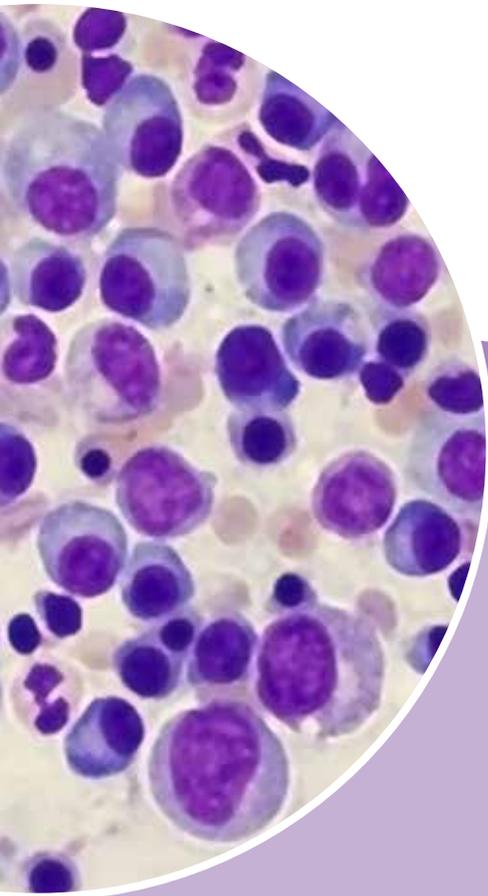




Contents

The Year's Highlights	1
1. Who We Are	2
2. Chairman's and CEO's Report	3
3. Financials	7



The Year's Highlights

PAT-SM6:

- Successfully advanced its Phase I/IIa clinical trial in multiple myeloma. Treatment of the third cohort is complete. Recruitment of the final cohort of patients is currently underway.
- Results to date show indications of clinical efficacy and no significant adverse events in any patient.
- Showed considerable promise in preclinical combination studies and several additional animal models of cancer.
- Four manuscripts were accepted for publication by peer reviewed scientific journals which support PAT-SM6 as an anti-cancer product.
- Preclinical and early clinical data presented at several international scientific conferences.
- Awarded first prize for poster on preclinical multiple myeloma research at the prestigious German Society for Haematology and Oncology Congress 2012.
- Awarded an ARC Linkage Grant to support Patrys' partnership with Macquarie University for the development of cancer diagnostics.

PAT-SC1:

- Continued the out-licensing campaign which is focussed on Japan, China and South Korea given that gastric cancer has a higher incidence in these populations.
- Presented clinical data at Bio Partnering China in Beijing and the 10th Haematopoiesis Immunology Conference in Moscow.

PAT-LM1 AND OTHER PRECLINICAL CANDIDATES:

- Continued to advance PAT-LM1 through cell-line and preclinical development.
- Granted key PAT-LM1 patent providing protection through year 2029. Patent covers use of PAT-LM1 or binding fragments of PAT-LM1 for the treatment or prevention of metastasis.
- Two additional IgM anti-cancer antibodies have been identified and characterised for further preclinical development work.

FINANCIAL:

- Support for the Company's capital management programme with the closing of the June 2012 capital raising and the Share Purchase Plan which raised a combined \$2.85 million.

IN THE NEXT 12 MONTHS WE EXPECT TO:

- Complete the PAT-SM6 Phase I/IIa open label multi-dose clinical trial in multiple myeloma.
- Further clinically develop or out-license PAT-SM6.
- Further prepare PAT-LM1 for clinical trial.
- Continue with the out-licensing activities in respect of PAT-SC1.
- Develop additional preclinical products to expand the pipeline.
- Extend the external research collaboration programme.

Who We Are

Patrys is a publicly-listed company on the Australian Securities Exchange [ASX:PAB]. The Company's headquarters are in Melbourne, Australia, and our main R&D centre is in Würzburg, Germany, where our technology platform and product pipeline was first developed.

Our principal focus is on the development of a completely new type of therapy for the treatment of cancer – natural human antibodies. These natural human antibodies offer the promise of increased potency coupled with greater safety as compared to existing cancer treatments.

The Company's most mature product, PAT-SC1, has been shown to provide treated gastric cancer patients with a significant 10 year survival benefit. Gastric cancer is a notoriously difficult disease to treat with an overall low survival rate. The proof-of-concept data adds significantly to the attractiveness of this product to potential licensing partners. PAT-SC1 is now the subject of an out-licensing programme.

Patrys has also successfully completed a Phase I clinical trial in melanoma with a second product PAT-SM6. This trial was completed in February 2012 with promising results, including a complete absence of adverse events and localisation of PAT-SM6 to tumour cells.

In November 2012, Patrys commenced a Phase I/IIa clinical trial in multiple myeloma. The trial is an open-label multi dose escalation trial in relapsed and multi-resistant patients with multiple myeloma who have failed all currently marketed drugs and have a very poor prognosis. Initially, twelve patients will be enrolled in four dosing groups and will receive a minimum of two cycles (four doses) of treatment. If a patient shows a partial response to treatment with PAT-SM6 an additional cycle (two doses) of treatment will be offered. The primary objective of the study is to evaluate the safety and tolerability of escalating doses of PAT-SM6 and the secondary objective is to measure efficacy as determined by a series of well-established laboratory assays. To date three cohorts of patients have been completed in the trial showing promising results.

In addition to PAT-SC1 and PAT-SM6, Patrys has a deep pipeline of other promising candidates, which Patrys can use to refill its pipeline. These include PAT-LM1 which Patrys is currently moving forward in preclinical development in preparation for clinical trial.

The blend of clinical and preclinical programmes, when coupled with a first-mover position in the natural human antibody space, presents Patrys with a unique value position going forward.



Our principal focus is on the development of a completely new type of therapy for the treatment of cancer – natural human antibodies.

Chairman's and CEO's Report

Patrys has achieved real and tangible progress in the year to 30 June 2013, with the commencement of the Phase I/IIa clinical trial for multiple myeloma. At the date of this report the Company has completed three of the four patient cohorts. We are currently recruiting the fourth cohort and anticipate that the trial will be completed as planned by October/November of this year.

The Company has also continued with the out-licensing programme for PAT-SC1 and the advancement of its pipeline of earlier stage products.

Through effective capital management, Patrys has been able to further its development programme including providing for the completion of the multiple myeloma trial later this year.

CURRENT STATUS OF THE PAT-SM6 CLINICAL PROGRAMME AND NEXT STEPS

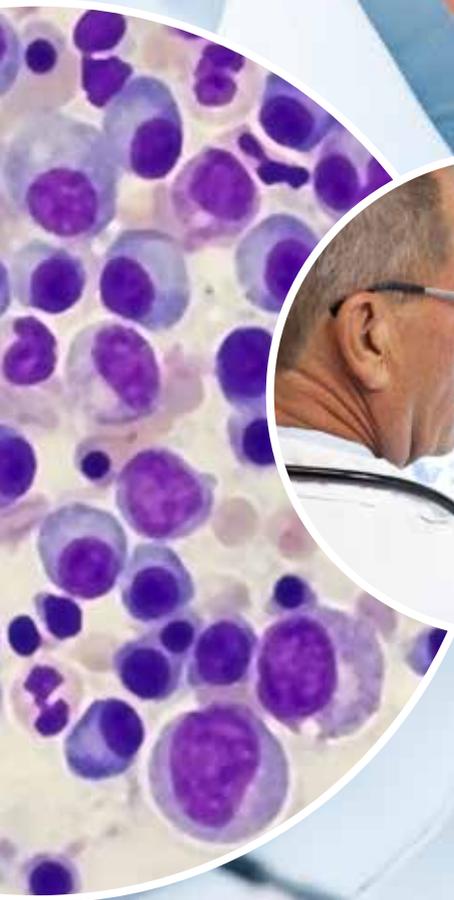
The commercial prospects for PAT-SM6 have gone from strength to strength throughout the year. To recap, in February 2012 Patrys successfully completed a first-in-human Phase I clinical trial for its lead monoclonal antibody, PAT-SM6. The primary aim of this single-dose trial was to evaluate the safety and tolerability of PAT-SM6 in the treatment of patients with melanoma. This trial successfully hit the primary endpoint as no significant adverse safety events were reported. Biopsy samples taken from treated patients were evaluated for the presence of PAT-SM6 and we were delighted to announce that in some treated patients, not only were we able to locate the antibody within the tumour but we were also able to show an increased level of cell death [apoptosis] within their tumour. This significant data supports the view that PAT-SM6 is targeting the tumour, binding to the cancer cells and consequently inducing apoptosis. This is a significant milestone as PAT-SM6 is the first recombinantly-produced IgM monoclonal antibody against its target GRP78 that has been administered intravenously to patients with cancer.

During the year, Patrys initiated a second clinical trial programme, this time in multiple myeloma. The trial is an open-label multi dose escalation trial in patients with relapsed and multi-resistant multiple myeloma who have typically failed all currently marketed drugs and have a very poor prognosis. The primary objective of the study is to evaluate the safety and tolerability of escalating doses of PAT-SM6 and the secondary objective is to measure efficacy as determined by a series of well-established laboratory assays. Twelve patients will be enrolled in four dosing groups and will receive a minimum of two cycles of treatment (four doses). If a patient shows a partial response to treatment with PAT-SM6 an additional cycle of treatment (two doses) will be offered. We have recently completed treatment of the third cohort with promising results including no significant adverse events and indications of clinical efficacy. As the trial is an open-label multi dose escalation study, data is being released on an ongoing basis. Recruitment for the final cohort is currently underway.

To date three cohorts of patients have been completed in the trial showing promising results. Two patients showed signs of stable disease post treatment.

By generating clinical data in two cancer indications (melanoma and multiple myeloma), we are decisively positioning PAT-SM6 for future partnerships with pharmaceutical or biotechnology companies that have expertise in monoclonal antibodies and cancer.

The global multiple myeloma market is expected to grow from US\$6 billion in 2012 to US\$10 billion in 2018. The market is currently served by a limited number of small molecule therapeutics. Multiple myeloma, however, remains largely incurable in the majority of patients. Monoclonal antibodies are a promising class of new therapeutics of which Patrys' PAT-SM6 has demonstrated clinical potential.



Chairman's and CEO's Report CONTINUED

Complete clinical trial data is expected to be available in the first quarter of 2014. At this juncture, the Company will evaluate the best pathway to maximise shareholder value. Two options are available; to further the development of PAT-SM6 in-house, with an expanded capital base, or to out-license PAT-SM6, in whole or part, through a strategic partnership.

Intellectual property (IP) and the legal protection of our assets has always been a focus for Patrys. Creating a strong IP position for PAT-SM6 is paramount and to that end we have numerous patent families covering the PAT-SM6 product with protection extending up to 2024.

CURRENT STATUS OF THE PAT-LM1 PROGRAMME AND NEXT STEPS

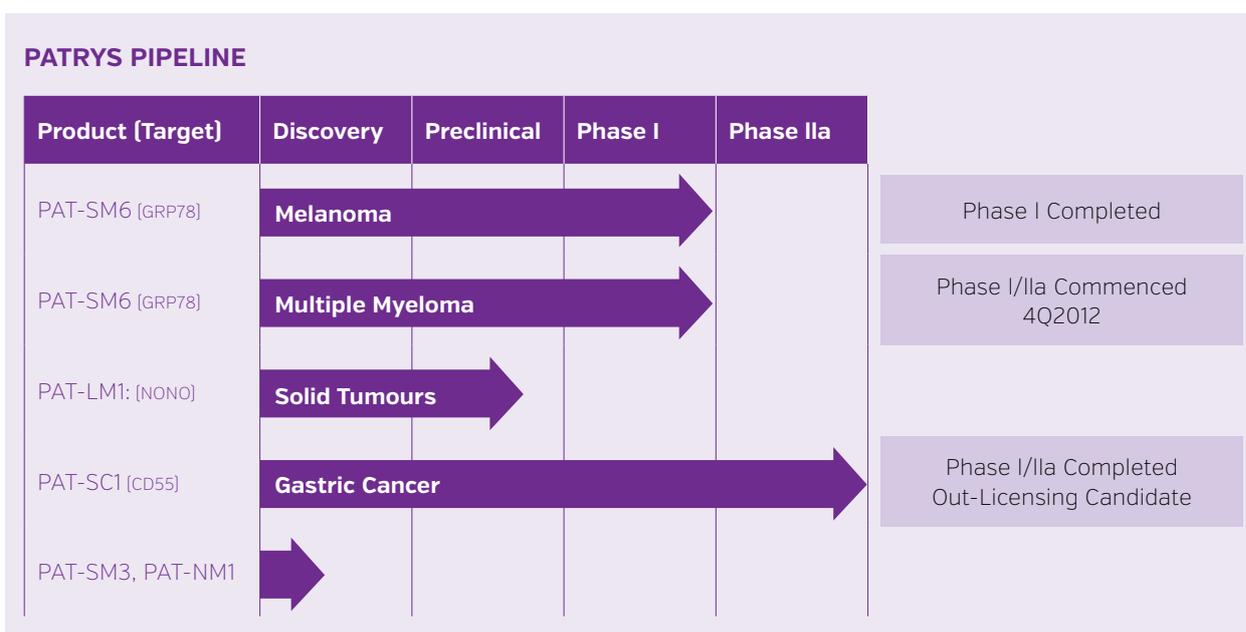
Progress has been made in the development and scale-up of the cell line that will, ultimately, produce PAT-LM1 antibody for use in its own future clinical trial programme. This work will extend into the 2014 fiscal year. In June 2013 the New Zealand Patent Office issued a certificate of grant on a key patent in the PAT-LM1 family. This is the second jurisdiction in which the PAT-LM1 patent has been granted. The patent, which is owned by Patrys, claims the use of the antibody PAT-LM1 that binds to its target Nmt55/NONO for the treatment or prevention of metastasis. Over the next financial year Patrys expects patents covering other products will be issued in major jurisdictions.

OUT LICENSING OF PAT-SC1

In the prior financial year Patrys announced that it had commenced an out-licensing programme for PAT-SC1. PAT-SC1 has previously been evaluated in a human clinical trial where it provided a significant survival benefit to a group of 35 gastric cancer patients who were treated with the antibody. The 10 year survival data for the trial showed that patients with gastric cancer who were treated with PAT-SC1, at the time of surgery, had a significant advantage over those patients who did not receive the antibody treatment. Considering that the prognosis for patients with gastric cancer is very poor, this survival data is most impressive.

As the prevalence of gastric cancer is higher in Japan, China and South Korea the out-licensing programme has been focussed on those jurisdictions. During the year Patrys made presentations on PAT-SC1 at Bio Partnering China in Beijing, China and the 10th Haematopoiesis Immunology Conference in Moscow, Russia.

The out-licensing campaign for PAT-SC1 is currently ongoing.



Chairman's and CEO's Report CONTINUED

CAPITAL MANAGEMENT

In August 2012 Patrys completed a capital raising initiative and a Share Purchase Plan which raised a combined \$2.85 million. Based on current programmes the Company's cash runway extends to mid 2014.

The new year offers much promise and excitement with the potential to deliver significant returns for our shareholders. Fundamental to achieving this are our key goals for 2013/14:

- » Completion of the PAT-SM6 Phase I/IIa open label multi-dose clinical trial in multiple myeloma and announcement of next steps
- » Prepare PAT-LM1 for clinical trial
- » Support out-licensing activities in respect of PAT-SC1
- » Expand the pipeline through internal R&D and progression of preclinical candidates
- » Prudent capital management

We look forward to your continued support and encouragement in the year ahead.



John Read
Chairman



Dr. Marie Roskrow
Managing Director and CEO



The new year offers much promise and excitement with the potential to deliver significant returns for our shareholders.

Financial Report

Directors' Report	8
Auditor's Independence Declaration	25
Corporate Governance	26
Statement of Profit or Loss and Other Comprehensive Income	31
Statement of Changes in Equity	32
Statement of Financial Position	33
Statement of Cash Flows	34
Notes to the Financial Statements	35
Declaration by Directors	63
Independent Auditor's Report	64
Shareholder Information	66
Board of Directors and Company Particulars	69

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 ("the Group") for the year ended 30 June 2013.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

Mr. John Read (Non-Executive Chairman)
Dr. Marie Roskrow (Managing Director and Chief Executive Officer)
Mr. Michael Stork (Non-Executive Director and Deputy Chairman)
Dr. Alan Robertson (Non-Executive Director)
Ms. Suzy Jones (Non-Executive Director)

Details of each director's qualifications and special responsibilities, together with meetings attended, are set forth in other parts of this report.

Company Secretary:

Mr. Roger McPherson.

Principal activities

The principal activities of Patrys relate to the commercialisation of the Group's proprietary technologies to develop natural human antibody based therapeutic products for the treatment of cancer.

Review of operations

During the year ended 30 June 2013, Patrys focused on the following key areas of operations:

- Commencing the Phase I/IIa clinical trial for PAT-SM6 in multiple myeloma.
- Expansion of the data package for PAT-SM6 and creation of awareness of this anti-cancer product.
- Consolidation of out-licensing opportunity for PAT-SC1 and advancement of PAT-LM1 towards a human clinical trial.
- Expanding its pipeline and patent portfolio through internal R&D.
- Managing the financial position of the Group.

PAT-SM6 human clinical trials

In November 2012, Patrys commenced its Phase I/IIa clinical trial in multiple myeloma for anti-cancer drug PAT-SM6. Dosing of the first three cohorts of patients has been completed and recruitment of the fourth and final cohort of patients is now underway.

The trial is an open-label multi dose escalation trial in relapsed and multi-resistant patients with multiple myeloma who have failed all currently marketed drugs and have a very poor prognosis. Initially, twelve patients will be enrolled in four dosing groups and will receive a minimum of two cycles (four doses) of treatment. If a patient shows a partial response to treatment with PAT-SM6 an additional cycle (two doses) of treatment will be offered. The primary objective of the study is to evaluate the safety and tolerability of escalating doses of PAT-SM6 and the secondary objective is to measure efficacy as determined by a series of well-established laboratory assays. As the trial is an open-label multi dose escalation study, data will be released on an ongoing basis throughout 2013.

To date no significant adverse events have been recorded, immunological responses have been observed in all patients treated and 2 of the treated patients have been shown to have stable disease at day +36.

Expansion of the data package for PAT-SM6 and creation of awareness of this anti-cancer product

Patrys also continued to expand its preclinical data package in respect for PAT-SM6. This work included studies which showed that PAT-SM6 works in combination with currently marketed multiple myeloma drugs and PAT-SM6 was also demonstrated to be highly effective in a multiple myeloma animal model. This preclinical data further supports the ongoing development of PAT-SM6 as a novel therapy for multiple myeloma.

Patrys was also recently awarded an ARC Linkage Grant to support a partnership with Macquarie University. Under the collaboration PAT-SM6 is to be used in the development of new sensitive cancer diagnostics which will allow it to explore the innovative aspects of Patrys' antibodies. The possibility to use Patrys' antibodies as cancer diagnostics as well as therapeutics potentially brings additional opportunities and value to the Patrys' pipeline.

The Company received an award from the German Society for Haematology & Oncology for its outstanding preclinical multiple myeloma research on which the current trial is based.

DIRECTORS' REPORT

Patrys has recently submitted a number of manuscripts, which have been accepted in peer reviewed scientific publications, in order to promote its products, technologies and platform to a broader audience.

In September 2012 the first of these publications resulting from preclinical research from Patrys' Australian Research Council (ARC) linkage grant was released. The data from this work sheds new light on how PAT-SM6 binds to its target GRP78 on cancer cells and provides additional data that bolsters the preclinical data package for PAT-SM6 making it more attractive to potential licensing partners.

In April 2013 a further publication in respect of the work undertaken as part of the ARC linkage grant was released. The additional data shows that PAT-SM6 binds to its cancer target GRP78 and low density lipoprotein (LDL). Both GRP78 and LDL compete for binding to PAT-SM6 despite having very different structures. Strong and specific binding of GRP78 and LDL is driven by multipoint attachment due to the pentameric nature of PAT-SM6.

