

ASX & Media Release

Commentary on Half Year Report

Patrys Establishes Collaboration with CSL, Advances Pipeline and Strengthens Financial Position

Patrys Limited (**ASX: PAB**) today announced its financial results and provided an overview of operations for the six months ended 31 December 2009.

The period was marked with a number of positive milestones including:

- Established a collaboration with Australian based drug developer CSL Limited.
- Furtherance of the development of lead products PAT-SM6 and PAT-LM1.
- Acquisition of exclusive rights to PAT-SC1, a product that has been shown to extend patient survival in a human gastric cancer clinical trial.
- Closing of a successful rights issue that raised \$5 million.

Of most significance for Patrys was the establishment of a collaboration with global biopharmaceutical company CSL Limited, which according to Patrys CEO, Dan Devine, "provides validation to the promise and value of our technologies and products. It gives us added confidence that the investments in our pipeline will yield commercial results.

"CSL represents a partner that has the necessary experience to develop and commercialise antibodies, and which has committed its own resources to explore, advance and develop these product opportunities.

"The commitment by CSL to conduct future work utilising CSL resources allows Patrys to focus its efforts and resources on the advancement of our more mature product candidates.

"Both CSL and Patrys are located in Melbourne, allowing the respective teams to work together to ensure that the projects move forward as effectively as possible."

During the period the Company finalised the preclinical development of lead products PAT-SM6 and PAT-LM1. In advance of plans for a first-in-human clinical trial, PAT-SM6 clinical supplies are now going through final quality processes and the Patrys development team is working with clinicians to finalise the clinical design protocols. Patrys' collaborators have also recently received a grant from the federal government that will aid in the advancement of lead product PAT-SM6.

In October of 2009, Patrys acquired PAT-SC1, a very promising natural human antibody product that has been shown to provide a significant survival benefit to gastric cancer patients treated with the product in a human clinical trial. The acquisition of PAT-SC1 means that Patrys has now achieved its goal to have a lead product with positive results in a human clinical trial that justifies further development.

In addition to the CSL collaboration and advancing its pipeline, the cash position of the Company was improved with a Rights Issue in August of 2009 that generated \$5 million.

“As a result of the positive progress made over the last six months both with respect to our pipeline and our financing, Patrys is in an excellent position to continue to advance its anti-cancer products toward clinical trials and to support our current or any newly formed partnerships,” concluded Mr Devine.

Revenues decreased by 93 percent to \$184,277, largely due to foreign exchange rate conversions of cash held in US dollars and Euros to Australian dollars, which occurred in the corresponding period last year. The total consolidated net loss for the period was \$3.6 million. Cash remained strong with \$10.2 million.

Further highlights and full financial results are contained in the attached Appendix 4D.

Dated: 26 February 2010

A handwritten signature in dark ink, appearing to read 'RMΦ' followed by a stylized flourish.

Roger McPherson
Company Secretary

APPENDIX 4D

PATRY'S LIMITED
ABN 97 123 055 363

HALF YEAR REPORT

Current reporting period
Previous corresponding period

Half year ended 31 December 2009
Half year ended 31 December 2008

Results for announcement to the market

A\$'000

Revenues from ordinary activities	Down	92.8%	to	184
Loss from ordinary activities after tax attributable to members	Down	10.6%	to	(3,564)
Net loss for the period attributable to members	Down	10.6%	to	(3,564)

Explanation		
Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	NIL	NIL
Previous corresponding period	NIL	NIL
Record date for determining entitlements to the dividend	N/A	
	31 December 2009	31 December 2008
Net tangible asset per security	6.24¢	8.86¢
Control gained over entities having material effect	N/A	
Loss of control of entities having material effect	N/A	
Details of aggregate share of profit (loss) of associated and joint venture entities	N/A	
This report is based on:	accounts which have been subject to review	

PATRY'S LIMITED AND CONTROLLED ENTITIES
ABN 97 123 055 363

APPENDIX 4D – HALF YEAR REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

<u>Contents</u>	<u>Page</u>
Directors' report	5
Auditor's independence declaration	7
Consolidated statement of comprehensive income	8
Consolidated statement of financial position	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the financial statements	12
Directors' declaration	16
Independent review report to the members	17

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Patrys Limited during the half year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Australian Securities Exchange.

