's notifiable interests in the securities of the Company (excluding the options the subject of this resolution) are as follows:*

No. Securities	Directly held	Indirectly held
<i>Ordinary Shares</i>	2,541,667	Nil
<i>Options</i>	Nil	Nil

6.3 ASX Listing Rules

In order for a listed company to obtain the approval of ordinary members as required by ASX Listing Rule 10.14, ASX Listing Rule 10.15 requires that the notice in relation to a proposed resolution to approve an issue of securities to a related party, include the following information:

- The name of the person to whom the securities will be issued:
Dr. Marie Roskrow, the Managing Director of the Company.
- The number of securities to be issued to the person:
375,000 unlisted options to acquire 375,000 ordinary shares in the capital of the Company, for nil consideration, credited as fully paid.
- The date by which the entity will issue the securities:
Subject to the resolution being passed by members, no later than one month after the date of this year's AGM.
- The issue price of the securities and a statement of the terms of the issue:
 - (i) *The exercise price of each option will be based on the 5 day VWAP (volume weighted average price) of the Company's shares immediately prior to the date of issue of the options. The options will be issued for nil consideration with the shares issued on exercise being credited as fully paid.*
 - (ii) *The options will vest in 3 tranches over 3 years, subject to Resolution 5 being passed by members.*
 - (iii) *An option which has vested must be exercised within 5 years of its respective vesting date. If the option is not exercised during that period it will lapse. The maximum number of options which, after vesting, may be exercised is limited to:*
 - (A) *125,000 options on the first anniversary of the issue date;*
 - (B) *a further 125,000 options on the second anniversary of the issue date; and*
 - (C) *the remaining 125,000 options on the third anniversary of the issue date.*

- (iv) *If Dr. Roskrow ceases to be an employee of the Company, all unexercised options that are not vested will lapse upon the date of such cessation. In the case of all unexercised vested options, Dr. Roskrow will, subject to the discretions set forth in the Plan Rules, have a six month period from the date of the termination of her employment to exercise the options.*
 - (v) *All unexercised options will lapse upon the liquidation of the Company.*
 - (vi) *If prior to the exercise of an option, there is a re-organisation of the Company's capital (including consolidation, subdivision, reduction, return or cancellation of the issued capital of the Company), then the exercise price or the number of outstanding options (or both) must be re-organised in accordance with the ASX Listing Rules applying to a re-organisation at the time of the re-organisation.*
 - (vii) *The options may not be sold or transferred except with the prior written consent of the Company.*
 - (viii) *An option does not confer the right to participate in new issues of capital offered to holders of ordinary shares of the Company without exercising the option.*
 - (ix) *The shares issuing upon the exercise of an option will rank equally in all respects with all other issued ordinary shares of the Company from the date of the issue of those shares.*
- The intended use of the funds raised:
- The funds raised from the exercise of the options will be used as working capital for the Company.*
- Persons entitled to participate and loans:
- (i) *As at the date of this Notice of AGM, Dr. Marie Roskrow does not hold any options issued under the ESOP. No loans have been, or will be, granted to Dr. Marie Roskrow in relation to her participation in the ESOP.*
 - (ii) *Details of options issued to KMP under the ESOP have been published in the Directors' Report.*
 - (iii) *All Directors of the Company are eligible to participate in the ESOP. No other Director or associate of a Director will be issued with options unless member approval is obtained.*
 - (iv) *In accordance with the approval received at the 2008 AGM, the Company issued 1,200,000 options under the ESOP (Mr. John Read: 600,000, Dr. Alan Robertson: 300,000 and Mr. Michael Stork: 300,000) on 28 November 2008.*

6.4 Valuation of options

The value of the options to be issued is not known at this stage. This Resolution 5 proposes that 375,000 unlisted options to acquire 375,000 ordinary shares will be issued at an exercise price based on the volume weighted average share price (based on closing daily prices) (VWAP) for the shares of the Company for the 5 day period ended at the time of issue. The VWAP (as calculated above) will then be discounted for the probability that the share price for the Company's shares at any time after these options have vested but before they are exercised will not exceed their exercise price.

This discounting will determine the value per option in accordance with Accounting Standard AASB 2. The options are to be valued utilising the Black-Scholes valuation methodology.

The Black-Scholes formula is a recognised valuation model but it includes certain assumptions for example regarding volatility of Patrys shares. Patrys has considered the historical or implied volatility of itself and similar listed entities, for which share price information is available and has used this share price volatility as a guide in valuing these options. A share with a greater volatility has a greater time value component of the total share value. After examining the volatility experienced by shares in both Patrys and comparable companies, it was concluded that a share price volatility of 75% is appropriate when valuing these options. Other variable in the Black-Scholes formula is the interest rate. For this purpose Patrys will use the deposit interest rate available from the NAB on the date of issue for the term of the options.