In May 2013 an article in respect of the preclinical studies conducted with PAT-SM6 on multiple myeloma cells was published. This work showed that PAT-SM6 kills human multiple myeloma cells and provides *in vitro* "proof of concept" of PAT-SM6 as an anti-cancer treatment. The study also showed that PAT-SM6 kills multiple myeloma cells through two different mechanisms: programmed cell death and complement dependent cytotoxicity.

In June 2013 an article describing the preclinical studies and Phase I clinical trial conducted with PAT-SM6 on melanoma was published. The results of preclinical studies conducted in melanoma confirm that PAT-SM6 induces tumour cell death by interacting with GRP78 and LDL. Additional preclinical data in an aggressive and metastatic mouse model showed PAT-SM6 significantly suppressed or eliminated the development of secondary tumours in all treated mice. Furthermore, PAT-SM6 was safe and well tolerated in animal toxicology studies. The publication also includes an overview of the Phase I clinical trial in patients with melanoma which was completed in February 2012 meeting its primary endpoint of safety and showing early evidence that PAT-SM6 specifically targets melanoma tumours and causes cell death.

Consolidation of out-licensing opportunity for PAT-SC1 and advancement of PAT-LM1 towards a human clinical trial

During the year Patrys has continued to evaluate out-licensing opportunities for PAT-SC1. Given that gastric cancer has a significant incidence in Asian populations, the licensing campaign is focussed on Japan, South Korea and China. In May 2013 Patrys presented at the Bio China Partnering meeting in Beijing to further publicise PAT-SC1 in the Asian market and in June 2013 the Company presented at the 10th Haematopoiesis Immunology Conference in Moscow, Russia. Russia is another potential market opportunity for PAT-SC1 as it too has a high incidence of gastric cancer. Patrys is following opportunities from both of these events. It is anticipated that this out-licensing project will continue throughout 2013.

In addition Patrys has also been continuing to prepare PAT-LM1 for a clinical trial.

Expansion of pipeline and patent portfolio through internal R&D

During the year, Patrys continued to monitor its intellectual property portfolio and leverage its internal R&D capabilities to expand on its pipeline. This work is a constant process of expansion and consolidation. In June the Company announced the grant of a new patent in New Zealand for lead product PAT-LM1. Intellectual property protection is monitored and assessed so that it provides value to the Company.

Managing the financial position of the group

In the past twelve months Patrys completed the capital raising, from placements to institutional and professional investors, that it announced in June 2012, receiving the balance of \$1.1 million in August 2012. The Company also completed a successful Share Purchase Plan from existing shareholders following on from the capital raising. Combined a total of \$2.85 million was raised from these initiatives.

Through effective capital management, Patrys has been able to further its development programme including providing for the completion of the multiple myeloma trial later this year. Based on current programmes the Group's cash runway extends to mid 2014.

Financial and treasury activities

The financial results of the Group for the year ended 30 June 2013 are summarised as follows:

- The Group produced a loss from ordinary activities before income tax of \$3,522,634 (2012: \$5,098,322). The net loss after tax was \$3,529,095 (2012: \$5,108,891).
- Revenue was generated from interest of \$222,838 (2012: \$208,016) and a R&D Tax Incentive of \$754,908 (2012: \$858,866).
- Research and development costs of \$3,301,725 (2012: \$4,828,163) have been expensed in the year in which they have been incurred. The decrease in research and development costs over the previous year is primarily due to the timing of expenditure. In the past twelve months the Group has focussed on the PAT-SM6 clinical trial, the continued advancement of PAT-LM1 towards a clinical trial and the out-licensing of PAT-SC1. Management and administration costs contributed a further \$1,396,533 (2012: \$1,341,892) to expenses from continuing operations. A majority of these management and administration costs were associated with the oversight of commercialisation, research and development activities of the Group.
- Patrys has converted funds at favourable exchange rates into US dollars, Euro and Sterling to minimise the impact that any fluctuations in the exchange rate may have on internal and third party contract operations in the U.S and Europe.
- Basic and diluted net loss per share decreased to 0.72¢ (2012: 1.69¢) due to a combination of a reduction of the loss and an increase in the number of shares on issue.

DIRECTORS' REPORT

The Group's spending over the past year has continued to be associated with building Group value through the advancement and expansion of the product pipeline and technologies. Equally important, even with a broad array of value adding activities, as a result of a well measured financial approach, as of 30 June 2013 the Group's cash and term deposits remain strong at \$5,232,298 (2012: \$6,189,110).

Financial summary

Operating results

The net consolidated loss for the year was \$3,529,095 (2012: \$5,108,891).

Income

Consolidated revenue including other income during the period was \$1,175,624 (2012: \$1,071,733).

Expenditure

Total consolidated operating expenses for the period were \$4,698,258 (2012: \$6,170,055).

Statement of cash flows

Net cash consolidated outflow from operations was \$2,627,920 (2012: \$3,754,504).

Statement of financial position

At 30 June 2013 the consolidated entity's cash position was \$5,232,298 (2012: \$6,189,110). The Group's policy is to hold its cash and cash equivalent deposits in "A" rated or better deposits.

The Group's strategy is to outsource product development expenses including manufacturing, regulatory and clinical trial expenses, to specialist, best of breed partner organisations. As a consequence the Group has not incurred any major capital expenditure for the period and does not intend to incur substantial commitments for capital expenditure in the immediate future.

Business strategies and prospects

The Group's strategy is to develop its proprietary technologies to a point where they can be licensed to a pharmaceutical or biotech partner for further development and ultimately released to the market. Patrys will generate milestone payments and royalty revenues from a licencing deal. The aim of the development programme that Patrys undertakes with each of its antibodies is to show safety and if possible early indications of efficacy.

Patrys is currently undertaking a Phase I/IIa in multiple myeloma with lead product PAT-SM6 (as discussed earlier in this report). At the completion of this trial Patrys hopes to be able to show that PAT-SM6 is safe and well tolerated as well as some early indications of efficacy in multiple myeloma. Positive data from this clinical trial combined with the existing positive Phase I melanoma data and extensive preclinical package will allow the Company to determine whether to look for a partner at that point or expand its capital base to fund further development. Patrys is currently seeking a licensing partner for PAT-SC1 which has been shown to provide a significant 10 year survival benefit to patients with gastric cancer.

Material business risks

The Group is subject to a number of risks. The Board regularly reviews the possible impact of these risks and seeks to minimise this impact through a commitment to its corporate governance principles and risk management function. However, not all risks are manageable or within the control of the Group. The key business risks faced by the Group that are likely to have an effect on its future prospects include:

1. Clinical Trials

Clinical development of the Company's products may fail for a number of reasons including lack of efficacy, toxicity or adverse side effects. Failure can occur at any stage of the trials, requiring the Company to abandon or repeat clinical trials. The Company or the relevant regulatory authorities may suspend the Company's clinical trials at any time if it appears that the trials are exposing participants to unacceptable health risks.

2. Out-licensing

The Company is relying on its ability to be able to out-license its products at a time deemed appropriate. The biotechnology and pharmaceutical industries are highly competitive and numerous entities around the world compete with Patrys to discover, validate and commercialise therapeutic products or product candidates, particularly in cancer where competition is intense. The Company's competitors may discover and develop products in advance of the Company and/or products that are more effective than those developed by the Company. As a consequence, the Company may not be able to out-license its products or not be able to out-license its products for the desired returns, resulting in adverse effects on revenue and profitability.

3. Sufficiency of funding

The Group has limited financial resources and may need to raise additional funds from time to time to finance the development and commercialisation of its products and its other objectives. The Company's product development activities may never generate revenues and the Company may never achieve profitability. The Company's ability to raise funds in the future will be subject, among other things, to factors beyond the control of the Company and its Directors including cyclical factors affecting the economy and share markets generally. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all.

DIRECTORS' REPORT

Dividends

No dividends were paid or declared during the course of the financial year and no dividends are recommended in respect to the financial year ended 30 June 2013.

Earnings per share

<i>Earnings Per Share</i>	<i>2013 Cents</i>	<i>2012 Cents</i>
Basic earnings per share from continuing operations	(0.72)	(1.69)
Basic diluted earnings per shares from continuing operations	(0.72)	(1.69)

Changes in state of affairs

Other than detailed below there were no significant changes to the state of affairs of Patrys Limited and its controlled entities during the year:

Capital Raisings

In the past twelve months Patrys completed the capital raising, from placements to institutional and professional investors, that it announced in June 2012, receiving the balance of \$1.1 million in August 2012. The Company also completed a successful Share Purchase Plan from existing shareholders following on from the capital raising. Combined a total of \$2.85 million was raised from these initiatives.

Matters subsequent to the reporting period

On 10 July 2013 the Company announced that Macquarie University had been awarded an ARC Linkage Grant to support its partnership with Patrys for the development of cancer diagnostics using PAT-SM6 to be used in development of new sensitive cancer diagnostics.

On 24 July 2013 the Company announced that it had completed the treatment of the 3rd patient group in its Multiple Myeloma trial. There have been no serious safety issues reported in any patients, one patient from the 3rd cohort has been shown to have stable disease post treatment and the trial is still on track to finish 4Q2013.

On 7 August 2013 the Company announced that it had received approval from the independent data safety monitoring board to progress to the fourth and final patient group in its Multiple Myeloma trial. Recruitment for this group has commenced.

On 13 August 2013, the Company issued a summary of the data from the 2nd and 3rd cohorts of patients in its Multiple Myeloma trial. This data provides convincing evidence that PAT-SM6 is active in patients with end-stage disease who are resistant to other marketed therapies and seems to prolong the time needed for additional therapy which is deemed clinically significant. Two multi-resistant patients in these cohorts experienced stable disease post treatment with PAT-SM6.

No other matter or circumstance has arisen since 30 June 2013 that has significantly affected or may significantly affect: -

- Patrys Limited's operations in future financial years, or
- the results of those operations in future financial years, or
- Patrys Limited's state of affairs in future years.

Likely developments and expected results of operations

Disclosure of information, in addition to that provided in this report, regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Insurance and indemnification

During the financial year, the Company paid a premium in respect of a contract insuring the Directors and Company Secretary (as named above), and all executive officers of the Company against a liability incurred when acting in their capacity as a Director, Company Secretary or executive officer to the extent permitted by the Corporations Act 2001. Further disclosure required under section 300(9) of the Corporations Act 2001 is prohibited under the terms of the insurance contract.

Other than to the extent permitted by law, the Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or any other related body corporate against a liability incurred as such an officer or auditor.

DIRECTORS' REPORT

Meetings of directors

The number of meetings of the Company's Directors (including committee meetings of Directors) held during the year ended 30 June 2013 and the numbers of meetings attended by each Director were:

<i>Director</i>	<i>Board of Directors</i>		<i>Nomination & Remuneration Committee</i>		<i>Audit and Risk Committee</i>	
	<i>Held and Eligible to Attend</i>	<i>Attended</i>	<i>Held and Eligible to Attend</i>	<i>Attended</i>	<i>Held and Eligible to Attend</i>	<i>Attended</i>
John Read	8	8	3	3	3	3
Marie Roskrow ¹	8	8	-	3	-	3
Michael Stork	8	8	3	3	3	3
Alan Robertson	8	7	3	2	3	3
Suzy Jones ¹	8	7	-	3	-	2

1. While Marie Roskrow and Suzy Jones were not members of the Nomination & Remuneration Committee or the Audit & Risk Committee they were invited to attend these meetings.

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the Corporations Act 2001.

DIRECTORS' REPORT

Information on directors and key management personnel in office during or since the end of the financial year and to the date of this report

Name and Position	Qualifications and Experience	Particulars of interests in shares and options of Patrys Limited		
		Shares	LSP* Shares	Options
<p>Non-Executive Chairman</p> <p>John Read</p> <p>BSc (Hons), MBA, FAICD</p>	<p>Mr. Read is an experienced Chairman and Director in public, private and government organisations. Through his extensive career in venture capital, private equity and commercialisation he has gained a depth of experience in the formation and growth of emerging companies with an emphasis on commercial entities that provide broad societal benefits. He is currently the Chairman of the Central Coast Water Corporation and a Director of CVC Limited (ASX: CVC), CVC Private Equity Limited and CVC Sustainable Investments Limited and was the Chairman of Pro-Pac Packaging Limited (ASX: PPG) from 2005 to 2010 and The Environmental Group Limited (ASX:EGL) from 2001 to 2012.</p> <p>Director of Patrys Limited since 29 May 2007.</p> <p>Other Directorships of listed companies over the past three years: Pro-Pac Packaging Ltd (from 2005 to 2010); The Environmental Group Ltd (from 2001 to 2012); and CVC Ltd (since 1989).</p>	4,908,337	150,052	700,000
<p>Managing Director and Chief Executive Officer</p> <p>Marie Roskrow</p> <p>BSc. (Hons), MBBS (Hons), Ph.D</p>	<p>Dr. Roskrow, a University of London-trained haematologist/oncologist, has held many high level clinical and research positions, most recently as a leader in translational research at the GSF in Munich, Germany. She has extensive experience related to the early and later-stage clinical development of novel anti-cancer compounds and has earned many awards and honours for her work. To complement her clinical research experience, Dr. Roskrow worked for several years in healthcare investment banking, most recently at Lazard Ltd. She participated in many public and private biotechnology and pharmaceutical merger and acquisition deals, as well as company financings and product in/out-licensing deals. In addition, Dr. Roskrow has an extensive network of relationships with executives and board members of both pharmaceutical and biotechnology companies as well as with leading clinical centres worldwide.</p> <p>Director of Patrys Limited since 19 October 2011.</p> <p>Other Directorships of listed companies over the past three years: None.</p>	2,066,667	475,000	375,000
<p>Non-Executive Director</p> <p>Michael Stork,</p> <p>BBA</p>	<p>Mr. Stork is the Managing Director of Stork Holdings 2010 Ltd, an original investor in Patrys. Mr. Stork was until 2004 Chairman of the Board for Dspfactory Ltd, a leading edge developer of digital signal processing (DSP) technology for various applications including hearing aids, headsets and personal digital audio players. Mr. Stork has also played key roles in the management team and the Board of Directors for Unitron Industries Ltd, a hearing aid manufacturing Company that was voted one of the 50 Best Managed Private Companies in Canada for 2000. Unitron was sold to Phonak Holdings AG, a publicly traded Swiss Company, in 2002.</p> <p>Director of Patrys Limited since 19 February 2007.</p> <p>Other Directorships of listed companies over the past three years: None.</p> <p><i>#These shares are held by Stork Holdings 2010 Ltd. (85,731,764) The shares are held by a related trust which Michael Stork in his own right does not control.</i></p>	85,731,764 [#]	Nil	300,000

DIRECTORS' REPORT

Name and Position	Qualifications and Experience	Particulars of interests in shares and options of Patrys Limited		
		Shares	LSP* Shares	Options
Non-Executive Director	Dr. Robertson has more than 20 years' experience in drug discovery and product development with leading pharmaceutical companies. Dr Robertson was the Chief Executive Officer and Managing Director of Pharmaxis Ltd (ASX: PXS) since its founding in 1999 until early 2013, where he was responsible for leading Pharmaxis Ltd through clinical trials, product development, regulatory approval and marketing of its products. Previously, Dr. Robertson spent eight years with Wellcome plc in London and with Australian companies Faulding Ltd and Amrad Ltd. The co-inventor of 23 patents and author of more than 35 scientific papers, Dr. Robertson has a Ph.D in synthetic organic chemistry from the University of Glasgow and has extensive practical understanding of both the clinical and management aspects of the pharmaceutical industry. He has been actively involved in the discovery, development and marketing of various compounds, including new treatments for migraine and cardiovascular disease. Dr. Robertson is also the inventor of the migraine therapeutic Zomig, which is marketed worldwide by AstraZeneca.	500,000	75,026	350,000
Alan Robertson				
BSc, Ph.D				
	Director of Patrys Limited since 29 May 2007.			
	Other Directorships of listed companies over the past three years: Pharmaxis Ltd (since 2000 to 2013).			
Non-Executive Director	Ms. Jones is Founder and Managing Partner of DNA Ink LLC, a life sciences business development and licensing firm in San Francisco, California. Prior to starting her own firm, Ms. Jones spent 20 years at Genentech. Most recently, she was the Head of Business Development 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 joined Genentech in 1990 conducting basic immunology research and contributing to the development of two drug candidates. Ms. Jones then worked in the Product Development group where she managed several products 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. Ms. Jones has very extensive networks within the pharmaceutical and biotech companies and the VC community in North America.	2,500,000	Nil	Nil
Suzy Jones				
	Director of Patrys Limited since 15 December 2011.			
	Other Directorships of listed companies over the past three years: None.			
Chief Financial Officer and Company Secretary	Mr. McPherson has more than 20 years experience in senior finance roles in a wide variety of industries. His early career included working with a Chartered Accounting practice and two years with the Australian Taxation Office. Before Patrys, Mr. McPherson was CFO and Company Secretary at eChoice Home Loans and was responsible for financial affairs and corporate administration. Mr. McPherson has over 15 years of biotechnology and pharmaceutical experience, encompassing four years with Cerylid Biosciences Limited as CFO and Company Secretary, in which capacity he provided strategic direction and information reporting as well as support for research and development activities. In addition, Mr. McPherson was part of Amrad Corporation Ltd. for 6 years in varying senior finance roles.	1,716,667	1,354,435	250,000
Roger McPherson				
CPA, GAICD				

* Loan Share Plan - refer to Remuneration Report – Note F for details

DIRECTORS' REPORT

REMUNERATION REPORT (Audited)

The remuneration report is set out under the following main headings:

- A. Key management personnel
- B. Remuneration governance
- C. Principles used to determine the nature and amount of remuneration
- D. Details of remuneration
- E. Service Agreements
- F. Share-based compensation to Directors and key management personnel
- G. Additional information

A) Key management personnel

The key management personnel are as follows:

(a) Directors

- (i) *Non-Executive Chairman*
Mr. John Read
- (ii) *Managing Director and Chief Executive Officer*
Dr. Marie Roskrow
- (iii) *Non-Executive Directors*
Mr. Michael Stork
Dr. Alan Robertson
Ms. Suzy Jones

(b) Executives

The following people were the executives with the greatest authority for the strategic direction and management of the group ("other key management personnel") during the financial period:

<i>Name</i>	<i>Position</i>	<i>Employer</i>
Mr. Roger McPherson	Chief Financial Officer and Company Secretary	Patrys Limited

B) Remuneration governance

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, the Non-Executive Chairman and the Senior Management team. The Board has established a Nomination and Remuneration Committee, comprising of three Directors, the majority of which are Non-Executive Directors. This Committee is primarily responsible for making recommendations to the board on:

- the over-arching executive remuneration framework;
- the operation of the incentive plans which apply to the executive team, including key performance indicators and performance hurdles;
- remuneration levels of executive directors and other key management personnel; and
- non-executive director fees.

The objective of the Committee is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company. The Corporate Governance Statement provides further information on the role of this committee.

C) Principles used to determine the nature and amount of remuneration

The Company's goal is to engage and promote excellence at Board level, in staff members and partner organisations. The Company looks to engage the services of individuals and organisations with the experience necessary to assist the Company in meeting its strategic objectives. The Board of Directors has determined that recurring costs associated with full time employment should be held to a minimum wherever possible whilst maintaining a high level of competency in core skills in clinical and regulatory management.

The Board seeks to ensure that executive reward complies with good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage;
- Transparency; and
- Capital management.

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

The Company's remuneration framework seeks alignment with shareholders' interests and is in particular aligned to the rapid commercialisation of the Company's intellectual property and in achieving its milestones in a highly ethical and professional manner.

The executive remuneration framework provides a mix of fixed and variable pay and performance incentive rewards.

DIRECTORS' REPORT

Non-Executive Directors' fees

Directors' fees are determined by reference to industry standards and were last reviewed effective 1 September 2012. Components of the remuneration package include a cash element together with medium term equity instruments.

At the 2009 Annual General Meeting a Non-Executive Directors' Fee Pool of \$250,000 was approved by shareholders.

Directors' fees are currently set at \$95,000 for the Chairman and \$60,000 per Non-Executive Director and reflect the demands which are made on and the responsibilities of the Directors. However, one Non-Executive Director, Mr. Michael Stork, does not receive monetary Director fees and received no remuneration of any kind during the year.