PATRY'S LIMITED AND CONTROLLED ENTITIES
ABN 97 123 055 363

DIRECTORS' REPORT

The Board of Directors of Patrys Limited ("Patrys" or the "Company") has resolved to submit the following report together with the financial statements of the Company and its wholly owned subsidiaries ("economic entity") for the half year ended 31 December 2009.

1. Directors

The names of the Directors of the Company in office at any time during or since the end of the half year are:

Mr. John Read (Non Executive Chairman)
Mr. Michael Stork (Non Executive Director and Deputy Chairman)
Dr. Alan Robertson (Non Executive Director)
Mr. Daniel Devine (Executive Director and Chief Executive Officer)

2. Review of Operations

Key highlights achieved by Patrys during the period include:

- Established a collaboration with Australian based drug developer CSL Limited.
- Furtherance of the development of lead products PAT-SM6 and PAT-LM1.
- Acquisition of exclusive rights to PAT-SC1, a product that has been shown to extend patient survival in a human gastric cancer clinical trial.
- Closing of a successful rights issue that raised \$5 million, adding to an already solid balance sheet.

CSL collaboration

On 28 January 2010, Patrys announced that it had entered into an agreement with CSL Limited (ASX:CSL) that is focused on several Patrys antibody therapeutic candidates.

Under the agreement, Patrys has granted CSL an exclusive right to research and develop products based on two early stage antibodies from Patrys' pipeline. CSL will pay Patrys an undisclosed upfront amount and undertake the research and development of antibodies at its own cost.

In addition to the upfront payments, Patrys will also receive a number of milestone payments in the first 30 months of the agreement, and beyond, if development goals are met. Patrys is also entitled to royalties on sales once resulting products reach the market.

As part of the agreement, CSL has the right to select up to two additional early stage antibodies from Patrys' pipeline for research and development at CSL's cost. The exercise of this right, which has a defined expiration period, would also trigger upfront payments, contingent development milestone payments and royalties.

Specific financial and other commercial terms of the agreement are confidential.

Advancement of PAT-SM6 and PAT-LM1 toward human clinical trials

During the half year under review, Patrys furthered the development of lead products PAT-SM6 and PAT-LM1. The Company is currently evaluating PAT-SM6 samples and refining its clinical design protocols in advance of plans for a first-in-human clinical trial.

In September 2009, the Company announced that PAT-SM6 effectively prevented colon cancer metastases in a series of recently completed preclinical animal studies. The studies were conducted by independent researchers and were designed to test PAT-SM6's ability to prevent the metastatic spread of colon cancer to the liver. The statistically significant results demonstrated the promise of PAT-SM6 as an effective treatment for the prevention of colon cancer metastases.

In November 2009, Patrys announced that scientific collaborators at The University of Melbourne had been awarded a \$300,000 grant to support the development of Patrys' lead clinical candidate PAT-SM6. The grant, which was awarded by the Australian Government's Australian Research Council, will provide funding to further evaluate the mechanism by which PAT-SM6 kills cancer cells, which in turn can lead to improved opportunities for successful clinical development.

Extend depth and applications of product pipeline

In October 2009, Patrys announced that it had acquired the exclusive rights to commercialise gastric cancer antibody product SC1. Patrys has renamed the product PAT-SC1. PAT-SC1 has been shown to provide a significant survival benefit to gastric cancer patients treated with the product in a human clinical trial conducted at the University of Würzburg Medical Centre in Germany.

Patrys will now apply its FDA compliant antibody production technologies to PAT-SC1. The Company expects that it will take approximately 12 months to reach large scale production levels of PAT-SC1, at which time Patrys intends to advance the product into Phase 2 clinical trials for the treatment of gastric cancer patients.

