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Patrys Limited (ASX: PAB) has stated that its primary focus is on developing natural human antibodies for the treatment of cancer. How does the human antibody approach differ from that of antibody therapies on the market?

CEO Dan Devine

One major difference relates to the origin of the antibodies. Every antibody currently on the market was generated from a non-human source, usually mice. These non-human antibodies are incapable of distinguishing between human healthy and cancerous tissues, so they attack both. This causes negative side effects, and also means that a high amount of the antibody is absorbed by healthy tissue before it ever finds the tumour, so high doses are needed, which dramatically impacts cost.

In contrast, the human immune system, which generated all of Patrys' antibody products, produces antibodies that target and kill human cancer cells while ignoring healthy human tissues. Our technologies allow us to isolate, capture and develop these "cancer-specific" natural human antibodies, which presents the opportunity to avoid the side effects and dosing issues seen in the market.

The second difference concerns the antibody's "disease target". This is the location on the cancer cell to which a given antibody attaches, and through which it kills the cancer cell. All antibodies on the market are directed against disease targets that were identified based on the fact that they are present in greater amounts on the surface of cancer cells without any regard to the importance of the target to cancer cell survival. However, in most cases, these targets are also present in smaller amounts on healthy cells where they may

have an important role in the normal function of those cells. This means that when an antibody is effective at killing cancer cells, it is also often quite capable of killing healthy cells, which exacerbates the safety and dosing issues. From a commercial perspective, disease targets are generally discovered by independent target discovery companies, so antibody technology companies face either large licensing fees for exclusive access to the target, or competition problems if they have only non-exclusive access.

Our approach to disease targets is different. Once we discover an antibody that kills cancer cells and ignores healthy cells, we use that antibody to lead us to its respective disease target that by definition is present only on cancer cells and not healthy ones screened, and plays a key role in cancer cell survival. Each time we do this, we discover a new target, and we file patents that include claims that block others from developing any antibody to the proprietary targets. This gives us the ability to create a long-term barrier to entry for our competitors, with no additional associated licensing costs.

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What is the potential market for human antibody therapy? Who are your major competitors?

CEO Dan Devine

There are now approximately 20 antibodies on the market. Anti-cancer antibodies lead the way, with four products that have exceeded US\$1 billion in annual sales. What is even more impressive is that these antibodies have generated significant sales within three to four years of launching. So the market has significant commercial potential. The leading companies in the antibody space include Genentech and ImClone.

While we're smaller than the leading antibody companies, no matter how many resources a larger company may devote to improving its antibody technologies or products, it's blocked from developing products to our proprietary disease targets. So we have a very strong competitive position that makes the size of our competitors irrelevant.

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You've stated that your primary focus is on advancing your lead antibodies PAT-LM1 and PAT-SM6 through first-in-human trials. Can you explain the nature of these antibodies?

CEO Dan Devine

PAT-LM1 and PAT-SM6 are natural human antibodies that share similar promising therapeutic and safety characteristics in that they both bind to a number of cancer types, react to all stages of cancer, have the ability to kill cancer in lab and animal tests, and don't attack healthy tissues screened. These characteristics create great market opportunities, and our patents on the antibodies' disease targets protect that value over the long term.

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What is the time line for, and what are the next steps toward, obtaining regulatory approval for the commencement of clinical trials of PAT-LM1 and PAT-SM6?

CEO Dan Devine

Production of both antibodies for clinical development under standards established by the US Food and Drug Administration (FDA) has already started and is going well. Our final animal safety studies should be completed in 2008, and human clinical trials are expected to commence in early 2009.

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Can you detail the trials and associated cost? When do you expect to see results?

CEO Dan Devine

As both products show promise in multiple cancer applications, the first human clinical trial for each of PAT-LM1 and PAT-SM6 will target patients who have a variety of cancers, and will look at safety and efficacy. We have sufficient funding to support these trials, from which we expect to produce results by October 2009.

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Is your intention to retain all rights to PAT-LM1 and PAT-SM6 within Patrys, or will you seek a larger company to help support development?

CEO Dan Devine

Our IPO gave us enough cash to support the first-in-human trials for each lead product. With these financial resources in hand, and the manufacturing milestone close at hand, we feel our partnering position is now strong, so we're now ready to explore potential collaborations with a select group of prospective partners who can bring substantial infrastructure and financial support to the respective development programs.