Executive pay

The executive pay and reward framework has four components:

- Base pay and benefits;
- Short term performance incentives;
- Long term incentives; and
- Other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay and benefits

A total employment cost package may include a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. The base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no ongoing guaranteed base pay increases included in any executive contracts.

Short term incentives (STI)

Incentives are payable to executives based upon the attainment of agreed corporate and individual milestones and are reviewed and approved by the Board of Directors. The Board of Directors have determined that given the current economic climate, no cash incentives will be paid for the year ended 30 June 2013 (2012: Nil).

Long term incentives (LTI)

Executives and Directors are issued with equity instruments as LTIs in a manner that aligns this element of remuneration with the creation of shareholder wealth. LTI grants are made to executives and Directors who are able to influence the generation of shareholder wealth and thus have a direct impact on the creation of shareholder wealth.

Relationship between remuneration policy and company performance

Equity instruments may be issued to new employees, and upon performance review based on performance of the individual and the Company both in absolute terms and relative to competitors in the biotechnology sector. Equity instruments that are issued for performance are subject to performance targets set and approved by the Nomination and Remuneration Committee.

The Company's remuneration policy seeks to reward staff members for their contribution to achieving significant operational, strategic, partnering, preclinical, clinical and regulatory milestones. These milestones build sustainable and long term shareholder value.

	30 June 2009	30 June 2010	30 June 2011	30 June 2012	30 June 2013
Closing share price	\$0.13	\$0.10	\$0.09	\$0.022	\$0.022
Price increase/(decrease) \$	(0.17)	(0.03)	(0.01)	(0.068)	Nil
Price increase/(decrease) %	(57)	(23)	(10)	(75)	Nil
Total key management personnel remuneration	\$2,057,063	\$1,748,371	\$2,067,026	\$1,189,311	\$872,088

DIRECTORS' REPORT

D) Details of remuneration

Year ended 30 June 2013

Details of the remuneration of each Director of Patrys and the key management personnel (KMP) of the Company are set out in the following table for the year ended 30 June 2013. As indicated above incentives are dependent upon the attainment of agreed corporate and individual milestones and all incentives related to the year have been expensed in full over the vesting period.

2013 Name	Short-term employee benefits		Post employment benefits		Equity-based payments			Total
	Cash salary & fees	Cash Bonus	Non-monetary benefits	Super-annuation	Termination Payments	Shares & Options	% of Total Remuneration	
	\$	\$	\$	\$	\$	\$		\$
Executive Directors								
Marie Roskrow	371,141	-	-	-	-	8,380	2	379,521
<i>Subtotal Executive Directors</i>	<i>371,141</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>8,380</i>		<i>379,521</i>
Non-Executive Directors								
John Read	91,667	-	-	-	-	737	1	92,404
Alan Robertson	54,281	-	-	4,885	-	368	1	59,534
Suzy Jones	58,237	-	-	-	-	-	-	58,237
<i>Subtotal Non-Executive Directors</i>	<i>204,185</i>	<i>-</i>	<i>-</i>	<i>4,885</i>	<i>-</i>	<i>1,105</i>		<i>210,175</i>
<i>Total Directors</i>	<i>575,326</i>	<i>-</i>	<i>-</i>	<i>4,885</i>	<i>-</i>	<i>9,485</i>		<i>589,696</i>
Other KMP								
Roger McPherson	244,428	-	-	27,083	-	10,881	4	282,392
<i>Total Other KMP</i>	<i>244,428</i>	<i>-</i>	<i>-</i>	<i>27,083</i>	<i>-</i>	<i>10,881</i>		<i>282,392</i>
Total	819,754	-	-	31,968	-	20,366		872,088

Dr. Hensel and Dr. Greenwood ceased to be members of the key management personnel from 1 July 2012.

Cash bonuses as compensation for year ended 30 June 2013

During the year ended 30 June 2013 no cash bonuses were paid (2012: Nil) due to the current economic conditions.

DIRECTORS' REPORT

Year ended 30 June 2012

Details of the remuneration of each Director of Patrys and the key management personnel (KMP) of the Company are set out in the following table for the year ended 30 June 2012. As indicated above incentives are dependent upon the attainment of agreed corporate and individual milestones and all incentives related to the year have been expensed in full over the vesting period.

2012 Name	Short-term employee benefits		Post employment benefits		Equity-based payments			Total
	Cash salary & fees	Cash Bonus	Non-monetary benefits	Super-annuation	Termination Payments	Shares & Options	% of Total Remuneration	
	\$	\$	\$	\$	\$	\$		\$
Executive Directors								
Marie Roskrow ¹	344,225	-	-	15,775	-	3,348	1	363,348
Daniel Devine ²	-	-	4,800	-	-	-	-	4,800
<i>Subtotal Executive Directors</i>	<i>344,225</i>	<i>-</i>	<i>4,800</i>	<i>15,775</i>	<i>-</i>	<i>3,348</i>		<i>368,148</i>
Non-Executive Directors								
John Read	75,000	-	-	-	-	2,813	4	77,813
Alan Robertson	50,459	-	-	4,541	-	1,407	2	56,407
Suzy Jones ³	31,525	-	-	-	-	-	-	31,525
<i>Subtotal Non-Executive Directors</i>	<i>156,984</i>	<i>-</i>	<i>-</i>	<i>4,541</i>	<i>-</i>	<i>4,220</i>		<i>165,745</i>
<i>Total Directors</i>	<i>501,209</i>	<i>-</i>	<i>4,800</i>	<i>20,316</i>	<i>-</i>	<i>7,568</i>		<i>533,893</i>
Other KMP								
Roger McPherson	213,151	-	-	47,917	-	15,980	6	277,048
Frank Hensel	217,847	-	-	-	-	14,232	6	232,079
Deanne Greenwood ⁴	124,771	-	-	11,229	-	10,291	7	146,291
<i>Total Other KMP</i>	<i>555,769</i>	<i>-</i>	<i>-</i>	<i>59,146</i>	<i>-</i>	<i>40,503</i>		<i>655,418</i>
Total	1,056,978	-	4,800	79,462	-	48,071		1,189,311

1. Dr. Roskrow was appointed as Chief Executive Officer on 30 June 2011 and as Managing Director on 19 October 2011.
2. Mr. Devine's contract with the Company expired on 30 June 2011 and he also resigned as a director on that date. Remuneration disclosed for the year ended 30 June 2012 is associated with the finalisation of Mr. Devine's contract.
3. Ms. Jones was appointed as a Non-Executive Director on 15 December 2011.
4. Dr. Greenwood became a member of the key management personnel on 1 July 2011.

DIRECTORS' REPORT

E) Service agreements

Remuneration and other terms of employment for the Non-Executive Chairman, Chief Executive Officer and Managing Director, Non-Executive Directors and other key management personnel are formalised in service agreements. These agreements may provide for the provision of performance related cash bonuses and the award of equity in the Company.

Other major provisions of the agreements relating to remuneration are set out below:

John Read, Non-Executive Chairman

- Term of Agreement – Commencing from 29 May 2007. A new agreement became effective 1 December 2009.
- Director's fee – \$95,000 per annum to be reviewed independently and annually by the Board of Directors.
- Termination – No terms have been agreed.
- Bonus – Nil.
- Equity – The Chairman shall be entitled to participate in the Loan Share Plan and the Executive Share Option Plan of the Company.

Marie Roskrow, Managing Director and Chief Executive Officer

- Term of Agreement – Commencing from 1 July 2011 and ongoing unless terminated in accordance with its terms. A new agreement became effective 1 July 2012.
- Base Remuneration – Effective 1 July 2013 £252,590 (AU\$415,991) per annum, subject to annual increases at the discretion of the Board of Directors.
- Termination – By three months' notice from either side unless due to redundancy following merger or similar in which case six months by the company.
- Bonus – At the discretion of the Board of Directors.
- Equity – The Director shall be entitled to participate in the Executive Share Option Plan of the Company.

Alan Robertson, Non-Executive Director

- Term of Agreement – Commencing from 29 May 2007. A new agreement became effective 1 December 2009.
- Director's Fees - \$60,000 per annum to be reviewed independently and annually by the Board of Directors.
- Termination – No terms have been agreed.
- Bonus – Nil.
- Equity – The Director shall be entitled to participate in the Loan Share Plan and the Executive Share Option Plan of the Company.

Suzy Jones, Non-Executive Director

- Term of Agreement – Commencing from 15 December 2011.
- Director's Fees - US\$60,000 per annum to be reviewed independently and annually by the Board of Directors.
- Termination – No terms have been agreed.
- Bonus – Nil.
- Equity – The Director shall be entitled to participate in the Executive Share Option Plan of the Company.

Roger McPherson, Chief Financial Officer and Company Secretary

- Term of Agreement – Commencing from 20 October 2008 and ongoing unless terminated in accordance with its terms.
- Base Remuneration – Effective 1 July 2013 \$282,371 per annum, subject to annual increases at the discretion of the Board of Directors.
- Termination – By two months' notice from either side.
- Bonus – At the discretion of the Board of Directors.
- Equity – The Executive shall be entitled to participate in the Loan Share Plan and the Executive Share Option Plan of the Company.

F) Share-based compensation to Directors and key management personnel

General overview

The Company issues equity to Directors, Patrys (including subsidiaries Patrys GmbH and Patrys UK Ltd) employees and key consultants under either the Loan Share Plan (LSP) or the Executive Share Option Plan (ESOP). Under the plans, participants are issued with equity to foster an ownership culture within the Group to motivate Directors, employees and consultants to achieve performance targets of the Company and the Group. Participation in the plans is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The Company introduced the LSP in December 2009 following approval of the plan at the 2009 Annual General Meeting. Only Australian residents are eligible to participate in the plan. The plan allows non-recourse, interest free loans to be provided to eligible participants to acquire shares under the plan. If and when an issue is made it is treated as an in-substance grant of options and expensed over the vesting period because of the limited recourse nature of the loans. Generally shares issued under the plan will vest over a three year period. The shares are acquired in the name of the participant and each participant authorises and appoints the Company Secretary to act on their behalf. Any dividends paid on the shares are used to repay the loan. In all other respects the shares issued under the LSP carry the same rights as other ordinary shares on issue. If the participant leaves the Company, any shares that have not vested will be brought back by the Company and cancelled along with the loan. In respect of shares that have vested the loan balance must generally be paid in full within six months of termination or the shares will be sold and the proceeds applied to settle the loan balance. The issue price of the shares in the Company held under LSP is not included in equity until the loan has been repaid.

Options are granted under the ESOP. Following the introduction of the LSP issues under the ESOP are generally only made to non-Australian residents. Under the ESOP each option granted converts into one ordinary share of Patrys Limited. Options are granted under the plan for no consideration and carry no dividend or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

If a participant ceases to be appointed as a Director or employed by any member of the group (other than due to his/her death) then options that have vested at the date of cessation will generally lapse if not exercised within six months of the cessation date. In the case of death of the participant then the exercise period is generally extended to twelve months. All unvested options will generally lapse on cessation.

DIRECTORS' REPORT

In accordance with the rules of both the LSP and ESOP the Board has the ability to vary the terms in respect of issues in circumstances it considers appropriate. The valuations of shares issued under the LSP and options issued under the ESOP are determined by using an industry standard option pricing model taking into account the terms and conditions upon which the instruments were issued.

The terms and conditions of each issue of equity affecting remuneration of Directors and key management personnel in this or future reporting periods are as follows:

Shares issued under the LSP

Issue date	No. of shares	Loan expiry date	Vesting date	Issue price \$	Fair value per share at issue date \$	Date first available to deal with
02/12/2009	209,650	27/11/2017	27/11/2012	0.144	0.1060	27/11/2012
01/07/2010	83,521	01/07/2017	01/07/2012	0.106	0.0728	01/07/2012
01/07/2010	83,521	01/07/2018	01/07/2013	0.106	0.0762	01/07/2013
08/12/2011	191,668	08/12/2017	08/12/2012	0.039	0.0271	08/12/2012
08/12/2011	191,666	08/12/2018	08/12/2013	0.039	0.0286	08/12/2013
08/12/2011	191,666	08/12/2019	08/12/2014	0.039	0.0299	08/12/2014
18/01/2012	108,334	18/01/2018	18/01/2013	0.038	0.0277	18/01/2013
18/01/2012	108,333	18/01/2019	18/01/2014	0.038	0.0292	18/01/2014
18/01/2012	108,333	18/01/2020	18/01/2015	0.038	0.0353	18/01/2015
21/08/2012	125,000	21/08/2018	21/08/2013	0.022	0.0148	21/08/2013
21/08/2012	125,000	21/08/2019	21/08/2014	0.022	0.0156	21/08/2014
21/08/2012	125,000	21/08/2020	21/08/2015	0.022	0.0164	21/08/2015
Total	1,651,692					

Options granted under the ESOP

Grant date	No. of options	Expiry date	Vesting date	Exercise price \$	Fair value per option at grant date \$	Date exercisable
02/12/2009	134,624	27/11/2017	27/11/2012	0.144	0.1060	27/11/2012
01/07/2010	83,521	01/07/2017	01/07/2012	0.106	0.0728	01/07/2012
01/07/2010	83,521	01/07/2018	01/07/2013	0.106	0.0762	01/07/2013
08/12/2011	50,000	08/12/2017	08/12/2012	0.039	0.0271	08/12/2012
08/12/2011	50,000	08/12/2018	08/12/2013	0.039	0.0286	08/12/2013
08/12/2011	50,000	08/12/2019	08/12/2014	0.039	0.0299	08/12/2014
02/11/2012	125,000	02/11/2018	02/11/2013	0.03	0.0253	02/11/2013
02/11/2012	125,000	02/11/2019	02/11/2014	0.03	0.0271	02/11/2014
02/11/2012	125,000	02/11/2020	02/11/2015	0.03	0.0283	02/11/2015
Total	826,666					

Equity issued to Directors and key management personnel

Details of equity issued in the Company provided as remuneration to each Director of Patrys Limited and each of the key management personnel of the Company are set out below. When vested, prior to the Director or key management personnel being able to deal with each share, the loan advanced to acquire the share under the LSP must be repaid. In the case of the options, the exercise price must be paid prior to each being converted into one ordinary share of Patrys Limited. Details are also provided for the number of equity instruments that have vested during the 2013 financial year.

The assessed fair value at the date of issue of the equity instruments is allocated over the period from issue date to vesting date, and this amount is included in the remuneration tables above. Fair values at issue date are determined using the binomial option pricing model that takes into account the exercise price (or amount of loan), the term of the option (or loan), the share price at issue date and expected price volatility of the Patrys shares, the expected dividend yield and the risk-free interest rate for the term of the option (or loan).

Further information on the shares and options issued under the LSP and ESOP, including factors and assumptions used in determining fair value is set out in Note 19 to the financial statements.

Following the implementation of the LSP, Australian residents participate in the LSP and not the ESOP. Details of shares and options that have been issued and vested in this or the previous year are outlined in the table below. The tables only include transactions whilst a member of the key management personnel.

DIRECTORS' REPORT

Shares issued under the LSP

Name	Shares issued during the year				Shares vested during the year	
	2013		2012		2013	2012
	Number	Loan per share\$	Number	Loan per share\$	Number	Number
Directors of Patrys Limited						
John Read	-	-	-	-	50,017	50,017
Alan Robertson	-	-	-	-	25,009	25,009
Marie Roskrow	-	-	325,000	0.038	108,334	75,000
Other key management personnel						
Roger McPherson	375,000	0.022	325,000	0.039	326,479	218,144
Deanne Greenwood ¹	-	-	250,000	0.039	-	133,610

1. Dr. Greenwood ceased to be a member of the key management personnel from 1 July 2012.

There are no performance criteria that need to be met in relation to the shares issued above. Participants need to be appointed as a Director or employed by a Group company at the vesting date. Unvested shares are brought back by the Company at the cessation of appointment or employment at the issue price.

Options granted under the ESOP

Name	Options granted during the year				Options vested during the year	
	2013		2012		2013	2012
	Number	Exercise Price\$	Number	Exercise Price\$	Number	Number
Directors of Patrys Limited						
Marie Roskrow	125,000	0.03	-	-	-	-
Other key management personnel						
Frank Hensel ¹	-	-	150,000	0.039	-	334,810

1. Dr. Hensel ceased to be a member of the key management personnel from 1 July 2012.

There are no performance criteria that need to be met in relation to the options granted above. Participants need to be appointed as a Director or employed by a Group company at the vesting date. Unvested options lapse on cessation of appointment or employment.

G) Additional Information

Details of remuneration: cash bonuses, shares and options

Name	Cash bonus Note (vi)		Shares & options					
	Paid%	Forfeited %	Year issued	Vested%	Forfeited %	Financial years in which shares & options vest	Minimum total value of issue yet to vest \$	Maximum total value of issue yet to vest \$
John Read	-	-	2007	100	80	Note (v)	-	-
			2009	100	-	-	-	-
			2010	100	-	Note (i)	-	-
Marie Roskrow	-	-	2011	100	-	-	-	-
			2012	33.3	-	Note (iii)	-	2,703
			2013	-	-	Note (iv)	-	6,064
Michael Stork	-	-	2009	100	-	-	-	-
	Alan Robertson	-	2007	100	80	Note (v)	-	-
			2009	100	-	-	-	-
Roger McPherson	-	-	2010	100	-	Note (i)	-	-
			2009	100	-	-	-	-
			2010	100	-	Note (i)	-	-
			2011	66.6	-	Note (ii)	-	-
			2012	33.3	-	Note (iii)	-	2,175
		2013	-	-	Note (iv)	-	2,618	

Notes:

- The financial years in which shares/options vest are 33.3% in 2011, 33.3% in 2012 and 33.3% in 2013.
- The financial years in which shares/options vest are 33.3% in 2012, 33.3% in 2013 and 33.3% in 2014.
- The financial years in which shares/options vest are 33.3% in 2013, 33.3% in 2014 and 33.3% in 2015.
- The financial years in which shares/options vest are 33.3% in 2014, 33.3% in 2015 and 33.3% in 2016.
- These options lapsed on their expiry date as they had not been exercised.
- No cash bonuses were paid for the 2013 year (2012: Nil).
- Frank Hensel and Deanne Greenwood ceased to be members of the key management personnel from 1 July 2012.

DIRECTORS' REPORT

Share-based compensation:

Further details relating to shares and options are set out below:

Name	A	B	C	D	E
	Remuneration consisting of shares and options %	Value at issue date \$	Value at loan repayment/ exercise date \$	Value at cancellation/ lapse date \$	Total of columns B-D \$
<i>2013</i>					
John Read	-	-	-	-	-
Alan Robertson	-	-	-	-	-
Michael Stork	-	-	-	-	-
Marie Roskrow	3	10,088	-	-	10,088
Roger McPherson	2	5,850	-	-	5,850
<i>2012</i>					
John Read	-	-	-	-	-
Alan Robertson	-	-	-	-	-
Michael Stork	-	-	-	-	-
Marie Roskrow	3	9,988	-	-	9,988
Frank Hensel (E)	2	4,280	-	-	4,280
Roger McPherson	3	9,273	-	-	9,273
Deanne Greenwood (E)	5	7,133	-	-	7,133

A = The percentage of the value of remuneration consisting of equity, based on the value at grant date set out in column B.

B = The value at issue date calculated in accordance with AASB 2 "Share-based Payments" of shares and options issued during the year as part of remuneration. These amounts represent the entire value of the equity issued during the year. The amount recognised in remuneration is the proportion of the value attributable to the period from issue date to vesting date for equity issued in the current and prior years.

C = The value at loan repayment date for shares and exercise date of options that were issued as part of remuneration and were repaid or exercised during the year.

D = The value at cancellation/lapse date of equity that was granted as part of remuneration and that was cancelled or lapsed during the year.

E = Frank Hensel and Deanne Greenwood ceased to be members of the key management personnel from 1 July 2012.

Voting and comments made at the company's 2012 annual general meeting:

Patrys Limited received more than 98% of "yes" votes on its remuneration report for the 2012 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

END OF REMUNERATION REPORT (Audited)

DIRECTORS' REPORT

Shares issued under loan share plan

Details of shares issued under the Loan Share Plan of Patrys Limited at the date of this report are as follows. Further details are included in Notes 13 and 19 of the Financial Statements.