Over the past 6 months, Patrys leveraged its internal R&D capabilities to expand on its pipeline. This effort is reflected in the filing of new patent applications covering new derivatives, applications and disease targets for a number of lead products. The newly generated and peer-reviewed data from the respective program was presented at scientific conferences in Australia, the United States, Asia and Europe.

Enhance financial strength of the Company

In August 2009, Patrys raised in excess of \$5 million from a rights issue, which was partially underwritten by a major shareholder, PNK Holdings Limited.

3. Financial and Treasury Activities

The financial results of the Company for the six months ended 31 December 2009 are summarised as follows:

- On a consolidated basis the Company incurred a loss from ordinary activities before income tax of \$3,562,780 (2008: \$3,984,833). The net loss after tax was \$3,564,033 (2008: \$3,984,833). Before interest, tax, depreciation and amortisation the net loss for the same period was \$3,299,253 (2008: \$3,701,849).
- Revenues included in the results for the current period of \$184,277 include interest income. Revenues of \$2,544,556 for the corresponding period last year included interest income, R&D tax concession and net foreign exchange gains.
- Research and development costs of \$2,607,858 (2008: \$5,165,244) have been expensed in the period in which they have been incurred. Management and administration costs contribute a further \$902,648 (2008: \$1,328,718) to expenses from continuing operations.
- US subsidiary results: The operating results for the half year attributable to Patrys, Inc., a 100 percent owned operating subsidiary, show a net profit of \$5,837 (2008: \$12,123), attributable to income earned by Patrys, Inc. for services provided to the Company. The profit before interest, tax, depreciation and amortisation was \$6,397 (2008: \$12,958).
- European subsidiary results: The operating results for the half year relating to Patrys GmbH, a 100 percent owned operating subsidiary, show a net profit after tax of \$30,489 (2008: \$32,528), which is attributable to income earned by Patrys GmbH for services provided to the Company. The profit before interest, tax, depreciation and amortisation was \$58,579 (2008: \$57,224).
- The Company's cash and term deposits remain strong at \$10,251,756 at balance date.

4. Events Subsequent to 31 December 2009

No subsequent event to the date of this report has a material impact on the financial forecasts of the Company.

5. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* accompanies this report.

Signed in accordance with a resolution of the Board of Directors dated 26 February 2010.



John Read
Chairman

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Patrys Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) 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 year.



David Garvey
Partner
PKF

26 February 2010
Melbourne

PATRY'S LIMITED AND CONTROLLED ENTITIES
ABN 97 123 055 363

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Note	Half year	
		31 December	31 December
		2009	2008
		\$	\$
Revenue from continuing operations	2	184,277	2,544,556
Expense from continuing operations	3	(3,747,057)	(6,529,389)
Loss from continuing operations before tax		(3,562,780)	(3,984,833)
Income tax expense		(1,253)	-
Loss for the period from continuing operations after income tax		(3,564,033)	(3,984,833)
Other comprehensive income			
Exchange differences on translating foreign operations	7a	(30,753)	100,831
Total comprehensive income for the period attributable to members of the Company		(3,594,786)	(3,884,002)
 Earnings per share:			
Basic earnings per share (cents per share)		(1.99)¢	(2.58)¢
Basic diluted earnings per share (cents per share)		(1.99)¢	(2.58)¢