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Patrys has a broad partnership with Takeda Pharmaceutical Company, an industry leader with over US\$10 billion in sales per annum. What is the nature of this collaboration and why Takeda?

CEO Dan Devine

Takeda is a good partner because it already has antibody marketing experience and successful development collaborations with other antibody companies including Amgen.

Under our collaboration, Takeda has the right to evaluate five of our less mature antibody product candidates. The collaboration does not include our clinical candidates, PAT-LM1 and PAT-SM6.

At the end of the evaluation period, Takeda has the right for a short period of time to negotiate a license in relation to one or more of the products. At that time, Patrys will assess any offer made. However, there are no pre-agreed commercial terms around any license that may be negotiated, and if no agreement is reached, we will retain all the commercial rights to those antibodies.

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Is there a risk in granting one large pharmaceutical player evaluation rights over so many of your product candidates?

CEO Dan Devine

We have a total of 12 lead products and over 250 back-up anti-cancer antibodies, the vast majority of which remain exclusively ours, meaning the number of antibodies in the Takeda collaboration is a relatively small percentage of our overall assets. So we see the size of the collaboration as a benefit because it allows us to advance five additional products with Takeda's support while we maintain our primary focus on the clinical development of our most mature products, PAT-LM1 and PAT-SM6. This is consistent with our strategic goal of maximising the value of the overall pipeline in a cost and time effective manner through a blend of internal and external development.

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How is the collaboration progressing and when will you have results?

CEO Dan Devine

One of the antibodies has completed the planned laboratory tests successfully, and will now be tested by Takeda in animal models. The other four are still being evaluated in laboratory tests. The collaboration is progressing according to the research plan but since these are less advanced products compared with our clinical candidates, there's still a good amount of work to complete before year-end. And while we can discuss the general progress to date, under our contract the disclosure of any detailed results needs Takeda's approval during the evaluation period.

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The only Patrys natural human antibody to have been evaluated in a human clinical trial is PAT-SC1, which is now being developed by AstraZeneca. What is the structure of your agreement with AstraZeneca regarding PAT-SC1?

CEO Dan Devine

The results of the clinical trial of PAT-SC1 showed that it was both safe and effective in the 35 patients treated, and after three years those patients who were treated with PAT-SC1 had a significantly higher survival rate compared to untreated patients. PAT-SC1 development rights were transferred to AstraZeneca, and Patrys will realise partnering income as the development of PAT-SC1 progresses. Based on the data generated in the PAT-SC1 human trial, we're confident of its value as a treatment for gastric cancer, and we believe that AstraZeneca has the capabilities to realise that value.

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As at the end of December 2007, Patrys had cash of A\$22.5 million. What is the expected cash burn in the months ahead?

CEO Dan Devine

Even if we don't receive any partnering or grant revenue, our current cash reserves will take us out until approximately the end of October 2009 by which time we will have human clinical data from our two internal development programs. We're confident that during this period we'll realise partnering

revenues and grants, so we may not need additional cash reserves until well into 2010.

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What are your plans for the 250 products in your anti-cancer antibody pipeline?

CEO Dan Devine

By October 2009 we hope to nominate two more lead products for human clinical development based on their activity in animal models of human cancer, identify four to six new lead products, and add at least four new proprietary disease targets to our portfolio. Achieving these milestones will bring substantial value to the company independent of our clinical development and partnering activities. And we have done this time and again, so the probability of success is high.

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What is your patent position? Are you expecting new patent activity in the shorter term?

CEO Dan Devine

We file patent applications to cover all our lead products, cell production lines, and related disease targets. Patents for PAT-SC1 and PAT-PA1 have already been issued in major markets, meaning our intellectual property approach has been validated. We expect patents to be issued for our most advanced lead products during 2008 and 2009, so the patent life of our pipeline is long.

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What are the potential milestones for Patrys over the next few months?

CEO Dan Devine

The next key milestone for us is achieving successful manufacturing scale-up of our lead products for clinical development. News in that regard should be coming in the next few months, and has the potential to positively impact the value of any commercial arrangement we might enter into with prospective partners as well as the value of our overall pipeline. In addition, our related company, Acceptys Inc., in which we own a significant equity stake, has made solid progress in deploying our platform for infectious disease applications, namely in Hepatitis C and malaria. I believe we'll see some positive results from that work in the near term.

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Thank you Dan.

For more information about Patrys, visit www.patrys.com or call Patrys Head Office at +61 03 9670 3273.

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