Date shares issued	Expiry date of loan	Issue price of share \$	Number under shares
02/12/2009	27/12/2015	0.144	517,002
02/12/2009	30/06/2016	0.144	269,248
02/12/2009	27/12/2016	0.144	382,377
02/12/2009	22/03/2017	0.144	66,690
02/12/2009	27/12/2017	0.144	315,687
01/07/2010	01/07/2016	0.106	180,436
01/07/2010	22/03/2017	0.106	66,670
01/07/2010	01/07/2017	0.106	147,101
01/07/2010	01/07/2018	0.106	147,101
18/08/2010	09/02/2016	0.10	75,000
18/08/2010	09/08/2016	0.10	75,000
29/10/2010	30/06/2016	0.083	529,773
08/12/2011	22/03/2017	0.039	150,000
08/12/2011	08/12/2017	0.039	205,002
08/12/2011	08/12/2018	0.039	204,999
08/12/2011	08/12/2019	0.039	204,999
18/01/2012	18/01/2018	0.038	108,334
18/01/2012	18/01/2019	0.038	108,333
18/01/2012	18/01/2020	0.038	108,333
21/08/2012	21/08/2018	0.022	255,000
21/08/2012	21/08/2019	0.022	255,000
21/08/2012	21/08/2020	0.022	255,000
02/11/2012	02/05/2018	0.03	37,500
02/11/2012	02/11/2018	0.03	37,500
Total			4,702,085

Shares under option

Unissued ordinary shares of Patrys Limited under option at the date of this report are as follows. Further details are included in Notes 13 and 19 of the Financial Statements.

Date options granted	Expiry date	Exercise price of options \$	Number under option
29/05/2007	29/05/2014	0.45	150,000
01/07/2008	01/07/2014	0.33	162,501
01/07/2008	01/07/2015	0.33	162,500
01/07/2008	01/07/2016	0.33	162,499
01/07/2008	18/09/2013	0.33	57,500
01/07/2008	18/03/2014	0.33	57,500
01/07/2008	07/10/2013	0.33	65,000
01/07/2008	07/04/2014	0.33	65,000
19/12/2008	20/04/2014	0.17	125,000
19/12/2008	20/10/2014	0.17	125,000
28/12/2008	25/05/2014	0.2609	480,000
28/12/2008	25/05/2015	0.2609	480,000
28/12/2008	25/05/2016	0.2609	240,000
02/12/2009	27/12/2015	0.144	165,584
02/12/2009	27/12/2016	0.144	165,585
02/12/2009	27/12/2017	0.144	165,585
01/07/2010	01/07/2016	0.106	100,601
01/07/2010	01/07/2017	0.106	100,602
01/07/2010	01/07/2018	0.106	100,602
08/12/2011	08/12/2017	0.039	90,668
08/12/2011	08/12/2018	0.039	90,666
08/12/2011	08/12/2019	0.039	90,666
21/08/2012	30/06/2014	0.05	50,000,000
21/08/2012	21/08/2018	0.022	76,667
21/08/2012	21/08/2019	0.022	76,667
21/08/2012	21/08/2020	0.022	76,666
02/11/2012	02/11/2018	0.03	125,000
02/11/2012	02/11/2019	0.03	125,000
02/11/2012	02/11/2020	0.03	125,000
Total			54,008,059

The above table does not include 125,000 options which lapsed on their expiry date (6 July 2013).

No ordinary shares have been issued during or since the end of the financial year as a result of the exercise of options.

DIRECTORS' REPORT

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amount paid or payable to the auditor (BDO East Coast Partnership) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement APES 110, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2013 \$	2012 \$
Audit services		
BDO East Coast Partnership:		
Audit and review of financial reports and other audit work under the Corporations Act 2001	48,000	47,142
Network Firms - BDO LLP (Formerly PKF (UK) LLP):		
Audit and review of financial reports and other audit work	<u>4,584</u>	-
<i>Total remuneration for audit services</i>	<u>52,584</u>	<u>47,142</u>
Other advisory services		
BDO East Coast Partnership:		
Advice on taxation and other matters and review and lodgement of corporate tax returns	5,500	14,476
Network Firms - BDO LLP (Formerly PKF (UK) LLP):		
Advice on taxation and other matters and review and lodgement of corporate tax returns	<u>5,134</u>	-
Total remuneration	<u>63,218</u>	<u>61,618</u>

Auditor's Independence Declaration

A copy of the auditor's declaration under Section 307C in relation to the audit for the year ended 30 June 2013 is attached.

Auditor

BDO East Coast Partnership continues in office in accordance with Section 327 of the Corporations Act 2001.

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



Mr. John Read
Chairman

Date: 21 August 2013

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF PATRYS LIMITED



Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF PATRYS LIMITED

As lead auditor of Patrys Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'J Mooney', is written over a light blue horizontal line.

James Mooney
Partner

BDO East Coast Partnership

Melbourne, 21 August 2013

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

CORPORATE GOVERNANCE

The Board of Directors of Patrys Limited (Board) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board supports the core corporate governance principles published by the ASX Corporate Governance Council (Council). The Company's corporate governance framework is designed to comply with the Council's principles whilst being relevant, efficient and cost effective for the current stage of the Company's development.

The Corporate Governance Statement that follows contains certain specific information and discloses the extent to which the Company has followed the Council's principles during the 2013 year. Patrys' Corporate Governance Statement is structured with reference to the ASX Corporate Governance Principles and Recommendations.

The Board will continue its ongoing review process to ensure that the model is relevant, efficient and cost effective to the Company and its shareholders.

Principle 1: Lay solid foundations for management and oversight

In general, the Board is responsible for, and has authority to determine, all matters relating to the policies, practices, management and operations of the Company. Specifically the Board functions include:

- setting the overall Company financial goals;
- approving strategies, objectives and plans for the Company's businesses to achieve these goals;
- ensuring the business risks are identified, approving systems and controls to manage these risks and monitor compliance;
- approving the Company's major HR policies and overseeing the development strategies for senior and high performing executives;
- approving financial plans and annual budgets;
- monitoring financial results on an ongoing basis;
- monitoring executive management and business performance in the implementation and achievement of strategic and business objectives;
- approving key management recommendations (such as major capital expenditure, acquisitions, divestments, restructuring and funding);
- ratifying and approving the appointment and removal of executives;
- reporting to shareholders on the Company's strategic direction and performance including constructive engagement in the development, execution and modification of the Company's strategies;
- overseeing the management of occupational health and safety and environmental performance;
- determining that satisfactory arrangements are in place for auditing the Company's financial affairs;
- meeting statutory and regulatory requirements; and
- overseeing the way in which the assets of the Company are managed.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a Director, employee or other person. However, the Board acknowledges that it retains ultimate responsibility for the exercise of such powers under the Corporations Act 2001 (Cth).

The Board has guidelines for its Directors to address potential conflicts of interest, including a requirement that they declare their interests as required by the Corporations Act and the ASX Listing Rules.

A copy of the Board Charter is available on the Company's website at www.patrys.com.

Executive performance evaluation

The Nomination and Remuneration Committee (refer to Principle 8 for more detail) is responsible for evaluating the performance of the Chief Executive Officer and of the other senior executives. The Chief Executive Officer is also involved in evaluating the performance of the other senior executives and provides input to the Committee. The performance evaluation of management involves an assessment of the Company's business performance, whether short-term operational targets and individual performance objectives are being achieved and whether long-term strategic objectives are being achieved.

Due to the nature and stage of the Company's activities, effective management of the Company's resources and advancement of its products along the clinical development path which in turn should achieve value for shareholders is the key short-term objective. Long-term objectives are linked to activities/milestones that are expected to create and maintain value for shareholders.

The performance of the Chief Executive Officer and management is monitored on an informal basis throughout the year with the objective of performing a formal evaluation once a year. A review of the remuneration structure for management was performed in June 2013 by the Nomination and Remuneration Committee. This review was in accordance with the process outlined in the "Remuneration Report" section of the Directors' Report.

Principle 2: Structure the board to add value

The Company's Board currently comprises five Directors including an independent Non-Executive Chairman who was appointed to the position in 2007. There are four Non-Executive Directors. The Board has a programme to review its current composition having regard to the Company's size and stage of development.

Board composition

Directors are appointed to the Board based on the specific governance skills required by the Company and on the independence of their decision making and judgment. The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report is included in the Directors' Report. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

CORPORATE GOVERNANCE

Independent directors

Directors of Patrys are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. In the context of Director independence, 'materiality' is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 2% of the Company's gross revenue or expenditure (whichever is the greater). In accordance with the definition of independence above, and the materiality thresholds set by the Board, the following Directors of Patrys were considered to be independent:

- John Read, Chairman
- Alan Robertson
- Suzy Jones

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	Position	Term
John Read	Independent Non-Executive Chairman	6 years and 3 months
Marie Roskrow	Managing Director and Chief Executive Officer	1 year and 10 months
Michael Stork	Non-Executive Director & Deputy Chairman	6 years and 6 months
Alan Robertson	Independent Non-Executive Director	6 years and 3 months
Suzy Jones	Independent Non-Executive Director	1 year and 8 months

Nomination and remuneration committee

The Board has established a Nomination and Remuneration Committee to assist the Board in ensuring it is equipped to discharge its responsibilities. The Committee has guidelines for the nomination and selection of directors and for the operation of the Board. Whilst the Committee has been formed, given the size and nature of the Company's operations to date the Board has chosen to discuss those matters usually considered by the Nomination and Remuneration Committee on a regular basis at the full Board during its regular meetings.

The Charter of the Nomination and Remuneration Committee is available on the Company's website – www.patrys.com.

The Nomination and Remuneration Committee comprises three Directors as follows:

Name	Position
John Read	Independent Chairman
Alan Robertson	Independent Member
Michael Stork	Member

Board and committee performance

Board and committee performance is monitored on an informal basis throughout the year. The Board also undertakes an annual self-assessment of its performance. Directors consider matters such as composition, structure and role of the Board, and performance of individual directors. The Chairman then meets individually with each director.

Principle 3: Promote ethical and responsible decision making

Code of conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established certain Codes of Conduct to guide all employees, particularly Directors, the CEO, the CFO and other Senior Executives in respect of ethical behaviour expected by the Company. These Codes of Conduct cover conflicts of interest, confidentiality, fair dealing, protection of assets, compliance with laws and regulations, whistle blowing, security trading and commitments to stakeholders.

A copy of the Code of Conduct is available on the Company's website – www.patrys.com.

Diversity policy

The Company's workforce including employees, management, and the Board is made up of individuals with diverse skills, values, backgrounds and experiences that bring to the Company the skills and expertise that is required for the Company to enhance its performance.

Under changes to the ASX Corporate Governance Principles and Recommendations published on 30 June 2010, it is suggested that the Company disclose in its annual report:

- (a) the measurable objectives for achieving gender diversity that have been set by the Board in accordance with its diversity policy and report on the progress that has been made in achieving those objectives; and
- (b) disclose the proportion of female employees in the whole organisations, the proportion in senior executive positions and the proportion of women on its Board.

The Company values diversity and recognises the benefits it can bring in achieving its goals and has taken steps to adopt some of the provisions of the amended ASX Corporate Governance Principles and Recommendations. The Company has also established a diversity policy which reflects the commitments and objectives of the Company.

A copy of the Diversity Policy is available on the Company's website – www.patrys.com.

CORPORATE GOVERNANCE

Under recommendations 3.3 and 3.4 of the Corporate Governance Principles and Recommendations the Company should disclose the measurable objectives for achieving gender diversity and the progress that has been made towards achieving those objectives, as well as disclose the proportion of women employees in the whole organisation, in senior executive positions and on the Board.

Due to the current size and composition of the organisation the Board does not consider it appropriate to provide measurable objectives in relation to gender. The Company is committed to ensuring that the appropriate mix of skills, experience, expertise and diversity are considered when employing staff at all levels of the organisation and when making new senior executive and Board appointments and is satisfied that the composition of employees, senior executives and members of the Board is appropriate.

The proportion of women employees in the organisation, in senior executive positions and on the Board as at the date of this report is outlined in the table below:

	Total Number	Total Number of Female Employees	% of Female Employees
Employees (inc. Board)	12	6	50
Senior Management	1	-	-
Board	5	2	40

Principle 4: Safeguard integrity in financial reporting

Audit and risk committee

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has established an Audit and Risk Committee, which operates under a formal charter approved by the Board, to which it has delegated the responsibility to establish and maintain the framework of internal control and ethical standards for the management of the company.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The Committee comprises of three members, the majority of whom are independent Directors and the Chair of the Committee is not the Chair of the Board as follows:

Name	Position
Michael Stork	Non-Executive Chairman
Alan Robertson	Independent Non-Executive Member
John Read	Independent Non-Executive Member

The Charter of the Audit and Risk Committee is available on the Company's website – www.patrys.com.

The CEO and CFO attend each Audit and Risk Committee meeting by invitation. Additionally the Committee meets with and receives reports from the external auditors concerning any matters arising in connection with the performance of its role, including the adequacy of internal controls. The external auditors have been appointed since the Company listed in 2007. The Lead External Audit Engagement Partner is required to rotate at least once every 5 years.

Declaration of the CEO and CFO

The CEO and CFO provide the Board with written confirmation that:

- The financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating effectively in all material respects in relations to financial reporting risks.

The Board has received the above declaration from the CEO and CFO for this year.

Principle 5: Make timely and balanced disclosure

The Board has established a policy governing continuous disclosure and has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

The identification and monitoring of matters which may require disclose in accordance with the Company's continuous disclosure obligations occurs on a regular basis at management meetings attended by Senior Management. To ensure that all information of this nature is brought to the attention of the Board, the Company has developed a training programme for all staff.

If a matter is identified as potentially requiring disclosure it is provided to the Chairman by the CEO or CFO/Company Secretary. All ASX announcements of a non procedural nature are approved by the Chairman before release.

CORPORATE GOVERNANCE

In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- Concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities; and
- to correct or prevent a false market in the Company's securities.

Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on the Company's website in an area accessible by the public.

The Company has also developed a Communications Policy which covers the basics of how to handle contact with the news media and other external enquiries (received verbally or electronically). The Company recognises that the media is an important vehicle to raise its profile and the work that it is undertaking so the general policy is to actively seek to respond quickly to opportunities. The CEO is the nominated spokesperson and understands the Company's continuous disclosure obligations when communicating with the media and responding to other external enquiries.

The Continuous Disclosure Policy and Communications Policy are available on the Company's website – www.patrys.com.

Principle 6: Respect the rights of Shareholders

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights has developed a Communications Policy. The Communications Policy is designed to describe the processes Patrys has in place to promote communication with its investors and encourage shareholder participation at AGMs. The Company is committed to:

1. communicating effectively with shareholders through releases to the market via the ASX, the Company's website, information mailed and emailed to shareholders and the general meetings of the Company;
2. giving shareholders ready access to balanced and understandable information about the Company and corporate proposals; and
3. making it easy for shareholders to participate in general meetings of the Company.

The Company also requests the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The policy provides for the use of systems involving technologies that ensure a regular and timely release of information about the Company. Mechanisms employed include:

1. all information released to the ASX (including annual reports, half-yearly reports, and notices of general meetings and their associated explanatory material) is posted on the Company's website as soon as practicable following confirmation of receipt by the ASX;
2. annual reports (if requested) and notices of general meetings with explanatory material are mailed to investors; and
3. copies of presentations to be made to investors, potential investors and analysts are posted on both the ASX and Patrys websites prior to being delivered.

In addition, the Company makes available a telephone number (+61 3 9670 3273) and email address (info@patrys.com) for shareholders to make enquiries of the Company.

The Communications Policy is available on the Company's website – www.patrys.com.

Principle 7: Recognise and manage risk

The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value.

Management, through the CEO, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Management reports to the Audit and Risk Committee on the Company's key risks and the extent to which it believes these risks are being monitored at each Committee meeting. The Audit and Risk Committee review and monitor management's risk management and internal compliance and control systems.

On a continuous basis the Board has charged the Committee with responsibility that:

- clearly describe the respective roles of the Board, the Committee and Management; and
- prescribe the necessary elements of an effective risk management system, namely, oversight, risk profile, risk management, compliance and control, and assessment of system effectiveness.

The CEO and CFO in providing written confirmation to the Board in accordance with the requirements of Section 295A (2) of the Corporations Act 2001 have also certified in writing. This certification is founded on a sound system of risk management and internal compliance and control, which implement the policies adopted by the Board and the Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

Principle 8 - Remunerate fairly and responsibly

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, the Non-Executive Chairman and the Senior Management team. The Board has established a Nomination and Remuneration Committee, comprising of three Directors, the majority of which are Non-Executive Directors.

CORPORATE GOVERNANCE

The performance of the Board, Committees, individual Directors and key executives is reviewed regularly.

Performance appraisals are undertaken annually. The performance criteria against which the Board, key executives and committees will be assessed are aligned with key corporate governance needs as well as financial and non-financial objectives.

Executives are given limited salary packaging options for their base salary including superannuation. It is intended that the manner of payment is optimal for the recipient without increasing the cost to the Company. Executive performance and remuneration includes an "at-risk" component, the payment of which is dependent upon individual and team performance relative to specific targets. Long-term incentive arrangements have been provided by participation in equity plans to ensure key employees maintain a long-term interest in the growth and value of the Company.

The Company also issues equity to Non-Executive Directors to align their interests with the long-term goals of the Company. There is no scheme to provide retirement benefits other than statutory superannuation.

In relation to the payment of bonuses, options and other incentive payments to executives and other staff, discretion is exercised by the Board having regard to individual, team and Company performance relative to specific targets during the period.

The expected outcomes of the remuneration structure are to retain and motivate Directors and key executives, attract quality management and provide incentives which align performance and Company success in a manner that is market competitive, consistent with best practice and in the interests of shareholders. Details of the nature and amount of each element of remuneration, including both monetary and non-monetary components, for each Director and the (Non Director) Officers paid during the year can be found in the Directors' Report.

PATRY'S LIMITED
ABN 97 123 055 363
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
		2013	2012
	Note	\$	\$
Revenues from continuing operations	2(a)	980,389	1,071,733
Other income	2(b)	195,235	-
Expenses from continuing operations			
Research & development	2(c)	(3,301,725)	(4,828,163)
Management & administration		(1,396,533)	(1,341,892)
Loss from continuing operations before tax		(3,522,634)	(5,098,322)
Income tax (expense)	3	(6,461)	(10,569)
Loss for the year from continuing operations after income tax		(3,529,095)	(5,108,891)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		44,991	(25,936)
Derecognition of foreign currency reserve		6,068	-
	14(a)	51,059	(25,936)
Total comprehensive income for the year attributable to members of the Company		(3,478,036)	(5,134,827)
Earnings per share:			
Basic earnings per share - from continuing operations	5	(0.72¢)	(1.69¢)
Diluted earnings per share - from continuing operations	5	(0.72¢)	(1.69¢)

The accompanying notes form part of these financial statements.

PATRYS LIMITED
ABN 97 123 055 363
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

Consolidated	Fully paid ordinary shares	Foreign currency translation reserve	Share option reserve	Share loan plan reserve	Accumulated losses	Total
2013	\$	\$	\$	\$	\$	\$
At 1 July 2012	49,136,175	(107,382)	848,122	269,644	(37,700,741)	12,445,818
Loss for the period	-	-	-	-	(3,529,095)	(3,529,095)
Other comprehensive income	-	51,059	-	-	-	51,059
Total comprehensive income for the year	-	51,059	-	-	(3,529,095)	(3,478,036)
Transactions with owners in their capacity as owners:						
Issued capital	1,858,200	-	5,000	-	-	1,863,200
Transaction costs related to shares issued	(281,800)	-	181,800	-	-	(100,000)
Cost of share based payment	-	-	14,036	27,584	-	41,620
At 30 June 2013	50,712,575	(56,323)	1,048,958	297,228	(41,229,836)	10,772,602
2012	\$	\$	\$	\$	\$	\$
At 1 July 2011	45,075,202	(81,446)	842,197	221,384	(32,591,850)	13,465,487
Loss for the period	-	-	-	-	(5,108,891)	(5,108,891)
Other comprehensive income	-	(25,936)	-	-	-	(25,936)
Total comprehensive income for the year	-	(25,936)	-	-	(5,108,891)	(5,134,827)
Transactions with owners in their capacity as owners:						
Issued capital	4,406,000	-	-	-	-	4,406,000
Transaction costs related to shares issued	(345,027)	-	-	-	-	(345,027)
Cost of share based payment	-	-	5,925	48,260	-	54,185
At 30 June 2012	49,136,175	(107,382)	848,122	269,644	(37,700,741)	12,445,818

The accompanying notes form part of these financial statements.