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

PATRY'S LIMITED AND CONTROLLED ENTITIES
ABN 97 123 055 363

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Note	31 December 2009 \$	30 June 2009 \$
Current assets			
Cash and cash equivalents		10,251,756	9,595,669
Trade and other receivables		503,470	117,448
Deferred capital raising costs		-	52,105
Other		103,682	171,104
Total current assets		10,858,908	9,936,326
Non-current assets			
Property, plant and equipment		772,731	829,775
Intangible assets	5	8,607,600	8,411,142
Total non-current assets		9,380,331	9,240,917
Total assets		20,239,239	19,177,243
Current liabilities			
Trade and other payables		890,716	1,150,984
Tax liabilities		23,988	25,673
Borrowings		3,870	24,930
Provisions		64,883	58,080
Total current liabilities		983,457	1,259,667
Non-current liabilities			
Trade and other payables		100,000	200,000
Borrowings		16,953	-
Total non-current liabilities		116,953	200,000
Total liabilities		1,100,410	1,459,667
Net assets		19,138,829	17,717,576
Equity			
Contributed equity	6	39,634,530	34,677,027
Reserves	7	703,389	675,606
Accumulated losses	8	(21,199,090)	(17,635,057)
Total equity		19,138,829	17,717,576

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

PATRY'S LIMITED AND CONTROLLED ENTITIES
ABN 97 123 055 363

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Fully paid ordinary shares	Foreign currency translation reserve	Share option reserve	Share loan plan reserve	Accumulated losses	Total
2009	\$	\$	\$	\$	\$	\$
At 1 July 2009	34,677,027	9,693	665,913	-	(17,635,057)	17,717,576
Loss for the period	-	-	-	-	(3,564,033)	(3,564,033)
Other comprehensive income	-	(30,753)	-	-	-	(30,753)
Total comprehensive income for the period	-	(30,753)	-	-	(3,564,033)	(3,594,786)
Transactions with owners in their capacity as owners:						
Issued capital	5,036,687	-	-	-	-	5,036,687
Transaction costs related to shares issued	(79,184)	-	-	-	-	(79,184)
Cost of share based payment	-	-	48,742	9,794	-	58,536
At 31 December 2009	39,634,530	(21,060)	714,655	9,794	(21,199,090)	19,138,829
2008						
At 1 July 2008	31,580,827	(1,723)	369,289	-	(8,972,718)	22,975,675
Loss for the period	-	-	-	-	(3,984,833)	(3,984,833)
Other comprehensive income	-	100,831	-	-	-	100,831
Total comprehensive income for the period	-	100,831	-	-	(3,984,833)	(3,884,002)
Transactions with owners in their capacity as owners:						
Issued capital	3,096,200	-	-	-	-	3,096,200
Cost of share based payment	-	-	183,551	-	-	183,551
At 31 December 2008	34,677,027	99,108	552,840	-	(12,957,551)	22,371,424

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

PATRY'S LIMITED AND CONTROLLED ENTITIES
ABN 97 123 055 363

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Half year	
	31 December	31 December
	2009	2008
	\$	\$
Cash flows from operating activities		
Receipts from trade and other debtors	6,980	107,966
Payments to suppliers and employees (inclusive of goods and services tax)	(3,921,841)	(4,514,438)
R&D tax concession	-	329,687
Interest received	155,495	173,942
Finance costs	(905)	(1,774)
Taxes paid	(2,938)	(30,448)
Net cash flows used in operating activities	(3,763,209)	(3,935,065)
Cash flows from investing activities		
Payment for other financial assets	(326,869)	(613,202)
Investment in patents and licences	(604,932)	(529,304)
Purchase of property, plant and equipment	(56,472)	(217,058)
Net cash flows used in investing activities	(988,273)	(1,359,564)
Cash flows from financing activities		
Proceeds from issue of shares	5,036,687	3,096,200
Payment of share issue costs	(60,029)	-
Repayment of borrowings	(4,107)	(4,494)
Net cash flows from financing activities	4,972,551	3,091,706
Net increase/(decrease) in cash held	221,069	(2,202,923)
Cash and cash equivalents at beginning of the half year	9,595,669	15,233,976
Effect of exchange rate movements	435,018	1,705,783
Cash and cash equivalents at end of the half year	10,251,756	14,736,836

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

PATRYS LIMITED AND CONTROLLED ENTITIES
ABN 97 123 055 363

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Note 1: Statement of compliance

The financial report of Patrys Limited for the half year ended 31 December 2009 was authorised for issue in accordance with a resolution of the Directors on 24 February 2010. Patrys Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange. The nature of the operations and the principal activities of the Company and its controlled entities (the "Group") are described in Note 4.