To give members an indication of the value of the options that would be issued to Dr. Roskrow if this resolution is approved, the indicative fair value of each option issued based on a range of exercise prices using the Black-Scholes valuation model is provided below. These values are indicative only since an actual valuation can be determined only by reference to the Company's share price and the interest rates as at the date of issue. If the resolution is approved, the actual number of options issued will be announced to the market (as the Company will be required to lodge an Appendix 3Y after they have been issued) and disclosed as part of Dr. Roskrow's remuneration in the Company's annual financial report for the year ending 30 June 2013.

The indicative valuations are set out below based on the following assumptions:

- an exercise price of \$0.015, \$0.025 or \$0.035. As at 14 September 2012 the exercise price based on the 5 trading day VWAP prior to that date would have been \$0.0204;
- the options will vest in 3 equal tranches over 3 years;
- the options must be exercised 5 years after they vest;
- other assumptions as to risk free interest rates, volatility and dividend yields made in accordance with accepted valuation techniques as explained above; and
- no discount has been included for forfeiture of the shares which might occur if Dr. Roskrow ceases to be employed by the Company prior to the Patrys share price exceeding the exercise price and the options having vested.

Issue Price	Average Value per Option	Total Value of 375,000 Options to be Issued
\$0.015	\$0.0106	\$3,989
\$0.025	\$0.0177	\$6,648
\$0.035	\$0.0248	\$9,308

6.5 Recommendation for Resolution 5

The Directors (except for Dr. Roskrow) unanimously recommend that members vote in favour of this Resolution 5.

The Chairman in his capacity as proxy holder intends to vote undirected proxies in favour of this Resolution 5.

6.6 Voting Prohibition under the Corporations Act and Voting Exclusion Statement under the ASX Listing Rules

In accordance with the Corporations Act, a person appointed as a proxy must not vote on this Resolution 5 if the proxy is either a member of the Company's KMP or a closely related party of that member of the Company's KMP and the appointment does not specify the way the proxy is to vote on this Resolution 5. However, this will not apply to a vote cast by the chair of the meeting acting as a proxy and the appointment expressly authorises the chair to exercise the proxy even though this resolution is connected with the remuneration of a member of the Company's KMP. If you appoint the chair of the meeting as your proxy (or the chair of the meeting becomes your proxy by default), you will be giving the chair of the meeting this authority unless you indicate otherwise on the proxy form.

The Company will, in accordance with Listing Rule 14.11, disregard any votes cast in respect of **Resolution 5** by a Director of the Company and their respective associates (including Dr. Roskrow) and any other person who may obtain a benefit if this resolution is passed and their respective associates. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

7. Resolution 6 – Listing Rule 7.1A (Placement of Additional Securities)

7.1 Background

By Resolution 6 the Company is seeking member approval, by special resolution, for the purposes of ASX Listing Rule 7.1A. Presently, the Company can issue up to 15% of its issued capital in any 12 month period without needing to seek member approval. Under ASX Listing Rule 7.1A, the Company can issue up to an additional 10% of its issued capital over a 12 month period if it obtains the prior approval of members. Upon receiving member approval, the equity securities issued pursuant to ASX Listing Rule 7.1A will not be included in the calculation of the Company's 15% entitlement under ASX Listing Rule 7.1.

7.2 Eligibility

In order to seek member approval under ASX Listing Rule 7.1A, the Company must have a market capitalisation of \$300 million or less, and not be included in the S&P/ASX 300 Index as at the date that the AGM is held.

If the Company does not meet the eligibility criteria on the date of the AGM, the special resolution will be withdrawn and members will not be required to vote on the resolution.

7.3 Information required under ASX Listing Rule 7.3A

ASX Listing Rule 7.3A requires that the following information be provided to members:

- the minimum price at which equity securities issued under ASX Listing Rule 7.1A may be issued:

no less than 75% of the volume weighted average price for the equity securities calculated over the 15 trading days on which trades in those equity securities were recorded immediately before:

- (i) *the date on which the price at which the equity securities are to be issued is agreed; or*
- (ii) *if the equity securities are not issued within 5 trading days of the date in paragraph (i), the date on which the equity securities are issued.*

- members should be aware that if approval is given to the Company to issue the equity securities, existing ordinary security holders risk economic and voting dilution, including the risk that:
 - (i) the market price for the equity securities may be significantly lower on the actual issue date of the equity securities than on the date that members give approval under ASX Listing Rule 7.1A; and
 - (ii) the equity securities may be issued at a price that is a discount to the market price for those equity securities on the issue date.
- the table below shows the dilution of existing members on the basis of the current market price of the shares and the current number of ordinary securities.