PATRY'S LIMITED
ABN 97 123 055 363
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

		Consolidated	
	Note	2013	2012
		\$	\$
Current assets			
Cash and cash equivalents	6	5,232,298	6,189,110
Trade and other receivables	7	52,346	36,097
Other current assets	8	153,288	153,259
Total current assets		5,437,932	6,378,466
Non-current assets			
Property, plant and equipment	9	287,281	375,602
Intangible assets	10	6,128,632	6,608,107
Total non-current assets		6,415,913	6,983,709
Total assets		11,853,845	13,362,175
Current liabilities			
Trade and other payables	11	925,427	823,806
Current tax liabilities	3	-	-
Provisions	12	119,054	92,551
Total current liabilities		1,044,481	916,357
Non-current liabilities			
Provisions	12	36,762	-
Total non-current liabilities		36,762	-
Total liabilities		1,081,243	916,357
Net assets		10,772,602	12,445,818
Equity			
Issued capital	13	50,712,575	49,136,175
Reserves	14	1,289,863	1,010,384
Accumulated losses	14	(41,229,836)	(37,700,741)
Total equity		10,772,602	12,445,818

The accompanying notes form part of these financial statements.

PATRY'S LIMITED
ABN 97 123 055 363
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	2013	2012
Note	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(3,588,550)	(4,807,266)
Income tax paid	(10,073)	(24,560)
Interest received	213,152	210,810
R&D tax incentive	754,908	858,866
Other income	2,643	7,646
Net cash used in operating activities	16 (b) (2,627,920)	(3,754,504)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	22,957	-
Payments for property, plant and equipment	(8,502)	-
Payments for intangible assets	(223,058)	(386,737)
Net cash used in investing activities	(208,603)	(386,737)
Cash flows from financing activities		
Net proceeds from issue of shares	1,863,200	4,406,000
Payment for share issue expenses	(175,333)	(269,694)
Net cash provided by financing activities	1,687,867	4,136,306
Net (decrease) in cash and cash equivalents	(1,148,656)	(4,935)
Effects of exchange rate changes on the balance of assets held in foreign currencies	191,844	(9,090)
Cash and cash equivalent at beginning of year	6,189,110	6,203,135
Cash and cash equivalents at end of year	16 (a) 5,232,298	6,189,110

The accompanying notes form part of these financial statements

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Introduction

The financial report covers Patrys Limited ("Patrys" or "Company") a Company limited by shares whose shares are publicly traded on the Australian Securities Exchange. Patrys is incorporated and domiciled in Australia. The presentation currency and functional currency of the Group is Australian dollars.

Separate financial statements for Patrys Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, limited financial information for Patrys Limited as an individual entity is included in Note 22.

The principal activity of the Company and its subsidiaries ("Group") during the financial year was associated with utilising its technologies with the objective to develop natural human antibody therapeutics to administer as treatments to fight cancer.

The financial report was authorised for issue by the Board of Directors of Patrys on the date shown on the Declaration by Directors attached to the Financial Statements.

Note 1: Statement of significant accounting policies

The principal accounting policies which have been adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Patrys Limited is a for-profit entity for the purpose of preparing these financial statements.

The financial report comprises the consolidated financial statements of the Group.

These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

b) Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted. All values are rounded to the nearest dollar.

The accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the 'Group'. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost in the individual financial statement of Patrys Limited.

d) Going concern

The financial statements have been prepared on a going concern basis.

For the year ended 30 June 2013, the Group incurred a loss from continuing operations after income tax of \$3,529,095 (2012: \$5,108,891) and had consolidated net cash outflows from operations of \$2,627,920 (2012: \$3,754,504). The Group does not yet have a source of income sufficient to meet operating costs and is reliant on equity capital to fund its operations. For the period covering the twelve months from the date of the financial report, the Group expects this trend to continue. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

At 30 June 2013, the Group had net current assets of \$4,393,451 (2012: \$5,462,109).

The ability of the Group to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The Company has a history of successfully raising funds and during the year under review has raised capital in the amount of \$1,863,200 (2012: \$4,406,000) before costs. It is the Company's intention to raise further capital in the next twelve months. The Group also has the ability to downscale its operations and discontinue programmes should the need arise.

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Cash flow forecasts prepared by management demonstrate that with a modest fund raising the Group has sufficient funds to meet commitments over the next twelve months. For this reason the financial statements have been prepared on the basis that the Group is a going concern, which contemplates normal business activity, realisation of assets and the settlement of liabilities in the normal course of business.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, held at call with financial institutions, and other short-term deposits with an insignificant risk of change in value.

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

f) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year. Shares issued under the Loan Share Plan and options issued under the Employee Share Option Plan are excluded from this calculation. Refer to Note 5 for further details.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. Shares issued under the Loan Share Plan and options issued under the Employee Share Option Plan are excluded from this calculation. Refer to Note 5 for further details.

g) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements concerns management's review of the following items for indicators of impairment: (i) investments in and loans to subsidiaries in the parent entity and (ii) finite life intangibles in the Group. The carrying amount of investments in subsidiaries at 30 June 2013 is \$232,925 (2012: \$233,542) and the carrying amount of intangibles at 30 June 2013 is \$6,128,632 (2012: \$6,608,107).

At each reporting period the Company assesses whether investments in subsidiaries and loans to subsidiaries have suffered any impairment in accordance with the accounting policy stated in Note 1(t) and whether finite life intangibles have suffered any impairment in accordance with the accounting policy stated in Note 1(t).

Other areas that require significant judgement and key assumptions include share based payments, which are calculated at fair value using industry standard option pricing models, and the estimated useful life of intangibles, which is based on knowledge of patent law, understanding of competitive forces, and general familiarity with the biotechnology therapeutic product market.

There have been no other significant judgments made in applying accounting policies that the Directors consider would have a significant effect on the amounts recognised in the financial statements.

There have been no key assumptions made concerning the future, and there are no other key sources of estimation uncertainty at the reporting date, that the Directors consider would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

h) Property, plant and equipment

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Property, plant and equipment is recognised at cost and are depreciated over their estimated useful lives using the straight line method. The expected useful life for property, plant and equipment is:

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

- Computer equipment – 3 years;
- Plant and equipment – 5 years; and
- Furniture – 13.3 years.

Profits and losses on disposal of plant and equipment are taken into account in determining the result for the year.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

i) Investments

Shares in controlled entities are shown in the parent entity information disclosed at Note 22 at cost or recoverable amount. Controlled entities are accounted for in the consolidated accounts as set out in the Note 1(c).

j) Trade and other receivables

Trade receivables and other receivables represent the principal amounts due at reporting date less, where applicable, any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Debts which are known to be uncollectible are written off. All trade receivables and other receivables are recognised at the amounts receivable as they are due for settlement within 90 days.

k) Research and development costs

Research and development expenditure is expensed as incurred except to the extent that its future recoverability can reasonably be regarded as assured, in which case it is deferred and amortised on a straight line basis over the period in which the related benefits are expected to be realised.

The carrying value of development costs that have been capitalised are reviewed for impairment annually when the asset is not yet in use or when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

l) Trade and other payables

Payables represent the principal amounts outstanding at reporting date plus, where applicable, any accrued interest. Liabilities for payables and other amounts are carried at cost which approximates fair value of the consideration to be paid in the future for goods and services received, whether or not billed. The amounts are unsecured and are usually paid within 30 days of recognition.

m) Leases

Leases of property, plant and equipment where the Company bears substantially all the risks and benefits incidental to ownership of the asset, are classified as finance leases.

Finance leases are capitalised, recorded as an asset and a liability equal to the present value of the minimum lease payments, including any residual payments as determined by the lease contract. Leased assets are amortised on a straight line basis over the estimated useful lives where it is likely that the Group will obtain legal ownership of the asset on expiry of the lease. Lease payments are allocated over both the lease interest expense and the lease liability.

Lease payments for operating leases where substantially all the risks and benefits of ownership remain with the lessor are charged as expenses in the periods in which they are incurred.

n) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

o) Share based payments

Equity settled share based payments with employees, key consultants providing similar services and Directors are measured at fair value at the date of issue. Fair value is measured by use of industry standard pricing models. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The fair value determined at the issue date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

For cash settled share based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

p) Income taxes

Income taxes are accounted for using the comprehensive statement of financial position liability method whereby:

- the tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset; and
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

q) Issued capital

Ordinary shares are classified as equity (Note 13).

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

r) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

s) Revenue recognition

Licence revenue

Licence revenue is recognised in accordance with the underlying agreement. Upfront milestone payments are brought to account as revenues at the time of execution of the agreement and subsequent milestones when the relevant milestone has been achieved.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

R&D tax incentive

Income from the R&D Tax Incentive is recognised on an accruals basis.

Grant income

Grant income is recognised on a receipts basis.

t) Impairment of assets

Goodwill and other intangible assets that have an indefinite useful life and intangible assets not yet available for use are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment of Goodwill is not subsequently reversed.

Other assets are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount may not be recoverable.

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

At each reporting date, the Group reviews the carrying amounts of its finite life tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

u) Comparative figures

Comparatives have been reclassified so as to be consistent with the figures presented in the current year.

v) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Patrys Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at reporting date. Foreign exchange gains or losses resulting from the translation of monetary assets and liabilities at year end exchange rates are recognised in the statement of profit or loss and other comprehensive income.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for profit or loss items are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of profit or loss and other comprehensive income, as part of the gain or loss on sale where applicable.

The functional currency of the overseas subsidiary Patrys GmbH is the Euro. The functional currency of the overseas subsidiary Patrys UK Ltd is Pounds Sterling.

w) Intangible assets

Patents, trademarks and licences

Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

Patents, trademarks and licences comprise licences, intellectual property and registered trademarks and patents. Amortisation is calculated using the straight line method, over the assets estimated useful lives from 8 to 20 years.

x) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs.

Term Deposits

The Group has financial assets in the nature of term deposits which are held to maturity.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

y) New, revised or amending accounting standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying that there are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section.

z) New accounting standards for application in future periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2013. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Group will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the Group.

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The Group will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the Group has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity. The adoption of this standard from 1 July 2013 will not have a material impact on the Group.

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the Group.

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirements associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will increase the amount of disclosures required to be given by the Group such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the Group from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)

AASB 128 Investments in Associates and Joint Ventures (Reissued)

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the Group.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The later will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 will not have a material impact on the Group.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2014 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the Group.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the Group.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the Group.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the Group.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in

PATRYS LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a material impact on the Group.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039

This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment will not have a material impact on the Group.

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments

These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on the Group.

Note 2: Revenue and expenses from continuing operations

	Consolidated	
	2013	2012
	\$	\$
(a) Revenue		
Interest received – bank deposits	222,838	208,016
R&D tax incentive	754,908	858,866
Other	2,643	4,851
Total revenue from continuing operations	980,389	1,071,733
(b) Other income		
Foreign currency exchange gain	195,235	-
(c) Expenses		
<i>Employee salary and benefit expenses:</i>		
Salary and employee benefit expenses	1,298,946	1,520,872
Defined contribution superannuation expenses	49,068	99,046
Share based payments	41,620	54,185
<i>Total employee salary and benefit expenses</i>	1,389,634	1,674,103
<i>Depreciation, amortisation and impairment of non-current assets:</i>		
Plant and equipment	46,762	64,193
License and registered patents	600,363	1,719,032
<i>Total depreciation, amortisation and impairment expenses</i>	647,125	1,783,225
<i>Foreign currency exchange differences:</i>		
Foreign currency exchange losses	-	9,550
<i>Total foreign currency exchange differences</i>	-	9,550
<i>Operating expenses:</i>		
Research and development expenses	3,301,725	4,828,163
Operating lease expenses	81,261	96,761
Loss on disposal of non-current assets	61,817	-

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 3: Income taxes

	Consolidated 2013 \$	2012 \$
Income tax expense		
<i>Current tax expense in respect of current year</i>	6,461	10,569
The prima facie income tax expense on the loss from continuing operations before tax reconciles to the income tax expense in the financial statements as follows:		
<i>Loss from continuing operations before tax</i>	(3,522,634)	(5,098,322)
Income tax calculated at 30%	(1,056,790)	(1,529,497)
Effect of revenue that is not assessable in determining taxable loss	(239,910)	(257,660)
Effect of expenses that are not deductible in determining taxable loss	14,687	16,256
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	230
Deferred tax assets not brought into account	1,288,474	1,781,240
<i>Income tax expense</i>	6,461	10,569
Current tax liabilities		
Income tax payable attributable to subsidiaries	-	-
Unrecognised deferred tax assets		
The following deferred tax assets have not been brought to account as assets:		
Tax losses – revenue	12,249,166	11,233,689

These deferred tax assets (not recognised) will only be obtained if:

- (i) the entities derive future assessable income of a nature and of an amount sufficient to enable the benefits from the deduction for losses to be realised;
- (ii) the entities continue to comply with the conditions for deductibility imposed by the law; and no changes in tax legislation adversely affect the entities in realising the relevant benefits from deduction for the losses; and
- (iii) no changes in tax legislation adversely affect the entities in realising the relevant benefits from deduction for the losses.

Note 4: Remuneration of auditors

	Consolidated 2013 \$	2012 \$
Audit services		
BDO East Coast Partnership:		
Audit and review of financial reports and other audit work under the Corporations Act 2001	48,000	47,142
Network Firms - BDO LLP (Formerly PKF (UK) LLP):		
Audit and review of financial reports and other audit work	4,584	-
<i>Total remuneration for audit services</i>	52,584	47,142
Other advisory services		
BDO East Coast Partnership:		
Advice on taxation and other matters and review and lodgement of corporate tax returns	5,500	14,476
Network Firms - BDO LLP (Formerly PKF (UK) LLP):		
Advice on taxation and other matters and review and lodgement of corporate tax returns	5,134	-
Total remuneration	63,218	61,618

Note 5: Earnings per share

	Consolidated 2013 \$	2012 \$
Net loss used in calculating basic earnings per share:	3,529,095	5,108,891
Net loss used in calculating diluted earnings per share:	3,529,095	5,108,891
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	487,600,887	301,608,744
Dilutive potential ordinary shares	-	-
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	487,600,887	301,608,744

PATRYS LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Information concerning the classification of securities

Fully paid ordinary shares

Fully paid ordinary shares carry the right to participate in dividends and the proceeds on winding up of the Company in equal proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Fully paid ordinary shares are included as ordinary shares in the determination of basic earnings per share.

Loan Share Plan

The Company introduced the Loan Share Plan ("LSP") in December 2009 following approval of the plan at the 2009 Annual General Meeting. Only Australian residents are eligible to participate in the plan. The plan allows non-recourse, interest free loans to be provided to eligible participants to acquire shares under the plan. When an issue is made it will be treated as an in-substance grant of options and expensed over the vesting period because of the limited recourse nature of the loans.

Shares offered under the Loan Share Plan 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 had discretion to waive or deem Conditions to have been satisfied. Shares under the LSP 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.

Generally shares issued under the plan will vest over a three year period. The shares are acquired in the name of the participant and each participant authorises and appoints the Company Secretary to act on their behalf. Any dividends paid on the shares are used to repay the loan. In all other respects the shares issued under the LSP carry the same rights as other ordinary shares on issue. If the participant leaves the Company, any shares that have not vested will be bought back by the Company and cancelled along with the loan. In respect of shares that have vested the loan balance must be paid in full within six months of termination or the shares will be sold and the proceeds applied to settle the loan balance. The issue price of the shares in the Company held under the LSP is not included in equity until the loan has been repaid.

Amounts unpaid on shares held under the LSP are treated as the equivalent of options to acquire ordinary shares and are excluded as potential ordinary shares in the determination of diluted earnings per share. The shares held under the LSP have not been included in the determination of basic earnings per share. Details relating to the LSP are set out in Note 19.

The 4,702,085 shares on issue at reporting date that were granted under the LSP are not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 30 June 2013. These shares could potentially dilute basic earnings per share in the future.

Options

Options granted to employees under the Employee Share Option Plan ("ESOP") are considered to be potential ordinary shares and have been excluded in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share because they are anti-dilutive for the year ended 30 June 2013. Details relating to the options are set out in Note 19.

Note 6: Cash and cash equivalents

	Consolidated	
	2013	2012
	\$	\$
Cash at bank	21,659	75,527
Deposit at call	2,247,701	1,433,583
Term deposits	2,962,938	4,680,000
	<u>5,232,298</u>	<u>6,189,110</u>

The Group's exposure to interest rate and foreign currency risk is discussed in note 18.

Note 7: Trade and other receivables

	Consolidated	
	2013	2012
	\$	\$
Other receivables	52,346	36,097
	<u>52,346</u>	<u>36,097</u>

The balance of other receivables of \$52,346 (2012: \$36,097) is not past due and not considered impaired.

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 8: Other current assets

	Consolidated 2013 \$	2012 \$
Prepayments	73,691	136,228
Security Deposits	79,597	17,031
	<u>153,288</u>	<u>153,259</u>

Note 9: Property, plant and equipment

	Consolidated 2013 \$	2012 \$
<i>Plant and equipment</i>		
At cost	643,332	689,905
Accumulated depreciation	(356,051)	(314,303)
Total net plant and equipment	<u>287,281</u>	<u>375,602</u>

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

<i>Plant and equipment at cost:</i>		
Balance at the beginning of year	375,602	475,598
Additions	8,502	-
Disposals	(84,774)	-
Depreciation expense	(46,762)	(64,193)
Foreign exchange movement	34,713	(35,803)
Carrying amount at the end of year	<u>287,281</u>	<u>375,602</u>

Note 10: Intangible assets

	Consolidated 2013 \$	2012 \$
Intellectual property establishment and licenses acquired at cost (ii)	11,126,855	11,005,967
Less: Accumulated amortisation and impairment losses	(4,998,223)	(4,397,860)
Total net intangible assets	<u>6,128,632</u>	<u>6,608,107</u>

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

Carrying amount at the beginning of year	6,608,107	8,035,441
Additions – acquisitions	120,888	291,698
Amortisation and impairment expense (i)	(600,363)	(1,719,032)
Carrying amount at the end of year (iii)	<u>6,128,632</u>	<u>6,608,107</u>

- (i) Amortisation and impairment expense is included in the line item 'research and development' in the statement of profit or loss and other comprehensive income.
- (ii) Intangible assets comprise licences, intellectual property, trademarks and registered patents, have a finite useful life and are recorded at cost. Amortisation is calculated using straight line method over the estimated useful life, which ranges from 5 to 20 years. Remaining amortisation periods range from 2 to 19 years.
- (iii) Intellectual property which includes platform technology and product related intellectual property is reviewed on a regular basis and where a decision has been made not to pursue a product, the remaining value recorded as an asset is impaired. Recoverable amounts of intellectual property have been supported based on a value in use calculation under which the present worth of the future cash flows expected over the economic life of the asset was determined. The future cash flow projections are based on financial budgets and business plans as well as an assessment of information from external sources on such facts as the existing incidence of the disease, projections of patents, product market size, competitor products and the expected growth figures.

The valuation was performed in-house using the probability adjusted net present value (NPV) method. The valuation has been based on a cash flow projection covering the remaining term of each relevant patent application which does not exceed 20 years.

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

A pre-tax discount rate of 20% was used. The other key assumptions included expected milestone receipts; royalty rates received of 3% and estimated market size. No reasonably expected change in any of the key assumptions would impact the estimated recoverable amount.

Funds are being invested in research and development, as products move through each phase of required preclinical and clinical development. Product development can take several years. The NPV model has incorporated projected cash flows from between 8 to 20 years based on the patent life in lieu of using a terminal value to better reflect the nature of the cash flows to be received over the product life cycle. The application of extended cash flow projections beyond five years is consistent with AASB 136 *Impairment of Assets* 134(d)(iii).