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report, together with any public announcements made by Patrys Limited.

The Group has adopted applicable new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2009. When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 101 Presentation of Financial Statements

The revised Standard separates the owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

AASB 8 Operating Segments

AASB 8 Operating Segments replaced AASB 114 Segment Reporting from 1 July 2009. AASB 8 requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating Segments are now reported in a manner that is consistent with the internal reporting provided to the Board.

AASB 2008-7 Amendments to Australian Accounting Standards – Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments delete the reference to the "cost method" making the distinction between pre and post acquisition profits no longer relevant. All dividends received are now recognised in the profit and loss rather than having to be split between a reduction in the investment and profit and loss. However the receipt of such dividends requires an entity to consider whether there is an indicator of impairment of the investment in that subsidiary. Patrys Limited did not receive any dividends from the subsidiaries during the half year ended 31 December 2009, and therefore did not impact the recoverability of the investments in subsidiaries. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

Other than disclosed above, the accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those of the previous financial year and corresponding interim reporting period.

Note 2: Revenue from continuing operations

	Half year	
	31 December 2009	31 December 2008
	\$	\$
Other income		
Interest revenue	180,995	446,828
R&D tax concession	-	329,687
Government grants	2,500	-
Gain on translation of value of assets/liabilities held in foreign currencies	-	1,715,680
Recovery of expenses from associates	-	52,323
Insurance recoveries	782	-
Other	-	38
	184,277	2,544,556

PATRY'S LIMITED AND CONTROLLED ENTITIES
ABN 97 123 055 363

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	31 December 2009 \$	Half year 31 December 2008 \$
Note 3: Expenses from continuing operations		
Research and development	2,607,858	5,165,244
Management and administration	902,647	1,328,718
Interest costs	905	1,774
Loss on translation of value of assets/liabilities held in foreign currencies	235,647	-
Share of losses of equity accounted associates	-	33,653
	3,747,057	6,529,389

The expenses above include the following specific items:

Depreciation – plant and equipment	69,724	61,256
Amortisation – intellectual property	192,899	219,953
Rental expense related to operating leases	47,654	74,257
Employee benefit expenses		
Defined contribution superannuation expense	59,156	64,778
Expenses of share based payments	34,315	132,665
Wages and other employee benefit expenses	1,246,562	1,396,436

Note 4: Operating segments

A segment is a component of the consolidated entity that engages in business activities to provide products or services within a particular economic environment. The consolidated entity operates in one business segment, being the conduct of research and development activities in the biopharmaceutical sector. The Board of Directors assess the operating performance of the group based on management reports that are prepared on this basis. The group has established activities in more than one geographical area, however these activities support the research and development conducted by the consolidated entity and are considered immaterial for the purposes of segment reporting. The group invests excess funds in short term deposits but this are not regarded as being a separate segment.

Note 5: Intangible assets

	31 December 2009	30 June 2009
Intellectual property establishment and acquisitions at cost	9,625,994	9,236,636
Less: Accumulated amortisation	(1,018,394)	(825,494)
	8,607,600	8,411,142

Movements in the carrying amounts for intellectual property between the beginning and the end of the current financial year

Carrying amount at 1 July	8,411,142	4,166,506
Additions - acquisitions	389,357	4,769,430
Amortisation expense (i)	(192,899)	(524,794)
Carrying amount at the end of year	8,607,600	8,411,142

(i) Amortisation expense is included in the line item "research and development".

(ii) Intangible assets comprise licences, intellectual property, registered patents and trademarks, have a finite useful life and are recorded at cost. Amortisation is calculated using straight line method over the estimated useful life, which range from 12 to 20 years. Remaining amortisation periods range from 14.75 to 20 years.