The table also shows:

- (i) two examples where the number of securities on issue has increased by 50% and 100% from the number currently on issue. The number of securities on issue may increase as a result of issue of ordinary securities that do not require member approval (for example, a pro rata entitlement issue) or future specific placements under Listing Rule 7.1 that are approved at a future meeting of members; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Number of Shares on Issue		Dilution		
		\$0.10 50% decrease in Issue Price	\$0.021 Issue Price	\$0.031 50% increase in Issue Price
507,287,177 (Current)	10% Voting Dilution	50,728,718 Shares	50,728,718 Shares	50,728,718 Shares
	Funds Raised	\$507,287	\$1,065,303	\$1,572,590
760,930,765 (50% increase)	10% Voting Dilution	76,093,076 Shares	76,093,076 Shares	76,093,076 Shares
	Funds Raised	\$706,931	\$1,597,954	\$2,358,885
1,014,574,354 (100% increase)	10% Voting Dilution	101,457,435 Shares	101,457,435 Shares	101,457,435 Shares
	Funds Raised	\$1,014,574	\$2,130,606	\$3,145,180

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of equity securities available under the 10% Listing Rule 7.1A placement approval.
- (ii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.

- (iii) The table does not show an example of the dilution that may be caused to a particular shareholder by reasons on placements under the 10% Listing Rule 7.1A placement approval, based on that shareholder's holding at the date of the meeting.
 - (iv) The table shows only the effect of issues of equity securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (v) The issue of equity securities under the 10% Listing Rule 7.1A placement approval consists only of shares. If the issue of equity securities includes options, it is assumed that those options are exercised into shares for the purpose of calculating the voting dilution effect on existing shareholders.
 - (vi) The issue price of \$0.021 is the closing price of the Shares on the ASX on 14 September 2012.
- the final date by which the equity securities will be issued under ASX Listing Rule 7.1A:
31 October 2013, the date being 12 months after the date of shareholder approval of Resolution 6 at the 2012 AGM. However, if members approve a transaction under ASX Listing Rule 11.1.2 (change of activities) or 11.2 (disposal of main undertaking), the shareholder approval given pursuant to Resolution 6 under ASX Listing Rule 7.1A will cease to be valid.
 - the purposes for which the equity securities may be issued under ASX Listing Rule 7.1A:
At the date of this Notice of Meeting the Company has not identified any persons to whom it intends to offer securities under Listing Rule 7.1A. In the event that the Company issues any shares under Listing Rule 7.1A, the funds raised from such an issue would be used by the Company to advance its lead products, support potential partnering arrangements and provide working capital. In addition while no transactions are currently contemplated it is possible that securities issued under Listing Rule 7.1A may be issued for non-cash consideration.
 - the Company's allocation policy for issues under ASX Listing Rule 7.1A:
At the date of this Notice of Meeting the Company has not identified any persons to whom it intends to offer securities under Listing Rule 7.1A. In the event that the Company issues any securities under Listing Rule 7.1A, those securities could be offered to existing or new security holders or both.

7.4 Voting majority

This Resolution 6 is a special resolution and, as a result, must be passed by at least 75% of all the votes cast by members entitled to vote (whether in person or by proxy, attorney or, in the case of a corporate member, by corporate representative).

7.5 Recommendation for Resolution 6

The Company's Directors unanimously recommend that members approve Resolution 6.

7.6 Voting Exclusion Statement

The Company has not identified any proposed allottees of the equity securities, or any person who may obtain a benefit (except a benefit solely in the capacity of a holder of ordinary shares) if Resolution 6 is passed. Therefore no persons will be excluded from voting and no votes will be disregarded.

Further information

The Directors recommend members read these Explanatory Notes in full and, if desired, seek advice from their own independent financial or legal adviser as to the effect of the proposed resolutions before making any decision in relation to the proposed resolutions.

000001 000 PAB
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

For your vote to be effective it must be received by 11:00am (Sydney time) Monday 29 October 2012

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- Review your securityholding
- Update your securityholding

Your secure access information is:

SRN/HIN: I999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Patrys Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Patrys Limited to be held at BDO, Level 10, 1 Margaret Street, Sydney, New South Wales on Wednesday, 31 October 2012 at 11:00am (Sydney time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 4 and 5 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 4 and 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: For Resolutions 4 and 5, this express authority is also subject to you marking the box in the section below. If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 4 and 5 by marking the appropriate box in step 2 below.

Important for Resolutions 4 and 5: If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on Resolutions 4 and 5 below, please mark the box in this section. If you do not mark this box and you have not otherwise directed your proxy how to vote on Resolutions 4 and 5, the Chairman of the Meeting will not cast your votes on Resolutions 4 and 5 and your votes will not be counted in computing the required majority if a poll is called on these resolutions. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 4 and 5 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my/our proxy even if the Chairman has an interest in the outcome of Resolutions 4 and 5 and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report (Non Binding Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr. Michael Stork as a Non Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Ms. Suzy Jones as a Non Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Adoption of the Loan Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of 375,000 options to Dr. Marie Roskrow, Managing Director, under Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Placement of Additional Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /

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Computershare +