Management undertakes this analysis on a regular basis.

Note 11: Trade and other payables

	Consolidated	
	2013	2012
	\$	\$
<i>Current</i>		
Trade creditors	194,861	309,268
Payables associated with acquisition of IP	-	100,000
Other creditors and accruals	730,566	414,538
Total trade and other payables	925,427	823,806

Note 12: Provisions

	Consolidated	
	2013	2012
	\$	\$
<i>Current</i>		
Annual leave	119,054	92,551
	119,054	92,551
<i>Non-current</i>		
Long service leave	36,762	-
	36,762	-

Note 13: Contributed equity

The Company does not have authorised capital nor par value in respect of its issued shares.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in equal proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(a) Movements in issued capital during the year were as follows:

	2013	2012	2013	2012
	No.	No.	\$	\$
<i>Issued shares:</i>				
At the beginning of the reporting period	413,612,177	249,213,898	49,136,175	45,075,202
Share Placement shares issued at 3 cents per share	-	113,533,334	-	3,406,000
Share Placement shares issued at 2 cents per share	55,000,000	50,000,000	1,100,000	1,000,000
Share Purchase Plan shares issued at 2 cents per share	37,910,000	-	758,200	-
Transaction costs arising on issue of shares	-	-	(281,800)	(345,027)
Shares issued pursuant to the Loan Share Plan (LSP) (refer Note 19(a))	840,000	1,090,000	-	-
Shares brought back pursuant to the LSP	-	(225,055)	-	-
At end of the reporting period	507,362,177	413,612,177	50,712,575	49,136,175
<i>Issued shares are comprised as follows:</i>				
Ordinary shares	502,660,092	409,750,092		
Restricted shares issued under the LSP	4,702,085	3,862,085		
Balance at end of the year	507,362,177	413,612,177		

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

(b) Movements in share options over ordinary shares during the year were as follows:

	Consolidated 2013 No.	2012 No.
Balance at beginning of the year	28,625,095	30,077,784
Granted during the year	50,605,000	310,000
Exercised during the year	-	-
Expired during the year	(25,041,030)	(300,000)
Lapsed during the year	(56,006)	(1,462,689)
Balance at end of the year	54,133,059	28,625,095

Option - Series	Number	Vesting date	Expiry date	Exercise price \$	Unvested at Year End
Granted 29 May 2007	150,000	29/05/2009	29/05/2014	0.45	-
Granted 6 July 2007	125,000	06/07/2008	05/07/2013	0.56	-
Granted 1 July 2008	162,501	01/07/2009	01/07/2014	0.33	-
Granted 1 July 2008	162,500	01/07/2010	01/07/2015	0.33	-
Granted 1 July 2008	162,499	01/07/2011	01/07/2016	0.33	-
Granted 1 July 2008	57,500	18/09/2008	18/09/2013	0.33	-
Granted 1 July 2008	57,500	18/03/2009	18/03/2014	0.33	-
Granted 1 July 2008	65,000	07/10/2008	07/10/2013	0.33	-
Granted 1 July 2008	65,000	07/04/2009	07/04/2014	0.33	-
Granted 19 November 2008	125,000	20/04/2009	20/04/2014	0.17	-
Granted 19 November 2008	125,000	20/10/2009	20/10/2014	0.17	-
Granted 28 November 2008	480,000	25/05/2009	25/05/2014	0.2609	-
Granted 28 November 2008	480,000	25/05/2010	25/05/2015	0.2609	-
Granted 28 November 2008	240,000	25/05/2011	25/05/2016	0.2609	-
Granted 2 December 2009	165,584	27/12/2010	27/12/2015	0.144	-
Granted 2 December 2009	165,585	27/12/2011	27/12/2016	0.144	-
Granted 2 December 2009	165,585	27/12/2012	27/12/2017	0.144	-
Granted 1 July 2010	100,601	01/07/2011	01/07/2016	0.106	-
Granted 1 July 2010	100,602	01/07/2012	01/07/2017	0.106	-
Granted 1 July 2010	100,602	01/07/2013	01/07/2018	0.106	100,602
Granted 8 December 2011	90,668	08/12/2012	08/12/2017	0.039	-
Granted 8 December 2011	90,666	08/12/2013	08/12/2018	0.039	90,666
Granted 8 December 2011	90,666	08/12/2014	08/12/2019	0.039	90,666
Granted 15 August 2012	50,000,000	15/08/2012	30/06/2014	0.05	-
Granted 21 August 2012	76,667	21/08/2013	21/08/2018	0.022	76,667
Granted 21 August 2012	76,667	21/08/2014	21/08/2019	0.022	76,667
Granted 21 August 2012	76,666	21/08/2015	21/08/2020	0.022	76,666
Granted 2 November 2012	125,000	02/11/2013	02/11/2018	0.03	125,000
Granted 2 November 2012	125,000	02/11/2014	02/11/2019	0.03	125,000
Granted 2 November 2012	125,000	02/11/2015	02/11/2020	0.03	125,000
	54,133,059				886,934

Share options granted carry no rights to dividends and no voting rights.

Note 14: Reserves and accumulated losses

	Note	Consolidated 2013 \$	2012 \$
Foreign currency translation reserve	(a)	(56,323)	(107,382)
Share options reserve	(b)	1,048,958	848,122
Share loan plan reserve	(c)	297,228	269,644
Total reserves		1,289,863	1,010,384

(a) Foreign currency translation reserve

	Consolidated 2013 \$	2012 \$
Opening balance 1 July	(107,382)	(81,446)
Net adjustment arising from the translation of foreign controlled entities' financial statements	44,991	(25,936)
Derecognition of foreign currency reserve	6,068	-
Closing balance	(56,323)	(107,382)

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Exchange differences relating to translation from functional currencies of the Group's foreign controlled entities into Australian Dollars are brought to account by entries made directly to the foreign currency translation reserve. The foreign currency translation reserve in relation to Patrys Inc. was derecognised during the reporting period.

(b) Share option reserve

	Consolidated	
	2013	2012
	\$	\$
Opening balance 1 July	848,122	842,197
Value of options issued under the Employee Share Option Plan (recognised over vesting period)	14,036	5,925
Consideration received for options granted to financial advisors	5,000	-
Value of options granted to financial advisors	181,800	-
Closing balance	1,048,958	848,122

(c) Share loan plan reserve

	Consolidated	
	2013	2012
	\$	\$
Opening balance 1 July	269,644	221,384
Net value of shares recognised over vesting period	27,584	48,260
Closing balance	297,228	269,644

The equity settled employee benefits reserves arise on issue of equity under the Loan Share Plan or the Executive Share Option Plan to executives and senior employees. Amounts are transferred out of the reserves and into issued capital when the loans are repaid or the options are exercised. Further information about share based payments to Directors and key management personnel is made at Note 20 of the financial statements.

On 21 August 2012 the Company granted 50,000,000 options to Forrest Capital Pty Ltd in part consideration for fundraising and advisory services. These options vested on grant, expire on 30 June 2014 and have an exercise price of 5 cents each. The fair value of the options at the grant date, which approximates the fair value of the services rendered, has been determined using standard industry pricing models, as \$181,800. The Company received consideration of 0.01 cents per option (\$5,000).

(d) Movement in accumulated losses

	Consolidated	
	2013	2012
	\$	\$
Opening balance 1 July	(37,700,741)	(32,591,850)
Net loss attributable to the members of the parent entity for the period	(3,529,095)	(5,108,891)
Closing balance	(41,229,836)	(37,700,741)

Note 15: Leases

Finance leases

The Group does not currently have any finance leases in place.

Operating leases

Lease arrangements

Patrys' office space at 343 Little Collins Street, Melbourne, Australia, has a lease term extending to 1 December 2013. The leases for the Group's laboratory in Würzburg, Germany (Patrys GmbH) require two months notice of termination. The Company does not have an option to purchase the respective properties covered by these leases.

Non-cancellable operating lease commitments

	Consolidated	
	2013	2012
	\$	\$
Not longer than 1 year	23,913	15,700
Longer than 1 year and not longer than 5 years	-	-
Total	23,913	15,700

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 16: Cash flow Information

(a) Reconciliation of cash

	Consolidated 2013	2012
	\$	\$
Cash at bank	21,659	75,527
Deposit at call	2,247,701	1,433,583
Term deposits	2,962,938	4,680,000
Total cash and cash equivalents	5,232,298	6,189,110

(b) Reconciliation of cash used in operating activities with loss after income tax

	Consolidated 2013	2012
	\$	\$
Loss from continuing operations after income tax	(3,529,095)	(5,108,891)
<i>Non cash movements:</i>		
Depreciation, amortisation and impairment expense	647,125	1,783,225
Equity settled share based payment	41,620	54,185
Unrealised foreign exchange losses/(gains)	(175,495)	18,955
Loss on disposal of non-current assets	61,817	-
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(16,249)	7,894
(Increase)/decrease in prepaid expenses	(29)	(65,197)
Increase/(decrease) in trade creditors and accruals	279,121	(469,815)
Increase/(decrease) in provisions	63,265	15,140
Cash used in operating activities	(2,627,920)	(3,764,504)

(c) Non cash financing and investing activities

There were no non cash financing activities during the year.

Note 17: Commitments and contingencies

(a) Acquisition Agreements

Agreement	Expected date of settlement
Vollmers Acquisition Agreement	Payments commenced in 2007; contingent payments possible for up to 20 years
OncoMab Acquisition Agreement	Contingent payments possible for up to 20 years
Würzburg Cooperation Agreement	Payments started in 2007; contingent payments possible for up to 20 years
Confirmation Assignment Agreement: Patrys, University of Würzburg and Acceptys, Inc.	Payments started in 2007; contingent payments possible for up to 20 years

Patrys has entered into several agreements whereby Patrys is obliged to make royalty payments on future sales and make future cash milestone payments if certain events occur. These agreements include:

- Vollmers Acquisition Agreement: milestone payments and royalty payments;
- OncoMab Acquisition Agreement: royalty payments;
- Würzburg Cooperation Agreements: royalty payments; and
- Confirmation Assignment Agreement: Patrys, University of Würzburg and Acceptys, Inc.: royalty payments.

Vollmers Acquisition Agreement

Patrys is committed to making certain milestone payments if certain hurdles are achieved as follows:

- milestone payments for products derived from the Vollmers Hybridomas and Residual Hybridomas, payable only once for each product, in the amount of \$250,000 upon attaining the first Phase II clinical trials and a payment upon attaining regulatory approval in any of the following markets: US, Japan, UK, France, Germany, Italy or Spain;
- milestone payments for products derived from the PAT-SM6 LDL Rights in the amount of \$250,000 upon attaining Phase II clinical trials, \$400,000 for attaining Phase III clinical trials and a payment for regulatory approval in a major market; and
- certain later stage milestone payments (at regulatory approval) and royalties on sales of products derived from the assigned assets are also payable in amounts and at rates that are typical in the industry for transactions of this nature and for such products.

OncoMab Acquisition Agreement

Patrys must pay to OncoMab certain royalties on sales of products derived from the assigned assets in amounts and at rates that are typical in the industry for transactions of this nature and for such products.

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Würzburg Cooperation Agreement

The University with the cooperation and sponsorship of the Company undertakes research in accordance with an agreed research and development plan. The University has assigned all of its intellectual property rights, title and interest in the new intellectual property (New IPR) created under the research project to the Company. Patrys must pay to the University certain royalties on sales of products derived from the New IPR in amounts and at rates that are typical in the industry for transactions of this nature and for such products.

Confirmation Assignment Agreement

The University of Würzburg assigned to Patrys all of its rights, title and interest in a library of hybridomas in consideration for payment of a lump sum of US\$75,000 and royalties payable on the sale of products that derive from the New IPR. These payments and royalty rates are typical in the industry for transactions of such nature.

(b) Capital expenditure commitments

There was no capital expenditure contracted for at reporting date but not provided for in the accounts.

(c) Licence agreements

Patrys has entered into a number of licence agreements in respect of technologies and assets as outlined below:

Patrys - Crucell 2007 Research Licence Agreement

In May of 2007, Patrys entered into contracts with DSM Biologics Company and Crucell Holland B.V., covering the evaluation of Crucell's PER.C6® human antibody production technologies for potential use for Patrys' products. The contract was at the risk of DSM and Crucell in that no payments would be due from Patrys short of a successful result. In August of 2008, DSM and Crucell reported significantly positive results from this work (which was completed at a DSM/Crucell joint venture laboratory at DSM/Crucell cost). As part of these arrangements the Company entered into a research licence with Crucell in respect of the application of these technologies in 3 Patrys products. Under this agreement Patrys is committed to make an annual licence fee payment 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 licence 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.

Patrys - Crucell 2009 Research Licence 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 licence 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.

Patrys - Debiovision – Option License and Assignment Agreement

In August of 2009, Patrys acquired the rights to product SC-1 (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.

(d) Other contingencies

Patrys Supplier Arrangements

As at reporting date projects had been committed to with suppliers and to the extent that work had been completed expenditure has been provided for in the accounts. Committed but unrecognised expenditure as at reporting date amounted to \$254,867 (2012: \$174,710).

Note 18: Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 13, and 14, respectively. The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the Group's assets.

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Gearing ratio

The Group's Audit and Risk Committee reviews the capital structure on a half-yearly basis. As a part of this review the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing of 0% in line with the industry norm that is determined as the proportion of net debt to equity. Based on recommendations of the committee the Group will balance its overall capital structure through new share issues.

The gearing ratio at year end was as follows:

	Note	Consolidated 2013 \$	2012 \$
<i>Financial assets</i>			
Debt (i)		-	-
Cash and cash equivalents	6	5,232,298	6,189,110
Net cash/(debt)		5,232,298	6,189,110
<i>Equity (ii)</i>			
Equity (ii)	13,14	10,772,602	12,445,818
Net debt to equity ratio		-	-

- (i) Debt is defined as long-term and short-term borrowings.
(ii) Equity includes all capital and reserves as detailed in Note 13 and 14.

(b) Financial risk management objectives

The Group's treasury function monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. There have been no changes to these risks since the previous financial year.

The Board of Directors ensures that the Group maintains a competent management structure capable of defining, analysing, measuring and reporting on the effective control of risk inherent in the Group's underlying financial activities and the instruments used to manage risk. Key financial risks including interest rate risk and foreign currency risk are reviewed by management on a regular basis and are communicated to the Board so that it can evaluate and impose its oversight responsibility. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Company and the Group have a written policy regarding foreign exchange risk management. This and other financial risks are managed prudently by the Chief Financial Officer and the Audit and Risk Committee which meets three times a year.

The consolidated entity holds the following financial instruments:

	Note	Consolidated 2013 \$	2012 \$
<i>Financial assets</i>			
Cash and cash equivalents	6	5,232,298	6,189,110
Trade and other receivables	7	52,346	36,097
		5,284,644	6,225,207

		Consolidated 2013 \$	2012 \$
<i>Financial liabilities</i>			
Trade and other payables	11	925,427	823,806
		925,427	823,806

(c) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency rates. The Group's exposure to foreign currency is predominately in US dollars, Euros and Pounds Sterling. The Group has maintained cash in US dollars, Euros and Pounds Sterling to cover a portion of its anticipated US dollar, Euro and Pounds Sterling expenditures.

There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures risk from the previous period.

(d) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. Exchange rate exposures are managed within approved policy parameters. The Group manages the currency risk by monitoring the trend of the US dollar and Euro. The Group has maintained US dollar and Euro bank accounts to cover a portion of its anticipated expenditures in the respective foreign currencies.

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

The consolidated entity's foreign currency risk denominated financial assets and financial liabilities at the reporting date are as follows:

Consolidated	30 June 2013			30 June 2012		
	USD	Euro	GBP	USD	Euro	GBP
<i>Financial Assets</i>						
Cash and cash equivalents	550,940	708,213	111,349	188,431	677,687	-
Trade and other receivables	-	9,092	578	-	-	-
<i>Financial Liabilities</i>						
Trade and other payables	307,896	241,663	18,891	81,512	200,603	-

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the statement of financial position date. A 10 percent increase or decrease in the foreign exchange rate is used and represents management's assessment of the possible change in foreign exchange rates and historically is within a range of rate movements. A positive number indicates an increase in result and other equity. A negative number indicates a decrease in result and other equity. At 30 June 2013, if foreign exchange rates had moved, as illustrated in the table below, with all other variables held constant, pre-tax result and equity would have been affected as follows:

Consolidated	- 10%		+ 10%	
	Profit \$	Equity \$	Profit \$	Equity \$
30 June 2013				
<i>Financial Assets</i>				
Cash and cash equivalents	197,286	197,286	(161,416)	(161,416)
Trade and other receivables	1,530	1,530	(1,252)	(1,252)
<i>Financial Liabilities</i>				
Trade and other payables	(97,594)	(97,594)	63,971	63,971
	101,222	101,222	(98,697)	(98,697)
30 June 2012				
<i>Financial Assets</i>				
Cash and cash equivalents	113,597	113,597	(92,943)	(92,943)
Trade and other receivables	-	-	-	-
<i>Financial Liabilities</i>				
Trade and other payables	(36,432)	(36,432)	29,808	29,808
	77,165	77,165	(63,135)	(63,135)

(e) Interest rate risk management

The Group's exposure to market interest rates relates primarily to the Group's short term deposits held and deposits at call. The interest income earned from these balances can vary due to interest rate changes.

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 10 percent increase or decrease in the interest rate is used and represents management's assessment of the possible change in interest rates and historically is within a range of rate movements.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the statement of financial position date. At 30 June 2013, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre tax result and equity would have been affected as follows:

Consolidated	- 10%		+ 10%	
	Profit \$	Equity \$	Profit \$	Equity \$
30 June 2013				
<i>Financial Assets</i>				
Cash and cash equivalents	(14,630)	(14,630)	14,630	14,630
30 June 2012				
<i>Financial Assets</i>				
Cash and cash equivalents	(24,956)	(24,956)	24,956	24,956

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

(f) Liquidity risk

Liquidity risk is the risk that the Group will not be able to pay its debts as and when they fall due. The Group has no borrowings at reporting date and the Directors ensure that the cash on hand is sufficient to meet the commitments of the Group at all times during the research and development phase.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash and where necessary unutilised borrowing facilities are maintained.

Financing arrangements

The Group does not have access to any borrowing facilities at the reporting date.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities.

Consolidated	6 -12 months	Maturing 1 to 3 years	Total
30 June 2013			
<i>Financial Liabilities</i>			
Trade and other payables	925,427	-	925,427
	925,427	-	925,427
30 June 2012			
<i>Financial Liabilities</i>			
Trade and other payables	823,806	-	823,806
	823,806	-	823,806

All current balances mature within one year; all non-current balances mature in between one and three years.

(g) Price risk

Price risk is the risk that future cashflows derived from financial instruments will be changed as a result of a market price movement, other than foreign currency rates and interest rates. The Group is not exposed to any material commodity price risks, other than those already described above.

Net fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their net fair values.

The net fair values of financial assets and financial liabilities are determined as follows:

- the net fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the net fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults.

In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

Note 19: Share based payments

(a) Employee equity

The Company issues equity to Patrys (including subsidiaries Patrys GmbH and Patrys UK Ltd) directors, employees and key consultants under either the Loan Share Plan (LSP) or the Executive Share Option Plan (ESOP). Under the plans, participants are issued with equity to foster an ownership culture within the Company to motivate them to achieve performance targets of the Group. Participation in the plans is at the Board's discretion and no individual has a contractual right to participate in the plans or to receive any guaranteed benefits.

The Company introduced the LSP in December 2009, following approval of the plan at the 2009 Annual General Meeting. Only Australian residents are eligible to participate in the plan. The plan allows non-recourse, interest free loans to be provided to eligible participants to acquire shares under the plan. When an issue is made it is treated as an in-substance grant of options and expensed over the vesting period because of the limited recourse nature of the loans. Generally shares issued under the plan vest over a three year period. The shares are acquired in the name of the participant and each participant authorises and appoints the Company Secretary to act on their behalf. Any dividends paid on the shares are used to repay the loan. If the participant leaves the Company,

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

any shares that have not vested are bought back by the Company and cancelled along with the loan. In respect of shares that have vested, generally, the loan balance must be paid in full within six months of termination of appointment or the shares are sold and the proceeds applied to settle the loan balance. The issue price of the shares in the Company held under the LSP is not included in equity until the loan has been repaid.