PATRY'S LIMITED AND CONTROLLED ENTITIES
ABN 97 123 055 363

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Note 6: Contributed equity

	31 December 2009	
	No.	\$
Opening balance 1 July 2009	164,151,475	34,677,027
Shares issued under rights issue	20,146,746	5,036,687
Shares issued under loan share plan	1,969,150	-
Transaction costs in relation to shares issued	-	(79,184)
Closing balance 31 December 2009	186,267,371	39,634,530

	30 June 2009	
	No.	\$
Opening balance 1 July 2008	152,851,475	31,580,827
Shares issued 3 December 2008	11,300,000	3,096,200
Closing balance 30 June 2009	164,151,475	34,677,027

Note 7: Reserves

	31 December	30 June
	2009	2009
	\$	\$
Foreign currency translation reserve	(a) (21,060)	9,693
Share options reserve	(b) 714,655	665,913
Share loan plan reserve	(c) 9,794	-
	703,389	675,606

(a) Foreign currency translation reserve

Opening balance 1 July	9,693	(1,723)
Net adjustment arising from the translation of foreign controlled entities' financial statements	(30,753)	11,416
Closing balance	(21,060)	9,693

(b) Share options reserve

Opening balance 1 July	665,913	369,289
Value of options issued	48,742	296,624
Closing balance	714,655	665,913

(c) Share loan plan reserve

Opening balance 1 July	-	-
Value of shares issued	9,794	-
Closing balance	9,794	-

PATRY'S LIMITED AND CONTROLLED ENTITIES
ABN 97 123 055 363

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Note 8: Movement in accumulated losses

	31 December	30 June
	2009	2009
	\$	\$
Opening balance 1 July	(17,635,057)	(8,972,718)
Net loss attributable to the members of the parent entity for the period	(3,564,033)	(8,662,339)
Closing balance	(21,199,090)	(17,635,057)

Note 9: Commitments and contingencies

The only changes to the commitments and contingencies disclosed in the most recent annual financial report are specified below:

Patrys - Crucell 2009 Research License Agreement

In July of 2009, Patrys entered into a research licence agreement with Crucell Holland B.V., covering the use of Crucell's PER.C6[®] human antibody production technologies for potential use for 5 Patrys' products. Patrys is committed to make an annual license fee of €50,000. If Patrys wishes to commercialise any of the products developed under the research licence agreement it has the right to enter into a commercial license with Crucell which would incur annual payments and royalties payable on the sale of products that derive from the licensed PER.C6[®] cell line. These payments and royalty rates are typical in the industry for transactions of such nature.

Columbia Exclusive License Agreement

In January of 2010, Patrys terminated the exclusive license agreement with The University of Columbia for the use of hybridoma cell line MFP-2.

Patrys - Debiovision – Option License and Assignment Agreement

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

Patrys – The University of Melbourne ARC Linkage Agreement

In February 2010, Patrys entered into a ARC linkage agreement with The University of Melbourne, covering the use of PAT-SM6 in biophysical and biochemical studies with researchers based at the university. From 2010 to 2012, Patrys will contribute an annual cash contribution of \$63,024 towards the project in addition to in-kind support (undisclosed).

Note 10: Events subsequent to reporting date

No significant events have arisen subsequent to 31 December 2009 which require disclosure in the half year report.

PATRY'S LIMITED AND CONTROLLED ENTITIES
ABN 97 123 055 363

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) The financial statements and notes, as set out on pages 8 to 15 are in accordance with the *Corporations Act 2001* including:
 - (i) give a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date as represented by the results of its operations, changes in equity and its cash flows, for the half year ended on that date; and
 - (ii) comply with *Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated this 26th day of February 2010



John Read
Chairman

TO THE MEMBERS OF PATRYS LIMITED**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Patrys Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2009 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2009 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*. As the auditor of Patrys Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Patrys Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PKF

26 February 2010
Melbourne**D J Garvey**
PartnerTel: 61 3 9603 1700 | Fax: 61 3 9602 3870 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Liability limited by a scheme approved under Professional Standards Legislation.