Options are granted under the ESOP. Following the introduction of the LSP issues under the ESOP are generally only made to non-Australian residents. Under the ESOP each option granted converts into one ordinary share of Patrys Limited. Options are granted under the plan for no consideration and carry no dividend or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The options are typically issued in two or three equal tranches which vest over a three year period, each tranche having an expiry date of five years after vesting date. The exercise period in relation to an option, means the period in which the option may be exercised, and is specified by the Board. If a participant ceases to be appointed as a Director or employed by any member of the group (other than due to his/her death) then, generally, options that have vested at the date of cessation of appointment/employment will lapse if not exercised within six months of the cessation date. In the case of death of the participant then the exercise period is extended to twelve months. All unvested options will generally lapse on cessation.

The valuations of shares issued under the LSP and options issued under the ESOP are determined by using an industry standard option pricing model taking into account the terms and conditions upon which the instruments were issued.

The Board aims to ensure that the aggregate number of shares or options which may be issued pursuant to the LSP and ESOP shall not at any time exceed 5% of the total number of issued shares of the Company. All issues of shares or options under the plans are subject to approval by the Nomination and Remuneration Committee. In accordance with the rules of both the LSP and ESOP the Board has the ability to vary the terms in respect of issues in circumstances it considers appropriate.

The following share-based payment arrangements were in existence during the current and/or prior reporting period:

Shares in existence in the current and past periods under the Loan Share Plan:

Loan Share Plan (LSP) - Series				Fair Value at Issue Date	
	Number	Issue date	Loan expiry date	Unit Price \$	Amount \$
Employees LSP Tranche 1a	307,351	02/12/2009	27/12/2015	0.0935	28,745
Employees LSP Tranche 2a	307,351	02/12/2009	27/12/2016	0.1003	30,837
Employees LSP Tranche 3a	240,661	02/12/2009	27/12/2017	0.1060	25,519
Employees LSP Tranche 1b	50,018	02/12/2009	31/12/2011	0.0935	4,678
Employees LSP Tranche 2b	50,017	02/12/2009	31/12/2011	0.1003	5,018
Employees LSP Tranche 3b	50,017	02/12/2009	31/12/2011	0.1060	5,304
Employees LSP Tranche 3c	66,690	02/12/2009	27/03/2017	0.1060	7,072
Directors LSP Tranche 1	209,651	02/12/2009	27/12/2015	0.0935	19,608
Directors LSP Tranche 2a	75,026	02/12/2009	27/12/2016	0.1003	7,528
Directors LSP Tranche 2b	134,624	02/12/2009	30/06/2016	0.1003	13,507
Directors LSP Tranche 3a	75,026	02/12/2009	27/12/2017	0.1060	7,956
Directors LSP Tranche 3b	134,624	02/12/2009	30/06/2016	0.1060	14,275
Employees LSP Tranche 4a	180,436	01/07/2010	01/07/2016	0.0687	12,403
Employees LSP Tranche 5a	147,101	01/07/2010	01/07/2017	0.0728	10,706
Employees LSP Tranche 6a	147,101	01/07/2010	01/07/2018	0.0762	11,214
Employees LSP Tranche 4b	25,001	01/07/2010	31/12/2011	0.0687	1,719
Employees LSP Tranche 5b	25,001	01/07/2010	31/12/2011	0.0728	1,820
Employees LSP Tranche 6b	25,001	01/07/2010	31/12/2011	0.0762	1,906
Employees LSP Tranche 5c	33,335	01/07/2010	22/03/2017	0.0728	2,426
Employees LSP Tranche 6c	33,335	01/07/2010	22/03/2017	0.0762	2,541
Employees LSP Tranche 7	75,000	18/08/2010	09/02/2016	0.0649	4,866
Employees LSP Tranche 8	75,000	18/08/2010	09/08/2016	0.0670	5,032
Directors LSP Tranche 4	176,591	29/10/2010	30/06/2016	0.0722	12,754
Directors LSP Tranche 5	176,591	29/10/2010	30/06/2016	0.0757	13,365
Directors LSP Tranche 6	176,591	29/10/2010	30/06/2016	0.0786	13,881
Employees LSP Tranche 9a	205,002	08/12/2011	08/12/2017	0.0271	5,556
Employees LSP Tranche 10a	204,999	08/12/2011	08/12/2018	0.0286	5,863
Employees LSP Tranche 11a	204,999	08/12/2011	08/12/2019	0.0299	6,129
Employees LSP Tranche 9b	50,000	08/12/2011	22/03/2017	0.0271	1,355
Employees LSP Tranche 10b	50,000	08/12/2011	22/03/2017	0.0286	1,430
Employees LSP Tranche 11b	50,000	08/12/2011	22/03/2017	0.0299	1,495
Directors LSP Tranche 7	108,334	18/01/2012	18/01/2018	0.0277	3,001
Directors LSP Tranche 8	108,333	18/01/2012	18/01/2019	0.0292	3,163
Directors LSP Tranche 9	108,333	18/01/2012	18/01/2020	0.0353	3,822
Employees LSP Tranche 12	255,000	21/08/2012	21/08/2018	0.0148	3,774
Employees LSP Tranche 13	255,000	21/08/2012	21/08/2019	0.0156	3,978
Employees LSP Tranche 14	255,000	21/08/2012	21/08/2020	0.0164	4,182
Employees LSP Tranche 15	37,500	02/11/2012	02/05/2018	0.0251	941
Employees LSP Tranche 16	37,500	02/11/2012	02/11/2018	0.0258	968
	4,927,140				310,337

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Options in existence in the current and past periods under the Executive Share Option Plan:

Executive Share Option Plan (ESOP) – Series				Fair Value at Grant Date	
	Number	Grant date	Expiry date	Unit Price \$	Amount \$
Directors ESOP Tranche 1	300,000	29/05/2007	29/05/2012	0.1498	44,940
Directors ESOP Tranche 2	300,000	29/05/2007	29/05/2013	0.1607	48,210
Directors ESOP Tranche 3	150,000	29/05/2007	29/05/2014	0.1764	26,460
Employees ESOP Tranche 3a	125,000	06/07/2007	31/12/2011	0.2021	25,267
Employees ESOP Tranche 3b	125,000	06/07/2007	05/07/2012	0.2021	25,266
Employees ESOP Tranche 5a	125,000	06/07/2007	31/12/2011	0.2692	33,650
Employees ESOP Tranche 5b	125,000	06/07/2007	05/07/2013	0.2692	33,650
Employees ESOP Tranche 7	260,000	31/10/2007	31/01/2013	0.2492	64,800
Employees ESOP Tranche 8a	311,669	01/07/2008	01/07/2014	0.1738	54,177
Employees ESOP Tranche 9a	261,666	01/07/2008	01/07/2015	0.1892	49,515
Employees ESOP Tranche 10a	261,665	01/07/2008	01/07/2016	0.2024	52,971
Employees ESOP Tranche 8b	50,000	01/07/2008	31/12/2011	0.1738	8,692
Employees ESOP Tranche 9b	50,000	01/07/2008	31/12/2011	0.1892	9,462
Employees ESOP Tranche 10b	50,000	01/07/2008	31/12/2011	0.2024	10,122
Employees ESOP Tranche 13	57,500	01/07/2008	18/09/2013	0.1598	9,191
Employees ESOP Tranche 14	57,500	01/07/2008	18/03/2014	0.1689	9,712
Employees ESOP Tranche 15	65,000	01/07/2008	07/10/2013	0.1608	10,454
Employees ESOP Tranche 16	65,000	01/07/2008	07/04/2014	0.1699	11,041
Employees ESOP Tranche 17	125,000	19/12/2008	20/04/2014	0.0499	6,235
Employees ESOP Tranche 18	125,000	19/12/2008	20/10/2014	0.0535	6,693
Directors ESOP Tranche 4	480,000	28/12/2008	25/05/2014	0.0414	19,869
Directors ESOP Tranche 5	480,000	28/12/2008	25/05/2015	0.0490	23,519
Directors ESOP Tranche 6	240,000	28/12/2008	25/05/2016	0.5421	13,010
Employees ESOP Tranche 19	305,579	02/12/2009	27/12/2015	0.0935	28,579
Employees ESOP Tranche 20	305,582	02/12/2009	27/12/2016	0.1003	30,660
Employees ESOP Tranche 21	305,582	02/12/2009	27/12/2017	0.1060	32,404
Employees ESOP Tranche 22	175,003	01/07/2010	01/07/2016	0.0687	12,030
Employees ESOP Tranche 23	175,004	01/07/2010	01/07/2017	0.0728	12,737
Employees ESOP Tranche 24	175,004	01/07/2010	01/07/2018	0.0762	13,341
Employees ESOP Tranche 25	103,336	08/12/2011	08/12/2017	0.0271	2,800
Employees ESOP Tranche 26	103,332	08/12/2011	08/12/2018	0.0286	2,955
Employees ESOP Tranche 27	103,332	08/12/2011	08/12/2019	0.0299	3,090
Employees ESOP Tranche 28	76,667	21/08/2012	21/08/2018	0.0148	1,135
Employees ESOP Tranche 29	76,667	21/08/2012	21/08/2019	0.0156	1,196
Employees ESOP Tranche 30	76,666	21/08/2012	21/08/2020	0.0164	1,257
Directors ESOP Tranche 7	125,000	02/11/2012	02/11/2018	0.0253	3,163
Directors ESOP Tranche 8	125,000	02/11/2012	02/11/2019	0.0271	3,388
Directors ESOP Tranche 9	125,000	02/11/2012	02/11/2020	0.0283	3,538
	6,546,754				749,179

The weighted average fair value of the shares and options issued during the financial year under the LSP is \$0.0227 (2012: \$0.0387) and the ESOP is \$0.0270 (2012: \$0.0390). These shares and options were priced using standard industry pricing models. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the share loans and options), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past year.

The following reconciles the outstanding shares issued under the Loan Share Plan at the beginning and end of the financial year:

Consolidated	2013		2012	
	Number of shares	Weighted average issue price	Number of shares	Weighted average issue price
Balance at beginning of the financial year	3,862,085	0.0989	2,997,140	0.1232
Granted during the financial year	840,000	0.0227	1,090,000	0.0387
Lapsed during the financial year	-	-	-	-
Loans repaid during the financial year	-	-	-	-
Loans cancelled during the financial year	-	-	(225,055)	0.1313
Balance at end of the financial year	4,702,085	0.0853	3,862,085	0.0989
Weighted average remaining contractual life	4.2398 Years		4.8456 Years	
Shares vested and loans repayable at end of the financial year	3,088,320	0.1108	2,312,196	0.1163

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Shares issued in the current and past periods under the Loan Share Plan:

Loan Share Plan - Series	Issue price \$	Balance at start of year	Issued during the year	Loans repaid during the year	Loans cancelled during the year	Balance at end of year	Vested & repayable at the end of the year	Not vested at the end of the year
<i>Shares issued prior to 30 June 2012</i>								
Director LSP Tranche 1	0.144	209,651	-	-	-	209,651	209,651	-
Director LSP Tranche 2	0.144	209,650	-	-	-	209,650	209,650	-
Director LSP Tranche 3	0.144	209,650	-	-	-	209,650	209,650	-
Employee LSP Tranche 1	0.144	307,351	-	-	-	307,351	307,351	-
Employee LSP Tranche 2	0.144	307,351	-	-	-	307,351	307,351	-
Employee LSP Tranche 3	0.144	307,351	-	-	-	307,351	307,351	-
Employee LSP Tranche 4	0.106	180,436	-	-	-	180,436	180,436	-
Employee LSP Tranche 5	0.106	180,436	-	-	-	180,436	180,436	-
Employee LSP Tranche 6	0.106	180,436	-	-	-	180,436	33,335	147,101
Employee LSP Tranche 7	0.10	75,000	-	-	-	75,000	75,000	-
Employee LSP Tranche 8	0.10	75,000	-	-	-	75,000	75,000	-
Director LSP Tranche 4	0.083	176,591	-	-	-	176,591	176,591	-
Director LSP Tranche 5	0.083	176,591	-	-	-	176,591	176,591	-
Director LSP Tranche 6	0.083	176,591	-	-	-	176,591	176,591	-
Employee LSP Tranche 9	0.039	255,002	-	-	-	255,002	255,002	-
Employee LSP Tranche 10	0.039	254,999	-	-	-	254,999	50,000	204,999
Employee LSP Tranche 11	0.039	254,999	-	-	-	254,999	50,000	204,999
Director LSP Tranche 7	0.038	108,334	-	-	-	108,334	108,334	-
Director LSP Tranche 8	0.038	108,333	-	-	-	108,333	-	108,333
Director LSP Tranche 9	0.038	108,333	-	-	-	108,333	-	108,333
<i>Shares issued during the year ended 30 June 2013</i>								
Employee LSP Tranche 12	0.022		255,000		-	255,000	-	255,000
Employee LSP Tranche 13	0.022		255,000		-	255,000	-	255,000
Employee LSP Tranche 14	0.022		255,000		-	255,000	-	255,000
Employee LSP Tranche 15	0.03		37,500		-	37,500	37,500	-
Employee LSP Tranche 16	0.03		37,500		-	37,500	-	37,500
		3,862,085	840,000		-	4,702,085	3,125,820	1,576,265

The following reconciles the outstanding share options granted under the Executive Share Option Plan at the beginning and end of the financial year:

Consolidated	2013		2012	
	Number of shares	Weighted average issue price	Number of shares	Weighted average issue price
Balance at beginning of the financial year	4,179,065	0.2730	5,631,754	0.2996
Granted during the financial year	605,000	0.0270	310,000	0.0390
Lapsed during the financial year	(56,006)	0.2837	(1,462,689)	0.2894
Exercised during the financial year	-	-	-	-
Expired during the financial year	(595,000)	0.4642	(300,000)	0.4500
Balance at end of the financial year	4,133,059	0.2093	4,179,065	0.2730
Weighted average remaining contractual life	2.836 Years		2.873 Years	
Exercisable at end of the financial year	3,246,125	0.2561	3,540,276	0.3065

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Options granted in the current and past periods:

Option - Series	Exercise price \$	Balance at start of year	Granted during the year	Exercised during the year	Lapsed/expired during the year	Balance at end of year	Vested & able to be exercised at the end of the year	Not vested & not able to be exercised at the end of the year
<i>Options issued prior to 30 June 2012</i>								
Director ESOP Tranche 2	0.45	300,000	-	-	(300,000)	-	-	-
Director ESOP Tranche 3	0.45	150,000	-	-	-	150,000	150,000	-
Employee ESOP Tranche 3	0.46	125,000	-	-	(125,000)	-	-	-
Employee ESOP Tranche 5	0.56	125,000	-	-	-	125,000	125,000	-
Employee ESOP Tranche 7	0.56	135,000	-	-	(135,000)	-	-	-
Employee ESOP Tranche 8	0.33	215,835	-	-	(53,334)	162,501	162,501	-
Employee ESOP Tranche 9	0.33	165,833	-	-	(3,333)	162,500	162,500	-
Employee ESOP Tranche10	0.33	165,832	-	-	(3,333)	162,499	162,499	-
Employee ESOP Tranche13	0.33	57,500	-	-	-	57,500	57,500	-
Employee ESOP Tranche14	0.33	57,500	-	-	-	57,500	57,500	-
Employee ESOP Tranche15	0.33	65,000	-	-	-	65,000	65,000	-
Employee ESOP Tranche16	0.33	65,000	-	-	-	65,000	65,000	-
Employee ESOP Tranche17	0.17	125,000	-	-	-	125,000	125,000	-
Employee ESOP Tranche18	0.17	125,000	-	-	-	125,000	125,000	-
Director ESOP Tranche 4	0.2609	480,000	-	-	-	480,000	480,000	-
Director ESOP Tranche 5	0.2609	480,000	-	-	-	480,000	480,000	-
Director ESOP Tranche 6	0.2609	240,000	-	-	-	240,000	240,000	-
Employee ESOP Tranche19	0.144	177,486	-	-	(11,902)	165,584	165,584	-
Employee ESOP Tranche20	0.144	177,489	-	-	(11,904)	165,585	165,585	-
Employee ESOP Tranche21	0.144	165,585	-	-	-	165,585	165,585	-
Employee ESOP Tranche22	0.106	107,801	-	-	(7,200)	100,601	100,601	-
Employee ESOP Tranche23	0.106	100,602	-	-	-	100,602	100,602	-
Employee ESOP Tranche24	0.106	100,602	-	-	-	100,602	-	100,602
Employee ESOP Tranche25	0.039	90,668	-	-	-	90,668	90,668	-
Employee ESOP Tranche26	0.039	90,666	-	-	-	90,666	-	90,666
Employee ESOP Tranche27	0.039	90,666	-	-	-	90,666	-	90,666
<i>Options issued during the year ended 30 June 2013</i>								
Employee ESOP Tranche28	0.022		76,667		-	76,667	-	76,667
Employee ESOP Tranche29	0.022		76,667		-	76,667	-	76,667
Employee ESOP Tranche30	0.022		76,666		-	76,666	-	76,666
Director ESOP Tranche 7	0.03		125,000		-	125,000	-	125,000
Director ESOP Tranche 8	0.03		125,000		-	125,000	-	125,000
Director ESOP Tranche 9	0.03		125,000		-	125,000	-	125,000
		4,179,065	605,000		(651,006)	4,133,059	3,246,125	886,934

(b) Other options granted

At the time of the IPO the Company provided initial seed investors who subscribed for 18,380,475 fully paid preference shares, 9,191,703 options to acquire 9,191,703 ordinary shares at an exercise price of \$0.45 and 15,254,327 options to acquire 15,254,327 ordinary shares at an exercise price of \$0.80. On 13 July 2012 these options expired in accordance with their terms of issue.

On 21 August 2012 the Company granted 50,000,000 options to Forrest Capital Pty Ltd in part consideration for fundraising and advisory services. These options vested on grant, expire on 30 June 2014 and have an exercise price of 5 cents each.

(c) Fair values of share based payments

The fair value of all loan shares and options granted to Directors, key management personnel, consultants, other employees and the financial advisor have been calculated using the Binomial Option Pricing Model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise (including the probability of meeting market conditions attached to the option), and behavioural considerations. The model requires the Company share price volatility to be measured. The share price volatility has been measured with reference to the historical share prices of the Company and other similar Companies.

The fair value of share based payments is calculated on the date of issue less any consideration paid. The values are not revised if there is a subsequent change in terms. Details in respect of equity that was in existence at reporting date are:

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Equity Instrument	Loan /Exercise price \$	Share price on issue Date	Volatility	Vesting date	Time to maturity	Risk free interest rate	Expected dividend yield
<i>Equity issued prior to 30 June 2012</i>							
Directors ESOP Tranche 3	0.45	\$0.40	46%	29/05/2009	7 years	6.07%	-
Employees ESOP Tranche 5	0.56	\$0.40	46%	06/07/2008	6 years	6.07%	-
Employees ESOP Tranche 8	0.33	\$0.30	60%	01/07/2009	6 years	8.5%	-
Employees ESOP Tranche 9	0.33	\$0.30	60%	01/07/2010	7 years	8.5%	-
Employees ESOP Tranche 10	0.33	\$0.30	60%	01/07/2011	8 years	8.5%	-
Employees ESOP Tranche 13	0.33	\$0.30	60%	18/09/2008	5.25 years	8.5%	-
Employees ESOP Tranche 14	0.33	\$0.30	60%	18/03/2009	5.75 years	8.5%	-
Employees ESOP Tranche 15	0.33	\$0.30	60%	07/10/2008	5.25 years	8.5%	-
Employees ESOP Tranche 16	0.33	\$0.30	60%	07/04/2009	5.75 years	8.5%	-
Employees ESOP Tranche 17	0.17	\$0.10	75%	20/04/2009	5.5 years	5.8%	-
Employees ESOP Tranche 18	0.17	\$0.10	75%	20/10/2009	6 years	5.8%	-
Directors ESOP Tranche 4	0.2609	\$0.09	75%	25/05/2009	5.5 years	5.8%	-
Directors ESOP Tranche 5	0.2609	\$0.09	75%	25/05/2010	6.5 years	5.8%	-
Directors ESOP Tranche 6	0.2609	\$0.09	75%	25/05/2011	7.5 years	5.8%	-
Directors LSP Tranche 1	0.144	0.145	75%	27/12/2010	6 years	7.35%	-
Directors LSP Tranche 2	0.144	0.145	75%	27/12/2011	7 years	7.40%	-
Directors LSP Tranche 3	0.144	0.145	75%	27/12/2012	8 years	7.44%	-
Employees LSP Tranche 1	0.144	0.145	75%	27/12/2010	6 years	7.35%	-
Employees LSP Tranche 2	0.144	0.145	75%	27/12/2011	7 years	7.40%	-
Employees LSP Tranche 3	0.144	0.145	75%	27/12/2012	8 years	7.44%	-
Employees ESOP Tranche 19	0.144	0.145	75%	27/12/2010	6 years	7.35%	-
Employees ESOP Tranche 20	0.144	0.145	75%	27/12/2011	7 years	7.40%	-
Employees ESOP Tranche 21	0.144	0.145	75%	27/12/2012	8 years	7.44%	-
Employees ESOP Tranche 22	0.106	0.100	75%	01/07/2011	6 years	7.00%	-
Employees ESOP Tranche 23	0.106	0.100	75%	01/07/2012	7 years	7.05%	-
Employees ESOP Tranche 24	0.106	0.100	75%	01/07/2013	8 years	7.11%	-
Employees LSP Tranche 4	0.106	0.100	75%	01/07/2011	6 years	7.00%	-
Employees LSP Tranche 5	0.106	0.100	75%	01/07/2012	7 years	7.05%	-
Employees LSP Tranche 6	0.106	0.100	75%	01/07/2013	8 years	7.11%	-
Employees LSP Tranche 7	0.100	0.098	75%	09/02/2011	5.5 years	6.35%	-
Employees LSP Tranche 8	0.100	0.098	75%	09/08/2011	6 years	6.39%	-
Directors LSP Tranche 4	0.083	0.090	75%	29/10/2011	6 years	6.58%	-
Directors LSP Tranche 5	0.083	0.090	75%	29/10/2012	7 years	6.65%	-
Directors LSP Tranche 6	0.083	0.090	75%	29/10/2013	8 years	6.69%	-
Employees LSP Tranche 9	0.039	0.040	75%	08/12/2012	6 years	5.55%	-
Employees LSP Tranche 10	0.039	0.040	75%	08/12/2013	7 years	5.45%	-
Employees LSP Tranche 11	0.039	0.040	75%	08/12/2014	8 years	5.45%	-
Employees ESOP Tranche 25	0.039	0.040	75%	08/12/2012	6 years	5.55%	-
Employees ESOP Tranche 26	0.039	0.040	75%	08/12/2013	7 years	5.45%	-
Employees ESOP Tranche 27	0.039	0.040	75%	08/12/2014	8 years	5.45%	-
Directors LSP Tranche 7	0.038	0.040	75%	18/01/2013	6 years	5.73%	-
Directors LSP Tranche 8	0.038	0.040	75%	18/01/2014	7 years	5.78%	-
Directors LSP Tranche 9	0.038	0.040	75%	18/01/2015	8 years	5.88%	-
<i>Equity issued during the year ended 30 June 2013</i>							
Employees LSP Tranche 12	0.022	0.022	75%	21/08/2013	6 years	4.95%	-
Employees LSP Tranche 13	0.022	0.022	75%	21/08/2014	7 years	5.10%	-
Employees LSP Tranche 14	0.022	0.022	75%	21/08/2015	8 years	5.10%	-
Employees ESOP Tranche 28	0.022	0.022	75%	21/08/2013	6 years	4.95%	-
Employees ESOP Tranche 29	0.022	0.022	75%	21/08/2014	7 years	5.10%	-
Employees ESOP Tranche 30	0.022	0.022	75%	21/08/2015	8 years	5.10%	-
Financial Advisor Options (1)	0.050	0.022	75%	21/08/2012	678 days	4.75%	-
Directors ESOP Tranche 7	0.030	0.036	75%	02/11/2013	6 years	5.15%	-
Directors ESOP Tranche 8	0.030	0.036	75%	02/11/2014	7 years	5.40%	-
Directors ESOP Tranche 9	0.030	0.036	75%	02/11/2015	8 years	5.65%	-
Employees LSP Tranche 15	0.030	0.036	75%	02/05/2013	5.5 years	4.95%	-
Employees LSP Tranche 16	0.030	0.036	75%	02/11/2014	6 years	5.15%	-

(1) Consideration of 0.01 cents per share was received for the Financial Advisor Options.

(d) Share based payments

The amount expensed in relation to equity settled share based payments to the statement of profit or loss and other comprehensive income was \$41,620 (2012: \$54,185).

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 20: Key management personnel

(a) Details of key management personnel

The Directors and other members of key management personnel of the Company during the year were:

Name	Position
Mr. John Read	Non-Executive Chairman
Mr. Michael Stork	Non-Executive Director
Dr. Alan Robertson	Non-Executive Director
Ms. Suzy Jones	Non-Executive Director
Dr. Marie Roskrow	Managing Director and Chief Executive Officer
Mr. Roger McPherson	Chief Financial Officer and Company Secretary

(b) Key management personnel compensation

The aggregate compensation made to Directors and other members of key management personnel of the Company is set out below:

	2013	2012
	\$	\$
Short term employee benefits	819,754	1,056,978
Post employment benefits	31,968	84,262
Equity based payments	20,366	48,071
	<u>872,088</u>	<u>1,189,311</u>

Further disclosures regarding key management personnel compensation are contained within the remuneration report.

Note 21: Related party transactions

(a) Equity interests in related parties

Consolidated	Country of Incorporation	Class of share	Percentage Owned 2013	2012
<i>Parent Entity:</i> Patrys Limited	Australia			
<i>Controlled Entities:</i> Patrys GmbH	Germany	Ordinary	100%	100%
Patrys Inc.	USA	Ordinary	-	100%
Patrys UK Limited	UK	Ordinary	100%	-

Patrys UK Limited was formed in July 2012. Patrys Inc. was dissolved during the year.

The consolidated financial statements incorporate the assets, liabilities and results of these subsidiaries in accordance with the accounting policy described in Note 1(c).

(b) Transactions with controlled entities

The parent entity has signed a Services Agreement with Patrys GmbH (a wholly owned subsidiary) to reimburse the subsidiary its expenses plus 5%. The amount expended for the period to 30 June 2013 was \$568,898 (2012: \$699,309). An inter-Company loan balance at 30 June 2013 of (\$59,295) (2012: \$44,593) will be repaid during the year ending 30 June 2014. This loan is non-interest bearing and unsecured.

The parent entity had signed a Services Agreement with Patrys, Inc. (a wholly owned subsidiary) to reimburse the subsidiary its expenses plus 5%. Patrys Inc. ceased activity at 31 December 2011. The amount expended for the period to 30 June 2013 was \$NIL (2012: \$130,699). As Patrys Inc. was dissolved during the year the inter-Company loan balance at 30 June 2013 was \$NIL (2012: (\$4,611)).

The parent entity has signed a Services Agreement with Patrys UK Limited (a wholly owned subsidiary) to reimburse the subsidiary its expenses. The amount expended for the period to 30 June 2013 was \$542,597 (2012: \$NIL). An inter-Company loan balance at 30 June 2013 of \$97,745 (2012: \$NIL) will be expensed during year ending 30 June 2014. This loan is non-interest bearing and unsecured.

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

(c) Receivable from and payable to related parties

In addition to inter-Company loan balances with the subsidiaries, the following balances were outstanding at 30 June 2013 in relation to transactions with related parties:

	Consolidated 2013	2012
	\$	\$
<i>Current payables</i>		
Trade payables to Cannington Corporation Pty Ltd (director related entity of Mr. John Read)	23,750	18,750

There were no other loans to or from related parties at the current and previous reporting date. All transactions were made on normal commercial terms and conditions and at market rates.

(d) Transactions with key management personnel

Key management personnel compensation

Details of key management personnel compensation are disclosed in the Remuneration Report.

Key management personnel equity holdings

Shareholdings

Fully paid ordinary shares and shares under the Loan Share Plan held by key management personnel or their related parties:

2013	Balance at 1 July No.	Issued as compensation under Loan Share Plan No.	Purchased under the Share Placement or SPP No.	Received on exercise of options No.	Net change other No.	Balance at 30 June No.	Total vested 30 June No.
John Read	2,308,389	-	2,750,000	-	-	5,058,389	5,058,389
Michael Stork	83,231,764	-	2,500,000	-	-	85,731,764	85,731,764
Alan Robertson	75,026	-	500,000	-	-	575,026	575,026
Suzy Jones	-	-	2,500,000	-	-	2,500,000	2,500,000
Marie Roskrow	2,141,667	-	400,000	-	-	2,541,667	2,325,001
Roger McPherson	1,946,102	375,000	750,000	-	-	3,071,102	2,395,915
Totals	89,702,948	375,000	9,400,000	-	-	99,477,948	98,586,095

2012	Balance at 1 July No.	Issued as compensation under Loan Share Plan No.	Purchased under the Share Placement No.	Received on exercise of options No.	Net change other No.	Balance at 30 June No.	Total vested 30 June No.
John Read	641,722	-	1,666,667	-	-	2,308,389	2,258,372
Michael Stork	57,625,000	-	26,666,667	-	(1,059,903)	83,231,764	83,231,764
Alan Robertson	75,026	-	-	-	-	75,026	50,016
Suzy Jones ¹	-	-	-	-	-	-	-
Marie Roskrow	150,000	325,000	1,666,667	-	-	2,141,667	1,816,667
Roger McPherson	954,435	325,000	666,667	-	-	1,946,102	1,319,436
Frank Hensel ²	-	-	-	-	-	-	-
Deanne Greenwood ²	400,829	250,000	50,000	-	-	700,829	266,973
Totals	59,847,012	900,000	30,716,668	-	(1,059,903)	90,403,777	88,943,228

1. Suzy Jones was appointed as a Director on 15 December 2011.

2. Frank Hensel and Deanne Greenwood ceased to be members of the key management personnel from 1 July 2012.

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Options

Options held by key management personnel:

2013	Balance at 1 July No.	Granted as compensation No.	Lapsed No.	Net change other No.	Balance at 30 June No.	Total vested 30 June No.	Vested and exercisable No.	Vested but not exercisable No.
John Read	900,000	-	(200,000)	-	700,000	700,000	700,000	-
Michael Stork	300,000	-	-	-	300,000	300,000	300,000	-
Alan Robertson	450,000	-	(100,000)	-	350,000	350,000	350,000	-
Suzy Jones	-	-	-	-	-	-	-	-
Marie Roskrow	-	375,000	-	-	375,000	-	-	-
Roger McPherson	250,000	-	-	-	250,000	250,000	250,000	-
Totals	1,900,000	375,000	(300,000)	-	1,975,000	1,600,000	1,600,000	-
2012	Balance at 1 July No.	Granted as compensation No.	Lapsed No.	Net change other No.	Balance at 30 June No.	Total vested 30 June No.	Vested and exercisable No.	Vested but not exercisable No.
John Read	1,100,000	-	(200,000)	-	900,000	900,000	900,000	-
Michael Stork	300,000	-	-	-	300,000	300,000	300,000	-
Alan Robertson	550,000	-	(100,000)	-	450,000	450,000	450,000	-
Suzy Jones ¹	-	-	-	-	-	-	-	-
Marie Roskrow	-	-	-	-	-	-	-	-
Roger McPherson	250,000	-	-	-	250,000	250,000	250,000	-
Frank Hensel ²	1,254,435	150,000	-	-	1,404,435	617,959	617,959	-
Deanne Greenwood ²	115,000	-	-	-	115,000	115,000	115,000	-
Totals	3,569,435	150,000	(300,000)	-	3,419,435	2,632,959	2,632,959	-

1. Suzy Jones was appointed as a Director on 15 December 2011.

2. Frank Hensel and Deanne Greenwood ceased to be members of the key management personnel from 1 July 2012.

Note 22: Parent Entity Information

Information relating to Patry's Limited:

	30 June 2013	30 June 2012
	\$	\$
Current assets	5,195,371	6,334,179
Total assets	11,569,227	13,190,537
Current liabilities	899,619	870,004
Total liabilities	936,381	870,004
Net assets	10,632,846	12,320,533
Issued capital	50,712,575	49,136,175
Retained earnings	(41,425,915)	(37,933,408)
Share option reserve	1,048,958	848,122
Loan share plan reserve	297,228	269,644
Total shareholders' equity	10,632,846	12,320,533
Profit or (loss) of the parent entity	(3,492,507)	(5,131,714)
Total comprehensive income of the parent entity	(3,492,507)	(5,131,714)

Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries

NIL

NIL

Details of any contingent liabilities of the parent entity

Refer Note 17

Refer Note 17

Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment.

NIL

NIL

Note 23: Segment information

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 is not regarded as being a separate segment.

PATRY'S LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Note 24: Matters subsequent to the reporting period

On 10 July 2013 the Company announced that Macquarie University had been awarded an ARC Linkage Grant to support its partnership with Patrys for the development of cancer diagnostics using PAT-SM6 to be used in development of new sensitive cancer diagnostics

On 24 July 2013 the Company announced that it had completed the treatment of the 3rd patient group in its Multiple Myeloma trial. There have been no serious safety issues reported in any patients, one patient has been shown to have stable disease post treatment and the trial is still on track to finish 4Q2013.

On 7 August 2013 the Company announced that it had received approval from the independent data safety monitoring board to progress to the fourth and final patient group in its Multiple Myeloma trial. Recruitment for this group has commenced.

On 13 August 2013, the Company issued a summary of the data from the 2nd and 3rd cohorts of patients in its Multiple Myeloma trial. This data provides convincing evidence that PAT-SM6 is active in patients with end-stage disease who are resistant to other marketed therapies and seems to prolong the time needed for additional therapy which is deemed clinically significant. Two multi-resistant patients in these cohorts experienced stable disease post treatment with PAT-SM6.

No other matter or circumstance has arisen since 30 June 2013 that has significantly affected or may significantly affect: -

- Patrys Limited's operations in future financial years, or
- the results of those operations in future financial years, or
- Patrys Limited's state of affairs in future years.

DECLARATION BY DIRECTORS

The directors of the company declare that:

- (1) The attached financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date.
- (2) The attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements.
- (3) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (4) The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to section 295(5)a of the Corporations Act 2001.

On behalf of the directors by:



Mr. John Read
Director
Melbourne

Date: 21 August 2013

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the members of Patrys Limited

Report on the Financial Report

We have audited the accompanying financial report of Patrys Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the disclosing entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the disclosing entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Patrys Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Patrys Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

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INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT (CONT'D)

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(d) in the financial report, which indicates that the consolidated entity incurred a net loss of \$3,529,095 during the year ended 30 June 2013 and had negative cash flows from operating activities of \$2,627,920. These conditions, along with other matters as set out in Note 1(d), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 22 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Patrys Limited for the year ended 30 June 2013 complies with section 300A of the Corporations Act 2001.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'James Mooney'. Above the signature, the letters 'BDO' are written in a stylized, handwritten font.

James Mooney
Partner

Melbourne, 21 August 2013

SHAREHOLDER INFORMATION

A. Substantial shareholders

The Company's Holders of Relevant Interests as notified by ASX Substantial Shareholders and the number of shares in which they have an interest as disclosed by notices received under Part 6.7 of the Corporations Act 2001 as at 13 August 2013 are:

<i>Name</i>	<i>Ordinary Shares</i>
Stork Holdings 2010 Ltd	85,731,764
Dr. Dax Marcus Calder	31,695,673

B. Number of holders of equity securities and voting rights

	<i>Ordinary Shares (i)</i>	<i>Share Options (ii)</i>
Number of holdings as at 13 August 2013	1,090	19

The voting rights attaching to each class of equity securities are:

(i) Ordinary shares

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

(ii) Options

No voting rights.

C. Distribution of equity securities

Distribution of holders of equity securities as at 13 August 2013:

<i>No. of holders</i>	<i>Ordinary Shares</i>	<i>Options</i>
1 - 1,000	40	-
1,001 - 5,000	73	-
5,001 - 10,000	86	-
10,001 - 100,000	524	2
100,001 and over	367	17
	1,090	19
Number of holders of less than a marketable parcel of shares	215	

D. 20 largest holders of quoted securities

The names of the 20 largest shareholders of each class of equity security as at 13 August 2013 are listed below:

<i>No.</i>	<i>Name</i>	<i>No. of shares held</i>	<i>% of total shares</i>
1.	Stork Holdings 2010 Ltd	85,731,764	16.90
2.	HSBC Custody Nominees (Australia) Limited	32,124,977	6.33
3.	Dr. Dax Marcus Calder	31,695,673	6.25
4.	Dyamond Developments Pty Ltd	20,996,452	4.14
5.	Oncomab GmbH	20,250,000	3.99
6.	LSAF Holdings Pty Ltd	13,000,000	2.56
7.	Gaks Investment Holdings Pty Ltd	10,653,504	2.10
8.	Tigcorp Nominees Pty Ltd	10,555,000	2.08
9.	Aviemore Capital Pty Ltd	10,000,000	1.97
10.	Tisia Nominees Pty Ltd	9,000,000	1.77
11.	Capita Trustees Limited	6,666,666	1.31
12.	Bell Potter Nominees Ltd	6,500,000	1.28
13.	JK Nominees Pty Ltd	5,000,000	0.99
14.	Asia Pac Holdings	4,817,916	0.95
15.	Takeda Ventures Inc.	4,471,000	0.88
16.	Mr. Daniel Kevin Devine	4,440,382	0.88
17.	Josaka Investments Pty Ltd	4,397,728	0.87
18.	Chessari Holdings Pty Ltd	4,288,840	0.85
19.	National Nominees Limited	4,286,587	0.84
20.	Moore Family Nominee Pty Ltd	4,000,000	0.79
		292,876,489	57.73

SHAREHOLDER INFORMATION

E. Shares subject to restriction arrangements

The total number of shares subject to restriction arrangements is 4,702,085 shares. These shares were all issued under the Loan Share Plan and the escrow period ends on the latter of the date of repayment of the associated loan or as outlined below:

<i>Date shares issued</i>	<i>Vesting date</i>	<i>Number under shares</i>
02/12/2009	27/12/2010	517,002
02/12/2009	30/06/2011	269,248
02/12/2009	27/12/2011	382,377
02/12/2009	27/12/2012	315,687
02/12/2009	22/03/2012	66,690
01/07/2010	01/07/2011	180,436
01/07/2010	22/03/2012	66,670
01/07/2010	01/07/2012	147,101
01/07/2010	01/07/2013	147,101
18/08/2010	09/02/2011	75,000
18/08/2010	09/08/2011	75,000
29/10/2010	30/06/2011	529,773
08/12/2011	22/03/2012	150,000
08/12/2011	08/12/2011	205,000
08/12/2011	08/12/2011	205,000
08/12/2011	08/12/2011	205,000
18/01/2012	18/01/2013	108,334
18/01/2012	18/01/2014	108,333
18/01/2012	18/01/2015	108,333
21/08/2012	21/08/2013	255,000
21/08/2012	21/08/2014	255,000
21/08/2012	21/08/2015	255,000
02/11/2012	02/05/2013	37,500
02/11/2012	02/11/2013	37,500
		4,702,085

NOTES

Board of Directors and Company Particulars

DIRECTORS

- » John Read
- » Marie Roskrow
- » Michael Stork
- » Alan Robertson
- » Suzy Jones

SECRETARY

- » Roger McPherson

REGISTERED OFFICE

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AUDITORS

BDO

East Coast Partnership
Level 14
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SHARE REGISTRY

Computershare Investor Services Pty Limited

Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

STOCK EXCHANGE LISTING

Australian Securities Exchange
[ASX Code: PAB]

AUSTRALIAN COMPANY NUMBER

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